WHAT IS VERIFICATION?
Verification is the review of an investment management firm's performance measurement processes and procedures by an independent third-party verifier. Specifically, verification assesses whether the firm has complied with all the composite construction requirements of the GIPS® standards on a firm-wide basis. It also tests whether the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS standards.

The GIPS standards have set forth criteria with regard to the knowledge requirements of verifiers in the areas of the GIPS standards, applicable laws and regulations, the corporate structure of the firm, the firm's policies and procedures, portfolio valuation basis, and performance calculations.

BENEFITS OF VERIFICATION
Third-party verification brings additional credibility to the claim of compliance and supports the overall guiding principles of the GIPS standards: fair representation and full disclosure of a firm's investment performance.

Verification may also provide an opportunity to increase the knowledge of the firm's performance measurement team and improve the consistency and quality of the firm's compliant presentations. Additionally, verification may provide improved internal processes and procedures as well as marketing advantages to the firm.

The GIPS standards have also set forth minimum procedures that verifiers must follow when conducting a verification. This further adds to the credibility of the verification process.

The application of the GIPS standards to the specific situations of an individual investment management firm requires the firm to decide on the policies, definitions, and approaches to all provisions. Undergoing verification brings in additional expertise that can comment on the implementation of the GIPS standards and their application to specific scenarios.

Verification is intended to provide a firm and its existing and prospective clients with additional confidence in the firm's claim of compliance.

The increasing importance of a firm's verified status is often a market-driven result of increased awareness among investors and consultants and can be an important factor in manager searches.

For all of the reasons above, the GIPS Executive Committee encourages firms to undergo verification and believes it represents best practice.

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