GIPS 2010 Project
Submitted by
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Background

The EC intends to continue in its predecessor’s footsteps and develop the GIPS standards so that they maintain their relevance within the changing investment management industry. Accordingly, the EC has committed to evaluating the Global Investment Performance Standards every 5 years, as already stipulated in paragraph 24 of section I.G of the Standards.

In June 2006, the GIPS Council Chairman presented a Road Map for GIPS 2010 which included a proposed timeline for the project. At the 30 November and 1 December 2006 meetings of the GIPS Executive Committee (EC), it was decided that a core group of the EC members plus a representative of the GIPS Secretariat would form the GIPS 2010 Project Team and that I should lead the project.

The purpose of the GIPS 2010 Project Team is not to rewrite the GIPS standards, but simply to oversee and ensure progress is being made on a timely basis during this first quinquennial review of the Standards. Needless to say, this kind of work will continue beyond 2010 with future reviews expected to be completed in 2015, 2020 and so on.

Back in 1999, when the Standards were first released, GIPS was of course not yet recognised as a global standard. But today it is, thanks to the tremendous amount of work that took place between 2000 and 2005 to ensure global convergence toward GIPS. There is no more CVG or Country Version of GIPS. That was in itself a significant achievement. It required a comprehensive review and generated a significant upgrade of the original set of standards, the result of which is the current version of GIPS.

There is clearly no need this time around for the same degree of change in the GIPS standards. Of course, we need to ensure that GIPS remains relevant, but we must also be practical and pragmatic about what we can and should achieve over the next few years, given our relatively limited resources. We need to be realistic as we set priorities.
It is helpful in this context to remind ourselves not only that the GIPS standards are in fact **evolutionary** in nature, but also that for a firm to be able to continue claiming compliance with GIPS it must continue to meet **all** of the required elements of the Standards. So we obviously need to take great care before we introduce new and additional requirements.

**Objectives**

The prime objective of the Project Team, as I am sure is also the case for all involved in the GIPS Organisation, is to ensure that the GIPS standards not only maintain their relevance but continue to represent best global practice and to be increasingly complied with globally.

It is important to keep in mind as we embark on this first quinquennial review of GIPS, that compliance with the standards is **voluntary**. As a result, it must surely be as important for us to not discourage compliance in any way as it is for us to enhance the Standards themselves. And so, it may be that despite the best intentions and solid progress being made in the development of possible new provisions in the course of the next few years, some of these efforts may not yet materialize as part of what is expected to become the next version of GIPS in 2010.

In other words, it goes without saying that the evolution of GIPS is, has been and will undoubtedly continue to be ongoing in nature; just as the investment management industry keeps evolving as well. But, of course, it is essential that any change be managed appropriately and responsibly. Accordingly, we must always communicate clearly with the industry and be careful not to create any confusion as to what is likely or not likely to happen with the contents of GIPS between now and 2010. Our commitment to plan regular evaluations of the Standards once every 5 years should prove to be a useful discipline in such a dynamic context and, hopefully, the outcome of this first exercise will also be welcomed by the industry.

**Project Team**

The GIPS 2010 Project Team is not, as such, another subcommittee of the EC. It does not have any decision making authority nor is it expected to actually produce any new GIPS material; it is a project management team. Its purpose is to plan, monitor and validate periodically the review process and alert the EC if any concern arises. The approach adopted is one where the project team will meet regularly and make recommendations to the EC on how it believes things should be done in terms of the GIPS 2010 Project. No decision will be made or development work undertaken without first obtaining the approval of the EC.
Ms. Vincent, as chair of the Interpretations Subcommittee, serves on the team, along with Mr. von Euw, as chair of the GIPS Council. Others from either the EC, CFA Centre for Financial Market Integrity and/or GIPS Secretariat may also serve from time to time.

The Project Team has so far met twice by conference call; once in January and once in February. It is already clear that a substantial amount of the work for the project is likely to come from the Interpretations Subcommittee. Accordingly, the main objective of the initial meeting in January was to discuss which tasks of the GIPS 2010 Project should fall within or outside the ambit of the Interpretations Subcommittee.

In clarifying the role of the Interpretations Subcommittee, Ms. Vincent stated that her subcommittee is responsible for ensuring the integrity, consistency and applicability of the GIPS standards and that therefore all new guidance must also be reviewed by this subcommittee for continuity and technical purposes.

**Review of Status**

The EC approved the following three recommendations that were made by the GIPS 2010 Project Team:

1. GIPS 2010 Project work falls into 3 main categories:
   a. Fine tuning *existing* contents of GIPS;
   b. Adding *new* content; and
   c. Extending the *scope* of compliance.

2. The Interpretations Subcommittee is responsible for undertaking or leading much of the work to be carried out under the first category above, but not necessarily all of it. This is to be determined more specifically by considering each section of the GIPS standards and other GIPS material and assigning responsibilities accordingly.

3. Any work done under the last two categories will need to be at least monitored by the Interpretations Subcommittee to ensure consistency and integrity in the ongoing process undertaken and contents developed.

Obviously, the above first category of work (fine tuning existing contents of GIPS) is fundamental. This work will include the review/confirmation of all the future effective dates already stated within the existing provisions (e.g. 2008, 2010), as well as a review of what should be the future status of current recommendations (i.e. should some become requirements?). An important aspect of this work is the question of mandatory verification. The Verification/Practitioner Subcommittee has been requested to review this issue and present their proposal to the EC.
As for the remaining two categories of work to be done (adding new content and extending the scope), it seems clear to say the least that choices will need to be made and priorities set in deciding what new aspects are of greatest need of guidance to the industry and what is in its best interests. Areas that currently appear to be at the forefront of everyone’s mind include hedge funds, derivatives and client reporting – to name a few.

How we deal with each has yet to be determined. But there is clearly a need for much collaboration between the various subcommittees. As an example, together Ms. Mulder who chairs the Investment Manager Subcommittee and Ms. Kennedy, who chairs the Investor/Consultant Subcommittee have already formed a joint working group on existing client reporting. That group will be exploring how to make existing clients of compliant firms realize they too (and not just prospective clients) are getting the benefits of GIPS.

**Next Steps**

The GIPS 2010 Project Team quickly identified the need to conduct a survey of the opinion of all country sponsors and other key GIPS stakeholders. A short questionnaire to be sent only to country sponsors initially was drafted by the team for review by the EC at its latest conference call meeting in February. That draft was discussed and it was decided that further work was necessary before releasing it.

The EC also felt it was important to take into consideration that other surveys were also being prepared by other groups and that it would be preferable to coordinate all the work being done and ensure that there is an orderly release of the survey material so that recipients are not confused or unnecessarily overwhelmed by the exercise.

Accordingly, we now find ourselves here in Cape Town with unfortunately still relatively little knowledge of how everyone around the table (the GIPS Council) feels about what should be achieved over the next few years. Ideally, we should at least know what matters the most to each and everyone of you before we proceed with this important work. For example:

- Do you believe any new content should be added to the GIPS standards?
- Do you believe modifications should be made to any of the existing requirements?
- Should the Standards be extended beyond their current scope to include:
  - Investment firms’ client reporting?
  - Not only ‘investment firm’ compliance, but also that of other entities?
- What are, in your view, the top three issues that should be addressed before 2010?

The sooner we know the better, because time marches on regardless...