



AFG-ASFFI

Professional Standards and Advocacy
Association for Investment
Management and Research
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Paris, 18 December 2002

Comments of the French Experts Group on GIPS relating to the proposed Guidance Statement on Advertising guidelines

Dear Sirs,

The French Expert Group on GIPS welcomes the issuance of the GIPS Advertising Guidelines as it feels the need in the industry for guidelines on how to advertise on GIPS compliance. The answers to the questions raised in the invitation to comment the guidance statement and which are set out below are the synthesis of the discussions of the French GIPS Expert Group.

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

The French GIPS Expert Group does support the issuance of guidelines on how to advertise GIPS compliance. However we express some concern if "GIPS compliance" is used as a selling argument without limitations and/or supervision since this may jeopardize GIPS credibility. One proposal would be that only Firms whose GIPS compliance has been verified by an independent auditor could be allowed to advertise compliance with GIPS.

2. Do you agree with the proposed Effective Date of 1 May 2003?

We would suggest to leave three months between the time at which the Guidance Statement is issued in its final version and the time at which compliance with the Guidance Statement becomes mandatory.

3. 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?

3.1 We would recommend to change the wording of statement number 5, first bullet point, sentence in parenthesis from “if inception is less than 1, 3 or 5 years” to “if inception is less than 3 to 5 years” since presenting an annualized return number on a period shorter than 1 year is in contradiction with statement II.5.A.3 of GIPS.

3.2. If the advertisement is claiming that compliance with GIPS has been verified by an independent verifier then it should be made mandatory to disclose the name of the verifier and the date at which the last verification has been made and for which period.

3.3 Presenting the statement “It should never be assumed that past performance foretells future performance.” should be made mandatory for those advertisements including performance results.

3.4 For item number 9 (leverage & derivatives), we feel that the required full disclosure in the composite report presentations under GIPS is sufficient, and it is therefore unnecessary to have this requirement also as part of the Advertising Guidelines. Requirement number 2 (Advertising Guidelines) already mentions where additional information can be obtained upon request.

3.5 We suggest that the Guidance Statement allows for a summarized definition of the Firm (item 1). The full definition of the Firm will be found anyway in the disclosures section of the GIPS compliant presentation which an interested party will obtain as indicated in item 2.

4. 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?

No. Many large actors of the French Asset Management industry are managing money for both institutional clients and retail clients. Advertisement in the retail world is generally focused on one single mutual fund. GIPS doesn't allow for presentation of return numbers of a single mutual fund and therefore would make such kind of advertisement impossible.

One way of avoiding this problem would be to put a specific section in the guidelines providing a number of mandatory statements for an advertisement showing return numbers of a single mutual fund. We acknowledge though that this is somewhat in contradiction with the concept of composite promoted by GIPS.

5. Should AIMR consider any other methods for creating Advertising Guidelines for the GIPS standards?

No comments from the French GIPS Expert Group on this.

Other questions

- The French GIPS Expert Group is wondering whether compliance with the Advertising Guidelines is part of the verification process.
- Is it possible to present quarterly and/or half-yearly return numbers for the current year?
- Will AIMR provide a logo that GIPS compliant firms could use when advertising their compliance?

We remain at your disposal for any additional information which might prove useful to you.

Yours faithfully,

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Member of the French Experts Group

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