

GIPS® STANDARDS NEWSLETTER



February 2021 Edition

Annual GIPS® Compliance Notification Form Deadline Is 30 June 2021

Organizations that claim compliance with the Global Investment Performance Standards (GIPS®) are required to notify CFA Institute of their claim of compliance by submitting a GIPS Compliance Notification Form. Organizations that are newly claiming compliance with the GIPS standards must submit the GIPS Compliance Notification Form before publicly claiming compliance. Once an organization claims compliance, it must submit an updated GIPS Compliance Notification Form annually, between 1 January and 30 June of each year. Required information includes the name of the organization, contact details for a primary and secondary contact, and whether or not the organization has been verified within the past 24 months. Other questions, including types of portfolios managed and total assets that are managed, are optional. All information provided must be as of the most recent 31 December.

Organizations submitting a GIPS Compliance Notification Form for the first time should use the [Initial Form link](#). Organizations submitting an annual update should use the [Update Form Link](#).

To begin the annual update process, you must enter the organization name, as well as the first name, last name, and email of either the primary or secondary contact included in the prior year's form. If the information you input does not match exactly the information in the prior year's form, you will get the message, "We need more information. We could not find a match in our records. The information you enter must match the information provided when this firm claimed compliance." For example, if you previously used "Inc" as part of your organization name, but this time you use "Inc.", you will get this error message. If this happens, please send us an email at gipscompliance@cfainstitute.org with your organization name and contact information, and we will help resolve the problem.

If your organization's name has changed, your two contacts have left, or you have any other questions, please email us at gipscompliance@cfainstitute.org. We are standing by ready to assist you.

Updated forms are not due until 30 June, but we encourage you to submit the GIPS Compliance Notification Form as early as possible. For those organizations that are verified, the lack of completion of the verification has no effect on the ability to submit this form. If you submit the form now, you will not receive the many email reminders that we will be sending over the next few months!

Asset Owner Adoption of the GIPS Standards Case Study Available

AIA, a large insurance company based in Singapore, recently announced its compliance with the GIPS standards. AIA is the first asset owner in Asia Pacific to adopt the GIPS standards. AIA used the process of attaining compliance as the catalyst to make sweeping changes that have modernized its operations, improved its investment outcomes, and added robust governance to support its balance sheet. AIA now uses the GIPS standards to harmonize reporting across the 18 markets in which it operates and across its external managers. [Read the case study](#) to learn how and why AIA chose to comply with the GIPS standards.

GIPS Standards Website Update

Regular readers of the GIPS standards Newsletter will have noted that links to new information about the GIPS standards take you to the CFA Institute website. Over the past few years, information about the GIPS standards was migrated from the GIPS standards website to the CFA Institute website. After much debate and feedback from GIPS-compliant organizations, we are excited to announce that the decision has been made to revert to using the GIPS standards website! We are in the process of building a new GIPS standards website, and it is scheduled to go live by the end of April 2021. The goal of this new website is to improve the user's experience. We are putting a lot of thought into the placement of our information and documents, as well as the overall look and feel of the website and its content.

In the meantime, we are doing some housekeeping on the existing GIPS standards website. We are deleting out-of-date documents and are working to remove the links to those deleted documents. We've also added several of the 2020 GIPS standards-related documents, which can be found under Tools and Resources on the respective [GIPS Standards for Firms webpage](#), the [GIPS Standards for Asset Owners webpage](#), and the [GIPS Standards for Verifiers webpage](#).

We will continue to post new information on the CFA Institute website as well, until the new and improved GIPS standards website is up and running. We recognize that all of these changes are not ideal, and we greatly appreciate your patience during this transition. Please contact us at standards@cfainstitute.org with any questions about the website.

Updated GIPS Standards Q&As

Firms must comply with all Guidance Statements, interpretations, and Questions & Answers (Q&As) published by CFA Institute and the GIPS standards governing bodies. As part of the transition to the 2020 edition of the GIPS standards, the more than 300

existing Q&As were reviewed and were updated as needed for the 2020 edition of the GIPS standards or were archived.

One of the goals of the 2020 update was to incorporate as much of the existing guidance, including guidance in Q&As, into the GIPS® Standards Handbook. This allowed us to archive 265 of the current Q&As. We updated 39 of the Q&As to reflect new language used in the 2020 edition of the GIPS standards, while 7 existing Q&As needed no changes.

The 52 current Q&As, which include 6 new Q&As described below, can be found in the [GIPS Standards Q&A database](#) by selecting “Current” under Search Scope. (Please note that the Effective From and Effective To fields in the Q&A Database are currently not working – we are working to resolve this issue.)

Six New Q&As Issued

Six new Q&As have been posted in the GIPS Standards Q&A Database. Topics addressed by these new Q&As, including the Q&A Database categories where they can be found are as follows:

- Whether specific pooled fund names need to be included in the list of limited distribution pooled fund descriptions and list of broad distribution pooled funds (Category — Lists of Composites and Pooled Funds)
- Whether a specific pooled fund name needs to be included in the GIPS Report when disclosing the pooled fund’s current fee schedule and expense ratio (Category — GIPS Reports)
- Presenting composite net-of-fees returns outside of a GIPS Report that are calculated using model investment management fees when these returns are higher than net-of-fees returns that would have been calculated using actual investment management fees (Category – Information Outside of GIPS Reports)
- Using pooled fund offering documents to satisfy the requirement to disclose the pooled fund’s current fee schedule and expense ratio (Category — GIPS Reports)
- Information that must be provided to a prospective investor after the firm determines that a prospective client is instead a prospective investor (Category — Providing GIPS Reports)
- Verifiers placing reliance on the internal audit function (Category — Verification)

2010 Q&As with Requirements That Are No Longer Applicable in 2020

While updating and archiving current Q&As, as described above, we identified the following Q&As that have been archived and included requirements that were found only in the Q&A and are no longer applicable under the 2020 edition.

1. Error Correction Policy

2010 Guidance: Under the 2010 guidance, when a firm had a material error, it was required to correct the error, disclose the error, and make every reasonable effort to provide a corrected compliant presentation to all prospective clients and other parties

that received the erroneous compliant presentation.

A Q&A issued in January 2014 asked how an error that occurred outside of a compliant presentation should be handled. The Q&A stated that an error in the firm's list of composite descriptions was in fact subject to the firm's GIPS standards error correction policy because the offer to provide the list of composite descriptions is a required disclosure.

A second Q&A asked how a firm should handle the situation in which a compliant presentation on the firm's website had a material error. The response was that the firm needed to post the corrected presentation, which includes disclosure of the error, on its website for at least 12 months, because some parties may have obtained presentations that had the material error through the website.

2020 Guidance: The GIPS Standards Handbook (see Provisions 1.A.20 and 1.A.21) states that an error, which can be qualitative or quantitative, is any component of a GIPS Report that is missing or inaccurate. With the archiving of this first Q&A, firms will no longer need to treat errors that occur outside of a GIPS Report as an error that is subject to the firm's GIPS standards error correction policy.

Provisions 1.A.20 and 1.A.21 specify exactly who must receive the corrected GIPS Report that includes disclosure of the material error. With the archiving of the second Q&A, firms are not required to post the GIPS Report that includes disclosure of the material error on the firm's website.

Although a firm's GIPS standards error correction policy does not apply to information that is outside of a GIPS Report, firms are reminded that they must not present performance or performance-related information that is false or misleading. The requirement applies to all performance or performance-related information on a firm-wide basis. A firm therefore would need to correct the list of composite descriptions and GIPS Reports posted on its website, but it would not need to disclose the correction of these errors in GIPS Reports.

2. Including Multiple-Strategy Portfolios in Composites

2010 Guidance: The 2010 edition of the GIPS standards required all actual, fee-paying, discretionary portfolios to be included in at least one composite. In November 2012, a Q&A was issued stating that a discretionary multiple-strategy portfolio must be included in a multiple-strategy composite. The firm would have to do this even if each of the multiple-strategy portfolio's segments is included in the relevant composite.

2020 Guidance: Under the 2020 edition, all actual, fee-paying, discretionary segregated accounts must be included in at least one composite. With the issuance of the 2020 edition, a multi-strategy or multi-asset-class segregated account is no longer required to be included in a composite if each of the segregated account's underlying portfolios or carve-outs is included in appropriate composites. This change applies to all periods for

which the firm claims compliance (see the discussion of Provision 3.A.5 in the GIPS Standards Handbook).

3. Compliance Statement

2010 Guidance: In compliant presentations for each composite, firms were required to disclose the fact that they claim compliance with the GIPS standards using one of four compliance statements. Three of the compliance statements were included within the 2010 provisions, and these compliance statements differed based on the firm's verification status. The three options were appropriate for

- a firm that was verified;
- a firm that was verified, and the specific composite also had a performance examination; and
- a firm that was not verified.

A Q&A issued in July 2010 added a fourth compliance statement option that was appropriate for a firm that was verified, and the specific composite also had a performance examination, but the period covered by the performance examination was more than 24 months from the ending period that was presented in the most recent compliant presentation for that composite.

2020 Guidance: There is no longer a compliance statement that is specific to a composite (or pooled fund) that has been examined but the period covered by the performance examination is more than 24 months from the ending period that is presented in the most recent GIPS Report for the composite (or pooled fund). Instead, there is a single compliance statement that is appropriate for all composites or pooled funds that have had a performance examination. The different compliance statements can be found in the discussion of Provision 4.C.1, as well as Provisions 5.C.1, 6.C.1, and 7.C.1, in the GIPS Standards Handbook.

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