



Madrid, 30<sup>th</sup> December 2004

CFA Institute  
Professional Standards & Advocacy Department  
Reference: "Gold" GIPS Standards  
P.O. Box 3668  
Charlottesville, Virginia 22903  
USA

Dear Sirs,

Thank you for the opportunity to comment. The following is a summary of opinions and concerns presented by the Spanish Investment Performance Committee regarding the proposed "Portfolio Recordkeeping", "Leverage Derivatives Guidance" and "SMA Wrap Fees" guidance statements.

### **Comments on the Guidance Statement on Portfolio Recordkeeping Requirements**

#### **Comment Requested**

1. *Do you agree with the principles established in the Guidance Statement?*  
Yes.
2. *Are there other elements involved in portfolio recordkeeping that are not included?*  
The SIPC believes that the most relevant elements are included in the guidance and we are not able to identify new ones.
3. *Do you agree with the guiding principles provided to firms when determining which records are necessary to support their performance track record?*  
Yes. Nevertheless, the SIPC believes it should be clarified the concept "easily accessible and printable" when the guidance refers to records stored electronically, i.e. the Committee completely agrees with the fact that the firm's information should be



available without problem but, , due to the amount of data that firms manage, nowadays most of the data is stored in backup disks that are easily recoverable. However, the Committee does not contribute with any comment with regard to this question. The data recovering commonly is not immediate and make take hours or even days. Could it be possible to include some examples about what supports are considered easily accessible? Also, could the guidance include some reference about how long would be acceptable for a firm to have their data available for looking and printing?.

4. *Do you agree with the proposed Effective Date?*  
Yes.

#### **Other proposals**

The Committee feels that the document does not include any explanation to clarify if verifiers must, or must not, store the records they have used to confirm the GIPS compliance of the firm.

### **Comments on the Guidance Statement on the Use of Leverage and Derivatives**

#### **Comment Requested**

1. *Do you agree with the principles established in the Guidance Statement?*  
Yes.
2. *Are there other elements involved in the use of leverage and derivatives that are not included?*  
In general the SIPC believes that the most relevant elements are included in the guidance statement, even so, in the Risk Measure Disclosure and Reporting section the Committee would propose not to limit ourselves to use only ex-post measures of tracking error. Ex-ante measures, in some cases could be more relevant and meaningful than other measures of relative risk, especially for portfolios that use leverage and derivatives.

Also the Committee thinks it will be valuable to include the leverage degree measured as the difference among the short and long positions in spot, futures and options.

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



In general we agree with them, however the SIPC feels that the guidelines should consider the fact that some of the measures required (such as the tracking error or beta) are only applicable if the composite has a representative benchmark. Nowadays a lot of investment strategies that utilize leverage and derivatives have not benchmarks. So, the Committee believes that this feature should be included and taken into consideration in this guidance.

4. *Do you agree with the proposed Effective Date?*  
Yes.

### **Comments on the Guidance Statement on Wrap Fee/Separately Managed Account Performance**

#### **Comment Requested**

1. *Do you support CFA Institute's effort to develop guidance for the calculation and presentation of wrap fee/SMA portfolios as outlined?*  
Yes because the aim of any guidance statement is to clarify and help the firms to reach the GIPS compliance, however the SIPC would like to stress that in Spain the issues to which this guidance makes reference are not commonly extended in the Spanish financial sector and so the Committee does not contribute with any comment with regard to the following questions.
2. *Do you think firms will be able to meet the recordkeeping requirements as specified?*  
N.A.
3. *Do you agree with the proposed treatment for a "double hit" of transaction expenses (when creating a simulated wrap fee performance record)?*  
N.A.
4. *Do you support the 1 January 2006 effective date of the proposed Guidance Statement for Wrap Fee/SMA Performance?*  
Yes.
5. *Should CFA Institute and the IPC consider any other methods for meeting the objectives of clarifying the application of the GIPS standards to wrap fee/SMA portfolios as set forth above?*  
N.A.
6. *Do you agree with the application questions and responses provided?*  
N.A.



### **Other proposals**

The Committee believes that taking into account the extensive use of net-of-fee returns especially in retail environments, where qualitative and quantitative rankings are based on net returns, we believe it should be included as a requirement and not as a recommendation the disclosure of a net-of-fees performance. Also, it should continue as a requirement the inclusion of the bundle of Gross-of-fee performance plus additional information about investment management fee (and other applicable fees).

Once more, we would like to thank you for allowing us to comment on the proposed guidance statements, we hope you will find helpful our views on these matters.

Your Sincerely,

José Luis Velasco Arangüena  
On behalf of the SIPC Committee