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Performance Measurement

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Association for Investment
Management and Research
Professional Standards & Advocacy
Department
"Gold" GIPS Standards
PO Box 3668
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Dear Sir/Madam,

General Comments

We welcome the continued efforts of the IPC and AIMR to improve and provide additional clarity with respect to the "Gold" GIPS standards. The standards are well written and ideally suited to the evolutionary approach suggested and augers well for their expanded acceptance. However, we would strongly encourage the complete elimination of the country version options and would recommend that "gold" GIPS should become a truly Global Standard and not a gold mirage.

The Country Version GIPS (CVGs) provided the means to reconcile divergent individual country practices at odds with a single code, ensuring the initial success of the Standards. They have now served their purpose and should be removed in a timely manner. They are now quickly becoming an example of the law of unintended consequences with the CVGs of the USA, and to a lesser extent the UK, becoming highly effective barriers to entry. There is widespread anecdotal evidence of consultants disallowing GIPS compliant presentations in favor of AIMR PPS presentations. Although these are completely innocent mistakes, the added complexity which the CVGs cause simply cannot be justified by the remaining local requirements. The decision to brand the North American CVG as AIMR-PPS has also greatly added to the confusion. Please either name the Standards "AIMR-PPS" or "GIPS" but do not permit differing brand names in different locations for what is a global code for a global industry. Why not take the opportunity provided by your organization's impending name change to address this matter, and have the "CFA-GIPS" as the single brand name for the standards?

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Requested Specific Comments

F.C.A.3. This requirement is of merit and provides clarity in respect of Pooled vehicles albeit via an annotation. Our only concern is where the search is conducted via an intermediary who receives the compliant presentation but does not forward on to the prospective client. Having provided the presentation to the client's agent has a firm discharged its GIPS responsibilities to the prospective client?

F.C.A.4. This is a reasonable requirement without which it is difficult to imagine whether there would be sufficient transparency to ensure that the prospective client was reviewing the correct track record for his requirements.

4.A.5. It is not ethical for a firm to market a specific product to a prospective client who would not be eligible to invest in it. However, if that track record was the only suitable one available and was representative of a similar product that was to be launched, specifically aimed at smaller clients, then this should be permitted with a disclosure which made it clear that the track record used was specifically restricted to clients over a certain size. If an appropriate track record for smaller investors was available then the firm should be prohibited from using one specifically for larger clients.

4.A.3. It is advisable for transparency that firms must be prepared to provide a compliant presentation for any composite on their composite list.

2.A.8. It is reasonable to expect composite performance to be calculated monthly from 1/1/06.

3.A.7. With the continuing trend to specialization we are supportive of extending the carve-out return requirement to 2010.

2.A.2. It remains a reasonable goal for firms to aim for daily valuations on the date of any external cash flows for 2010. However, the IPC should remain sensitive to market conditions and commercial pressures and extend if reasonable and appropriate to do so.

Additional Specific Comments

FC.A.14. Could you please elaborate on this point. It has always been our understanding that the standards apply specifically to a firm's track records and not to individual client performance reporting. Hence a claim that an individual client's record had been "calculated in accordance with the Global Performance Standards" would be completely inappropriate. Please could the standards state exactly what is required ie which rules need to be adhered to, to enable such a claim. These rules need to be a highly condensed sub version of GIPS with minimal disclosure requirements, if GIPS are to remain feasible to comply with for the majority of firms. It is our preference not to permit this client specific claim until such clarity can be provided and is evidently not overly burdensome.

4.A.2. The removal of the total firm assets for each period disclosure requirement is a significant negative change for the standards, which we object to. It would be far better to remove the redundant and often meaningless requirement to disclose the percentage for which that composite represents of the total firm assets. This can be easily derived by from inspection if you were to continue to include the total asset requirement.

As a large firm with numerous marketable composites this would represent a marked deterioration in the quality of information provided to prospective clients, as with other large firms the percentage represented by a number of our composites would be an uninformative zero. We cannot understand the logic for this proposed change as it represents a definite move in the wrong direction.

Thank you for this opportunity to comment and best wishes with the development of "Gold" GIPS.

Yours faithfully,

Paul Weller
Executive Director
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