

GIPS Committee
CFA Society Greece

CFA Institute
Global Investment Performance Standards
standards@cfainstitute.org

November 26, 2017

Re: Exposure Draft of the new Guidance Statement on Overlay Strategies

Dear Madam/Sir,

On behalf of the CFA Society Greece, as the GIPS country sponsor in Greece, we'd like to thank you for the opportunity to comment on the above guidance statement.

Please find below our comments and answers to each question posed in the exposure draft.

Question 1:

Are these examples regarding the determination of discretion appropriate or are additional examples or other criteria needed? If additional examples or other criteria are needed, please explain your suggestions.

Given that the examples mentioned are a few of those that could be presented they are indicative and appropriate. Another example could be one that is caused by market movements where an adverse loss triggers the maximum loss limit. This loss results in the overlay portfolio being characterized as non-discretionary whereas initially was characterized as discretionary.

In principle, we agree that overlaid assets must not be included in total firm assets or composite assets unless the underlying portfolio is managed by the firm

Firms that manage overlay strategies can choose not to present (a) composite assets and/or (b) either total firm assets or composite assets as a percentage of total firm assets when these numbers are not considered meaningful. In this case the above choice must be disclosed.

Question 2:

Are the three “allowable methods” for calculating overlay exposure appropriate?

We believe they are appropriate.

Question 3:

Are there other methods for calculating overlay exposure that are also appropriate? If so, please explain.

There might be other appropriate methods in the academic literature but for now we think it is outside of the scope for the revision of the statements.

Question 4:

Should the allowable method(s) be required or recommended by strategy type? If so, please propose a required or recommended method by strategy type.

The allowable method(s) should be recommended by strategy type.

Question 5:

Are the methods used to calculate the denominator in an overlay portfolio return calculation appropriate?

We believe they are appropriate.

Question 6:

Is the requirement to include collateral income in the overlay portfolio return when the collateral is actively managed appropriate? If not, should this be changed to a recommendation?

We believe it is, the collateral income must be included in the overlay portfolio return when the collateral is actively managed.

Question 7:

Is the requirement to establish a composite specific policy on the treatment of collateral appropriate? If not, should this be changed to a recommendation?

Yes, it must be required to to establish a composite specific policy on the treatment of collateral.

Question 8:

Do you agree that the returns for overlay portfolios must be geometrically linked when the overlay exposure changes over the time period? If not, please explain what method(s) you believe is appropriate.

We believe that the returns for overlay portfolios must be geometrically linked when the overlay exposure changes over the time period.

Question 9:

Do you agree that overlay returns must not be geometrically linked when the exposure remains constant, but rather the returns must be calculated as the cumulative profit/loss for the calculation period divided by the denominator? If not, please explain what method(s) you believe is appropriate.

If the exposure remains constant, yes we agree that the returns must be calculated as the cumulative profit/loss for the calculation period divided by the denominator.

Question 10:

Should text be added to this Guidance Statement recommending disclosure of the sum of (a) total firm overlay exposure and (b) total firm assets, also known as total firm economic exposure?

We think not, it is descriptive enough.

Question 11:

Are the required disclosures appropriate? If not, please explain.

They seem appropriate.

Question 12:

Is the proposed effective date appropriate or would additional time be needed to implement this Guidance Statement?

It seems appropriate.

Sincerely yours,

GIPS Committee
CFA Society Greece