



Madrid, 27th July 2004

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

Dear Sirs,

The Spanish Association for Investment Professionals -SAIP-, Spanish Sponsor of GIPS®, took the initiative of constituting a committee called Spanish Investment Performance Committee -SIPC- representing the Spanish Investment Industry and constituted by professionals from more than 12 companies. This committee is in charge of undertaking the functions and responsibilities accepted by SAIP when acting as the Spanish Country Sponsor of GIPS®.

The last 6th July 2004, the SIPC had an extraordinary meeting to discuss and comment the proposed revisions to the GIPS Standards and, on behalf of the Committee, I would like to present you and the CFA Institute a summary of our comments.

General Comments

1. *Do you support AIMR's effort to revise and expand the GIPS standards?*
The SIPC fully supports CFA Institute's efforts and believes that GIPS expansion is a key issue for them to continue being the worldwide reference of Performance Investment Standards, evolving in accordance with the industry and does not becoming obsolete.
2. *Do you agree with the evolution process for the GIPS standards as outlined above?*
Although, in general, we do completely agree with the evolution process, the Committee feels that it would have been very worthy that this edition would have incorporated the "Leverage and Derivatives provisions". However, we are aware about the efforts and work that the CFA Institute, the IPC and the rest of its subcommittees have been carrying out, and still are, to achieve this objective.
3. *Is the language of the Standards straightforward and comprehensible? If not, how can it be improved?*
The Committee believes that the language of the Standards has considerably improved in this proposal.

Nevertheless, the SIPC has several suggestions:

- The Committee believes that there are some words (e.g.: "accrual" and related



words) that are used with different meanings and as a result may confuse the reader. The Committee thinks that, considering the fact that these Standards are read and used for people of all around the world, it would be more straightforward if in the Standard it is used only a unique meaning for each word.

Particularly, the SIPC finds confuse the expression “accrual accounting must be used for dividends”; the committee believes that this expression could be clearer if it is replaced by “dividends must be accounting on the ex-dividend date”.

- Also, from the reading of the Standards the Committee finds difficult to determine if a GIPS compliance report must be presented on a firmwide basis or could be shown composite by composite.
- Due to the difficulty and diversity in defining the composites, the SIPC believes that it could be worthy to modify “investment objectives, style, and/or strategy” for “definition criteria” in the revised requirement 4.A.24 (“the firm must disclose a description of the investment objectives, style, and/or strategy of the composite”).
- Finally, the Committee suggests that in other to make the language of the Standards more precise the term “true time weighted returns” could be replaced by “accurate time weighted returns”. Also, when reading this term the investors could believe that currently, firms in compliance with GIPS may be using “false” or “not true” return methodologies.

4. *What modifications, if any, should be made to this proposal?*

The Committee believes that the proposal is good enough and no modifications are suggested. Nevertheless, in accordance with the comment to the question number 2, the SIPC thinks that this approach would have been more complete if “Gold GIPS” had incorporated the “Leverage and Derivatives provisions”.

5. *Do you agree with the numbering and format of the proposed revised GIPS standards?*
Yes, SIPC fully agrees.

6. *Should AIMR consider any other methods for meeting the objectives of evolving the GIPS standards?*

The Committee completely supports the methods follow by CFA Institute to evolve and develop GIPS Standards.

Specific Comments

AIMR seeks comments on the following, specific provisions of the proposal:

1. *Is the new requirement that mandates firms to provide a compliant presentation to all prospective clients too onerous a burden for firms claiming compliance with the GIPS standards?*

The Committee does not have any comment about this question.



2. *Is the new requirement that mandates firms to provide a list and description of composites to any prospective client that makes such a request too onerous a burden for firms claiming compliance with the GIPS standards?*

The SIPC supports this proposed requirement. However, the Committee feels that the term “prospective client” should need additional clarification.

3. *Do you agree with the new recommendation that states the firm should not market a composite to a prospective client with assets less than the composite’s minimum asset level?*

The Committee supports this proposed recommendation and feels that this requirement fully adheres the spirit and intent of GIPS.

4. *Do you agree with the new requirement that mandates firms to be prepared to provide a compliant presentation for any composite on the firm’s list of composites to a prospective client that makes such a request?*

The SIPC supports the proposed requirement to provide a compliant presentation to all prospective clients and feels that this requirement fully adheres the spirit and intent of GIPS.

5. *Do you agree with the new requirement that requires firms to calculate composite performance by asset weighting the member portfolio returns at least monthly (beginning 2005)?*

The SIPC supports the proposed requirement in this question and feels that this requirement fully adheres the spirit and intent of GIPS.

6. *Do you agree that the effective date should be moved from 2005 to 2010 for the requirement that stipulates a carve-out return be managed separately with its own cash balance?*

The Committee does not contribute with any comment with regard to this question.

7. *Is it reasonable for the GIPS standards to require firms beginning 2010 to value portfolios on the date of any external cash flow?*

The Committee believes necessary that GIPS encourages the best practice about performance in general and particularly about measurement. Consequently, the SIPC fully agrees with this requirement.

8. *Should the GIPS standards require firms to retroactively disclose the following when carve-out segments are used?*

- (a) *a list of the underlying composites from which the carve-out was drawn, and*
(b) *the percentage of the composite that is composed of carve-outs.*

The Committee does not have any comment about this question.

Other Proposals

Trade-Date Accounting

The SIPC fully supports the GIPS requirement to use trade-date accounting for periods beginning 1 January 2005.



However, this Committee believes that additional clarification is needed with regard to “trade date accounting” definition. Indeed, the requirement should be adapted to the case of transactions for which the required information to record them is not available on the trade date so, its accounting must be delayed until getting those data (e.g.: fund transactions).

Definition of the Firm

According to the proposed “Gold” GIPS, the definition of the firm is not longer permitted as an entity registered with the appropriate national regulatory authority but only as a distinct business entity.

Nevertheless there are situations in which an entity registered with the appropriate national regulatory may be equal to a distinct business entity or may group some of them. So, the Committee believes that the Standards should include explanation about the situations in which the entity registered with the appropriate national regulatory authority could be acceptable as a firm’s definition.

Disclosure of the Firms

According to the proposed “Gold” GIPS, if a parent company contains multiple defined firms, each firm within the parent company is strongly encouraged to disclose a list of the other firms contained within the parent company.

This Committee believes that additional definition of firms contained within the parent company to define what firms should be included in the list.

Disclosure on use of Sub-Advisor

The proposed “Gold” GIPS require that the firm must disclose any discretionary use of a sub-advisor (s). This Committee believes that additional definition of sub-advisor and with respect to the scope of this requirement should be provided by the Standards.

Thank you for allowing us to comment on the proposed “Gold” GIPS, we hope you will find our comments helpful.

Your Sincerely,

José Luis Velasco Arangüena
On behalf of the SIPC Committee