

# GIPS® STANDARDS NEWSLETTER



**March 2021 Edition**

## **CFA Institute Seeks Volunteers for Global Industry Standards (GIS) and Global Investment Performance Standards (GIPS®) Committees**

We are actively recruiting volunteers to serve on the following CFA Institute GIS and GIPS standards committees and subcommittees, for chair or member positions, as indicated.

**GIS Steering Committee — Member Applications:** This committee guides strategic development, promotion, and adoption of global industry standards. This committee will offer advice on mission, strategy, goals, objectives, industry trends, market opportunities, and standard-setting policies and practices. The GIS Steering Committee will offer broad perspectives to inform decisions and challenge assumptions, provide guidance for engaging with regulators, guide the setting of organizational objectives, and provide feedback on strategic plans. GIS Steering Committee members are senior-level industry representatives with a minimum of 10–15 years of professional investment industry experience. The time commitment for this role is expected to be one in-person meeting per year and quarterly conference calls.

**GIPS Standards Technical Committee — Member Applications:** This committee provides technical oversight of the GIPS standards by guiding development of the GIPS standards. This committee will include representatives from key industry stakeholders to ensure that their interests are represented and considered in the development of the GIPS standards. The GIPS Standards Technical Committee will identify market needs and offer interpretative guidance, define challenges, explain concerns, and offer directional guidance. Nominees are being recruited as at-large members and should have a minimum of 10–15 years of professional investment industry experience and expertise in investment performance and the GIPS standards. The time commitment is expected to be significant for this role, with two in-person meetings per year and monthly conference calls, as well as significant time for document review and preparation for meetings and conference calls.

**GIPS United States Investment Performance Committee (USIPC) — Chair and**

**Member Applications:** The USIPC serves as the US GIPS Standards Sponsor and acts as a forum for stakeholders of the GIPS standards. The USIPC is tasked with promoting the adoption, implementation, and development of the GIPS standards as industry best practices for calculating and presenting investment performance. In addition, the committee discusses pertinent issues faced by investment industry professionals in the US market, provides feedback on technical guidance, and promotes the GIPS standards through outreach activities. The time commitment is expected to be significant for this role, with up to two in-person meetings per year and monthly conference calls, as well as significant time for document review and preparation for meetings and conference calls.

**GIPS Standards Asset Owner Subcommittee — Chair and Member**

**Applications:** This subcommittee is responsible for development of content specific to asset owners as identified or directed by the GIPS Standards Technical Committee. This subcommittee will discuss asset owner issues and needs and provide feedback on proposals affecting asset owners. Nominees should have experience with asset owners and the GIPS standards. The time commitment for this role is expected to be quarterly conference calls and may include one in-person meeting per year.

**GIPS Standards Interpretations Subcommittee — Member Applications:** This subcommittee is responsible for the development of technical guidance, interpretations, clarifications, and supporting authoritative guidance as directed by the GIPS Standards Technical Committee. Nominees should have a minimum of 5–10 years of professional industry experience, with expertise in investment performance and the GIPS standards. The time commitment for this role is expected to be conference calls every other month, as well as significant time for document review and preparation for conference calls.

**GIPS Standards Verification Subcommittee — Member Applications:** This subcommittee is responsible for the development of GIPS standards content specific to verifiers as identified or directed by the GIPS Standards Technical Committee. This subcommittee will discuss verification industry issues, draft guidance, and provide feedback on proposals affecting verifiers. Nominees should have deep experience with verification and the GIPS standards. The time commitment for this role is expected to be quarterly conference calls.

**GIPS Standards Promotion Subcommittee — Member Applications:** This subcommittee actively engages with GIPS Standards Sponsors on outreach activities. This subcommittee will participate in decisions about how global promotion efforts should interface with local engagement efforts, identify local market needs, collect feedback, and identify future volunteers to assist with development and promotion of the GIPS standards. Nominees may come from GIPS Standards Sponsors or other organizations. Nominees will partner with GIPS Standards Sponsor organizations globally, to increase promotion and adoption of the GIPS standards. The time commitment for this role is expected to be quarterly conference calls and may include regional and global annual meetings.

**GIPS Standards Fiduciary Management Providers Technical Committee (FMP) – Member Applications:** Serves to provide technical oversight of Fiduciary Management Performance Standards by guiding their development in the United Kingdom. This committee will include representatives from key industry stakeholders, to ensure their interests are represented and considered in the development of the fiduciary management performance standards. The FMP Technical Committee will identify market needs and offer interpretative guidance, define challenges, explain concerns, and offer directional guidance. The time commitment for this role is expected to be quarterly conference calls or in-person meetings.

**Ad Hoc Working Groups:** In addition to these standing committees and subcommittees, we expect to create topic-specific Working Groups on an as-needed basis. There are no current openings for Working Groups. We will announce Working Group opportunities in the GIPS Standards Newsletter as they become available.

Volunteers are welcome to apply for multiple roles but will not be selected to serve on more than one GIPS standards committee or subcommittee at a time. In addition to volunteer qualifications, the GIS Nominations Committee will consider geography and employer diversity.

Please note that volunteers are appointed as individuals, not as representatives of their employer, and cannot assign a proxy to serve in their absence.

To apply, please log in to, or register with, the [CFA Institute Volunteer Community](#) page and choose the role you are interested in under “Open Opportunities.” The deadline to apply for a volunteer position is 15 May 2021 by 17:00 US ET. If you have any questions, please email [volunteers@cfainstitute.org](mailto:volunteers@cfainstitute.org).

### **Annual GIPS Compliance Notification Form Deadline Is 30 June 2021**

Organizations that claim compliance with the GIPS standards 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](mailto: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](mailto:gipscompliance@cfainstitute.org). We are 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!

### **Guidance Statement on Benchmarks for Firms Released**

The GIPS Standards Technical Committee has approved the new [Guidance Statement on Benchmarks for Firms](#). The exposure draft of the Guidance Statement was available for public comment from 30 October 2017 through 29 January 2018. We delayed finalizing and issuing this Guidance Statement until the 2020 edition of the GIPS standards was released because the 2020 edition of the GIPS standards could, and did, affect the final Guidance Statement.

Most of the guidance in the Guidance Statement on Benchmarks for Firms has been incorporated into the 2020 edition of the GIPS standards and the GIPS® Standards Handbook for Firms. This Guidance Statement provides the following:

- All of the benchmark-related guidance found in the GIPS Standards Handbook consolidated in one place.
- Additional explanatory language not found in the Handbook, such as the role of benchmarks, benchmark selection criteria, types of benchmarks, and practical considerations.

Because this Guidance Statement does not include any new requirements beyond those included in 2020 edition of the GIPS standards or the GIPS Standards Handbook for Firms, the effective date is 1 April 2021. The [Adopting Release](#) explains key differences between the Exposure Draft and the final Guidance Statement.

## **FINRA Regulatory Notice 20-21**

The Financial Industry Regulation Authority (FINRA) is the government-authorized, not-for-profit organization that oversees US broker/dealers. In July 2020 FINRA published [Regulatory Notice 20-21](#), which addresses performance information that must be included in retail communications concerning private placement offerings. The Regulatory Notice states that, “FINRA interprets Rule 2210 to permit the inclusion of IRR if it is calculated in a manner consistent with the Global Investment Performance Standards (GIPS) adopted by the CFA Institute and includes additional GIPS-required metrics such as paid-in capital, committed capital and distributions paid to investors.”

Recently, we have received numerous questions about FINRA Regulatory Notice 20-21, including whether a firm that provides an IRR for inclusion in a private placement offering subject to FINRA Rule 2210 must claim compliance with the GIPS standards, and what it means to calculate IRRs that are consistent with the GIPS standards. The following questions and answers address what we believe to be the most likely issues for firms seeking to calculate IRRs that are consistent with the GIPS standards to comply with FINRA Regulatory Notice 20-21. These questions and answers are the opinion of CFA Institute and have not been adopted or endorsed by FINRA.

### **Questions and Answers**

1. Question: Does a firm need to claim compliance with the GIPS standards to comply with FINRA Regulatory Notice 20-21?

Answer: Firms are not required to claim compliance with the GIPS standards to comply with FINRA Regulatory Notice 20-21.

2. Question: Are firms required to state that the calculation is consistent with the GIPS standards?

Answer: Firms are not required to make any statement that the calculation is consistent with the GIPS standards. The GIPS standards prohibit firms from making any statement referring to the calculation methodology as being “in accordance,” “in compliance,” or “consistent” with the GIPS standards, and firms must not include such a statement.

3. Question: What does “calculated in a manner consistent with” the GIPS standards mean?

Answer: Any IRR must meet the input data and calculation requirements of the GIPS standards. To obtain a checklist that can be used to help determine if the calculation is consistent with the GIPS standards requirements, please email us at [gips@cfainstitute.org](mailto:gips@cfainstitute.org).

4. Question: What does “includes additional GIPS-required metrics” mean?

Answer: The firm must include any metrics required by the GIPS standards that would be necessary for providing a sound basis for evaluating the information and must not omit any metrics that would cause the communication to be misleading. The following metrics are required by the GIPS standards:

- Since-inception paid-in capital
- Since-inception distributions
- Cumulative committed capital
- Total value to since-inception paid-in capital (investment multiple or TVPI)
- Since-inception distributions to since-inception paid-in capital (realization multiple or DPI)
- Since-inception paid-in capital to cumulative committed capital (PIC multiple)
- Residual value to since-inception paid-in capital (unrealized multiple or RVPI)

## 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 a [Model RFP Template](#) to Tools and Resources for firms and asset owners.

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