

GIPS® STANDARDS NEWSLETTER



October 2020 Edition

Last Chance to Register — 24th Annual GIPS® Standards Virtual Conference

The 24th Annual Global Investment Performance Standards (GIPS®) Virtual Conference, a must-attend event for investment performance and compliance professionals, will feature six online sessions, with two each day on 27–29 October 2020.

These sessions will focus primarily on helping firms comply with the 2020 edition of the GIPS standards, including the following:

- A two-part session that takes a “Deep Dive into the 2020 GIPS Standards Handbook” with Ann Putallaz, PhD, CIPM, Principal, AFP Consulting, and Karyn Vincent, CFA, CIPM, Senior Head, Global Industry Standards, CFA Institute; and
- “Practical Tips for Complying with the 2020 GIPS Standards” with Crista DesRochers, CIPM, Partner, ACA Performance Services, and Dimitri Senik, CFA, Investor Trust Services Leader, PwC Switzerland.

The conference also will include sessions on the following:

- The upcoming revised SEC Advertising Rule, with Michael McGrath, CFA, Partner, K&L Gates, LLP, and Sanjay Lamba, Associate General Counsel, Investment Advisor Association (IAA); and
- “Shedding Light on ESG Performance Attribution” with Bruno Bertocci, Head of Sustainable Investors, UBS Asset Management, and Linda-Eling Lee, Managing Director, Global Head of ESG Research, MSCI.

More information can be found on the [registration webpage](#). Register now and save US\$50 by using discount code GIPS20-NEWS.

Introduction to the GIPS Standards: Increasing Transparency and Trust

This high-level brochure provides information on the GIPS standards that can be shared and discussed with colleagues and clients. Some of the topics included in the brochure are:

- why the GIPS standards were originally created (page 4),
- increased global uptake (pages 5/6),
- benefits of complying with the GIPS standards for your organization (pages 8, 11), and
- relevance of the GIPS standards for regulators (page 12).

Discussing these topics can demonstrate your commitment to ethical best practices for the calculation and reporting of performance.

This brochure can be used as the introduction within your firm to explain the additional benefits that a compliant entity can derive from adhering to the GIPS standards, such as increased risk control.

The requirement to document the policies and procedures (P&P) used in establishing and maintaining compliance with the GIPS standards applies to input data and valuations, return calculation methodology, creation of track records, and the presentation and reporting of performance and performance-related information. The P&P associated with these functions also can be used to manage your entity's business risks and can complement:

- business recovery / business continuity,
- functions of internal audit and risk management,
- due diligence reviews for existing and prospective clients,
- staff training, and
- reconciliation of performance.

Further benefits can be derived from using the information generated for the GIPS Reports in materials that you use internally:

- Composite performance can be used for product reviews and analysis as well as for portfolio manager compensation.
- Composite population and dispersion information can help in investment process reviews and in detecting anomalies in strategy management.

You can find the [Introduction to the GIPS Standards: Increasing Transparency and Trust](#) brochure on the CFA Institute website.

Meet the Saudi Arabia GIPS Standards Sponsor

CFA Society Saudi Arabia became the first GIPS Standards Sponsor in the Middle East and North Africa (MENA) in 2017 and continues to be a leader in the region for introducing and promoting the GIPS standards.

In Saudi Arabia there are currently five asset managers and one asset owner, the Saudi Arabian Monetary Authority (SAMA), that claim compliance with the GIPS standards. SAMA, which is the Central Bank in Saudi Arabia, is one of the largest asset owners globally, and CFA Society Saudi Arabia played an important part in helping SAMA achieve

compliance with the GIPS standards.

For five consecutive years, CFA Society Saudi Arabia has hosted an Annual GIPS Standards Forum. This is the only forum in the region dedicated solely to the GIPS standards and has been the platform to introduce the GIPS standards and provide a venue for investment professionals with similar interests to exchange ideas. CFA Society Saudi Arabia also focuses on education and awareness activities for the GIPS standards by conducting workshops with asset owners and managers in Saudi Arabia. They frequently engage with the Capital Market Authority (CMA), the local regulator, by participating in roundtable discussions relevant to the GIPS standards and discussing ways to improve reporting standards.

CFA Society Saudi Arabia formed a GIPS Standards Sponsor Committee, which is composed of individuals from the Saudi investment management industry and represents asset owners, investment management firms, consultants, and the local regulator. According to the GIPS Standards Sponsor Committee Chair Ghadah Mazi, this diversity provides the committee with a range of perspectives on issues related to implementing the GIPS standards within the region and also provides the committee the ability to address these challenges.

Tools and Resources

We continue to add tools and resources to assist with implementation of the 2020 edition of the GIPS standards. You can find these under “Tools and Resources” for [firms](#), [asset owners](#), and [fiduciary management providers to UK pension schemes](#). We recently added the following items:

- Explanation of the Provisions in the GIPS Standards for Firms Errata – September 2020
- Introducing the GIPS Standards: Increasing Transparency and Trust
- Explanation of the Provisions in Sections 24, 25, and 26 of the GIPS Standards for Asset Owners
- Spreadsheet with the calculations in the Explanation of the Provisions in Section 24

Dear GIPS Standards Help Desk

This month’s Help Desk question asks about redefining composites that exclude pooled funds.

Question: Our firm has a large-cap value strategy, and we manage both segregated accounts and pooled funds in this strategy. We have defined composites for this strategy that are based on portfolio type. As a result, we have a Large-Cap Value Segregated Account Composite and a Large-Cap Value Pooled Fund Composite. The discussion of Provision 3.A.3 in the Explanation of the Provisions states that on a prospective basis, pooled funds managed in a strategy that is managed for or offered as a segregated account must be included in the same composite as any segregated accounts managed or offered in that strategy. To be in compliance with the 2020 edition of the GIPS standards, must we

redefine the segregated account composite beginning 1 January 2020 to include the pooled funds or does “prospective basis” refer to any new composites created once the firm adopts the 2020 GIPS standards?

Answer: For periods beginning on or after 1 January 2020, pooled funds managed in a strategy that is managed for or offered as a segregated account must be included in the same composite as any segregated accounts managed in that strategy. The firm must redefine one of the composites to include both pooled funds and segregated accounts for periods beginning on or after 1 January 2020 or the firm may instead create a new composite that includes both segregated accounts and pooled funds for all periods.

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