

The CFA Institute
Professional Standards and Advocacy Department
PO Box 3668
Charlottesville
VA 22903

14 December 2004

Comment on the Guidance Statement on the Use of Leverage and Derivatives

Dear Sir

Thank you for affording us the opportunity to respond to the proposed Guidance Statement on the Use of Leverage and Derivatives.

General Comments

1. Do you agree with the principles established in the Guidance Statement?

Yes, the Investment Management Association of South Africa (IMASA) agrees with the principles established for this Guidance Statement.

2. Are there other elements involved in the use of leverage and derivatives that are not included?

No, IMASA does not have anything to add to this Guidance Statement.

3. Do you agree with the guiding principles provided to firms employing leverage and / or derivatives?

- IMASA supports the idea that firms must create a leverage policy and that firms must state the methodology used in calculating the Risk Measures.
- The second and third sentences under the exposure heading are not clear on if exposure must be calculated ex ante or ex post.
- We are supportive of the idea that CFA Institute is not prescriptive on the risk measure that should be used for composites that make use of leverage or derivatives. We however want to stress that the risk measure that a firm uses and the way that the specific measure is calculated, must be consistent over time. The reasons for any change in this regard must be documented.
- We would also suggest that it must be required for a firm to use at least one risk measure.

4. Do you agree with the proposed effective date?

Yes, IMASA agrees with this date.

Yours faithfully

Carl de Wet, Chairman & Jacobus Van Niekerk
Investment Management Association of South Africa
GIPS Standing Committee