

**ADOPTING RELEASE**  
**THE ADDITION OF ADVERTISING GUIDELINES TO THE GIPS® STANDARDS**

**SUMMARY:** The Advertising Subcommittee was created in September 2001 to develop guidelines that permit firms to advertise that they comply with the GIPS Standards without providing a full GIPS-compliant presentation. As both investment management firms and prospective clients place value in compliance with the GIPS standards, the Subcommittee feels it is paramount to provide the industry with guidelines for communicating both GIPS compliance and investment performance. Therefore, it has developed the attached GIPS Advertising Guidelines to serve as industry global best practices for the advertisement of GIPS-compliance and performance results.

The GIPS Advertising Guidelines do not replace the GIPS standards nor do they absolve firms from presenting performance presentations that adhere to the requirements of the full GIPS standards. The Guidelines can only be applied to firms that already satisfy all of the requirements of the Standards on a firm-wide basis and claim compliance with the Standards. Firms that claim compliance can choose to advertise that claim using the GIPS Advertising Guidelines.

The Guidelines are mandatory for firms that include a claim of compliance in their advertisements. The Guidelines are voluntary for firms that do not include a claim of compliance in their advertisements. All firms are encouraged to abide by these ethical guidelines.

**ADDITIONAL INFORMATION:** For further information on this Guidance Statement and the GIPS standards, contact AIMR's Professional Standards and Advocacy department via facsimile at 434-951-5320, via e-mail at [gips@aimr.org](mailto:gips@aimr.org), or at 560 Ray C. Hunt Drive, P.O. Box 3668, Charlottesville, VA 22903-3668.

**I. SUMMARY OF COMMENTS**

Below is a summary of the comments received during the public comment period. The firm or individual making each comment is indicated using the following abbreviations:

AIMR-PPS: AIMR-PPS Implementation Committee  
EYSA: Ernst & Young (South Africa)  
EYSW: Ernst & Young (Switzerland)  
FEG: French Experts Group  
HSBC: HSBC Global Fund Services, Ltd.  
IMA: Investment Management Association  
IAIM/SAIA: The Joint Irish Committee on Performance Measurement (IAIM/SAIA)  
KDD: K&D D Consulting Limited  
NFF: Norwegian Society of Financial Analysts  
P Group: Performance Analysts Group of Australia (P Group)  
PWC: PricewaterhouseCoopers, LLP

SWIP: Scottish Widows Investment Partnership, Ltd.  
SAAJ: Security Analysts Association of Japan  
SBA: Swiss Bankers Association  
UBS: UBS Global Asset Management  
UKIPC: U.K. Investment Performance Committee  
VBA: VBA GIPS Committee

## 1. Do you agree with the proposed Effective Date of 1 May 2003?

The original proposal suggested 1 May 2003 as the effective date for the GIPS Advertising Guidelines.

*Comment:* Several responses were in agreement with the proposed Effective Date. (EYSA, EYSW, HSBC, IAIM/SAIA, NFF, P Group, SWIP, SBA, UBS, VBA)

*Comment:* As the change in Advertising Guidelines may significantly impact many U.S. and Canadian firms that currently comply with the AIMR-PPS Advertising Guidelines and require system changes, we recommend that the effective date be changed to at least 3 months after the date of issuance of the final GIPS Advertising Guidelines. (AIMR-PPS, FEG)

*Comment:* A year-end change over is preferable. However, those companies that are in a position to respond swiftly and wish to comply early should be allowed the opportunity to do so. Once the principles of the proposed Advertising Guidelines have been agreed there is no benefit, arguably only a disservice in delaying implementation. (UKIPC, IMA)

*Comment:* If the final proposal is substantially modified incorporating comments received, the effective date should be postponed until the content is well known among firms. (SAAJ)

**Revision:** Postpone the effective date of the GIPS Advertising Guidelines to 30 June 2004; however, encourage firms to implement them sooner. **Note:** Since the publication of this document, the IPC and AIMR Board of Governors have moved the effective date of the GIPS Fees Provisions to coincide with the effective date of the “gold” GIPS standards – 1 January 2006.

2. Do you agree with the information and disclosures required in both of the scenarios (advertisements that include a claim of compliance and advertisements that include both a claim of compliance and performance results)? Should additional information be provided in an advertisement? Are there too many required disclosures?

### Definition of Advertisement

The original proposal defined an advertisement as any material that is distributed or designed for use in newspapers, magazines, firm brochures, letters, or any other written or electronic material addressed to more than one person. Any written material (other than one-on-one presentations

and individual client reporting) distributed to maintain existing clients or solicit new clients for an advisor is considered an advertisement.

*Comments:* Additional guidance regarding the definition of “advertisement” should be included. The AIMR-PPS Advertising Guidelines contain a definition of ‘advertisement’ that is comprehensive and useful giving specific direction regarding one-on-one presentations, RFPs, Flash Reports, and the Internet. (AIMR-PPS, PWC)

*Comments:* Clarification on the meaning of “one-on-one” presentations should be included in the published guidelines. (KDD, SAAJ)

*Comments:* The definition of an advertisement may be different depending on regulatory rules and requirements governing advertisements in each country/region. Therefore, we propose the definition of ‘advertisement’ and the meaning of terms might be different depending on regulatory rules and requirements governing advertisements in each country/region. If the definition is different or conflicts with that of local laws or regulations, laws and regulations are controlling. Also, advertising via electronic vehicles such as the Internet, e-mail, fax, etc. should also be explained. (SAAJ)

**Revision:** *None. The definition of advertisement has been applied with the widest possible interpretation.*

*Comments:* We believe that it would be sensible to differentiate between different types of advertising, particularly between: Brochures and other such Marketing Materials; and Press/Magazine Advertising.

- *Brochures:* We have no issues with this second scenario in the context of Brochures and other such Marketing Materials.
- *Press/Magazine Advertising:* In this form of media, impact is everything, and all organizations seek to achieve value for the significant costs involved. The additional space required to cater for these disclosures will add significantly to marketing costs, and the advertisement itself will likely lose impact with the addition of clutter from a large number of tables and footnotes. We are already over-burdened with regulatory disclosures, without also having to cope with this development in the standards.

*We would suggest that the Advertising Sub-committee specifically isolate press and magazine advertising within the definition of an advertisement, and deal with it separately. One possible approach suggested would be to forego the full disclosure requirements as per the guidelines, replacing it with a clear statement that the returns referred to within the presentation are from a **compliant composite**, and hence subject to the full ethical requirements of the standards. Potential investors should be further strongly encouraged to seek a copy of the full presentation details to aid their decision making process. Amended guidelines could be issued under this revision with increased emphasis on the prominence of that statement. We suggest that Radio*

*Advertising be handled in the same way as Press/Magazine Advertising as suggested above. (IAIM/SAIA)*

*Comments: The information required for an advertisement containing performance information is simply too extensive. Adverts such as a billboard posters or radio commercials are not mediums suited to the level of information that you require. (UBS)*

**Revision:** *None. The definition of advertisement was applied with the widest possible interpretation. It was deemed inappropriate to have separate advertising guidelines for different advertising mediums.*

### **Description versus Definition**

The original proposal required that firms disclose a description of the firm, the composite being advertised, and of the use of leverage.

*Comments: The requirement to disclose a “description” of the composite should be changed to require disclosure of the “definition” of the composite. The revised wording would be in accordance with the Guidance Statement on Composite Definition. (AIMR-PPS)*

*Comments: We suggest that AIMR consider amending point 1 to “The definition of the “firm used to determine firmwide compliance must be disclosed.” (EYSA)*

*Comments: We suggest that the Guidance Statement allows for a summarized definition of the Firm. The full definition of the Firm will be found in the disclosures section of the GIPS compliant presentation which, an interested party will obtain. (FEG, SAAJ, KDD, IAIM/SAIA, PWC)*

The use of the word description is deliberate. Composite definitions can be lengthy and it was not considered conducive to the nature of an advertisement to require disclosure of the full definition.

**Revision:** *Clarify the term “description”.*

### **Non-Compliant Performance**

*Comments: Where supplemental performance information is included, any periods of non-compliance should be disclosed together with an explanation of what the non-compliant information is and why it is not in compliance. (AIMR-PPS, KDD)*

**Revision:** *Include requirement for firms to disclose when presenting non-compliant performance for periods prior to 1 January 2000 in an advertisement. Firms must disclose the period(s) and which specific information that is not compliant as well as provide the reason(s) the information is not in compliance with the GIPS standards.*

## **Examples of Advertisements**

The original proposal did not include any examples of acceptable advertisements.

*Comment:* Examples of compliant advertisements should be included that reflect correct use of the disclosures and statement of compliance. (AIMR-PPS, EYSW, PWC)

**Revision:**     ***Include examples of advertisements in an appendix***

## **Requests for List and Description and/or Compliant Composite**

*Comment:* A requirement to respond to a request for a complete list and description of firm composites within a specified time period. (AIMR-PPS, EYSA)

It is the subcommittee's view that this action will be market driven

**Revision:**     ***None.***

## **Other Disclosures**

*Comment:* We suggest the Guidelines include a requirement to disclose the monetary value of the composite for the most recent period displayed. (AIMR-PPS)

*Comment:* We suggest the amount of assets in the composite being advertised and the percentage of the firm's total assets represented by the composite as of the end of the period for the most recent period displayed, as well as the date of the information (i.e. the date of the end of the most recent period). (SAAJ)

*Comment:* We believe that the GIPS Advertising Guidelines should require the disclosure of the percentage of non-fee-paying portfolios represented in the composite when the composite contains a significant portion of non-fee paying and/or proprietary portfolios. Significance would need to be defined in the Guidance. (PWC)

*Comment:* We propose to add the percentage of composite investments outside of the benchmark, where this is material (KDD)

This information will be provided to prospective clients in a fully-compliant presentation. Therefore, it is not necessary to provide in an advertisement.

**Revision:**     ***None.***

*Comment:* We believe all advertisements where performance results are shown, should include a reservation that the historical results are no guarantee for future results. (NFF)

This disclosure is required by some regulatory agencies to caution prospective clients not to rely solely on the information provided in the advertisement when selecting an investment management firm. However, the Subcommittee believes this disclosure falls outside of the scope of the GIPS standards and is the responsibility of local regulators.

**Revision:** *None.*

*Comment: Is the wording and the order of the disclosure statements to be prescribed? Are there to be requirements as to the prominence of the disclosure statements? If a number of documents are supplied, does each document have to comply, or may they form part of a 'pack' which complies as a composite? (UKIPC)*

The subcommittee considers it inappropriate to be prescriptive in this regard since it would be unduly restrictive for marketing purposes. Having regard to the spirit of GIPS and these guidelines should ensure appropriate application of these requirements.

**Revision:** *None.*

*Comment: We believe that any significant changes in the investment team responsible for that performance should also be included in advertising material. (UKIPC)*

One of the principles underpinning GIPS is that performance belongs to a firm, not to individuals within that firm. For that reason disclosure of personnel changes is not considered to be of such significance to require disclosure in the advertisement, but will be disclosed in the underlying composite.

**Revision:** *None.*

*Comment: We suggest that the date of the end of each period should also be presented together with composite performance results of each period. (SAAJ)*

**Revision:** *Add statement that requires firms to clearly label the ending date of each period.*

### **Scope of GIPS Advertising Guidelines**

*Comment: We recommend that the Advertising Guidelines explicitly state that they do not apply to advertising mutual funds or any other non-composite oriented products. (AIMR-PPS, SWIP, IAIM/SAIA, SAAJ)*

**Revision:** *Added paragraph to "Relationship of GIPS Advertising Guidelines to Regulatory Requirements" to indicate that the Advertising Guidelines are not intended to replace regulatory requirements when advertising only a pooled unitized fund.*

*Comment:* We recommend that the draft Advertising Standards be amended to include a provision that allows a compliant firm to advertise its retail/mutual funds in their own right, whilst still advertising its compliance to GIPS. In such instances, in addition to the disclosures and information that the draft Advertising Guidelines require to be included in an advertisement, a compliant firm should be required to make reference both to the fact that the particular retail/mutual fund is drawn from a compliant composite and to details of where a fully compliant presentation for this composite may be obtained. (KDD)

*Comment:* We feel that a clear statement of which composite the fund is a constituent of and clearly indicating how the detail of that composite can be obtained for reference is in line with the spirit of the Standards. (SWIP)

Should a GIPS-compliant firm choose to include a claim of compliance in an advertisement with performance results, they must apply the Advertising Guidelines – regardless of the type of investments that are included in the composite being presented (e.g., pooled fund, separate account, etc.). Firms must comply with laws and regulation first and foremost and must disclose any conflicts between laws/regulations and the Guidelines.

**Revision:** Add sentence to clarify firms must adhere to GIPS Advertising Guidelines in order to include a claim of compliance in an advertisement.

### **Presentation of Performance Returns**

The original proposal Period-to-date composite performance results in addition to 1-, 3-, and 5-year annualized composite performance returns.

*Comment:* We are concerned that the presentation requirements do not clearly indicate that performance returns for periods of less than one year should not be annualized. (EYSA, EYSW, FEG, SAAJ, VBA)

**Revision:** Add the statement that “Periods of less than one year must not be annualized.”

*Comment:* The required disclosures under point 5.a) go beyond the requirements of the Standards in requiring 1-, 3-, and 5-year annualized composite performance returns and could be therefore perceived as too many disclosures. (EYSW)

*Comment:* The proposed Addition of Advertising Guidelines to the GIPS<sup>®</sup> Standards require the firm to show either 1-, 3- and 5-year annualized composite performance or 5 years of annual composite performance results. We believe that firms should be required to show both annualized and annual returns. Only annual returns describe the dispersion in the historical returns. The dispersion in returns is ignored when returns are annualized (NFF)

*Comment:* Firms have the option to show only 1, 3 and 5 year annualised composite performance with year to date results. However, showing only these periods has the

*potential to disguise periods of poor performance that may have occurred within the period. Therefore, we suggest that 5 or more individual years (or individual years since firm inception) of annual composite performance returns must be shown, with any other information, such as annualised performance, shown as supplemental information. (KDD)*

The 1-, 3-, and 5-year presentation format is an alternative to the 5 years of annual information required by GIPS, which has been included as it is common practice for such statistics to be used in advertisements. However because this is additional to information required by GIPS it has been included as an alternative not as a requirement.

**Revision:**     **None.**

*Comment: According to GIPS, a firm should initially present 5 years of compliant performance (or since inception). After presenting five years of performance, firms must present additional annual performance building up to 10 years. We believe that advertisements that include performance results also should include performance for 10 years (or since inception) and not only 1-,3- and 5- year (or since inception) composite performance returns.(NFF)*

At this point, the Subcommittee does not feel it is necessary to require the presentation of information beyond the five year historical performance record required by the GIPS standards. However, as the Standards evolve and firms obtain longer track records, we anticipate this requirement will be readdressed.

**Revision:**     **None.**

The original proposal required firms to present year-to-date composite results through the most recent calendar quarter in addition to 1-, 3-, and 5- year annualized composite performance returns.

*Comment: Present results through the most recent calendar quarter (given a reasonable amount of time after the end of the period). Mandating the period through which performance must be disclosed would prevent a firm from selectively choosing which periods to include in the advertisement. (AIMR-PPS)*

*Comment: Please specify what year-to-date is intended to mean. (SAAJ)*

The Advertising Guidelines now require firms to present period-to-date performance.

**Revision:**     **Modified requirement to indicate firms must present period-to-date performance.**

*Comment: The proposed GIPS Advertising Guidelines contain a requirement that “information must be taken from a presentation that adheres to the requirements of the GIPS standards”. However, presentation of much of the information required by the*



*Guidelines is currently not mandatory under GIPS, i.e. firms may not be able to take this information directly from compliant presentations and may have to derive it first. (PWC)*

**Revision:** *Amended that information must either be taken or derived from a compliant presentation*

Comment: *The current wording with respect to presentation of 1-, 3- and 5-year annualized composite performance returns and 5 years of annual composite returns is that they “should be through the same period of time as presented in the corresponding compliant presentation”. Please clarify the meaning of “should”. Perhaps additional language should be added to say “unless local regulatory rules require the presentation of performance through a more recent period”. (PWC)*

**Revision:** *Changed “should” to “must”*

Comment: *The current wording with respect to presentation of 1-, 3- and 5-year annualized returns also states that they are to be presented “since firm inception”. We believe this should be changed to “since composite inception” as the composite inception date may not be the same as the firm inception date. (PWC, SAAJ)*

**Revision:** *Changed from firm to composite.*

### **Gross- or Net-of-fees Presentation**

Comment: *Due to the nature of the use of an advertisement (other than a one-on-one meeting with a prospective client), we recommend that net results be required. If gross-of-fees performance is presented, it should be shown in equal prominence to net and easily comparable. (AIMR-PPS)*

Since net of fee performance is not required by GIPS, it is considered inappropriate for it to be required purely for the advertising guidelines. Local regulatory consideration must of course to be considered as well as the guidelines however.

**Revision:** *None.*

Comment: *As some jurisdictions may not allow gross only returns, we suggest the guidelines be changed to say “Whether performance is shown gross and/or net of investment management fees”. If both net and gross returns are presented, the net performance should be shown in greater or equal prominence than gross. (PWC)*

The subcommittee does not consider that net should be given more prominence than gross, since this goes beyond the requirement of GIPS. Local regulatory issues must be separately considered by the firm.

**Revision:** *Amended to indicate whether performance is shown gross “and/or” net.*

## **Supplemental Information**

*Comment: Advertising via third-party channels (i.e. magazines, newspapers, etc) is an additional expense for investment managers. Consequently, it is unlikely that many investment managers will wish to present supplemental information, as this will add to the cost of advertising. Therefore, we suggest that the paragraph under the heading “Supplemental Information” be amended to “Firms can present supplemental information...” (HSBC)*

The subcommittee believes it is desirable for additional information to be included if the advisor is able to accommodate this.

**Revision:**     *None.*

*Comment: The Proposed GIPS Advertising Guidelines should also clarify the appropriate presentation of supplemental information in an advertisement, specifically the formulation “shown with equal or lesser prominence than the information required under the Guidelines”. (EYSW)*

*Comment: We do not agree that supplemental information and required information should be shown with equal prominence. There is potential for users to place greater significance on the supplemental information presented, at the expense of the required compliant information. We also suggest that, where a claim of compliance with GIPS is being made, supplemental information should always be presented on a separate page and should always follow the GIPS presentation. However, applying this principle to an advertisement (as opposed to a GIPS compliant presentation) is not necessarily practical. Therefore, we would suggest that any supplemental information included in an advertisement should be clearly labeled as such.. (P Group)*

*Comment: With regard to presentation of supplemental information, reference should be made to the upcoming Guidance Statement on the Use of Supplemental Information. In addition, you might state under what circumstances additional labeling may or may not be required. Lastly, we believe the proposed wording should be changed to say firms may present supplemental information instead of encouraging firms to provide such information. (PWC)*

*Comment: We understand that “supplemental information” in the Advertising Guidelines includes information that is not required by the Guidelines but required or recommended by the GIPS standards, as well as information that purely represents the same as addressed in the proposed Guidance Statement on the Use of Supplemental Information. To avoid any confusion, the Advertising Guidelines should explain “supplemental information” in detail considering the same term is used in the Guidance Statement on the Use of Supplemental Information. (SAAJ)*

The issue of Supplemental Information is one that is being discussed and ruled upon by the Interpretations Subcommittee, who will finalize a Guidance Statement on this topic shortly.

Advertisements will be subject to the rules for presenting supplemental information as provided in the Interpretations Subcommittee Guidance Statement.

**Revision:** *Include reference to Interpretations Subcommittee Guidance Statement on Supplemental Information.*

### **Leverage Disclosure**

*Comment:* Providing a description of the use and extent of leverage and derivatives in advertising is possibly alarmist and/or irrelevant. We recommend the removal of this requirement. We assume that if use of leverage and/or derivatives had a significant impact on strategy, this would be disclosed in the "description of strategy" required. (P Group, VBA, FEG)

Where performance has been significantly enhanced/detracted from by a derivative strategy we think this needs disclosure on the face of the advertisement. However where only incidental use of derivatives has occurred we agree that this can be disclosed only as part of the underlying full composite report. We have therefore added the work "active" to requirement #9.

**Revision:** *Modify disclosure requirement to indicate that firms must provide the use of leverage and/or derivatives are used as an active part of the investment strategy*

*Comment:* The disclosure on "the use and extent of leverage and derivatives" needs further explanation and should be consistent with the upcoming provisions on Derivatives and Leverage. (PWC)

The IPC will review the Leverage and Derivatives Subcommittee proposal when it is finalized to ensure consistency.

**Revision:** *None.*

### **Benchmark Disclosure**

The original proposal required firms to present the appropriate composite benchmark total return for the same periods for which the composite return is presented.

*Comment:* We recommend that the Advertising Guidelines clarify that the benchmark used must be named and described. (KDD)

**Revision:** *Amend the requirement to include "and the name/composition of that benchmark"*

*Comment:* If a composite does not have a benchmark than we feel that no disclosure at all in this respect is required. If a composite does have a benchmark, a disclosure should be required. (VBA)

*Comment:* We suggest to add if a benchmark is presented in the compliant presentation, it must be presented in the advertisement, except for situations when benchmark data for the year-to-date period (if a year-to-date return is presented) is not available. (PWC)

**Revision:** Add sentence to indicate “if no benchmark is presented, the advertisement must disclose why no benchmark is presented.”

### **GIPS Claim of Compliance Statement**

*Comment:* The wording of the “GIPS Advertising Guidelines Claim of Compliance Statement” is confusing to users of the Guidelines because:

- Although we understand that it represents the claim of compliance statement provided in the GIPS Advertising Guidelines, the Guidelines do not provide such a specific claim of compliance statement and relevant explanations in other places; and
- The wording is confusing in relation with the claim of compliance statement provided in the GIPS standards.

Accordingly, we suggest that another section (under a title such as Claim of Compliance Statement) be incorporated in the Advertising Guidelines to clarify the claim of compliance statement that firms must use when including their claim of compliance in advertisements. We also recommend that it should be explained that when a firm’s claim of compliance with CVG standards is included in advertisements, the title of the standards in the claim of compliance statement would be that of the CVG standards. (SAAJ)

**Revision:** Rename as **GIPS Advertising Guidelines Compliance Statement**. Allow local country sponsors to address the claim of compliance with the local CVG.

### **GIPS Advertising Compliance Logo**

*Comment:* It seems sensible for the purposes of easier recognition and to keep things brief that the GIPS Advertising Compliance Statement this could take the form of a simple logo. (FEG, SWIP, NFF, UBS)

AIMR previously researched the possibility of allowing firms to use a logo to indicate their compliance with the GIPS standards and determined that the use of a logo is not feasible. The logo could be publicly perceived as a seal of approval of the firm’s claim of compliance. Generally, a seal means that the product bearing it has been tested against established professional standards. Products receiving the most recognizable seals in the United States (e.g., UL® Listing mark and the Good Housekeeping Seal) have been rigorously tested and reviewed prior to receiving the seal. Further products that bear these seals are continually monitored to ensure compliance with the professional standards is maintained. Neither the GIPS Advertising Guidelines nor the GIPS Standards involve AIMR’s review of the firm’s claim of compliance. Therefore, at this time AIMR cannot allow firms to use a logo or seal to indicate compliance with the GIPS standards.

**Revision:** None.

- 3. At some point in the future, should the GIPS Advertising Guidelines be mandatory for all GIPS-compliant firms? In other words, should a GIPS-compliant firm be required to follow specific rules when advertising, regardless of whether the advertisement includes a claim of compliance?**

*Comment: Yes. We agree that, at some point in the future, it should be mandatory for all GIPS-compliant firms to abide by the GIPS Advertising Guidelines. The claim of compliance is not applicable for only some aspects of the firm and on a case-by-case basis. It is a firmwide declaration that should be adhered to in all aspects of firm business. Advertisements of composite results to potential clients over various mediums are arguably where the guidance is needed most. Therefore, the firm should be held accountable whether or not the claim of compliance is in the advertisement. (AIMR-PPS, P Group, SWIP)*

*Comment: Yes. A firm claiming compliance with the GIPS Standards cannot be selective in their application, i.e. they cannot choose to be compliant for some presentations and not for others. As such, it would seem logical that compliant firms be required to adhere, at all times, to any GIPS Advertising Guidelines that are introduced. However, we can foresee that, as the draft Advertising guidelines currently stand, it would not be workable to make compliance mandatory unless firms were able to advertise the performance of those pooled funds that are specifically designed for the retail/mutual market in their own right. (KDD)*

*Comment: Even though we support making the Advertising Guidelines mandatory in the future we see problems related to the implementation due to the numerous ways of defining a firm. (NFF)*

*Comment: No. We believe that the GIPS Advertising Guidelines should regulate only those advertisements that include a claim of compliance by an investment firm. (EYSA, FEG, HSBC, IAIM/SAIA, IMA, SBA, SAAJ, UKIPC, VBA)*

*Comment: We believe that the GIPS Advertising Guidelines should regulate only those advertisements that include a claim of compliance by an investment firm. Nevertheless, we would like to express our concern that investment firms may attempt to present advertisements and/or short 'fact sheets' instead of actual fully compliant GIPS-reports. We believe that such condensed non-compliant advertisements (so called "GIPS light" version ads) could be misinterpreted as fully compliant by the investment public majority. (EYSW)*

*Comment: I welcome the voluntary element for compliant firms, however, I feel this is contra to my understanding of how regulators would view firms who hold themselves out as compliant yet release adverts to the market with no reference to the code. I would strongly suggest that firms who are using supplementary data must disclose the non-*

*compliance and offer to provide a list of composites and compliant data upon request.  
(UBS)*

The IPC's current view is that the Advertising Guidelines will remain voluntary; however, as the GIPS standards gain recognition, they will revisit this issue.

**Revision:**     *None.*

#### **4. Additional comments**

##### **Additions to GIPS**

*Comment: For consistency we suggest that it also be a requirement for three and five-year annualized composite returns to be presented in GIPS compliant presentations.  
(HSBC)*

*Comment: The requirement to provide "a description of the strategy of the composite being advertised" is not a requirement or recommendation that applies to a GIPS compliant presentation. However, its inclusion in an advertisement is consistent with the goal of full disclosure and fair representation of investment performance. We suggest that this description be included as a Presentation and Reporting requirement in GIPS.  
(P-Group, SAAJ)*

Your comments will be passed on to the Country Standards SubCommittee (CSSC) who is responsible for administrating the revisions to the GIPS standards. They are working to release the "gold" GIPS standards for public comment in early 2004.

**Revision:**     *None.*

##### **Relationship between GIPS and AIMR-PPS Advertising Guidelines**

*Comment: We would encourage every effort to be made to harmonize the Advertising Guidelines across the various 'Country Version of GIPS' that exist, or that may subsequently be introduced, in order to minimize variation of application across markets.  
(KDD, PWC)*

As an IPC-endorsed Country Version of GIPS (CVG), country sponsors agree to incorporate all future changes and modifications to the GIPS standards. Therefore, any current Advertising Guidelines that exist within the framework of a CVG will need to be harmonized with the GIPS Advertising Guidelines.

##### **Relationship Between GIPS and Regulation and Law**

*Comment: AIMR should clarify whether the GIPS Advertising Guidelines conflict with local law or regulation. This could be done by contacting the regulatory bodies. We foresee all kinds of problems for Dutch firms if there is an incorrect interpretation. In the*

*Netherlands, Asset Managers often have advertisements for starting funds or recently started funds which contain simulated or projected performance figures. Those figures must be verified by an independent verifier due to regulatory requirements (the simulated or projected performance figures must be verified on the fact that the figures are arithmetical correct, objective, measurable, and representative). (VBA)*

As with all GIPS requirements where there is a local regulatory conflict, the local regulations override the GIPS requirements. It is the responsibility of the firm to determine which regulations and laws it must abide by and adhere to all those that are applicable.

**Revision:**        *None.*

### **Verification**

*Comment: We express some concern if “GIPS compliance” is used as a selling argument without limitations and/or supervision since this may jeopardize GIPS credibility. One proposal would be that only Firms whose GIPS compliance has been verified by an independent auditor could be allowed to advertise compliance with GIPS. (FEG)*

This will be implicitly addressed if verification becomes mandatory. However, in the meantime, the Advertising Guidelines will remain optional for firms that are compliant but not verified.

**Revision:**        *None.*

*Comment: Please clarify what can be said in an advertisement relating to verification. (AIMR-PPS)*

Firms can include a statement that they have been verified in an advertisement. This can be considered “supplemental information” for purposes of these guidelines.

**Revision:**        *None.*

*Comment: If the advertisement is claiming that compliance with GIPS has been verified by an independent verifier then it should be made mandatory to disclose the name of the verifier and the date at which the last verification has been made and for which period.*

*Also, presenting the statement “It should never be assumed that past performance foretells future performance.” should be made mandatory for those advertisements including performance results. (FEG)*

These are requirements we consider to fall outside of GIPS and are the responsibility of local regulators.

**Revision:**        *None*

*Comment: The proposed Advertising Guidelines do not provide any guidance on how compliance with the GIPS Advertising Guidelines can be enforced, e.g. by verifiers. We suggest including a review of adherence to the Guidelines into the verification process, e.g. firms may be required to submit their performance advertising materials to the verifiers for review before dissemination. (SBA, FEG)*

*Comment: We believe that the Guidance should indicate the responsibilities of the verifier with respect to the application of this Guidance and whether these responsibilities depend on whether a verification or Performance Examination is conducted. (PWC)*

Since these Guidelines are not mandatory, enforcement by verifiers is not envisaged. However, this comment will be passed to the verification subcommittee for consideration as to the responsibility of a verifier.

**Revision:**     *None.*

*Comment: In order to provide the necessary assurance and protection for this condensed form I would suggest this be only available to verified firms. (UBS)*

Mandatory verification is being considered for inclusion in the “gold” GIPS standards; however, currently the Subcommittee believes it is not appropriate to restrict advertising GIPS compliance to firms that have been verified before it is made mandatory.

**Revision:**     *None.*

### **Policing the Claim of Compliance**

*Comment: What action would be taken against a compliant firm that did not follow the specific rules? (HSBC)*

AIMR members who misuse the terms "AIMR," "GIPS standards," or the Compliance Statement; misrepresent their performance history; or falsely claim compliance with the Standards are subject to disciplinary sanctions under AIMR's Standards of Professional Conduct. Possible disciplinary sanctions include public censure, suspension of membership, and revocation of the Chartered Financial Analyst designation. AIMR may also take appropriate action against any firm that misuses the marks "AIMR<sup>®</sup>," "GIPS<sup>®</sup>," or the Compliance Statement, including false claims of compliance with the GIPS standards.

Local regulatory authorities may also consider false claim of compliance as a misleading statement and determine to take enforcement action against a firm that makes a false claim.

**Revision:**     *None.*



*Adoption Date: 1 October 2003*  
*Revised Effective Date: 1 January 2006*  
*Effective Date: 1 June 2004*  
*Retroactive Application: No*  
*Public Comment Period: Oct 2002–Mar 2003*

## **INVESTMENT PERFORMANCE COUNCIL (IPC)**

### **GIPS ADVERTISING GUIDELINES**

#### **A. PURPOSE OF THE GIPS ADVERTISING GUIDELINES**

The Global Investment Performance Standards (GIPS®) provide the investment community with a set of ethical standards for investment management firms to follow when presenting their performance results to potential clients. The Standards serve to provide greater uniformity and comparability among investment managers, without regard to geographic location, and to facilitate a dialogue between investment managers and their prospective clients about the critical issues of how the manager achieved historical performance results and future investment strategies. However, to date, the GIPS standards have not addressed the issue of advertising a firm's claim of compliance.

The GIPS Advertising Guidelines attempt to serve as industry global best practice for the advertisement of performance results. The GIPS Advertising Guidelines do not replace the GIPS standards nor do they absolve firms from presenting performance presentations that adhere to the requirements of the full GIPS standards. The Guidelines only apply to firms that already satisfy all of the requirements of the Standards on a firmwide basis and claim compliance with the Standards. Firms that claim compliance can choose to advertise that claim using the GIPS Advertising Guidelines.

The Guidelines represent the minimum disclosure and presentation requirements for firms that include a claim of compliance in their advertisements. The Guidelines are voluntary for firms that do not include a claim of compliance in their advertisements. All firms are encouraged to abide by these ethical guidelines.

#### Definition of Advertisement

For the purposes of these Guidelines, an advertisement includes any materials that are distributed or designed for use in newspapers, magazines, firm brochures, letters, media, or any other written or electronic material addressed to more than one prospective client. Any written material (other than one-on-one presentations and individual client reporting) distributed to maintain existing clients or solicit new clients for an advisor is considered an advertisement.

#### Relationship of GIPS Advertising Guidelines to Regulatory Requirements

The GIPS Advertising Guidelines are guidelines that promote an ethical framework for advertisements. They do not change the scope of the activities of local regulatory bodies regarding the regulation of advertisements. Firms advertising performance results must also adhere to all applicable regulatory rules and requirements governing advertisements. Firms are encouraged to seek legal or regulatory counsel, as it is likely additional disclosures are required. In cases where applicable law or regulation conflicts with the GIPS Advertising Guidelines, the Guidelines require firms to comply with the law or regulation. Firms must disclose any conflicts between laws/regulations and the GIPS Advertising Guidelines.

The calculation and presentation of pooled unitized products, such as mutual funds and open-ended investment companies, is regulated in most markets. These Advertising Guidelines are not intended to replace the regulations when a firm is advertising performance solely for a pooled unitized product. However, should a GIPS-compliant firm choose to advertise performance results, the firm must apply all applicable laws and regulations as well as the GIPS Advertising Guidelines in order to include a claim of compliance with the GIPS standards.

## **B. THE REQUIREMENTS OF THE GIPS ADVERTISING GUIDELINES**

**All advertisements that include a claim of compliance must include the following:**

1. A description<sup>1</sup> of the firm.
2. How an interested party can obtain a presentation that complies with the requirements of GIPS and/or a list and description of all firm composites.
3. The GIPS Advertising Guidelines Compliance Statement:  
*[Insert name of firm] claims compliance with the Global Investment Performance Standards (GIPS®).*

**All advertisements that include a claim of compliance and present performance results must also include the following information (the relevant information must be taken/derived from a presentation that adheres to the requirements of the GIPS standards):**

4. A description<sup>1</sup> of the strategy of the composite being advertised.
5. Period-to-date composite performance results
6. Composite results for either or both of the following time periods:

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<sup>1</sup> A description may be more abbreviated than the full definition, but should include all salient features.

- a. 1-, 3-, and 5- year annualized composite performance returns with the end-of-period date clearly identified (or annualized period since composite inception if inception is greater than 1 or less than 5 years). Periods of less than one year must not be annualized. The annualized returns must be calculated through the same period of time as presented in the corresponding compliant presentation
  - b. 5 years of annual composite performance returns (or since composite inception if inception is less than 5 years). The annual returns must be calculated through the same period of time as presented in the corresponding compliant presentation.
7. Whether performance is shown gross and/or net of investment management fees.
8. The appropriate composite benchmark total return for the same periods for which the composite return is presented. Firms must also disclose the name and a description<sup>1</sup> of the benchmark. (The appropriate composite benchmark return is the same benchmark total return as presented in the corresponding compliant presentation.) If no benchmark is presented, the advertisement must disclose why no benchmark is presented.
9. The currency used to express performance.
10. The description<sup>1</sup> of the use and extent of leverage and derivatives, if leverage or derivatives are used as an active part of the investment strategy (i.e., not merely for efficient portfolio management) of the composite. Where leverage/derivatives do not have a material effect on returns, no disclosure is required.
11. When presenting non-compliant performance information for periods prior to 1 January 2000 in an advertisement, firms must disclose the period(s) and which specific information that is not compliant as well as provide the reason(s) the information is not in compliance with the GIPS standards.

#### Supplemental Information

Firms are encouraged to present supplemental information in addition to the information required under the GIPS Advertising Guidelines, provided the supplemental information is clearly labeled as such and shown with equal or lesser prominence than the information required under the Guidelines. Supplemental information that is merely an extraction of a compliant presentation or a fully compliant presentation will not need to be labeled as supplemental information.

Where such information is included for non-compliant periods, these periods must be disclosed together with an explanation of what information is not compliant and why it is not in compliance with the GIPS standards.

Supplemental and Additional Information are the subject of a separate IPC Guidance Statement and users should refer to that guidance for further clarification on how to disclose such data.

#### Effective Date


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<sup>1</sup> A description may be more abbreviated than the full definition, but should include all salient features.

The effective date of the GIPS Advertising Guidelines is 1 January 2006; however, firms are encouraged to implement them prior to this date.

## C. APPENDIX – SAMPLE ADVERTISEMENTS

### Sample Advertisement Without Performance Returns

|   |   |
|---|---|
| <b>ABC Investments</b>  |   |
| <p>ABC Investments is the institutional asset management division of ABC Plc and is a registered investment advisory firm specializing in qualitative, growth-oriented investment management.</p> |    |
| <p>ABC Investments claims compliance with the Global Investment Performance Standards (GIPS®).</p>  | <p>To receive a complete list and description of ABC Investments' composites and/or a presentation that adheres to the GIPS standards, contact John Smith at (800) 555-1234, or write to ABC Investments, 123 Main Street, Investmentville, USA 12345, or e-mail <a href="mailto:jsmith@abcinvestments.com">jsmith@abcinvestments.com</a></p> |

### Sample Advertisements Including Performance Returns

| <b>XYZ Investments: Global Equity Growth Composite Performance</b> |   |                              |  |  |
|--|---|------------------------------|--|--|
| <i>Results are shown in US \$ before fees</i>                      | Period to Date<br>(3 mths to 31 Mar 03) | 1 Year<br>(ending 31 Dec 02) | 3 Years<br>per annum<br>(ending 31 Dec 02) | 5 Years<br>per annum<br>(ending 31 Dec 02) |
| Global Equity Growth Composite                                     | -3.84%                                  | -19.05%                      | -14.98%                                    | 0.42%                                      |
| MSCI World Index   | -4.94%                                  | -19.54%                      | -16.37%                                    | -1.76%                                     |

XYZ Investments is the institutional asset management subsidiary of XYZ plc and is a registered investment advisor specializing in qualitative, growth-oriented investment management. The Global Equity Growth Composite strategy focuses on earnings, growth of earnings, and key valuation metrics.

XYZ Investments claims compliance with the Global Investment Performance Standards (GIPS®).

To receive a complete list and description of XYZ Investments' composites and/or a presentation that adheres to the GIPS standards, contact Jean Paul at +12 (034) 5678910, or write XYZ Investments, One Plain Street, Resultland 12KJ4, or [jpaul@xyzinv.com.re](mailto:jpaul@xyzinv.com.re).

**XYZ Investments: Global Equity Growth Composite Performance**

| <i>Results are shown in US \$ before fees</i> | Period to Date (%)<br>(3 mths to 31 Mar 03) | 2002 (%) | 2001 (%) | 2000 (%) | 1999 (%) | 1998 (%) |
|---|---|----------|----------|----------|----------|----------|
| Global Equity Growth Composite                | -3.84                                       | -19.05   | -17.05   | -8.47    | 31.97    | 25.87    |
| MSCI World Index                              | -4.94                                       | -19.54   | -16.52   | -12.92   | 25.34    | 24.80    |

XYZ Investments is the institutional asset management subsidiary of XYZ plc and is a registered investment advisor specializing in qualitative, growth-oriented investment management. The Global Equity Growth Composite strategy focuses on earnings, growth of earnings, and key valuation metrics.

XYZ Investments claims compliance with the Global Investment Performance Standards (GIPS®).

To receive a complete list and description of XYZ Investments' composites and/or a presentation that adheres to the GIPS standards, contact Jean Paul at +12 (034) 5678910, or write XYZ Investments, One Plain Street, Resultland 12KJ4, or [jpaul@xyzinv.com.re](mailto:jpaul@xyzinv.com.re).