



Global Investment Performance Standards

Guidance Statement on Recordkeeping Requirements

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Retroactive Application: Not Required

www.gipsstandards.org

GIPS® Guidance Statement on Recordkeeping Requirements ~~of the GIPS Standards~~

Introduction

The GIPS® standards ~~Provision 1.A.1 states:~~state, “All data and information necessary to support ~~a firm’s performance~~all items included in a compliant presentation ~~and to perform the required calculations~~ must be captured and maintained.”

The following guidance relates only to records necessary to satisfy the recordkeeping requirements of the GIPS standards. In all instances, either paper (hard-copy) records or electronically stored records will suffice. If records are stored electronically, the records must be easily accessible and printable if needed. Although most firms are looking for a very precise list of the minimum supporting documents that must be maintained to support all parts of the ~~GIPS-compliant performance~~ presentation, including the ability to recreate the firm’s performance history, there is not a single list of records that will suffice in all situations.

Guiding Principles

1. Above all else, a firm must ~~meet any and comply with~~ all applicable ~~regulatory laws and regulations regarding the calculation and presentation of performance, including any recordkeeping requirements addressing records that must be maintained.~~
2. For each performance period presented in the ~~GIPS-compliant~~ presentation, a firm must maintain sufficient records that allow for the recalculation of portfolio-level returns. Depending on the system and methods used for calculating portfolio-level returns ~~and to prove the existence and ownership of client assets~~, one firm may need different records than another firm needs. Records to support portfolio-level returns might include a combination of the following (this list is not meant to be an exhaustive list):
 - Associated bank/custodial statements and reconciliations,
 - Portfolio statements of ~~assets~~investments and valuations, including ~~pricing calculations for securities such as:~~information supporting the determination of fair value as required by the GIPS Valuation Principles,
 - ~~i. — Not readily priced securities; or,~~
 - ~~ii. — Thinly traded securities;~~
 - Information to prove the existence and ownership of client assets,
 - Portfolio transactions reports,
 - Outstanding trades reports,
 - Corporate action reports,
 - Income received/earned reports,
 - Accrued income reports,
 - Foreign or other withholding tax reclaim reports,
 - Cash flow/weighted cash flow reports,
 - Information on calculation methodology used,

- Information provided by a third party (~~for example~~ e.g., the sponsor in a wrap fee/SMA relationship) where it may be necessary for a firm to take additional steps to ensure the information provided by the third-party can be relied on to meet the requirements of the GIPS Standards, and
 - Investment management fee information.
3. For each performance period presented in the ~~GIPS~~-compliant presentation, a firm must maintain sufficient records that allow for the recalculation of composite-level returns and other composite-level data. Depending on the system and methods used for calculating composite-level returns and data, one firm may need different records than another firm needs. Records to support composite-level returns and other composite-level data might include a combination of the following (this list is not meant to be an exhaustive list):
- Portfolios included in-/excluded from the composite,
 - When each portfolio entered (and exited, if applicable) the composite,
 - Each portfolio's return,
 - ~~market V~~value used to weight each portfolio (~~Beginning Market Value (BMV[beginning value]) or BMV beginning value~~) plus weighted external cash flows;
 - Number of portfolios in the composite and the composite's assets ~~at the end presented as~~ of each annual period presented;
 - Internal dispersion calculation data,
 - Investment management fee information, and
 - Ex-post standard deviation and additional measures of risk calculation data.
4. A firm must maintain records to support why a portfolio was assigned to a specific composite, or was excluded from all composites. Supporting records might include a combination of the following (this list is not meant to be an exhaustive list):
- Composite definition, particularly related to the composite inclusion criteria, including the definition of discretion,
 - Portfolios excluded from composites and the reasons for exclusion,
 - Investment management agreements and amendments thereto;
 - Reports provided to clients, including attribution information, if utilized to help determine composite assignment, and
 - E-mail/other correspondence with clients regarding documented changes to a portfolio's investment management mandate, objective, or strategy amendments.
5. A firm must maintain records to support ~~their~~ its claim of compliance on a firm-wide basis. Information ~~should~~ must be maintained to establish support the following items (this list is not meant to be an exhaustive list):
- Definition of the firm, historically and current,
 - Total firm assets ~~for all periods~~ reported as of each annual period end,
 - Composite definitions and composite creation dates,

- ~~complete list and of composite~~ descriptions ~~of the firm's composites;~~ and
 - Compliant presentations and supporting information for all composites, including any supplemental information.
6. ~~Provision 0.A.6~~The GIPS standards requires that “firms must document, ~~in writing,~~ their policies and procedures used in establishing and maintaining compliance with ~~all the applicable requirements of~~ the GIPS standards, including ensuring the existence and ownership of client assets, and must apply them consistently.” Therefore, firms must maintain all policies and procedures (both current and previous versions) that support the claim of compliance.
7. When firms utilize third-party service providers, firms are encouraged to ensure that they have adequate service-level agreements to provide the historical records necessary, both currently and at a date in the future. If a firm utilizes a third party to provide any service (~~such as e.g.,~~ sub-advisor, custodian, performance measurement, ~~etc.~~), the firm is responsible for its claim of compliance, and must ensure that the records and information provided meet the requirements of the GIPS sStandards.
8. A firm ~~should~~must maintain any additional records necessary to support a claim of compliance, which might include a combination of the following (this list is not meant to be an exhaustive list):
- Marketing output/request for proposal (RFP) responses,
 - Externally reviewed system and control reports (~~such as e.g.,~~ accounting reports, ~~or~~ other internal controls/compliance reports for the client and/or custodians),
 - Third-party (~~e.g.,~~ sub-advisory, custodial, performance data provider, ~~etc~~) agreements,
 - Minutes of relevant decision-making committees, (~~e.g., such as a~~ board, an investment committee, or a composite/GIPS compliance committee);
 - Client fee schedules/agreements,
 - Fee data, including custody and administrative fees,
 - Systems manuals, especially for the systems that generate the portfolio and composite reports (including returns and additional disclosures/statistics),
 - Documentation of efforts made to provide all prospective clients with compliant presentations,
 - Documentation of efforts made to provide, in the case of a material error, a corrected compliant presentation including disclosure of the error, to all appropriate parties in accordance with the firm's error correction policy.
 - Underlying benchmark data (if not publicly available), and
 - Documentation of providing the following to any prospective client who requested:
 - A list ~~and of composite~~ descriptions ~~of the firm's composites;~~ or,
 - A compliant composite presentation(s),
 - Composite definition(s).

- Policies for valuing portfolios,
- Policies for calculating performance,
- Policies for preparing compliant presentations,
- Verification report(s), and
- Performance examination report(s).

9. All records deemed necessary by the firm must be maintained for each year that is presented in a **GIPS**-compliant presentation. At some point in time, a firm may ~~feel it may~~ be able to reduce the amount of records stored, as long as the firms can maintain the ability to recalculate the required returns. For example, an annual summary portfolio transaction report may be maintained instead of individual monthly detail reports. The summary report could be used to recreate period-specific information if needed. Electronically-stored records/reports are acceptable.

10. The ~~If a firm that claims compliance with the GIPS standards experiences a catastrophic event where all of its records and electronic or other back-up systems have been destroyed, the~~ firm should try to reconstruct the information necessary by obtaining the information from clients, custodians, consultants, verifiers or any other party outside the firm that might have duplicate copies of those records. However, if the underlying data to support the performance-compliant presentation ~~or to perform the required calculations were was~~ destroyed because of extreme circumstances beyond the control of the manager and unavailable from other sources, the firm may continue to claim compliance and show performance if the lack of records for the unavailable period(s) is disclosed. The disclosure must include the reason why the records are unavailable and state that the firm is unable to duplicate the records.

For example, if the records for Firm A from its inception 1 January 2007 through 31 December 200~~2~~7 were destroyed under extreme circumstances beyond the control of the manager, the firm can claim compliance with the GIPS standards by ~~showing its performance going forward from 1 January 2003 in compliance with the Standards, and~~ disclosing that the firm's records for the period from 1 January 1999-2007 through 31 December 200~~2~~7 were destroyed under extreme circumstances beyond the control of the manager and the data ~~is~~are unavailable from other sources. The firm must also consider any applicable regulatory requirements and must remember that the GIPS standards are ethical standards based on the principles of fair representation and full disclosure. Any performance information that is presented must adhere to these principles.

Effective Date

The effective date for this Guidance Statement is 1 January 2011. When bringing past performance into compliance, firms may comply with this version of the Guidance Statement or with prior versions in effect at the time. Prior versions of this Guidance Statement are available on the GIPS standards website (www.gipsstandards.org).

Applications

~~1. We have custodial records, trade confirmations, portfolio holdings and valuations, transactions reports, corporate action reports, income received/earned reports, accrued income reports, and cash flow/weighted cash flow reports. Must we maintain all these records for all portfolios (both discretionary and non-discretionary) in order to satisfy GIPS 1.A.1?~~

~~No. For all composites the firm must maintain sufficient records to support the firm's performance presentations, including the composite's performance record. This might include a combination of the types of records you suggested. A firm is not required to maintain records to support performance calculations for portfolios excluded from composites, including non-discretionary portfolios. However, a firm is required to maintain support to prove that all portfolios that were excluded from composites were properly excluded. The firm must determine which records would suffice and maintain these records for all portfolios/composites for each period of performance presented.~~

~~2. How long must I keep the records? For example, we show a 25-year track record for our Large Cap Value Equity strategy in our GIPS standards compliant presentation. Must we still maintain the records?~~

~~Yes. The firm must maintain records to support any performance period presented in the GIPS-compliant presentation. If your firm presents a 25-year track record of the Large Cap Value Equity strategy in the GIPS-compliant presentation, you would need to maintain sufficient records for the full 25-year period. If the composite has a 25-year track record and only 15 years are presented in the compliant presentation, you must maintain records to support the 15 years presented.~~

~~3. I have a composite that I don't use for advertising or marketing purposes. Must I keep the records for the portfolios in this composite as well as records for the composite itself, even if I don't market the composite's performance?~~

~~Yes; the firm must maintain sufficient records that allow for the recalculation of composite level returns (as well as the underlying portfolio level returns) for all the firm's composites, regardless of whether the composites are used for marketing or not. All composites of actual, fee-paying, discretionary portfolios, whether marketed or not, must be listed on the firm's list of composites. The firm must be prepared to provide a composite presentation in compliance with the Standards for all composites on the list when requested to do so by a prospective client. The presentation should be available within a reasonable time frame if not immediately available.~~

~~4. Certain types of records (e.g. thermal printed faxes) have a limited life and in many cases such documents are more than 10 years old. What happens if these records begin to disintegrate and are no longer readable?~~

~~Original documents are not required to be maintained. With the advent of technology, firms can rely on electronic scans of paper documents in order to satisfy the recordkeeping requirements.~~

~~5. Do we have to keep trade tickets?~~

~~The determination of which records are necessary to support the performance record is left up to the firm. In certain cases, the trade tickets may prove a useful resource to capture and maintain some of the data needed to support the record. In other cases, this data may be captured elsewhere. Since records capturing duplicate information are not necessary, the firm must make the determination of which records to maintain.~~

~~6. I have records to support my performance; however, the records are stored in a system that is not operable and I do not have access to the records. Is this acceptable?~~

~~Records stored in a system that is not operable will not satisfy the requirements of the GIPS standards to maintain data and information necessary to support the firm's performance presentation.~~

~~7. I have a question that has not been answered directly by this Guidance Statement on the recordkeeping requirements. What should I do?~~

~~Temporarily, the firm should maintain as much data as possible and seek advice on the most appropriate data to keep, which might include referring to the GIPS question and answer database.~~

~~8. How does provision 0.A.6, which requires that firms must document, in writing, their policies and procedures used in establishing and maintaining compliance with all the applicable requirements of the GIPS standards, relate to provision 1.A.1?~~

~~The data and information required to be collected and maintained by provision 1.A.1 forms part of the policies and procedures required to be documented by provision 0.A.6. The firm must determine what data and information is necessary to support a firm's performance presentation and to perform the required calculations. Once this is determined, the firm should document in its policies and procedures how the data and information required to construct the performance presentation will be gathered, how the data and information will be maintained, and the length of time it will be maintained.~~

~~9. We present risk-adjusted returns as Supplemental Information within our presentation in compliance with the GIPS standards for our Growth and Income composite. Must we keep the data and information to support this supplemental information?~~

~~Firms are required to maintain records to support any data and information necessary to support the firm's performance presentation (required and recommended provisions) and to perform the required calculations. Supplemental Information can take many forms. It is considered best practice for firms to maintain the records to support any data and information presented as Supplemental Information. Firms should also consider any regulatory requirements addressing recordkeeping~~

~~requirements for any data and information presented to prospective clients or presented in advertisements.~~

10. Why isn't this Guidance Statement applicable retroactively?

~~—Firms have been required, since the inception of the Standards, to maintain the necessary records to support their performance presentations. The guidance provided in this document is not intended to require firms to go back and change the records they have maintained to satisfy provision 1.A.1. This guidance is provided so that firms are aware there may be different documents available to the firm to use for meeting the recordkeeping requirements of the Standards.~~

11. Firm A claims compliance with the GIPS standards. It maintains hard copies of the records supporting compliance for three years and discards all records older than three years in an effort to save office space and does not maintain any electronic copies of the discarded records. The performance reported on all its composite presentations shows five years of history. Is the firm in compliance with the GIPS standards?

No. A firm must maintain data necessary to support a firm's claim of compliance. Because Firm A presents five years of performance history, it must maintain the records to support the firm's five-year history and all other relevant data on the firm's composite presentations. Because the Standards require firms to build a ten-year performance history, the firm must continue to maintain the records to support the firm's eventual ten-year performance history.

12. Are recordkeeping requirements different for compliant and non-compliant performance within the presentation in compliance with the Standards?

In certain circumstances a firm may present non-compliant performance in a compliant presentation. If the non-compliant performance is included appropriately with the compliant performance because the non-compliant performance is from periods prior to the required effective date of 1 January 2000, the firm must have the supporting documentation for the non-compliant performance. If a report contains non-compliant performance, the firm must also disclose how the presentation is not in compliance with the GIPS standards. If a firm does not have records to support the non-compliant performance it wishes to include in the presentation, the firm can either; 1.) remove the non-compliant information from the report, or 2.) report this non-compliant information as supplemental information.

13. Firm B does not have the information necessary to substantiate the required calculations that would support the firm's performance record prior to the date of a fire in its storage facility that destroyed its records and electronic back-up systems. Is the firm precluded from claiming compliance with the GIPS standards?

The GIPS standards require firms to present, at a minimum, 5 years of annual investment performance that is compliant with the GIPS standards. If any year prior to the date of the fire is required to be included in the presentation to meet the initial 5-year requirement, as long as a firm can recapture the information that would support its performance record

for those years, the firm could claim compliance and include performance for years prior to the date of the fire in its performance presentations. For instance, Firm B could reconstruct the information necessary by obtaining the information from clients, custodians, consultants, verifiers or any other party outside the firm that might have duplicate copies of those records. If the firm were able to collect data to support a five-year record, then it would be able to claim compliance with the GIPS standards, provided all the other requirements of the Standards are also met. If the records cannot be obtained through alternate sources, the firm may have options for continuing to claim compliance. See questions 14 and 15 for more information on such scenarios.

14. Can a firm previously claiming compliance with the GIPS standards continue claiming compliance if it does not have records to substantiate a portion of its past performance due to a catastrophic event?

The firm should try to reconstruct the information necessary by obtaining the information from clients, custodians, consultants, verifiers or any other party outside the firm that might have duplicate copies of those records. However, if the underlying data to support the performance presentation or to perform the required calculations were destroyed because of extreme circumstances beyond the control of the manager and unavailable from other sources, the firm may continue to claim compliance and show performance if the lack of records for the unavailable period(s) is disclosed. The disclosure must include the reason why the records are unavailable and that the firm is unable to duplicate the records. For example, if the records for Firm A from its inception through 31 December 2002 were destroyed under extreme circumstances beyond the control of the manager, the firm can claim compliance with the GIPS standards by showing its performance going forward from 1 January 2003 in compliance with the Standards, and disclosing that the firm's records for the period from 1 January 1999 through 31 December 2002 were destroyed under extreme circumstances beyond the control of the manager and the data is unavailable from other sources. The firm must also consider any applicable regulatory requirements and must remember that the GIPS standards are ethical standards based on the principles of fair representation and full disclosure. Any performance information that is presented must adhere to these principles.

15. What events would qualify as a catastrophic event, and would exempt a firm from recordkeeping requirements?

A catastrophic event is an extreme circumstance beyond the control of the manager, and would include natural disasters such as floods and earthquakes. Other catastrophic events that are not natural disasters would include fire or terrorist attack. Events within the control of the firm, such as a change in IT systems, do not qualify as catastrophic events.