

GIPS® STANDARDS NEWSLETTER



September 2021 Edition

Don't Miss Out on Reduced Rates! Register for the 25th Annual GIPS® Standards Virtual Conference

Register today to get the best rates for the upcoming 25th Annual GIPS® Standards Virtual Conference, 26—27 October. Gain insight into best practices for investment performance reporting and hear from industry experts on a variety of topics, including:

- Recently updated GIPS standards technical guidance, including new Q&As and guidance statements, carve-out calculations, and FINRA Reg Notice 20-21 requirements, with speakers Dimitri Senik, CFA, PwC, and Karyn D. Vincent, CFA, CIPM, CFA Institute.
- Challenges implementing the 2020 edition of the GIPS standards, with speakers Steven Furst, CFA, CIPM, Ares Management LLC, and Jed Schneider, CIPM, Lazard Asset Management.
- The new SEC Marketing Rule and how it affects GIPS-Compliant Firms, with speakers Krista Harvey, CFA, CIPM, CFA Institute; Sanjay Lamba, Investment Adviser Association, and Michael McGrath, CFA, K&L Gates.
- The top 10 mistakes every writer makes (and how to stop making them), with speaker Benjamin Dreyer, Copy Chief, Penguin Random House.

Attendees will earn up to 9 Professional Learning credits, including 6 Standards, Ethics, and Regulation credits, as well as 9.4 National Association of Accountancy CPE credits.

[View the full agenda and register](#) by 24 September for reduced rates.

**25th ANNUAL
GIPS® STANDARDS
VIRTUAL CONFERENCE**

26–27 October 2021

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Last Chance! Submit Your Comments on the Exposure Draft of the Verification Procedures for the ESG Disclosure Standards for Investment Products

On 21 July 2021, CFA Institute released the [Exposure Draft of the Verification Procedures for the ESG Disclosure Standards for Investment Products](#). The goal of the Exposure Draft is to elicit feedback on the verification procedures and verifier independence guidelines. Comment letters from the public will help shape the first edition of these procedures and the verifier independence guidelines. To comment, please use the [response form](#) and submit it to standards@cfainstitute.org by 21 September 2021.

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 on the [Tools webpage](#) under the Resources tab for firms, asset owners, and fiduciary management providers to UK pension schemes. We recently added the following items under the Firms section of the Tools webpage:

- Carve out TWR Calculations
- Carve out MWR Calculations

Each spreadsheet contains methodologies that firms may use when allocating cash and related income to carve outs.

We also recently added the final version of the [Guidance Statement on Wrap Fee Portfolios](#). This guidance statement can be found on the [GIPS Standards for Firms webpage](#).

Dear GIPS Standards Help Desk

This month's Help Desk question asks how firms should apply the actual versus model fee test when using model fees and the composite includes pooled funds.

Question: Regarding Provision 2.A.31, firms may use a model investment fee to calculate the composite net-of-fees returns, but the returns must be equal to or lower than those that would have been calculated using actual fees. In addition, Provision 2.A.30 indicates that a model investment fee must be appropriate to the prospective client. If a firm includes segregated accounts and mutual funds in a composite, how can a firm apply this test to mutual funds, which tend to have higher fees, and which include custodian and other administrative expenses in addition to the management fee portion?

Answer: When using model investment management fees to calculate composite net-of-fee returns, the returns calculated must be equal to or lower than returns that would have been calculated if actual investment management fees were used. This test must be performed at the composite level and does not need to be met for each portfolio in a composite. One approach for determining if this test is met is to compare the model

investment management fee with the actual investment management fee of each portfolio in the composite. If the model fee is equal to or higher than the actual investment management fee of each portfolio in the composite, then the test will be met. When applying this test to a mutual fund that is in the composite, only the investment management fee needs to be considered. You do not need to consider other fees (e.g., custodial, administrative) that are paid by a pooled fund.

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915 East High Street, Charlottesville, VA 22902

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