March 2022 Edition

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

CFA Institute is actively recruiting volunteers to serve on the following committees, subcommittees, and working group:

- GIPS Standards Technical Committee
- GIPS Standards Asset Owner Subcommittee
- GIPS Standards Interpretations Subcommittee
- GIPS Standards Verification Subcommittee
- GIPS Standards Promotion Subcommittee
- GIPS Standards for Fiduciary Management Providers Technical Committee
- GIPS Standards United States Investment Performance Committee (USIPC)
- Environmental, Social, and Governance (ESG) Technical Committee
- ESG Examination Subcommittee
- GIPS Standards for Outsourced Chief Investment Officers (OCIOs) Working Group

In addition, CFA Institute is seeking to fill the Chair position on the GIPS Standards Promotion Subcommittee.

Volunteers are welcome to apply for multiple roles but will not be selected to serve on more than one committee or subcommittee within the GIPS standards or ESG volunteer bodies at the same time. This restriction does not apply to members of the GIPS Standards for OCIOs Working Group. Volunteers may serve on a GIPS standards committee or subcommittee as well as the GIPS Standards for OCIOs Working Group. Volunteers also may serve on a GIPS standards committee or subcommittee and on an ESG committee or subcommittee.

For current volunteers wishing to apply as a member of a different committee or subcommittee, you must agree to rotate off your current committee or subcommittee as of 31 August 2022 before applying for upcoming volunteer positions.

If your volunteer term is expiring as of 31 August 2022, you may apply for any open volunteer role, including for your current committee or subcommittee.

In addition to volunteer qualifications, the Nominations Committees will consider qualifications, geography, and employer diversity.

Volunteers are appointed as individuals, not as representatives of their employer, and thus cannot assign a proxy to serve in their absence.

For detailed information about the required qualifications for each of the open volunteer positions, and 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 2022 by 17:00 US ET. If you have any questions, please email **volunteers@cfainstitute.org**.

Annual GIPS Compliance Notification Form Deadline Is 30 June 2022

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. Answers to 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, enter your organization's name and one individual's contact information from the prior year's form. A link to the form will be emailed to this contact, who can then update the information.

If you receive an error message, or both contacts listed on the previous form are no longer with your organization, please email us at **gipscompliance@cfainstitute.org**, and we will assist you.

Annual Asset Manager Code Compliance Notification Form Deadline is 30 June 2022

Many organizations that claim compliance with the GIPS standards also claim compliance with the Asset Manager Code™ (AMC). Organizations that claim compliance with the AMC are also required to notify CFA Institute annually, similar to the GIPS standards annual notification process. Notification forms are due 30 June 2022. Firms and asset owners can find the AMC Compliance Notification Form on the **CFA Institute website**.

Organizations submitting an AMC 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, enter your organization's name and one individual's contact information from the prior year's form. A link to the form will be emailed to this contact, who can then update the information.

If you receive an error message, or both contacts listed on the previous form are no longer with your organization, please email us at **industrystandards@cfainstitute.org**, and we will assist you.

New SEC Private Fund Rules Proposed

On 9 February 2022, the U.S. Securities and Exchange Commission (SEC) issued an **exposure draft** of rules that will require registered investment advisers to private funds to:

- provide transparency to their investors regarding the full cost of investing in private funds and the performance of such private funds; and
- obtain an annual financial statement audit of each private fund it advises and, in connection with an adviser-led secondary transaction, obtain a fairness opinion from an independent opinion provider.

In addition, the rule would prohibit all private fund advisers, including those that are not registered with the SEC, from engaging in certain sales practices, conflicts of interest, and compensation schemes. All private fund advisers also would be prohibited from providing preferential treatment to certain investors in a private fund unless the adviser discloses such treatment to other current and prospective investors.

The GIPS standards are referenced in the exposure draft. The SEC has specifically asked whether they should require any of the elements found in the GIPS standards to appear in their rules.

CFA Institute has convened a working group of current volunteers to help us write our comment letter on the proposed rules. Working group members provide different perspectives from the industry, and represent asset owners, asset managers, and service providers. The working group primarily will focus on the proposed rules relating to the disclosures of fund expenses and performance. The proposed rules would require registered advisers to private funds to provide a quarterly report to investors that includes detailed fee and expense information, including compensation and offsets related to portfolio investment companies, as well as standardized performance information.

We encourage all SEC-registered advisers who manage private funds, asset owners who invest in private funds, and service providers to provide comments to the SEC. Comments are due by 11 April 2022 or 30 days after the date of publication in the *Federal Register*, whichever is later.

New Q&A on Preliminary Performance Issued

A new Question and Answer (Q&A) on preliminary performance has been posted in the **GIPS Standards Q&A Database**, in the GIPS Report category for firms. The Q&A addressed whether a firm can identify information within a GIPS Report as "preliminary."

A firm may include preliminary performance in a GIPS Report and identify it as "preliminary" as long as doing so would not result in presenting performance that is false or misleading. If any changes in performance or other information in a GIPS Report are made when performance is finalized, the changes are subject to the firm's error correction policies and procedures.

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.

Firms that claim compliance with the GIPS standards are required to comply with all applicable requirements of the GIPS standards, including any Guidance Statements, interpretations, and Q&As published by CFA Institute and the GIPS standards governing bodies. To assist firms, we created a **list of requirements that are outside the provisions**. This list also identifies requirements that affect information included within GIPS Reports.

Russian Investments

Given events in Russia and Ukraine, many firms are unable to liquidate their Russian investments. As a result, firms are asking the GIPS Standards Help Desk for guidance about these investments, as well as the treatment of side pockets.

For all portfolios, if a portfolio contains investments that suddenly become illiquid, the investments must be valued at fair value, with any resulting gains or losses reflected in performance. Firms must not claim that illiquid investments are non-discretionary simply because of their illiquidity in order to exclude them from the portfolio or the composite.

Some alternative funds allow the use of side pockets. As described in the discussion of Provision 2.A.49 in the GIPS Standards Handbook for Firms, “A side pocket is a segregated investment that is used mainly in alternative investment pooled funds, such as hedge funds, funds of funds, and other alternative investment funds, to separate illiquid or distressed assets from other, more liquid investments or to segregate investments held for a special purpose from other investments. Side pockets are typically not available for investing for new pooled fund investors that invest after the side pocket has been created.”

The GIPS standards provide guidance for both discretionary and non-discretionary side pockets. For discretionary side pockets, all composite and pooled fund returns must include the effect of any discretionary side pockets held by portfolios in the composite or the pooled fund. The fact that future investors will not be participating in the performance of the side pocket is not a valid argument to exclude the side pocket from composite or pooled fund performance.

The treatment is different for non-discretionary side pockets. Firms may exclude the effect of a non-discretionary side pocket on composite or pooled fund returns, just as firms may exclude non-discretionary assets from a portfolio’s performance. A side pocket can be classified as non-discretionary only when all of the following criteria are met:

- The side pocket is segregated in a separate sub-portfolio (e.g., at the custodian bank or in the portfolio management system of the firm).
- The side-pocketed assets are no longer considered in the asset allocation and portfolio investment process.
- There are no investment decisions for the side-pocketed assets, except for monitoring and liquidating.
- There are no or reduced investment management fees charged on the side-pocketed assets.

Firms that wish to include their Russian investments in a non-discretionary side pocket and exclude them from performance may do so only if they meet all of these criteria.

Firms also need to consider whether the composite description, pooled fund description, and benchmark description should be revised. In some cases, a composite may need to be redefined, or terminated. Finally, firms must ensure that they disclose all significant events that would help explain the GIPS Report.

Return Attribution Training Course Available

CFA Institute Releases Diversity, Equity, and Inclusion Code

CFA Institute launched a comprehensive voluntary Diversity, Equity, and Inclusion Code for the Investment Profession in the United States and Canada ("the DEI Code").

The DEI Code aims to foster commitment from institutions to DEI action. This commitment will lead to greater inclusion of wider viewpoints from the best talent, which in turn will lead to better investment outcomes, create better working environments, and generate a cycle of positive change for future generations.

CFA Institute was the first signatory to the DEI Code, demonstrating its commitment to action through the code's six principles. When adopted, these principles will drive greater DEI efforts in a meaningful and measurable way.

Learn more here.

CFA Institute Invites You to Alpha Summit GLOBAL

Alpha Summit GLOBAL will prove to be the premier investment conference of the year as thousands of investment professionals will hear top executives, experts, and luminaries exchange ideas that can help us all shape the future.

The culmination of a three-part virtual series that began in February with conferences focused on the APAC and EMEA regions, Alpha Summit GLOBAL will dive even deeper into the issues disrupting the world and our industry today. With the goal of learning how we all can play a role in using finance for good, the summit will feature three-days of in-depth discussions and presentations on five key content themes:

- Opportunities and Responsibilities with Sustainable Investing
- Excelling in a Post-Pandemic World
- Harnessing the Benefits of Innovation and Technology
- The Future of Capital Markets Today
- Advancements for the Investment Management Professional

Register today and get ready to think beyond the horizon.