Global Investment Performance Standards (GIPS®)

Implementation Assistance for GIPS Compliance

Webinar
27 May 2015
Webinar Agenda

STEP – BY – STEP PROCESS

1. **LEARN** ABOUT THE GIPS STANDARDS
2. **ANALYZE** YOUR FIRM’S ABILITY TO COMPLY
3. **BUILD** THE INFRASTRUCTURE TO COMPLY
4. **IMPLEMENT** THE REQUIREMENTS
5. **STAY** UP TO DATE
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STEP 1 - LEARN ABOUT THE GIPS STANDARDS

- **Types:** Text, Audio, Audio-visual
- Hardcopy, web-based (on-screen, downloadable, printable), e-format
- Interactive: Conferences, forums, workshops, webinars
- Third party providers: Verifiers, Consultants. Country Sponsors, CFA Societies
- **2010 edition of Global Investment Performance Standards:** 70 pages
- **Global Investment Performance Standards Handbook 3rd edition 2012** 400+ pages
STEP 1 - LEARN ABOUT THE GIPS STANDARDS

QUESTIONS?
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STEP 2 - ANALYZE YOUR FIRM’S ABILITY TO COMPLY

• Management Support!

• What is the definition of the FIRM: Remember
  – Recommend broadest, meaningful, distinct business entity, organizationally and functionally segregated, retains discretion over the assets it manages, autonomy over investment process
  – Holds itself out as
  – Look at all the portfolios / assets included in the definition. Do they make sense? Is something missing? Anything unexpected?
  – Consider Strategies, Composite Definitions
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STEP 2 - ANALYZE YOUR FIRM’S ABILITY TO COMPLY

• Roll back definition 5 Years or Since Inception
  – Write a timeline for strategies as well as components of the definition; consider Portability

• 5 Years or Since Inception: TRACK RECORD
  – Data, Supporting records, processes supporting GIPS

• Sources:
  – Custodians, Brokers, Fund Administrators, Asset Owners

• Resource assignment; historical + going forward
  – Existing staff, consultants / temporary staff, 3rd party
STEP 2 - ANALYZE YOUR FIRM’S ABILITY TO COMPLY

- **Input and Calculation Methodology**
  - Valuation: Fair Value; **GIPS Valuation Principles**
  - Calendar month end or last business day; at time of **Large Cash Flows**
  - Trade date accounting, accrual accounting for fixed income securities
  - At least monthly **Time Weighted portfolio Returns** (modified Dietz)
  - **Total returns** (Capital and Income)
  - Returns after deduction of trading expenses / transaction costs
STEP 2 - ANALYZE YOUR FIRM’S ABILITY TO COMPLY

• Composite Construction
  – Sufficient details to assign each portfolio to the strategy the IMA says it is being managed to
  – Necessary detail to detect flows
  – Track any changes to composite membership to opening, closing or client directed requirements
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STEP 2 - ANALYZE YOUR FIRM’S ABILITY TO COMPLY

QUESTIONS?
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STEP 3 - BUILD THE INFRASTRUCTURE TO COMPLY

• Management Support: GIPS Team
• Communicate requirements to functions impacted by GIPS:
  – Operations
  – Client Service / Portfolio Management
  – Legal, Compliance, Risk Management
  – Marketing
  – Systems / IT
  – Performance
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STEP 3 - BUILD THE INFRASTRUCTURE TO COMPLY

• IT
  – Spreadsheet / Build vs. Buy – integrated / best of breed
  – Functionality
  – Level of automation versus cost of manual resources

• Policies and Procedures (P&P)
  – Follow structure and numbering of the provisions
  – Use GIPS Team to retrieve P&P from the internal functions
  – External as well as internal (3rd party providers)
  – Include controls and checks (reduce errors)
  – Request from prospective client who qualifies
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STEP 3 - BUILD THE INFRASTRUCTURE TO COMPLY

- Historical data / Track record
  - Since Inception or MINIMUM 5 years of firm
  - Determine quality of existing historical data
    - Closed accounts, terminated strategies, merged funds
    - Continuity of strategies or managers
    - Star or team approach; significant events
    - Ported data
    - Prior systems
  - Gaps: Reprocess, alternative sources, insufficient records?
    - Combine historical with on-going to reach minimum
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STEP 3 - BUILD THE INFRASTRUCTURE TO COMPLY

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STEP 4 - IMPLEMENT THE REQUIREMENTS

• Maintain Compliance
  - Inputs received on time
  - Corrections incorporated correctly
  - New, closing, changed mandates reflected
  - Cash flows detected and correctly processed
  - Review outliers; assignment or processing errors?
  - Effective Production timetable

• Policies and Procedures consistent & maintained
  - Review when errors detected, periodic update / sign off
  - Controls and checks in place
STEP 4 - IMPLEMENT THE REQUIREMENTS

• Composite details
  - Benchmark, definition, description, risk, minimum, strategy

• Compliant Presentations
  - Review outliers; assignment or processing errors?

• System / processing
  - Processing, review, composite assignment & construction, validation and output produced in required timeframe including corrections

• GIPS included in existing and new hire training
  - GIPS compliance is an ethical standard of the firm
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STEP 4 - IMPLEMENT THE REQUIREMENTS

QUESTIONS?
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STEP 5 - STAY UP TO DATE!

• **Receive:**
  – GIPS Newsletter
  – Communications from Country Sponsor & CFA Society
  – Updates from Verifiers, Consultants, Conference Organisers

• **Visit:**
  – GIPS Website regularly, review Q & A database
  – Webinars, live and recorded, podcasts
  – Blogs, Twitter, LinkedIn Groups
  – Conferences, Workshops, Forums
  – Volunteer Locally or Globally
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STEP 5 - STAY UP TO DATE!

QUESTIONS?
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- **Getting Started**
  [http://www.gipsstandards.org/compliance/Pages/about.aspx](http://www.gipsstandards.org/compliance/Pages/about.aspx)

- **2010 Edition of the GIPS Standards**

- **3rd Edition of the GIPS Handbook**

- **Policies and Procedures white paper**

- **GIPS Q & A Database**
  [http://www.gipsstandards.org/standards/faqs/Pages/index.aspx](http://www.gipsstandards.org/standards/faqs/Pages/index.aspx)

- **Current GIPS Guidance Statements**
GIPS Implementation Assistance Resources

- Visit GIPS website [www.gipsstandards.org](http://www.gipsstandards.org)
- Country Sponsors [http://www.gipsstandards.org/about/history/Pages/sponsors.aspx](http://www.gipsstandards.org/about/history/Pages/sponsors.aspx)
- Helpdesk ([gips@cfainstitute.org](mailto:gips@cfainstitute.org))
- Volunteer Sign Up [http://www.gipsstandards.org/about/Pages/CommitteeVolunteerSignUp.aspx](http://www.gipsstandards.org/about/Pages/CommitteeVolunteerSignUp.aspx)
- Twitter: @gips
Future Events

10 June 2015
Ethical Decision Making Webinar

16 September 2015
GIPS Interactive Workshop, and
Fundamentals of Performance Measurement and Attribution Workshop
San Diego, CA

17-18 September 2015
GIPS Annual Conference
San Diego, CA

Please check the GIPS website home page for other future upcoming events!