

Global Investment Performance Standards (GIPS®) Technical Committee Strategic Plan - FY2017

Background

The mission of the GIPS Executive Committee (EC) is to promote ethics and integrity and instill trust through the use of the Global Investment Performance Standards by achieving universal demand for compliance by asset owners, adoption by asset managers, and support from regulators for the ultimate benefit of the global investment community. In October 2011, the EC had developed its strategic plan, with input from various stakeholders and insights from industry leaders, to specify the activities and initiatives to be undertaken in order to achieve its mission. The plan was intended to be dynamic and reflective of the needs of the industry as they change over time, and was structured around six “E’s”: Evolve, Expand, Engage, Evaluate, Extend, and Educate. Each “E” was supported by numerous strategic priority milestones, which were categorized as either “In process”, “Priority 1”, “Priority 2”, or “Priority 3”. These relative levels of priority were based on stakeholder input, needs assessment/perceived demand, and judgment by the EC.

With the change of the GIPS governance structure effective 1 September 2014 and the creation of the new GIPS Technical Committee (TC) which is responsible for the technical oversight of the GIPS standards that was once part of the responsibilities of the EC, it was decided at the EC in-person meeting in November 2014 that those priorities under the “Evolve” and “Expand” categories, which mainly focused on developing and maintaining the GIPS standards, should now be the responsibility of the TC. The priorities under the remaining 4 “E” categories, which primarily focused on outreach and promotion/awareness, will remain with the EC.

Key Strategic Priorities

In October 2011 the Executive Committee identified the five topics below as the highest priorities. Each of these items is included in the TC Strategic Plan.

A. Pooled Funds and Retail Products

The GIPS standards lack clear guidance regarding the treatment of pooled funds and retail products. In general, firms want to include assets from these products in total firm assets, yet few provide compliant presentations to prospective pooled fund investors. At the same time, presenting composite performance that includes multiple portfolios may not be appropriate to present to a prospective pooled fund investor. Firms are unclear about their responsibilities, which has led to inconsistent treatment. Certain markets are dominated by retail pooled funds and in order to reach these markets, it is critical that clear guidance be developed.

B. Risk Guidance

The 2010 edition of the GIPS standards makes a clear statement that performance encompasses both risk and return, and introduced a few provisions related to risk, whereas prior editions had been very limited in addressing risk. It is essential to develop guidance on risk and applying the risk-related provisions. The guidance will explain the provisions, provide examples, and offer direction to firms.

C. Update Supplemental Information Guidance Statement

The use of supplemental information continues to be an area of confusion. Clarity is needed regarding what is supplemental information, what must be labeled, and where it can appear. In addition, when a firm introduces a new product and presents model, hypothetical, or back-tested performance, guidance is needed regarding how this information can be used.

D. Guidance on Overlay Assets

The GIPS standards currently offer little guidance regarding the treatment of overlay strategies. Overlay strategies present a number of challenges including calculation of firm assets, composite construction, and return calculation. The growth of overlay strategies underscores the need for guidance in this area.

E. Update/Expand Performance Record Portability Guidance Statement

The ongoing consolidation and merger and acquisition activities in the industry highlight the need for clear guidance related to the treatment of the performance records of the firms. In many instances it is the performance record that is being acquired and clear guidance in this area is a necessity. Merged composites and determination of a surviving track record are specific areas that require clarification. In addition, guidance is needed regarding the period of time between acquisition and full integration into the merged or acquired firm.

GIPS Technical Committee Strategic Plan

I. Projects in Process:

	Strategic Priorities	Assigned to	Status	Remarks
1	Develop guidance on applying the GIPS standards to retail products (e.g., pooled vehicles).	Pooled Fund Working Group (PFWG)	In process	Exposure draft was out for public comment 29 Jan 2016 – 29 Apr 2016; All comments received are currently being reviewed and considered, and the final draft is anticipated to be submitted to the TC and the EC for approval in 1Q-2017.
2	Develop Guidance on Performance Fees	Interpretations Subcommittee	In process	Develop principles and key topics for a performance fee guidance statement or white paper, to be submitted to the TC at the April 2017 meeting.
3	Revise the Guidance on the Application of the GIPS Standards to Asset Owners.	Asset Owners Subcommittee	In process	Exposure draft was out for public comment from 1 Aug 2016 - 29 Oct 2016. The goal is to issue the final guidance statement by Q2 2017.
4	Review and update the Guidance Statement on Verifier Independence.	Verification Subcommittee	In process	Exposure draft approved, subject to minor amendments. To be issued for public comment in 1Q 2017.
5	Develop Guidance on Overlay Strategies.	Overlay Strategies Working Group	In process	Discussed at the TC January 2017 conference call. Feedback from the TC will be incorporated into the next revised draft to be submitted to the TC at the April 2017 meeting.
6	Review and update Guidance Statement on Supplemental Information.	Interpretations Subcommittee	In process	Exposure draft issued for public comment on 1 December 2016. Webinars introducing the draft were held on 5 and 6 Dec 2016. The public comment period ends 28 February 2017.

	Strategic Priorities	Assigned to	Status	Remarks
7	Develop a short Guidance Statement on the topic of Internal Rate of Return (IRR) starting with the foundation of the Private Equity provisions should be developed based on the 3 draft IRR Q&As.	Interpretations Subcommittee	In process	Initial draft of the GS on IRRs/Drawdown Portfolios was discussed at the TC in-person meeting in Sep 2016. Feedback from the TC will be incorporated into a revised draft anticipated to be submitted to the TC at the April 2017 meeting.
8	Develop guidance addressing risk and applying the risk-related provisions (excluding real estate, private equity, and other alternatives).	Risk Working Group (McAra and Morrison)	In process	Draft was discussed at the TC in-person meeting in Sep 2016. Exposure draft approved to be issued for public comment, subject to amendments. It will be resubmitted to the TC for a final approval in February 2017.
9	Review and Update Guidance Statement on Portability.	Interpretations Subcommittee	In process	Revised draft principles were discussed at the TC in-person meeting in Sep 2016. Portability Special Working Group will take the TC's feedback and will continue working on the revised Guidance Statement.
10	Develop/update guidance on Benchmarks.	Benchmark Working Group	In process	The new working group began its discussions in early 2016 and is anticipated to present its principles document to the TC in 1Q 2017.
11	Determine if the existing Real Estate guidance as it applies to opportunistic closed-end funds needs to be modified.	Real Estate Working Group	In process	The Real Estate Working Group is currently conducting a closed-end opportunistic fund survey to ascertain if changes need to be made to the closed-end fund real estate provisions within the GIPS standards. Phase I of the survey has been completed and phase II of the survey was started in late 2016. We hope to finalize phase II of the survey in Q1 of 2017 and prepare a first draft of the findings by the end of Q2 of 2017.
12	Develop guidance for calculating performance for multi-asset class portfolios, including how to calculate returns for a portfolio that contains different asset classes with different required valuation frequencies.	Interpretations	In process	Interpretations has begun brainstorming on this topic and will begin work drafting principles at the in-person Interpretations meeting in Sep 2016. Progress on this project will be reported to the TC at the April 2017 in-person meeting.

II. Projects in Queue:

	Strategic Priorities	Assigned to	Status	Priority	Remarks
1	Research the feasibility of restructuring the GIPS standards to base them on the type of portfolio structure rather than the investment.	TBD	In queue	High	The goal is to research the feasibility and if approved, complete the project by 2020.
2	Determine if a new Alternative Investments Subcommittee should be created to focus primarily on real estate, private equity, and hedge funds, with the flexibility to incorporate other alternative investments vehicles such as timber, infrastructure, etc. when needed. A. Examine the need for guidance related to infrastructure strategies, commodities, and/or new strategies.	TBD	In queue	Medium	
3	Review and update Guidance Statement on Significant Cash Flows.	TBD	In queue	Low	TC to determine if additional guidance is needed for the use of temporary accounts.
4	Determine if existing PE provisions are appropriate.	TBD	In queue	Low	
5	Examine the feasibility of developing a global framework for calculating and presenting after-tax performance.	TBD	In queue	Low	It was discussed at the EC Meeting in November 2014 that this might be a topic to be taken up by the Regional Technical Committee as this is an important topic in certain countries such as Australia, US, and a few other countries.

III. Projects Completed During the Prior Fiscal Year (September 2015 – August 2016):

	Strategic Priorities	Assigned to	Status	Remarks
1	Develop guidance on expanding the use of internal rate of return (IRR) versus time weighted returns (TWR) <ul style="list-style-type: none"> Part 1 – Research Draft Part 2 – Actual Project 	USIPC –Part 1 - Research Draft	Completed	USIPC has completed and submitted its Research Summary to the TC in Jul 2015. The TC reviewed and discussed the Summary at the TC In-person meeting in Sep 2015. It was assigned to the Interpretations Subcommittee.

	Strategic Priorities	Assigned to	Status	Remarks
2	Create Q&As for Asset Owners to assist with the implementation of the Asset Owner Guidance Statement, including the required period of compliance.	Asset Owner Subcommittee	Completed	Two Q&As were submitted at the end of last year and a Helpdesk question pertaining to the Guidance's effective date and historical performance records was reviewed by the TC at their Sep 2015 meeting. CFA Institute staff will use the feedback from the TC to respond to the person who had asked the Helpdesk question accordingly. Subcommittee will continue to review issues to provide more clarity on the Guidance Statement, but no additional Q&As have been identified at this time.
3	Create Q&As that address verification issues related to the firm notification requirement.	Verification Subcommittee (3 questions) Interpretations Subcommittee (4 questions)	Completed	Verification Subcommittee submitted a draft with 7 questions to the TC for review in Mar 2015. Four of the Q&As were assigned by the TC to the Interpretations Subcommittee for additional input and Interpretations Committee suggested splitting one of the questions into 2 questions. During their Jul 2015 call, the TC approved 6 of the 8 submitted Q&As, deleted one of them. The remaining Q&A was discussed at the Sep 2015 in-person meeting and it was determined to delete this question and to address similar questions on an individual basis through the GIPS Help Desk. The 6 approved Q&As were posted on the GIPS website on 1 October 2015.
4	Develop guidance on implementing the GIPS standards for firms in developing markets and on applying the GIPS standards when a firm first comes into compliance.	Investment Manager Subcommittee	Completed	A webinar introducing this document by CFA Institute staff took place on 27 May 2015. Final draft was released to the public in May 2016.