

MODEL RFP TEMPLATE

A guide to the sections in RFPs related to compliance with the GIPS® standards.

WHY A GIPS MODEL RFP NOW?

We understand that the Request for Proposal (RFP) process is challenging and time consuming for investors seeking information regarding firms' investment strategies and products. To facilitate a more streamlined process, CFA Institute staff and the GIPS® standards subcommittee members created this guide to address the sections in RFPs related to compliance with the GIPS standards.

As GIPS standards have also evolved over the past 15 years, many GIPS-related questions on RFPs have not. We are aware that there are outdated and incorrect questions still incorporated in some RFPs. Therefore we hope this template eases the burden of the RFP process as it relates to GIPS compliance and verification.

WHAT THE TEMPLATE WILL TELL YOU:

The template will provide guidance and clarity on the "right" questions to include in RFPs related to compliance with the GIPS standards and verification.

As background, the GIPS Model RFP Template provides suggested standardized questions. The following key elements of GIPS compliance and verification are reviewed below in order to help investors interpret RFP responses, and also assist firms in submitting complete and accurate information.

KEY DETAILS INVOLVED IN DRAFTING AND RESPONDING TO GIPS-RELATED RFP QUESTIONS

GIPS compliance and verification facts:

- Compliance with the GIPS standards is only applicable on a firm-wide basis. Portfolios, accounts, funds, composites, or managers do not themselves comply with the standards—only firms may claim compliance with the GIPS standards when all requirements are met.
- Firms complying with the GIPS standards may choose to be verified. Verification is recommended, but not a required component to claim compliance with the GIPS standards.
- Only firms are verified, not composites, funds, performance, or the claim of compliance.
- Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis, and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS standards.
- Verification does not provide assurance regarding the accuracy of any specific composite performance or presentation.
- Firms must not state they have been verified unless a verification report has been issued.
- There are no "levels" of compliance or verification. Firms either comply with the GIPS standards or they don't—and they are either verified or not verified.
- A firm may choose to have a performance examination to assess the accuracy of a specific composite presentation. A performance examination may only be performed either concurrently with or subsequent to the completion of verification. A performance examination is not required for a firm to be verified.

Policies and procedures facts:

- Of the core principles for the GIPS standards, properly defining the firm is the foundation for firm-wide compliance and creates defined boundaries whereby total firm assets can be determined.
- If the firm does not meet all the requirements of the GIPS standards, a firm must not represent or state that it is "in compliance with the Global Investment Performance Standards except for..." or make any statements that indicate partial compliance with the GIPS standards.
- Firms must have available on request a list of all composites and their descriptions for clients and prospective clients.
- All firm policies and procedures must be documented—this is a requirement to comply with the GIPS standards and shows a firm's commitment to internal controls.
- Firms must present in each compliant presentation at least five years of performance (or since inception if the firm or composite has been in existence less than five years). After a firm presents a minimum of five years of performance, the firm must present additional annual performance building up to a minimum of 10 years of GIPS compliant performance.
- Returns from cash and cash equivalents held in portfolios must be included in all composite performance calculations.
- Firms must disclose all significant events that help a prospective client interpret the compliant presentation. While significant events are defined by the firm, a material change to personnel responsible for investment strategy must be deemed a significant event and disclosed to prospective clients so they understand the potential impact personnel changes may have on the investment strategy historically as well as future performance.
- Firms must not link model or simulated performance returns with actual performance.
- The fee schedule appropriate to the presentation must be disclosed.
- Firms must disclose the currency used to express performance; results can be reported in different currencies, but the base currency must be disclosed.

Eliminating incorrect and invalid questions from RFPs

When determining if a firm is compliant, incorrect and invalid questions must be eliminated.

Examples of questions not to ask (and reasons why):

- Are you compliant with the GIPS standards? (only firms comply, not "you")
- What is your compliance status? (there is no status—either a firm complies or does not comply)
- Is this composite compliant with the GIPS standards? (only firms comply, not composites)
- Is your firm AIMR compliant? (incorrect, outdated reference to investment performance standards)
- Are your mutual funds compliant? (only firms comply, not mutual funds)
- Does your performance/risk calculation system/portfolio management system comply with GIPS? (only firms comply, not systems)
- Is this portfolio (or portfolio return) GIPS compliant? (only firms can be GIPS compliant, not individual portfolio returns)
- Please provide your gross-of-fees figure of a similar single account. (only composite returns are allowed to comply with the GIPS standards)
- Are you Level I or Level II compliant and/or verified? (there are no "levels" of compliance and/or verification—a firm is compliant or not compliant. If the firm is GIPS compliant it may or may not choose to be verified.)
- Have composites been verified? (only firms are verified—however, once the firm is verified they may choose to have a performance examination of a composite(s)).

GIPS Model RFP Template: A suggested set of standardized questions

With concise, standardized questions to use in building a RFP, we hope that investors will adopt the following templated set of questions and this will in turn lead to a standardization and streamlining of this process for investors and firms.

1. Does the firm comply with the GIPS standards?
2. Please provide the firm definition used to determine total firm assets and firm-wide GIPS compliance.
3. Please provide beginning date of compliance with the GIPS standards.
4. Please provide a list of the firms' composite descriptions.
5. If firm does not comply with the GIPS standards, please explain.
6. Has the firm been verified?
7. Please identify the period(s) for which verification reports have been issued to the firm.
8. Please provide name(s) of verification firm(s).

For more information, please visit the GIPS standards website at: www.gipsstandards.org