

**Comments on
the Proposed Guidance Statement on
the Treatment of Significant Cash Flows**

October 31, 2001

The Security Analysts Association of Japan

The Security Analysts Association of Japan (SAAJ), sponsor of SAAJ Investment Performance Standards (SAAJ-IPS[®]), has the following comments on the proposed Guidance Statement on the Treatment of Significant Cash Flows.

- There is considerable need for guidelines on the treatment of significant cash flows in Japan's investment industry, and hence it is very meaningful and timely that a Guidance Statement on the subject has been drafted.

However, since there are no provisions in the GIPS standards (April 1999 version) themselves regarding the treatment of significant cash flows, we think it inappropriate from the viewpoint of compliance and claim of compliance with the GIPS standards (as well as country specific standards) that only a Guidance Statement should exist while there are no relevant provisions in the GIPS standards. We understand the purpose of the Guidance Statement is to respond to questions arising from important issues with respect to the GIPS provisions and/or those requiring additional interpretation/clarification, not to incorporate additional requirements in the GIPS standards, which naturally should be effected by changing and expanding the GIPS standards themselves.

Accordingly, we think draft provisions for the treatment of significant cash flows should also be proposed together with the Guidance Statement and adopted through due process established by the IPC.

- The effective date (for the provisions as well as the Guidance Statement on the treatment of significant cash flows) should be decided taking consideration of the overall schedule for changes in the GIPS standards.