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Association for Investment Management and Research
Professional Standards & Advocacy Department
Reference: "Gold" GIPS Standards
PO Box 3668
Charlottesville
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30th July 2004

Dear Sir/Madam,

Invitation to Comment: Revising the GIPS Standards ("Gold" GIPS)

We have the following comments to make regarding the proposals set forth in the Invitation to Comment: Revising the GIPS Standards ("Gold" GIPS):

General Comments:

1. *Do you support AIMR's effort to revise and expand the GIPS standards?*

Yes, we do support the efforts of AIMR to revise and expand the standards. This ongoing evolution will help to ensure that AIMR achieves its stated goal of global acceptance for GIPS.

2. *Do you agree with the evolution process for the GIPS standards?*

Yes, we do agree with the evolution process, as it allows for industry input and practicality to play a role in the on-going development of the standards.

3. *Is the language of the Standards straightforward and comprehensible? If not, how can it be improved?*

The language of the standards is sufficiently straightforward and comprehensible.

4. *What modifications, if any, should be made to this proposal?*

We feel that modifications should be made to the detailed verification process, particularly in relation to the scope of the verification. Primarily, as the aim of the verification is to ensure performance results are *calculated* and *presented* in compliance with the standards, it would seem pertinent for the verifiers to review composite presentations and the way performance is marketed.

5. *Do you agree with the numbering and format of the proposed revised GIPS standards?*

Yes we do agree with the numbering and format of the proposed revised standards.

6. *Should AIMR consider any other methods for meeting the objectives of evolving the GIPS standards?*

We are happy with the current processes in place to achieve the objectives of evolving the GIPS standards.

Specific Comments:

1. *Is the new requirement that mandates firms to provide a compliant presentation to all prospective clients too onerous a burden for firms claiming compliance with the GIPS standards?*

While this new requirement does increase the burden on compliant firms, we feel that it will help to remove potential confusion regarding where and when to show a compliant presentation, thus ensuring full and fair disclosure at all times when dealing with prospective clients.

2. *Is the new requirement that mandates firms to provide a list and description of composites to any prospective client that makes such a request too onerous a burden for firms claiming compliance with the GIPS standards?*

As the availability of this list is required under the current standards, requiring firms to provide this list to any prospective client that makes such a request should not be too onerous a burden.

3. *Do you agree with the new recommendation that states the firm should not market a composite to a prospective client with assets less than the composite's minimum asset level?*

No, we do not agree with this new recommendation. In our endeavor to supply all relevant information to a prospective client, presenting a composite with a higher minimum asset level may be required. While we realise that this could be seen to be somewhat misleading, if a firm is able to set up the same investment strategy for a smaller investor, the composite is relevant.

4. *Do you agree with the new requirement that mandates firms to be prepared to provide a compliant presentation for any composite on the firm's list of composites to a prospective client that makes such a request?*

Yes we do agree with this requirement. A firm should have available all information required to enable them to produce a compliant presentation for all of their listed composites. We would, however, appreciate additional clarity in regards to what is considered a reasonable time frame to turn around such a request.

5. *Do you agree with the new requirement that requires firms to calculate composite performance by asset-weighting the member portfolio returns at least monthly (beginning 2005)?*

Yes, we agree with this requirement. By specifying that asset weighting must be carried out at least monthly, additional clarity regarding calculation methodology is achieved, and the standards continue to move towards creating a level playing field for all fund managers.

6. *Do you agree that the effective date should be moved from 2005 to 2010 for the requirement that stipulates a carve-out return be managed separately with its own cash balance?*

While we understand that maintaining the effective date for this requirement as 2005 may prove extremely onerous for some firms, we feel that it should not be moved to 2010. Unless managed with its own cash balance, a carve-out can be used to reflect an investment strategy that is not actually implemented by a firm, thus potentially misleading prospective clients. This requirement will help to prevent such occurrences.

In addition, many firms have been working to the original deadline of 2005, and subsequent planning and decision-making has been made with this date in mind. By now moving the effective date of this requirement to 2010, such firms will be penalised for their efforts in complying with the standards.

7. *Is it reasonable for the GIPS standards to require firms beginning 2010 to value portfolios on the day of any external cash flow?*

Yes, we feel that this future requirement is reasonable. It has always been anticipated that the frequency of portfolio valuation would increase to this level. As such, firms will have sufficient time to ensure that this requirement can be met.

8. *Should the GIPS standards require firms to retroactively disclose the following when carve-out segments are used?*
- a) *a list of the underlying composites from which the carve-out was drawn, and*
 - b) *the percentage of the composite that is composed of carve-outs.*

In view of the standards' aim of ensuring full disclosure, it seems reasonable to expect firms to retroactively disclose the information detailed in a) and b) above. While compliance with this requirement may be particularly onerous for affected firms, there is a need for this information to be presented to prospective clients. This is especially relevant if the implementation of the requirement that a carve-out must be managed with its own cash balance is postponed until 2010.

Additional proposals

1. *Mandatory Verification from 2005:*

We do not agree with the proposal to postpone the deadline for mandatory verification from 2005 to 2010. Verified compliance is considered industry standard in many markets, and most firms claiming compliance are already third party verified. As such, the requirement for mandatory verification would appear directly related to AIMR's mission of creating the highest quality performance measurement and presentation practices available, and subsequently achieving the goal of having GIPS viewed as the one truly global standard.

We feel that the benefits of this requirement being implemented from 2005 would vastly outweigh the potential problems that some firms may experience in trying to achieve verification by this deadline.

Directly related to this, we feel that clarification regarding the requirements to operate as a verifier is necessary. At present, this is essentially a self-regulating practise with little or no input from the regulators. With verification playing such an important role in the way a firm's compliance is viewed in the market, more should be done to ensure that only suitable parties are involved.

2. *GIPS – **The Global Standard:***

We would like additional information on the expected time frame for GIPS to officially replace the various Country Versions of GIPS. As a firm, we encounter many difficulties concerning the association between GIPS and, in particular, AIMR-PPS. These problems generally come from a lack of understanding of the close relationship between the two, and can create timely and costly issues for firms with offices in different locations. The sooner all countries are operating under GIPS, the better for both Investment Managers and their clients.

Thank you for the opportunity to comment on the revisions to the standards.

If you have any questions regarding these comments, please do not hesitate to contact me.

Yours sincerely,

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