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## **Revising the GIPS Standards ("Gold" GIPS)**

Dear Madam, Dear Sir

Please accept our thanks for giving us the opportunity to comment on revising the GIPS Standards ("Gold" GIPS).

Our remarks in section A. (general comments) and B. (specific comments) correspond to your proposed scheme for requested comments; in section C. we offer further comments.

### **A. General Comments**

**1. Do you support AIMR's effort to revise and expand the GIPS standards ?**

Yes we do.

**2. Do you agree with the evolution process for the GIPS standards ?**

Yes we do.

**3. Is the language of the Standards straightforward and comprehensible ?**

The language of the Standards is straightforward and comprehensible.

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

Existing Guidance Statements should be better integrated. Requirements and recommendations should be cross-referenced with Guidance Statements.

**5. Do you agree with the numbering and format of the proposed revised GIPS standards ?**

We recommend to integrate chapters 6 and 7 into chapters 1-5 in order to have a consistent and complete collection of requirements and recommendations under the headings "Input Data", "Calculation Methodology", "Composite Construction", "Disclosures", and "Presentation and Reporting".

Furthermore, we think that there should be a consistent numbering of all GIPS chapters and recommend to replace "FC" for the "Fundamentals of Compliance" with a "0" numbering.

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

No comment to this point.

**B. Specific Comments**

**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 ?**

We clearly support the principle of providing compliant performance presentations and do not think that this is a burden too onerous for firms adhering to the GIPS standards. However, there should be clarity about the definition of the term "prospective client". GIPS compliant firms should have the right to deny presenting performance reports to competitors, journalists, or consultants who have no interest in entering a client relationship.

**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 ?**

No, but see remarks above regarding "prospective clients".

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

Yes we do.

**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 ?**

Yes, but see remarks above regarding "prospective clients".

**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) ?**

Yes we do.

**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 ?**

Yes we do.

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

Yes we do.

**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.**

A: Yes it should.

B: No, as this provision is too onerous.

### C. Further Comments

- FC.A.2 "Definition of firm"

The term "distinct business unit" needs clarification. The definition given in FC.B.1 "The firm ... definition should include all geographic (country, regional, etc.) offices operating under the same brand name regardless of the actual name of the individual investment management companies" contradicts the characteristics of a globally oriented investment firm which may have one brand name, but subsidiaries with their own investment process and marketing activities for local programmes.

- 1.A.6 Accrual of dividends

We propose to change the requirement to a recommendation. The benefits of accruing dividends (i.e. effect on composite performance) are not worth the effort (i.e. costs) involved in order to comply with this requirement (we assume that estimated IT costs are the reason for the move of the target effective date from 2005 to 2010).

- 3.A.1 All actual, fee-paying, discretionary portfolios must be included in at least one composite. While non-fee-paying discretionary portfolios may be included in a composite (with appropriate disclosures), non-discretionary portfolios must not be included in a firm's composites.

We propose to eliminate the first part of the second sentence. It is not logical that a portfolio with a 90% discount "must" be included, a portfolio with a 100% discount only "may" be included in a composite.

- 4.A.9 If using indexes that are net-of-taxes, the firm must disclose the tax basis of the composite (e.g. Luxembourg based or U.S. based) versus that of the benchmark.

How can the tax basis be disclosed in a "multi-national" composite ?

- 4.A.11 The firm must disclose and describe any known inconsistencies in the exchange rates used among the portfolios within a composite and between the composite and the benchmark.

We propose to add the requirement to disclose "price valuation lags" between composite and benchmark (e.g. the one-day lag due to "fund forward pricing").

- 5.B.1.d The firm is recommended to present the volatility over time of the aggregate composite return and benchmark return.

We propose to upgrade this recommendation to a requirement and add at least one of the composite-level risk measures mentioned in 5.B.2.

- Verification  
Verification will be mandatory effective 1 January 2010.

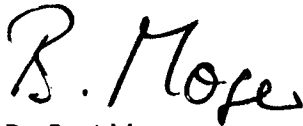
We propose to leave the original wording: "Verification is not required, but it is strongly recommended".

Mandatory verification creates unnecessary "barriers to entry" for new firms which have the intent to comply with the GIPS standards. We strongly believe that the market should decide whether verification will become "quasi-mandatory" in the future.

We are grateful for having had the opportunity to comment on the proposed provisions and hope that our comments will be taken into consideration.

Yours sincerely,

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Dr. Beat Moser



Peter Lang