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Dear Sirs

Reference: Guidance Statement on the Use of Leverage and Derivatives

Standard Life Investments welcomes the opportunity to comment on the *Guidance Statement on the Use of Leverage and Derivatives*.

While Standard Life Investments fully supports and embraces the GIPS Standards, we have reservations regarding investor demand and investor understanding for some of the complex measures being suggested within the Statement, albeit these are recommendations as opposed to requirements. With regard to both demand and understanding we would specifically highlight the suggestion of VaR disclosure where we have detected little investor appetite nor do we believe is there general investor understanding of what is still an infrequently used measure. We suspect few compliant firms have the current capability to produce these measures, firms intent on becoming compliant may regard the additional costs to produce these measures outweigh the benefits of compliance.

It is our view that guidance and disclosure on leverage and derivatives and in particular Risk Measure Disclosure and Reporting might naturally have followed a more generic statement addressing risk measurement and reporting. In this more general regard we have detected both investor demand and understanding and in addition most firms have the capability to produce the more commonly used measures. Many in the industry agree that risk measurement can be prone to misrepresentation, we would urge the Institute to look closely at this area as it would benefit from the development of guidance.

Finally, we would also ask that this Guidance Statement remain just that as a future move from recommendation to requirement would impose a significant burden on both compliant and prospective firms with little obvious or tangible benefit for the investor.

Yours sincerely

Colin Morrison
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