

SUGGESTED QUESTIONS TO ASK PROSPECTIVE VERIFICATION FIRMS

The Global Investment Performance Standards (GIPS®) standards are ethical standards used by investment management firms for calculating and presenting investment performance based on the principles of fair representation and full disclosure.

The GIPS standards recognize the importance of independent third-party “verifiers”. Verification is a process by which an independent verifier assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis and (2) the firm’s policies and procedures are designed to calculate and present performance in compliance with the GIPS standards. Verification is intended to provide a firm and its existing clients and prospective clients additional confidence in the firm’s claim of compliance with the GIPS standards, and may also provide improved internal processes and procedures as well as marketing advantages to the firm. The GIPS standards recommend verification.

This document was created to assist firms in their selection of a verifier, and includes suggested questions that may be helpful when considering prospective verification firms. This document is intended to be a starting point for discussions and may include questions that are not appropriate for all firms or that may need to be tailored. Similarly, all questions that should be asked by a specific firm may not be included in this document.

1. FIRM OVERVIEW & SUMMARY OF OFFERED SERVICES

A. Describe your firm’s experience in the investment management industry.

(This will help the firm understand the verifier’s background and knowledge of the investment management industry)

B. Describe your firm’s global verification business including the approximate number of clients and an overview of your firm’s history as a verification service provider. Also provide the number of verification clients that your firm has lost in the last three years, including information about the reason(s) for any losses.

(This helps the firm understand the verifier’s position in the market place. Furthermore, knowledge of the verifier’s experience and background will help the firm determine the credibility of a potential verifier.)

C. What differentiates your firm from your firm’s competitors?

(This will help the firm understand the verifier’s unique selling points.)

D. Describe the verification and other performance-related services that your firm offers.

(This demonstrates the range of services available to the firm, who may be keen to ensure that their verifiers are capable of offering them all the services that they require.)

- E. How does your firm stay current with significant industry issues and changes, including updates to the GIPS standards? How does your firm communicate these issues / changes to your firm's clients?

(This demonstrates that the verifier is committed to keeping abreast of new developments in the industry and that they communicate such issues to their clients effectively).

- F. Describe how verification services are organized in your firm.

(This helps demonstrate how important verification is to a verifier. If the verifier can demonstrate a strong structure with good organization and communications channels, it is more likely to be able to offer a high level of service.)

- G. Describe any professional guidance (e.g. AICPA, IAASB, ICAEW, JICPA) that will be applied in performing the engagement.

(This will help the firm understand any professional guidance the verifier must adhere to.)

- H. What type of training related to the GIPS standards and other performance topics can your firm provide?

(This demonstrates how the firm can benefit from the experience and training of their verifiers.)

- I. Has the verification firm been the subject of any lawsuits or regulatory/professional investigations relating to GIPS verifications, performance examinations, or performance related services during the past [X] years? If yes, explain.

(This will help the firm understand the verifier's history with lawsuits or regulatory/professional investigations.)

2. FIRM'S APPROACH TO THE VERIFICATION PROCESS

- A. Describe your firm's verification approach.

(This should give the firm a clear overview of how the prospective verifier approaches the verification. and what aspects they feel are key to the process)

- B. How does your firm ensure the verification approach is consistent throughout your firm?

(This shows how the verifier will use the same approach across the verification firm.)

- C. Describe how your firm would structure and manage the verification including whether the verification is performed onsite, offsite, or a combination of both.

(This will help the firm understand how the verification will be organized.)

- D. What reliance does your firm place on any verification, audit, regulatory, or other work that has already been carried out by your firm or by others?

(This will enable the firm to judge how the verifier will place reliance on verification, audit, regulatory, or other work, if any, that their firm or another verifier may already have undertaken at the firm.)

- E. Describe the types of testing your firm normally employs during both initial and subsequent verifications.

(This will help the firm understand how the testing might change between the current and subsequent years.)

- F. Outline the most common problems and issues that your firm encounters during verifications and how they are resolved.

(This will help the firm understand where common issues/problems occur during verifications. Firms can then apply this knowledge to their own business.)

- G. How does your firm assess the adequacy of data and information supporting all items included in compliant presentations? What would your firm do if documentation for some periods was not as complete as other periods?

(These questions are of particular importance if a firm is being verified for a period of time during which their records may not be as complete as they would like. For example, a firm wishing to be verified for 10 years may have sufficient documentation to support 9 years, with the 10th year missing some documents that had been misplaced. The verifier may find that the firm is able to demonstrate alternate sources of evidence to support the performance record other than through the usual supporting evidence.)

- H. Will your firm outsource any aspects of the verification?

(This will help the firm understand if any verification work will be outsourced.)

- I. How would your firm deal with any issues where we disagree?

(This will help the firm understand what steps the verifier will take to address issues that the verifier and the firm might disagree on.)

- J. Describe your firm's policies and procedures for maintaining and monitoring independence from your firm's verification clients.

(This will help the firm understand the thoroughness of the verifier's independence policies and procedures.)

K. How does your firm ensure that confidentiality is maintained at all times?

(This question may be particularly important in certain environments. This will allow the firm to understand the verifier's procedures related to confidentiality.)

L. Describe your firm's policy for issuing recommendations resulting from the verification.

(This demonstrates the ability of a verifier to bring added value to the verification processes.)

3. ADDITIONAL QUESTIONS (MAY OR MAY NOT BE APPLICABLE)

A. Provide details of your firm's experience in verifying firms with portability issues.

(This question is particularly important for firms who have a history of merger / takeover activity. It also indicates your firm's experience in dealing with complex survivor issues.)

B. Provide details of your experience in verifying firms with XX (named investment products, instruments, and/or asset classes such as Private Equity, Fund of Funds Products, Real Estate, etc.)

(This question is particularly important for firms who offer products where specialized expertise may be needed. The firm may ask for examples of verifiers' experience at other firms in order to judge how their own products would be tested during the verification. This question enables the verifier to demonstrate their understanding of certain types of products and instruments that may be important to the verification process.)

C. Describe what experience your firm has with (name the investment management firm's portfolio accounting system, the composite maintenance system, and other relevant systems.)

(This question will demonstrate to the firm whether the verification firm already has a good understanding of their particular system and how they may be able to rely on the systems, and efficiently test those systems.)

4. PERSONNEL

A. Provide information on the engagement team members, such as verification experience, investment industry knowledge and any professional designations.
Also, describe your firm's approach to maintaining continuity of the engagement team.

(This question demonstrates the experience, knowledge, and strength of the verifier's team, and the firm's commitment to ensuring verification team continuity.)

- B. Are there any additional verification staff/resources within your firm (at local, regional, global level, etc.)?

(This question demonstrates the capabilities and resources that the firm can provide to the engagement team.)

- C. Describe the training your firm provides to engagement team members on the GIPS standards and the verification process.

(This helps to assess whether the engagement team has the sufficient knowledge needed to perform a verification.)

- D. Describe the ethics training your firm provides to engagement team members. Does your firm have a Code of Conduct that all members of the firm must adhere to?

(Ethics training and documents such as a Code of Conduct help assess whether the firm promotes and adheres to high standards of ethics, integrity, and professional excellence.)

- E. Demonstrate how your firm has participated in verification industry organizations, thought leadership, standards development, and associations.

(This demonstrates if the verifier keeps abreast of new developments with GIPS standards and investment performance, and if the verifier is committed to supporting the development of the GIPS standards.)

5. CLIENT REFERENCES

- A. Provide contact information for [X] verification client references.

(These references may be contacted to provide information on their previous experience with the prospective verifier.)

6. FEES

- A. Based on the information we have provided to your firm and discussed with you concerning our firm's GIPS policies and procedures, systems used, number of portfolios and composites maintained, including other pertinent information that would be meaningful to the verification firm's fee estimate, provide an estimate of your firm's proposed fees, this should include;
- Consultancy rates for any pre-verification/project management assistance
 - Fees for first year and subsequent verifications given no significant changes in system and number of portfolios/composites
 - How and when your firm bills for additional work that must be performed that was not contemplated in your firm's initial fee estimate
 - Fees for any individual composite-specific performance examinations

(This demonstrates what approximate fee the verifier will charge to perform a verification and includes some breakdown on the costs in order to explain that fee.)

- B. Indicate the factors that would influence fees in future years (e.g., number of portfolios/composites/assets under management).

(In order for the firm to fully understand the cost of the verification process as an ongoing project, it is useful for the verifier to indicate what factors they believe would influence fees in future years.)

- C. Describe any additional performance-related services besides verification that your firm provides, which are included in the above fee.

(Verifiers may also offer additional performance related services, such as training, as part of the fee, which are not mentioned in the fee breakdown. This question gives the verifier an opportunity to demonstrate what added-value it can provide to the client.)

- D. Describe any additional performance-related services your firm provides that are excluded from the above fee.

(Verifiers may also offer additional performance-related services (e.g., training or attribution testing) that are not included in the fee, but which may provide added-value to the firm.)

7. PREPARING FOR VERIFICATION

- A. How should we prepare for the verification?

(Verifiers may provide recommendations for procedures that should be performed prior to the verification, which would assist in the efficient conduct of the verification.)

- B. What kind of documents will we need to provide prior to the commencement of and during the verification?

(Verifiers can demonstrate which supporting records will be utilized and required during the verification.)

- C. What kind of internal resources do we need to provide during the verification, and for what time period?

(The firm will understand what internal resources will be needed, as well as how long the verification will take.)

- D. What steps can our firm take to facilitate a transition between verification firms?

(This will help the firm understand the steps necessary to ensure a smooth transition between verification firms.)