

# GERMAN ASSET MANAGEMENT STANDARDS COMMITTEE

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CFA Centre for Financial Market Integrity  
Reference: Guidance Statement on  
Performance Examination  
560 Ray C. Hunt Drive  
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Charlottesville, Virginia 22903  
USA

Frankfurt, January 20, 2006

## **Guidance Statement on Performance Examination of November 2005 Comments**

Dear Madam,  
Dear Sir,

We are grateful for the opportunity to comment on the proposed Guidance Statement on Performance Examination.

Please find enclosed the comments of GAMSC to the questions asked by Investment Performance Council (IPC)

### **1. Do you agree with the scope and purpose of the Guidance Statement?**

We agree, that all verification and auditing procedures must be done in accordance with the GIPS and the GIPS Verification Report(s). Therefore, additional auditing procedures – like Performance Examination – pre-require GIPS Verification.

However, we do not find this guidance statement to be useful from a non-US point of view, at least not from a German perspective. In German GIPS practice, additional performance examination procedures are neither known nor required, as GIPS verifications are widely used in practice and, in fact, already include performance auditing. This is due to the more specific requirements to the verification processes set by the original DVFA-PPS. These, in comparison to GIPS, require a more comprehensive verification on account level as a verification of the accountancy/bookkeeping is explicitly required for compliance unless an official audit not older than 18 months is available.

Additionally, we believe that an additional Performance Examination may cause confusion - similar to the confusion due to AIMR-PPS Level I and Level II verifications. Offering an additional Performance Examination auditing will obviously lead to a loss of confidence in GIPS verifications only (without additional Performance Examination). This

will be even more true once the verifier and the performance auditor come to different results.

Also, Performance Examination could be used as a marketing tool and lead to cherry picking. This could put market participants under pressure to use this additional performance examination as a competitive advantage.

## **2. Do you agree with the processes established in the Guidance Statement?**

Our very certain belief is that GIPS verification itself should include sufficient performance auditing procedures to ensure GIPS performance consistency. A lot of procedures outlined in the proposed Guidance Statement are already covered by the basic Verification Procedures. Examples include the activities described in 1) a) b) and c), 6) and 7), which cause overlappings for a large part.

For this reason and the objections (given in answer 1) we propose to consider Performance Examination as a preliminary tool, which is intentionally designed to be skipped in the medium-term. We propose that once GIPS verification will be mandatory (in 2010), Performance Examination should be abandoned, and the role of performance auditing **within** GIPS verification should be enforced instead.

Taking into account the answers above we would not give any comments regarding the questions 3 to 5.

With kind regards

On behalf of the German Asset Management Standards Committee

signed Rudolf Siebel  
BVI

signed Dr. Peter König  
DVFA

signed Dr. Andreas Sauer, CFA  
GCFAS