**CheckFree®**
**Investment Services**

July 29, 2004

CFA Institute
Professional Standards & Advocacy Department
Reference: "Gold" GIPS Standards
P.O. Box 3668
Charlottesville, Virginia 22903

Re: Proposed Revisions to the Global Investment Performance Standards

Ladies and Gentlemen:

CheckFree Investment Services appreciates the opportunity to comment on the proposed revisions to the Global Investment Performance Standards ("GIPS"), which is referred to as "Gold" GIPS. CheckFree Investment Services supports the principles underlying GIPS and the framework for ethical performance presentations that they represent.

CheckFree Investment Services provides a range of portfolio management services and software solutions to financial institutions, including broker/dealers, money managers, investment advisors, banks and trust departments and third party providers. Separate account managers and program sponsors use the CheckFree APL system to dramatically streamline and automate their operations, trading and reporting to effectively manage and grow their business.

The automated performance measurement system is an integral part of CheckFree APL. Many clients use APL's performance measurement system for calculations and analytics to prepare effective marketing materials, or to demonstrate their management style and returns to their clients. In addition, they utilize the APL system as a composite reporting system.

**Comments:**

**Requirement 1.A.3**: For periods prior to 1 January 2001, portfolios must be valued at least quarterly. For periods between 1 January 2001 and 1 January 2010, portfolios must be valued at least monthly. For periods beginning 1 January 2010, the firm will be required to value portfolios on the date of any external cash flow. 25

**We are in agreement with this recommendation for quarterly valuation. We do feel, however, that as of year 2010 it would be difficult for firms to revalue portfolios at the point of each cash flow. Accounting system providers need to review the technology and costs of supporting data storage and nightly processing to capture these additional flows. We believe this will increase internal costs. Another key consideration is the cost and ability to receive daily pricing on certain security types. We fail to see how revaluing a portfolio at an SMA manager for cash flows under a certain percent has an affect on the portfolio. We would prefer to see a requirement surrounding the threshold for revaluing a portfolio with day weighting of the smaller interim cash flows.**

**Recommendation 1.B.2**: When presenting Net-of-Fees returns, the firm should accrue Investment Management Fees. 30

**Accruing for fees could result in periods of over/under performance as fees are actually paid and offset to the accrual. The "true up" would be done in the month actually paid. Consideration needs to be given to the different type of fee structures. Fees are typically paid in advance, arrears, or performance based. We would**

**like to see clarification around how to accomplish the accrual of the investment management fees for these different scenarios.**

**We would also like more clarity around After-tax performance and daily valuation, as we feel this would be extremely difficult to support and maintain.**

Requirement 2.A.2: Time-weighted rates of return that adjust for cash flows must be used. Periodic returns must be geometrically linked. Approximated time-weighted rates of return that adjust for daily-weighted cash flows must be used for periods beginning 1 January 2005. The firm must use a "true " Time-Weighted Rate of Return calculation method for periods beginning 1 January 2010. 31

**We support this requirement and believe it portrays the most accurate return of the portfolio.**

Requirement 3.A.7: Carve-out segments excluding cash must not be used to represent a discretionary portfolio and, as such, must not be included in composite returns. When a single asset class is carved out of a multiple asset portfolio and the returns are presented as part of a single asset composite, cash must be allocated to the carve-out returns. Beginning 1 January 2010, carve-out returns must not be included in single asset class composite returns unless the carve-out is actually managed separately with its own cash balance. 39

**We believe that the proposed change for year 2010 could prove costly to our client base. Requiring a manager to sustain multiple custodial accounts to support the cash component will put undue burden on the organization as it relates to reconciliation and reporting. The proposed change, although easier to support from a system standpoint, introduces a number of complexities to the manager.**

Requirement 5.A.1: The following items must be reported...
(d): A measure of dispersion of individual portfolio returns for each annual period.63

**We support a measure of dispersion of the accounts in a composite. However, we believe it may not be the most accurate to report this for portfolios that have been managed for the annual period. This would be true in composites where there is a high inflow of new accounts into a composite. We believe the use of an average of the monthly/quarterly standard deviation would be much more meaningful in such cases.**

CheckFree Investment Services appreciates the opportunity to comment on the Gold GIPS proposals. We will continue to support our client organizations that claim compliance by providing them the needed tools and staying updated on effective changes.

If you would like to contact us for clarification on any of the comments in this letter you may do so by calling CheckFree Investment Services at 201-332-2020 and asking for Michaela Ricco, Senior Product Manager.

Sincerely,

M. R

Michaela Ricco
Senior Product Manager
CheckFree Investment Services