



CFA Institute
CFA Centre for Financial Market Integrity
Reference: Guidance Statement on Wrap Fee / Separately Managed Account
Performance
P.O Box 3668
Charlottesville, Virginia 22903
Fax: 434-951-5320
E-mail: standardsetting@cfainstitute.com

Oslo, 17.12.2004

**INVITATION TO COMMENT:
Guidance Statement on Wrap Fee / Separately Managed Account Performance**

Dear Sir or Madame,

We would like to thank you for the opportunity to comment on the Guidance Statement on Wrap Fee / Separately Managed Account Performance to the GIPS® Standards.

The Norwegian Society of Financial Analysts (Norske Finansanalytikeres Forening, hereafter-named NFF), is the sponsor for GIPS® in Norway.

Norsk GIPS as a Translation of GIPS® was endorsed by IPC at the September meeting 2001.

Our comments are given as country sponsor in Norway. The use of Wrap Fees is at the time being regarded as limited in Norway.

Our comments to IPC are as follows:

- **1) IPC: Do you support CFA Institute's effort to develop guidance for the calculation and presentation of wrap fee / SMA portfolios as outlined?**

NFF: No.

We refer to the GIPS Fee provisions, Fees Glossary:

"Bundled Fee a fee that combines multiple fees into one "bundled" fee. Bundled Fees can include any combination of management, transaction, Custody, and other Administrative Fees. Two specific examples of Bundled Fees are the **wrap fee** and the **all-in fee**.

All-in Fee Due to the universal banking system in some countries, asset management, brokerage and Custody are often part of the same company. This allows banks to offer a variety of choices to customers regarding how the fee will be charged. Customers are offered numerous different fee models in which fees may be bundled together or charged

separately. All-in fees can include any combination of Investment Management, Trading Expenses, Custody and other Administrative Fees.

Wrap Fee Wrap fees are specific to a particular investment product.

The U.S. Securities and Exchange Commission (SEC) defines a wrap fee account as "A program [account] under which any client is charged a specified fee or fees not based directly upon transactions in a client's account for investment advisory services (which may include portfolio management or advice concerning the selection of other investment advisers) and execution of client transactions". A typical wrap fee account has a contract or contracts (and fee) involving a broker (sponsor) as the investment advisor, other services (Custody, consulting, reporting, performance, selection, monitoring, and execution of trades), and the client (brokerage customer). It is an all-inclusive, asset-based brokerage relationship, which may include other services.

We regard questions related to Wrap fees / SMA performance to **be covered** in the current GIPS Fees Provisions, refer to the glossary above.

We believe that the background and motivation to launch a new Guidance Statement on this topic is not sufficiently documented in the proposed Guidance Statement.

We would welcome a comparison matrix between the current GIPS Fees Provision and the proposed Guidance Statement on Wrap Fee / SMA in order to identify in which situation the current GIPS Fees Provision is not sufficient.

- **2) IPC: Do you think firms will be able to meet the recordkeeping requirements as specified?**

NFF: Refer to question 1 above.

- **3) IPC: Do you agree with the proposed treatment for a "double hit" of transaction expenses (when creating a simulated wrap fee performance record)?**

NFF: Refer to question 1 above.

- **4) IPC: Do you support the 1 January 2006 effective date of the proposed Guidance Statement for Wrap Fee / SMA Performance?**

NFF: Refer to question 1 above.

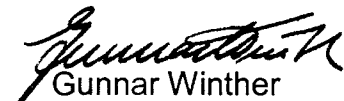
- **5) IPC: Should CFA Institute and the IPC consider any other methods for meeting the objectives of clarifying the application of the GIPS Standard to wrap fee / SMA portfolios as set forth above?**

NFF: Refer to question 1 above.

- **6) IPC: Do you agree with the application questions and responses provided?**

NFF: Refer to question 1 above.

Best regards,
The Norwegian Society of Financial Analysts (NFF)


Gunnar Winther
Secretary General

All inquiries or comments related to GIPS should be sent to the chairman of the "NFF Committee on Performance Measurement" Mr. Jorn Kleven, AFA, CEFA,
jorn.kleven@c2i.net