



CFA Institute
Professional Standards and Advocacy Department
P.O. Box 3668
Charlottesville, VA 22903

Comments on the Leverage and Derivatives guidance statement

We would like to thank you for the opportunity to comment on these proposals and would like to emphasise that we are in favour of the existing Standards for all aspects of performance presentation. We would like to see the Standards fully embraced and adopted by the whole of the global investment community. We feel that this adoption is fundamental to ensuring the continual take-up of and adherence to this set of global Standards.

These comments take into consideration the debate of the Performa GIPS working party as well as numerous discussions with our clients and other industry contacts.

General Comments

We are very pleased to see that this guidance statement has been redrafted based on the numerous comments received following the earlier draft. We would like to congratulate the committee on its adoption of these comments and its production of a more judicious guidance statement.

Our main concern with this guidance statement (voiced by several people) is that there is a certain level of ambiguity about what a firm **MUST** do to maintain compliance. The paragraph on Leverage Policy reads that "it should rest with each firm to create its own ex ante leverage policy". We believe that this is purely a recommendation and not a requirement and hence there are no actual requirements in this guidance statement – is this intended?

GIPS states (under Disclosure Requirements - 4.A.7) that "*if applicable, the firm must disclose the presence, use, and extent of leverage or derivatives including a description of the use, frequency, and characteristics of the instruments sufficient to identify risks.*" This requirement appears to mandate some form of definition for "applicable" and hence could be seen to be in conflict with the statement.

On the assumption that this issue is clarified, our response to the comments is as follows:

Responses to Comment Requested

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

Yes.

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

We do not believe that there are any obvious omissions.

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

Yes

4. Do you agree with the proposed Effective Date?

As there are no firm requirements, we are happy with this Effective Date.

If you wish to discuss these points further, please contact Anthony Howland on +44 (20) 7477 6588.

We thank you for the opportunity to comment.

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