

Italian Investment Performance Committee (IIPC)

Comments of the IIPC on Proposed Changes to the GIPS Standards - "Gold" GIPS

Foreword

The Italian Investment Performance Committee (IIPC) welcomes the opportunity to comment on Proposed Changes to the GIPS Standards.

The IIPC was established by ABI, AIAF, Assirevi, Assogestioni, ISIP and Mefop. It acts as the “Italian sponsor” of GIPS and as such:

- a) prepared the Italian Investment Performance Presentation Standards (IPPS) — the Italian Version of GIPS which was endorsed by the Investment Performance Council (IPC) in June 2002;
- b) publicises the standards within the industry and among the investing public;
- c) handles relations with the IPC and with the corresponding European committee (the European Investment Performance Committee – EIPC); it participates in their meetings and works to ensure the continuous updating of the Standards on the basis of suggestions drawn from the best practices observed in the national market with regard to “fair representation” and “full disclosure” in the presentation of investment performance.

IIPC's comments

Mandatory Verification

“Verification will be mandatory effective 1 January 2010”.

The IIPC supports the proposal of mandatory verification.

“During the next GIPS revision cycle, currently planned for an effective date of 1 January 2010, a reassessment will be performed to ensure the effective date of 1 January 2010 is still appropriate in light of market conditions”.

The IIPC is concerned about the uncertainty of the deadline in the provision.

“If a verification report has not been issued by 31 December 2011, the firm may no longer claim GIPS compliance”.

The IIPC is concerned that the sentence could sound too restrictive to compliant firms. We suggest rewording the sentence for clarity. An alternative sentence could be: “After the 31 December 2011 deadline, the firm may no longer claim GIPS compliance until a verification report has been issued”.

New Requirement of a list of all composites and GIPS compliant presentations to prospective clients

“ The firm must provide a compliant presentation to all prospective clients, i.e., the firm cannot choose to whom they want to present compliant performance. (As long as a prospective client has received a compliant presentation within the previous 12 months, the firm can present the prospect with interim performance information.)”

“The firm must provide a list and description of composites to any prospective client that makes such a request”.

The new requirements that mandates firms to provide a compliant presentation to all prospective clients and a list and description of composites to any prospective client that makes such a request could be too onerous a burden for firms claiming compliance with the GIPS standards.

We suggest moving the provisions from requirements to recommendation.

In addition the meaning of “prospective client” should be clarified.

Prospective client with assets less than the composite’s minimum asset level.

“The firm should not market a composite to a prospective client with assets less than the composite’s minimum asset level”.

While we agree with the idea, it is not clear how to determine the prospective client’s asset (should firms consider total current client assets, stated client assets, potential client assets ...etc?). We think a clarification should be appropriate.

Disclosures for composites managed against a benchmark

“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”.

Term “composites managed against a benchmark” should be properly defined.

The IIPC believes the additional requirement of sectors could be too onerous a burden for firms claiming compliance since there is not a unique standard for the attribution of securities to sector.

Disclosure or the Fee Schedule

“The firm must disclose the Fee Schedule appropriate to the presentation”.

The IIPC is concerned about the addition of the Fee Schedule as a requirement. Fees depend on a variety of factors and they change over time; they cannot be stated in a single "price list" because they are often negotiated individually with the client. Therefore we suggest leaving it as a recommendation.

Calendar month-end valuation

“For periods beginning 1.1.2006, the firm must value portfolios as of the calendar month-end”.

Since different markets have different calendars and different valuation dates, the IIPC believes the focus should be on consistency across all portfolios in the composite. The calendar month-end valuation should be clarified.