

Professional Standards and Advocacy
Association for Investment Management and Research
P.O. Box 3668
Charlottesville, Virginia 22903
Re: GIPS Guidance Statement
Fax: 804-951-5320
E-mail: standardsetting@aimr.org

Berne, December 20, 2002

The Addition of Advertising Guidelines to the GIPS Standards

Below is the response from Ernst & Young, with comments and suggestions, on the Proposed GIPS Advertising Guidelines.

Do you support AIMR's effort to develop Advertising Guidelines to be added to the GIPS Standards?

We agree with the proposal and fully support AIMR's position on the development of Advertising Guidelines, which should be a significant part of the GIPS Standards.

Do you agree with the proposed Effective Date of May 1st, 2003?

We consider the effective date of May 1st, 2003 to be acceptable.

Do you agree with the information and disclosures required in both of the scenarios (advertisements that include a claim of compliance and advertisements that include both a claim of compliance and performance results)? Should additional information be provided in an advertisement? Are there too many required disclosures?

Since GIPS verification is not mandatory, we believe that when an investment firm includes a claim of compliance in an advertisement, then it must report whether this compliance has or has not been verified by a third party. This provision should be added to the Advertising Guidelines in order to prevent investment firms from presenting non-compliant information.

Page 3, point 5: "...1-, 3-, and 5-year annualized composite performance returns (or annualized period since firm inception if inception is less than 1, 3, or 5 years)." This requirement suggests that annualized returns for periods less than one year are allowed, while GIPS Standard 5.A.3. explicitly forbids annualization of performance returns for periods less than one year. We believe that this new requirement for advertisements conflicts with the Standards and thus requires further clarification. The Advertising Guidelines provision for 1-, 3- and 5-year information could create further confusion since there already exists a requirement in the Standards for five years of compliant information. Furthermore, the required disclosures under point 5.a) go beyond the requirements of the Standards in asking for 1-, 3-, and 5-year annualized composite performance returns and could be therefore perceived as "too many disclosures".

At some point in the future, should the GIPS Advertising Guidelines be mandatory for all GIPS-compliant firms? In other words, should a GIPS-compliant firm be required to follow specific rules when advertising, regardless of whether the advertisement includes a claim of compliance?

We believe that the GIPS Advertising Guidelines should regulate only those advertisements that include a claim of compliance by an investment firm; when performance figures are also presented in an advertisement, the firm then has to additionally present a minimum set of information, taken from the relevant GIPS-compliant investment performance presentation.

However, we understand that sometimes advertising needs to be addressed in a way that is more immediate than a GIPS compliant presentation (or a summary of that); therefore, we would allow investment firms to choose whether to claim GIPS compliance in their advertisements (and thus follow the requirements of the Guidelines) or not to mention compliance at all (i.e. have the flexibility to present information different from GIPS-compliant presentations, for example, performance of model portfolios or other composites).

Nevertheless, we would like to express our concern that investment firms may attempt to present advertisements and/or short ‘fact sheets’ instead of actual fully compliant GIPS-reports. We believe that such condensed non-compliant advertisements (so called “GIPS light version ads”) could be misinterpreted as fully compliant by the investment public majority.

Furthermore, we consider it would be best to limit the advertising rules to about 1-3 items, including a requirement for firms to clearly report in advertisements that GIPS-compliant information can only be obtained upon request from the investment firm (i.e. from “real” GIPS investment performance presentations), as well as to disclose whether GIPS-compliance has or has not been verified.

The Proposed GIPS Advertising Guidelines should also clarify the appropriate presentation of supplemental information in an advertisement, specifically the formulation “shown with equal or lesser prominence than the information required under the Guidelines”.

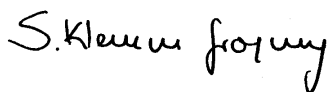
We would like to thank AIMR for the opportunity to comment on the Proposed Advertising Guidelines. If you wish to discuss these points further, please contact Susanne Klemm Grognez in Switzerland at + 41 58 286 69 14.

Yours sincerely,

Ernst & Young Ltd.



Roger Geismar



Susanne Klemm Grognez