January 29, 2018

Dear Sir / Madam,

The Irish Country Sponsors (Irish Association of Investment Managers) GIPS sub-committee welcomes the opportunity to comment on the draft Guidance Statement on Benchmarks. We provide herewith our responses to the questions raised within the document.

Question 1: Do you agree that firms should be required to disclose why they have chosen an ETF rather than a market index as the composite benchmark?
Yes, we believe the rationale for the ETF benchmark, should include the reasoning behind using it instead of the market index – if the ETF is based on a market index.

Question 2: Do you agree that the ETF chosen must be one in which the returns are comparable to those of the composite?
Yes, absolutely, the ETF chosen must be a viable benchmark, and hence must reflect the investment strategy of the composite. If there are any significant differences, these must be disclosed.

Question 3: Do you agree that the hedging criteria for the benchmark must be disclosed? Do you agree that it should be required that any material difference in hedging between the composite and the benchmark be disclosed?
Yes. Differences in hedging criteria / methodologies / etc. could give rise to significant deviations in returns between composite and benchmark. It would be very important for the prospective client to understand this.

Question 4: Do you agree that firms should be required to select the benchmark that is most consistent with the withholding tax status of the portfolios in the composite?
We believe that this should be a recommendation, as in practice there may be logistical issues in identifying the most consistent – if this is a requirement.

Question 5: Do you agree with the creation of custom benchmarks using fees and/or trading costs to provide returns comparable with the net-of fees and/or trading costs composite returns?
No – we have difficulties with this particular use of customisation. We believe provision of Gross returns is more appropriate.
Question 6: Do you agree that if a net-of-fees and/or trading costs benchmark is presented, the firm should be required to disclose the fee schedule and/or the trading costs used to derive the benchmark returns?
See Answer to Q5 above.

Question 7: Do you agree with the proposed treatment of price-only benchmark returns?
Yes, we believe that all benchmarks should be total return only. As the Guidance Statement sets out - a price return would be identical to a total return if there is no income generated by that asset class.

Question 8: Do you agree that if a firm changes a benchmark retroactively, the disclosure of the change should be required to be included in the compliant presentation only for as long as it is meaningful as per the firm’s policy and the disclosure can be removed once it is no longer meaningful?
Yes we agree. We would go further to say that if a benchmark is changed retroactively, both the old benchmark return and reason for change disclosure should be required for the compliant presentation for as long as it is meaningful – per the firm’s policy.

Question 9: Do you agree that firms must disclose changes to benchmark ordinal (primary, secondary)?
Yes, we agree.

Question 10: Do you agree that firms should be allowed to present the name of the benchmark for a readily recognized index or other point of reference instead of presenting the full benchmark description?
Yes, we agree, as long as the firm is reasonably certain about whether the benchmark is readily recognized by any potential prospective client.

Question 11: Do you agree that if the firm is uncertain about whether the benchmark is readily recognized by any potential prospective client, the firm should be required to include the benchmark description?
Yes, we agree.

Question 12: Do you agree that if other benchmarks are presented and labelled as supplemental information, that all of the required benchmark disclosure and presentation items should be required to be presented for all benchmarks included in the compliant presentation?
No, if the benchmarks are supplemental to the compliant presentation, they should not necessarily have the full disclosure of all of the information, however, in the spirit of full disclosure and fair representation, certain disclosures may be required.

Additional Comments
Apart from the standard reference to Regulations – there is no specific reference in the Guidance Statement proposed, to the new EU Benchmark Regulations, which apply to relevant UCITs and AIFs. Should there be some reference to them in this Guidance Statement? – particularly given the topicality of these new regulations, which apply from 1st January 2018?
Should some of the provisions - *where relevant* - even be considered for inclusion. For example, should the standards perhaps recommend that only BMAR compliant/registered Market Indices be used, and disclosure required if a “non-compliant / non-authorised / non-registered” index is used as or a benchmark, or as a component of a benchmark?

Given the proposed evolution of GIPS 2020, perhaps it is now time to consider some of the future “pillars” in the Guidance Statements issued over the next few years.

Thank you for the opportunity of commenting on this guidance statement.

On behalf of the Irish country sponsor GIPS Sub-Committee,

Yours sincerely,

Joe O’Donnell
Chair – Irish Country Sponsor GIPS Sub-Committee