

13 August 2004

Association for Investment Management and Research
Professional Standards & Advocacy Department
Reference "Gold" GIPS Standards
PO Box 3668, Charlottesville
Virginia 22903
USA

Dear Sirs

Gold GIPS Consultation

The Investment Management Association is the industry body representing buy side firms in the UK. We welcome the opportunity to comment on the proposals re. Gold GIPS. The IMA is represented on the UKIPC and fully supports the comments agreed within that group as set out in the UKIPC's detailed response.

We have also had the opportunity to discuss IMA members' chief concerns with Alecia Licata directly and with John Barrass, both of who attended the last UKIPC meeting. The main message that we sought to convey was that although we have and will continue to support the adoption of the GIPS standard, we are concerned that in attempting to widen its application, GIPS is losing its way as an international standard. Our concerns in respect of Gold GIPS highlight this.

First, the decision to defer a number of previously announced changes is disappointing. These changes had been signalled over a long period and we are aware that many firms have either already made the necessary system changes or were in the process of doing so. The fact that some have chosen not to plan ahead and now find themselves unable to meet the previously announced schedule is in a real sense their commercial choice. For the CFA, at this late stage, to accommodate those who chose to ignore their proposed standards undermines the CFA as an international standards setter (particularly given the circumstances as outlined to us at the UKIPC meeting by Alecia). Those firms who have gone to the effort and expense of meeting the previous timetable may rightfully feel aggrieved and let down by the CFA. This may well of course unfavourably condition their attitude to proposed future additions/changes to GIPS, for example, by leading more firms to adopt 'wait and see' rather than be proactive.

Second, further delays to the introduction of verification can only serve to undermine the credibility of the CFA as a standard setter. Given the revealed preference of the IPC to defer to the slowest, the weakness of the language describing the timetable

for verification can only serve to weaken the view of the CFA as an international standards setter, particularly with those who already regard verification as unduly delayed.

Third, as UKIPC noted, the proposed Gold GIPS appears to be overly prescriptive and detailed in its approach. This may be inevitable as the pressures to broaden the remit of GIPS are acceded to, but the downside of producing increasingly detailed rules is that the focus shifts away from good business practice and ethical principles to 'meeting the rules'. In the UK, where the financial services industry has successfully argued for principles based regulation with less emphasis on rules, the direction being followed by the CFA seems out of step.

Finally, the IMA is still awaiting a formal response to its letter of 23 January 2004 to Thomas Bowman regarding the acceptance of GIPS as an alternative to AIMR PPS amongst some US clients. Although Alecia provided some feedback orally, without a written response from CFA it will continue to be difficult to convince many here that CFA is taking this issue at all seriously.

Yours faithfully

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