

23 July 2004

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

Re: Proposed Revisions to the GIPS Standards ("Gold" GIPS)

Dear Alecia,

The Swedish Financial Analysts Society (SFF) was approved as Sweden's Country Sponsor of GIPS (In English) at the IPC meeting on March 4, 2004. In April, SFF formed a new group called the SFF GIPS Group to take over the responsibilities of GIPS sponsoring from SFF Portfolio Management Group, which is dealing with broader portfolio management issues. The new GIPS group is comprised by representatives from a large share of the GIPS-compliant asset managers in Sweden as well as two representatives from verifiers active in Sweden. The group is designed with the purpose of being able to focus on performance standard and GIPS issues and contribute to the active sponsorship of GIPS in Sweden. The SFF GIPS Group hereby (enclosed) responds to the invitation to comment on revising the GIPS Standards ("Gold" GIPS).

Best regards,

Erik Sjöberg,
Chairman, SFF GIPS Group

Comment on the Proposals to Revise GIPS by the SFF GIPS Group

The numbered answers under General and Specific Comments refer to the questions under the respective parts of Comment Requested. Under Other Comments, other parts of the proposals are commented.

General Comments

1. Yes
2. Yes
3. Yes
4. See Specific and Other Comments below.
5. Yes
6. No

Specific Comments

1. Yes. We question the new requirement to provide a compliant presentation to all prospective clients. There are many asset managers which provide services to both institutional and large numbers of retail clients. We find it questionable that a GIPS-compliant firm should be forced to provide a potentially voluminous GIPS compliant presentation to all potential retail clients for whom this would be of limited interest. An alternative requirement is that a GIPS compliant presentation should be presented on request.
2. No.
3. Yes.
4. No. We question the new requirement to be prepared to provide a compliant presentation for any of the firm's composites. From a compliance perspective, this requirement might conflict with the manager's obligation to preserve client secrecy when having single portfolio composites and one (or more) portfolio "stands out", either due to its uniqueness in the market or that it otherwise can be identified, for example if firm itself has a limited number of clients or small assets under management.
5. Yes.
6. Yes. Generally, we support the effective date moved for the requirement for carve outs to be managed with their own cash from 2005 to 2010. Some of us even suggest that this requirement be abandoned altogether and that presently used methods for an un-biased allocation of cash should be accepted.
7. Yes.
8. We question the new requirement that firms retroactively must disclose a list of underlying composites and the percentage used in carve-outs. This requirement might be extremely cumbersome (and even impossible) if the asset manager firms

have switched back-office or GIPS system(s) in recent years, depending on the specific system functionality and data storing methodology. It is doubtful/questionable whether the costs in doing so are in proportion to the benefits of the clients/potential clients (which will indirectly bear these costs

Other comments

- We support the deletions of definition of firm based on regulatory authority and base currency.
- We wonder about the reason for removing the disclosure of total firm assets.
- We have an issue with the interpretation of the the upgraded requirement that the “firm must disclose the Fee Schedule appropriate for the presentation” (4.A.16). We assume that the firm is not required to disclose actual historical fee levels, which by most firms are regarded as important internal business information that should not be disclosed. If our assumption is correct, then there is an issue of what is meant by “Fee Schedule appropriate”.
- We would seek for a clarification of the meaning of “any events which help a prospective client interpret the performance record” (4.A.23). As this is a requirement, the vague definition risks resulting in very differing interpretations of what constitutes an “event”. Many firms would for example argue that ownership changes should not affect performance, which means that this requirement is quite meaningless.
- A general point in the use of carve-outs is that it must be the client’s task to consider whether a carve-out performance has the same significance as a stand-alone mandate. An alternative approach is to require that carve-outs (whithout any requirements on cash) must always be put in segregated carve-out composites.