

# GIPS® STANDARDS NEWSLETTER



**May 2022 Edition**

## **GIPS® Standards Annual Conference Is Back in Person!**

The [26th Annual Global Investment Performance Standards \(GIPS®\) Conference](#) will be held on Tuesday and Wednesday, 25–26 October, in Boston, MA. Session details will be announced shortly. Until then, mark your calendar and save the date!

## **New Disclosure Checklist for Firms Is Available**

We continue to add tools and resources to assist firms and asset owners with the implementation of the 2020 edition of the GIPS standards. We created a disclosure checklist that firms can use to ensure that GIPS Reports include all the information required by the GIPS standards. We also included recommended items. The requirements and recommendations can be found in the provisions for sections 4, 5, 6, and 7; the GIPS Standards Handbook; Q&As; and guidance statements. The disclosure checklist can be found on the [GIPS standards website](#) under Resources, Tools for firms. We currently are working on a comparable disclosure checklist for asset owners.

## **Annual GIPS Compliance Notification Form Deadline Is 30 June 2022**

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. 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](mailto: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](mailto:industrystandards@cfainstitute.org), and we will assist you.

## **Update on New SEC Proposed Private Fund Rules**

On 9 February 2022, the US Securities and Exchange Commissions (SEC) issued an [Exposure Draft](#) of rules for private fund advisers. Among other significant proposed requirements, the proposed rules would require private fund advisers to provide a quarterly report to investors. This report would contain detailed fee and expense information, including compensation and offsets related to portfolio investment companies as well as standardized performance information. The GIPS standards were referenced in the exposure draft, and the SEC specifically asked whether they should require any of the elements found in the GIPS standards to appear in their rules.

CFA Institute convened a working group of volunteers to help write [our comment letter](#). Working group members provided different perspectives from the industry and represented asset owners, asset managers, and service providers. This comment letter makes the following key recommendations:

- Where possible, the rule should align with existing industry standards or practices, including financial statement requirements, commonly used industry templates, and the performance requirements of the GIPS standards.
- Rather than requiring lengthy disclosures of all the fee, expense, and performance calculations, advisers should be required to provide the supporting calculations upon request.
- Fee and expense information included in the quarterly statement should enable an investor to determine the fees and expenses they paid (i.e., if their fees and expenses cannot be calculated pro rata based on the information provided, the adviser should provide them with investor-level fee and expense information).
- Performance information should be appropriate for the investor (e.g., share class returns of a hedge fund should be provided rather than returns of the total fund).
- Gross internal rates of return (IRR) and multiple of invested capital (MOIC) should be required to be gross of management fees and performance-based compensation borne by the private fund, rather than gross of all fees and expenses.
- IRRs should be required to be calculated without the impact of subscription facilities as well as with the impact of subscription facilities.
- Collateralized Loan Obligations (CLOs), which have an established third-party trustee who oversees the allocation of expenses, reports information, and are subject to an indenture, should be exempt from the quarterly statement portion of the private fund rules.

The SEC has reopened the comment period and comments are due on 13 June 2022. We encourage all private fund advisers, asset owners who invest in private funds, and service providers to take advantage of this additional comment period and to provide your comments.

### **Dear GIPS Standards Help Desk**

This month's Help Desk question asks whether a firm may exclude a portfolio from its composite because the third-party that provides accrued income for its investments has dropped the ending accrual from the month-end valuation.

Question: We have a portfolio that holds fixed-income instruments. For one of the investments, a third party provides a price that includes accrued income at the beginning of the month, but the accrual is dropped out of the price on the month-end valuation date and the payment date is reflected on the first day of the following month.

Given that this portfolio is valued externally, would it be appropriate to exclude this portfolio from our composite calculations on this basis?

Answer: The GIPS standards require accrual accounting for all fixed-income securities and all other investments that earn interest income, except that interest income on cash and cash equivalents may be recognized on a cash basis. It would not be appropriate to exclude a portfolio from the composite because of missing accruals from a third party.

However, the firm may make adjustments to the information provided by the third party. In this case, it could add accrued income to the month-end valuation. If the firm determines this is an ongoing issue and that they cannot rely on valuations provided by a third party because they do not include accrued income, the firm could consider bringing performance in house rather than relying on a third party.

## **Revisions to the Code of Ethics and Standards of Professional Conduct**

CFA Institute has published our [Consultation Paper](#) outlining a series of potential revisions to the CFA Institute Code of Ethics and Standards of Professional Conduct (Code and Standards). We invite CFA Institute members and interested parties to review the revisions under consideration and to submit comments during the 60-day consultation window ending 8 July 2022.

### **Why Does This Matter?**

The Code and Standards are fundamental to the values of CFA Institute and essential to achieving our mission to lead the investment professional globally by promoting the highest standards of ethics, education, and professional excellence for the ultimate benefit of society.

The Code and Standards remain the ethical benchmark for the conduct of investment professionals around the globe. All members of CFA Institute, including CFA<sup>®</sup> charterholders, Certificate in Investment Performance Measurement (CIPM<sup>®</sup>) designation holders, and candidates for the CFA<sup>®</sup> Program and the CIPM<sup>®</sup> Program, are required to comply with, and attest to their compliance with, the provisions of the Code and Standards.

Violations of the Code and Standards may result in disciplinary sanctions by CFA Institute, including revocation of membership, termination of candidacy in the CFA Program, and revocation of the right to use the CFA<sup>®</sup> designation.

### **What Might Change?**

Potential revisions to the Code and Standards include the following:

- Adding a general Transparency standard
- Revising the Conflict-of-Interest standard to address avoiding conflicts of interest
- Adding a standard to require disclosures about the nature of services and fees, costs, or compensation
- Supplementing the Supervisory Responsibility standard to require senior leaders to promote an ethical culture in their firm
- Establishing an exception to the Confidentiality Standard pertaining to impaired clients
- Adding a new standard specifically requiring competency
- Consolidating and combining certain standards

## What's Next?

The Standards of Practice Council will review all comments from the 60-day consultation period ending on 8 July 2022 and make adjustments to reflect input, as appropriate.

An Exposure Draft with the specific language of any changes to the Code and Standards will then be released for member and public comment.

Because changes to the Code and Standards affect membership obligations, the Board of Governors will then review and provide final approval of any revisions.

## How Can You Participate

[Register now](#) for the 2 June webinar (from noon to 1 pm ET).

Submit your [comment letter](#) on the Consultation Paper to [standards@cfainstitute.org](mailto:standards@cfainstitute.org) by 8 July 2022.

---

© 2022 CFA Institute. All rights reserved.

915 East High Street, Charlottesville, VA 22902

[Contact Us](#) | [Manage Preferences](#) | [Unsubscribe](#)