

CFA Institute
CFA Centre for Financial Market Integrity
Reference: Guidance Statement on Verifier Independence
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Utrecht, March 11th 2005

Dear IPC Members,

We hereby send you the response of the VBA-IPM Committee, the Dutch Investment Performance Measurement Committee of VBA, the local sponsor of GIPS in the Netherlands, regarding the “Guidance Statement on Verifier Independence”.

For questions and/or comments, please contact the following individuals:

Corné Reniers, Chairman, VBA-IPM Committee, C.G.A.M.Reniers@robeco.nl
Paul de Beus, Secretary, VBA-IPM Committee, paul.de.beus@nl.ey.com

General comments

1. Do you agree with the principles established in the Guidance Statement?

Answer: We agree with the four principles being presented.

2. Are there other elements involved in verifier independence that are not included?

Answer: We do not foresee other issues currently not covered in the guidance statement.

3. Do you agree with the proposed Effective Date?

Answer: We do agree with the proposed effective date.

Specific comments

Independence

We have the following comments:

- The second paragraph of the Guidance Statement outlines the assessment of independence. We would like to give that paragraph a separate header as this is actually the essence of the Guidance Statement.
- After the description of the self-examination, we would like the following text which is actually the reason for setting up the Guidance Statement:
‘Under no circumstance, the verification firm should come in the position of verifying their own decisions and/or activities.’
- We would like to add the independent organizational and financial status of the verification firm and the investment firm:
 - The verification firm cannot have a financial interest in the ownership of the investment manager (and vice versa)
 - The verification firm cannot enter into a success based fee or incentive based fee arrangement for its performance services
 - The verification firm cannot be operationally involved in the administration and/or valuation of portfolios (such as custodial services and administration services)
 - The verification firm can not recommend the investment manager or act as an advocate for the investment manager to third parties
 - The verification firm cannot enter into a joint for profit business venture with the investment manager
 - The verification firm cannot accept significant gifts or cash payments from the investment manager unrelated to fees for service rendered

Division of topics

The core of the Guidance Statement is to focus on performance related services. The actual distinction that should be made is between performance related work and non-performance related work. For non-performance related services, we do not necessarily see a reason for making a distinction in two separate topics: business advisory and other. Moreover, the fourth topic should be covered in the issues of the definition of independence.

Therefore we propose to restructure the division of topics:

- Combine topic 1 and 2 covering non-performance related services
- Topic 3 covering performance related services
- Topic 4 included in paragraph of independence

Prohibited activities

In two parts of the document a list of prohibited activities and/or management functions is described (under topic 3 and under application 2, both on page 6). A number of activities are mentioned in both lists. We propose to include a single list combining prohibited management functions (e.g. not performing lead manager of project, determining firm definition, definition of non-discretionairity, etc) and prohibited operational activities (assigning portfolios to composites, managing input data, calculating performances, etc) in the actual guidance statement under the topic of performance related services (currently topic 3).

If you have any remarks regarding our comments, please do not hesitate to contact us.

Kind regards,

Corné Reniers
Chairman, VBA-IPM Committee
The Netherlands