



## Society of Investment Professionals in Germany

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### Comments on Gold GIPS Proposal by DVFA Commission on Performance Presentation Standards, Germany

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*Generally, the following comments are outlined with reference to CFAI's comparison matrix of proposed vs. existing GIPS standards. Notes with respect to real estate and private equity investments are based on the current rules of the AIMR-PPS. References are made with respect to the proposed Gold GIPS:*

Section	Proposed GIPS	Comment
Consistent Valuation Dates	1.A.8	"For periods beginning 1 January 2006 the firm must value portfolios as of the calendar month-end" This should be changed to the last business day of the month (compatible to the according requirement regarding the annual valuation where it is explicitly mentioned that the last business day of the year is accepted as a minimum requirement)
Significant Cash Flows	2.B.3	A clarification of the „temporary new account concept“ would be helpful. Since this is only a recommendation, less priority is given to this point.
Other Fundamental Concepts	FC.A.3	According to the proposed Gold GIPS, firms must provide a compliant presentation to all prospective clients. Some presentations of clients contain around 1,000 pages. Therefore, an implementation of the requirement would result in an inappropriate effort. Additionally, we can not see any improvement for a prospective client if he gets an insight into results of strategies in which he is not interested.

Other Fundamental Concepts (cont.)	FC.A.3	Proposal: It should be mentioned that the provision of a compliant presentation is only mandatory in case of a request of a (prospective) client. Moreover, it should be made more transparent that the provision of a compliant presentation refers to a specific strategy rather than to all composites of a firm.
Certification, Guidance	FC.A.10	Will CFA Institute ensure, that the newsletter contains all relevant information regarding the developments of GIPS?
Input Data	1.A.4	“Trade Date Accounting Trade date accounting in a very strict sense is not prevalent in Germany at present across the entire asset management industry; therefore a more liberal definition should be given such as “all trades must be booked within 3 working days after trading” (“t+3”).
Disclosures	4.A.5	A firm should not market a composite to a prospective client with assets less than the composite’s minimum asset level. This formulation seems to be not strict enough to regard it as a requirement since the word “should” is used. Therefore, it should be clearly labelled as a recommendation.
Disclosures	4.A.10	“For Composites managed against a benchmark, the firm must disclose the percentage of the composites invested in countries, regions or sectors not included in the benchmark for the most recent period” .  This requirement needs further clarification regarding the precision as it is implemented very differently across the industry. What does ex-benchmark mean? Is a high tech stock that is part of a composite “equities euro”, which is managed against the Eurostoxx, considered as ex benchmark?
Disclosures	4.A.16	“Firms must disclose the Fee Schedule appropriate to the presentation” .  The required disclosure of the fee schedule for a presentation does not make much sense for composites which consist of institutional (special funds) as well as mutual funds due to the different fee structures. Moreover, the negotiation efforts of asset managers may be affected. It also remains unclear what is considered to be an appropriate fee schedule as a presentation refers to a historical track record. Only a valid fee schedule at the time of the presentation is relevant to a potential client. However, this fee schedule may not be relevant at all for the presented track record.  Moreover, the requirement could mean that not only the fees schedule must be disclosed, but also how the fees are attributed to different cost categories such as management fee, auditing fees, tax d’abonnement etc. If the interpretation of this requirement goes that far, conflicts with other parties could occur. Therefore we do not support this disclosure requirement unless it’s interpretation is less strict than we have pointed out.
Disclosures	4.A.17	It should be noted if the volumes of all in fee portfolios must be disclosed on composite- or firm-level.

Disclosures	4.A.18-20	It should be more transparent if a more general statement fulfils this disclosure requirement with respect to fees which are not incorporated in the performance calculations.
Disclosures	4.A.16 – 20	In general, the disclosure requirements regarding fees do not provide very useful information to the investor for the interpretation of the presented performances. On the contrary, it may lead to confusion among potential investors. Moreover, there is the danger that due to the mandatory disclosure potential clients are becoming aware of unusual, complex and difficult to handle fee arrangements, which are most often not wanted.
Disclosures	4.A.22	The firm must disclose any discretionary use of a sub-advisor. It would be more transparent to know which details have to be disclosed.
Disclosures	Former 4.A.2; now deleted	We can not follow the proposal why the assets under management of a firm should not be disclosed any more. We rather think that it should be mandatory to disclose the AuM in more detail differentiating between assets under management and assets under administration due to the recently upcoming "Master KAG"-concept. The reason for not disclosing the assets under managements any more because this information can be easily derived from the other required data is not really convincing as this is true for some other ratios as well (etc. cumulative performance)
Presentation and Reporting	5.A.6	If firms use carve-outs they are forced to disclose a list of the underlying composites from which the carve-out was drawn. Additionally, a firm has to disclose the percentage of the composites that is composed of carve-outs. As of 1 January 2006, these information have to be disclosed retroactively.  The retroactive appliace of the requirement would impact presentation data which were just verified. Normally, this is not intended by the IPC. We can not see any reason to change that common approach and to insert such a requirement.  Moreover, it should be pointed out that this requirement does not have any impact on (sub-) portfolios which, even though being part of an overall portfolio, are treated separately in the bookkeeping systems.
Real Estate		Comparing Gold GIPS and AIMR-PPS we noticed that there are a lot of differences. Most of them relate to disclosure issues. We expect an increasing complexity if the proposed Gold GIPS were simultaneously used with the AIMR-PPS. Additionally, a stronger need for interpretation could occur. In order to avoid such difficulties we would generally prefer an adoption of the AIMR-PPS.
Private Equity		See Re

Verification		We observed material changes between current and proposed GIPS with respect to the provisions which have to be applied by a firm (e.g. the use of a presentation, real estate provisions, advertising guidelines, etc.). However, there are no corresponding modifications with respect to the required verification procedures.
Implementing a Global Standard	24., 25.	We agree that the presence of a local sponsoring organization is very important for the ongoing effective implementation and to drive the success of GIPS. We also think that a translation of GIPS is important for the local acceptance of GIPS. Therefore, we suggest that GIPS should state that the name of a translated version of GIPS or a Country Version can always incorporate the name of the sponsoring organization. This becomes even more vital when a standards was established under that name in the past and is already well known locally.