



# CFA Institute<sup>®</sup>

## Global Investment Performance Standards

### REQUIREMENTS OUTSIDE THE PROVISIONS FOR FIRMS

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## Requirements Outside the Provisions for Firms

Firms that claim compliance with the Global Investment Performance Standards (GIPS®) are required to comply with all applicable requirements of the GIPS standards, including any Guidance Statements, interpretations, and Questions & Answers (Q&As) published by CFA Institute and the GIPS standards governing bodies. This document can be used to assist firms with identifying those requirements found within the Guidance Statements, interpretations, and Q&As, including the GIPS Standards Handbook for Firms, (together, the interpretive guidance that are not addressed directly by a provision. This document does not list every instance where the word “must” or “required” is used in the interpretive guidance. For example, in the explanation of Provision 1.A.11, the GIPS Standards Handbook states:

The GIPS Composite Report must be one that represents the strategy being marketed to the prospective client.

While the word “must” is used, it does not impose a new requirement on a firm beyond what it is already required to do by the provisions. This requirement is therefore not included in this list of requirements outside the provisions.

Contrast this with the explanation of Provision 4.C.11 in the GIPS Standards Handbook, which states:

Pooled fund expense ratios that are calculated for periods of less than one year must be annualized.

Because this requirement is not addressed by a provision, it is included in this list of requirements outside the provisions.

This was a subjective exercise, and we took the view that an additional requirement not directly addressed by a provision is one that would result in a new or updated provision if we were updating the GIPS standards. If this document included every instance of the word “must” or “required,” we would have hundreds of additional requirements, and that would not be helpful.

In the table below, “HB” refers to the GIPS Standards Handbook discussion of the noted provision, “GS” refers to Guidance Statement, and “Q&A” refers to the GIPS Standards Q&A Database. We identified requirements that affect disclosures included in GIPS Reports by including “Yes” in the GIPS Report column.

This document was created in June 2022 and reflects the additional requirements as of that date. Any additional requirements published after this date are not reflected in this document.

	Source	Requirement	GIPS Report
1.	HB 1.A.13	[When a GIPS Report for a new LDPF has not yet been created because the LDPF has not yet reached the initial annual period end] If the prospective investor for this new LDPF is still a prospective investor after a GIPS Report with performance through the initial annual period end is prepared, the firm must provide this GIPS Report to the prospective investor.	
2.	HB 4.A.1.e HB 6.A.1.e	If a price-only benchmark is included in a GIPS Composite Report/GIPS Pooled Fund Report as supplemental information, or is presented outside of a GIPS Composite Report/GIPS Pooled Fund Report, it must be identified as a price-only benchmark, and there must be sufficient disclosures so that a prospective client or prospective investor understands the difference between the return of a price-only benchmark and the return of a total return benchmark.	Yes
3.	HB 1.A.24	Firms that manage sub-advised pooled funds that are marketed or distributed by another firm as either an LDPF or a broad distribution pooled fund (BDPF) must treat these portfolios as segregated accounts and not pooled funds for the purpose of determining the composite assignment and on which list they must be maintained.	
4.	HB 2.A.1	Firms must not include overlay exposure in total firm assets.	
5.	HB 2.A.13	[A] zero-transaction cost must not be used as a model transaction cost for other portfolios.	
6.	HB 2.A.18	A firm may choose to present a proprietary measure of risk as an additional risk measure, but it must describe the proprietary measure of risk that is presented and explain why it was selected.	Yes
7.	HB 2.A.21	[When adjusting preliminary or estimated values to final values] If composite or pooled fund valuations are revised retroactively, firms must consider the requirements related to error correction and the firm's error correction policies. Differences between final and estimated values are not considered to be errors but are treated similarly.	
8.	HB 2.A.31	There are times when using the investment management fee that is appropriate to prospective clients as a model fee results in net-of-fees returns that are not equal to or lower than those that would have been calculated using actual investment	

	Source	Requirement	GIPS Report
		management fees. If this is the case, to ensure this provision is met, the firm will need to use a model investment management fee that is higher than the current fee that is appropriate to prospective clients.	
9.	HB 2.A.31	A firm may wish to include a second net-of-fees return in a GIPS Report that is created using a model fee specific to a prospective client. If this second net-of-fees return does not meet the requirement of being either equal to or lower than the return that would have been calculated using actual investment management fees, this second net-of-fees return must be labeled as supplemental information. In addition, there must be a disclosure explaining how the firm arrived at the return.	Yes
10.	HB 2.A.32	Although a firm must disclose if model or actual fees are used to calculate pooled fund net returns, when net returns are not straightforward and/or have multiple assumptions, additional disclosure about pooled fund net return calculations may be needed to ensure that the principle of full disclosure is met.	Yes
11.	HB 2.A.33	There are times when using the total pooled fund fee that is appropriate to prospective investors as a model fee results in net returns that are not equal to or lower than those that would have been calculated using actual total pooled fund fees. If this is the case, to ensure this provision is met, the firm will need to use a model total pooled fund fee that is higher than the current fee that is appropriate to prospective investors.	
12.	HB 2.A.33	A firm may wish to include a second net return in a GIPS Report that is created using a model fee specific to a prospective investor. If this second net return does not meet the requirement of being either equal to or lower than the return that would have been calculated using actual total pooled fund fees, the second net return must be labeled as supplemental information. In addition, there must be a disclosure explaining how the firm arrived at the return.	Yes
13.	HB 3.A.2	If the firm chooses to present segment composites and not present multi-strategy or multi-asset-class composites to prospective clients of a multi-asset class or multi-strategy composite, it must present all segment composites of the multi-strategy or multi-asset-class strategy.	
14.	HB 3.A.10	If the firm suggests a change in strategy that would result in a client's portfolio moving to a new composite, the firm must make every reasonable effort to provide the client with a GIPS Composite Report for the new composite.	

	Source	Requirement	GIPS Report
15.	HB 3.A.14	A firm may wish to present performance to wrap fee prospective clients for a specific strategy for which the firm does not yet manage wrap fee portfolios. In such a case, the firm must not present the GIPS Composite Report created for non-wrap fee clients. Instead, the firm must calculate a wrap fee performance history for that specific strategy by using that strategy's gross-of-fees non-wrap fee composite history reduced by the highest total wrap fee charged to the client (end user) by the wrap fee sponsor for the strategy (product).	
16.	HB 3.A.15	If a firm includes a carve-out that is managed with its own cash balance in a composite, all similar carve-outs that have been created and have their own cash balance must also be included in that composite.	
17.	HB 3.A.15	[When calculating carve-out returns] In all cases, the cash return must be the portfolio's actual cash return. A cash return proxy must not be used.	
18.	HB 4.A.4 HB 5.A.6 HB 6.A.4 HB 7.A.6	If the firm designates benchmarks as primary and secondary benchmarks, it must disclose when these designations change (e.g., if a primary benchmark becomes a secondary benchmark), because such a change in designation is considered a benchmark change.	Yes
19.	HB 4.A.4 HB 5.A.6 HB 6.A.4 HB 7.A.6	In all instances, if multiple benchmarks are presented in a GIPS Composite Report and one or more of the benchmarks is removed from the GIPS Composite Report, the firm must disclose this fact.	Yes
20.	HB 4.A.4 HB 5.A.6 HB 6.A.4 HB 7.A.6	Additional benchmarks beyond appropriate benchmarks may be presented in a GIPS Composite Report as supplemental information. There must be sufficient disclosure so that a prospective client or prospective investor understands the nature of the benchmark and why it is being presented.	Yes
21.	HB 4.A.18 HB 5.A.15 HB 6.A.11 HB 7.A.13	Supplemental Information must not be shown with greater prominence than the required composite/pooled fund information.	Yes
22.	HB 4.C.11 HB 5.C.10 HB 6.A.5 HB 7.A.7	Pooled fund expense ratios that are calculated for periods of less than one year must be annualized.	Yes

	Source	Requirement	GIPS Report
23.	HB 4.C.20 HB 6.C.17	If non-compliant performance is included in a GIPS Composite Report after the minimum effective date, it must be labeled as supplemental information and must not be linked to the GIPS-compliant performance.	Yes
24.	HB 5.C.19 HB 7.C.17	If non-compliant performance is included in a GIPS Composite Report/GIPS Pooled Fund Report after the minimum effective date, it must be labeled as supplemental information.	Yes
25.	HB 4.C.32 HB 6.C.27	[Prospective benchmark change that combines two different benchmarks] Firms must also carefully identify the benchmark as a custom benchmark in the GIPS Composite Report/GIPS Pooled Fund Report and must make clear that the benchmark returns are not those of the current benchmark for all periods. It would not be appropriate to label the benchmark returns with the name of the current benchmark. The firm must provide information, including labeling of the benchmark, that is sufficient to allow a prospective client/prospective investor to distinguish the prior benchmark returns from the current benchmark returns.	Yes
26.	HB 4.C.33 HB 6.C.28	A firm must not present net-of-fees benchmark returns compared with only gross-of-fees composite returns/pooled fund gross returns.	Yes
27.	HB 5.C.32 HB 7.C.28	A firm may use a net-of-fees PME benchmark only when composite net-of-fees returns/pooled fund net returns are presented.	Yes
28.	HB 4.C.33 HB 6.C.28	[When the benchmark is an ETF] As part of the benchmark description for an ETF, the firm must disclose the following items: <ul style="list-style-type: none"> <li>• if ETF returns are gross or net of fees and other costs, including transaction costs;</li> <li>• the ETF expense ratio, if ETF net returns are presented;</li> <li>• if ETF returns are based on market prices or net asset values (NAVs);</li> <li>• the timing of the market close used to determine the ETF's valuations; and</li> <li>• if ETF returns are gross or net of withholding taxes, if this information is available.</li> </ul>	Yes
29.	HB 5.A.1.d HB 7.A.1.d	For composites/pooled funds that have a subscription line of credit (LOC), and the firm is required to present composite/pooled fund returns both with and without the subscription line of credit (see Provision 5.A.2), the firm must present benchmark returns for the same periods as both composite/pooled fund returns.	Yes
30.	HB 5.A.2 HB 7.A.2	If returns both with and without the subscription LOC are required to be presented in a GIPS Composite Report, these returns must be comparable. If the firm presents gross-of-fees returns only, gross-of-fees returns with and without the subscription LOC must be presented. If the firm presents net-of-fees returns only, net-of-fees	Yes

	Source	Requirement	GIPS Report
		<p>returns with and without the subscription LOC must be presented. If the firm presents both gross-of-fees and net-of-fees returns, the firm must present gross-of-fees returns with and without the subscription LOC and net-of-fees returns with and without the subscription LOC.</p> <p>If returns both with and without the subscription LOC are required to be presented in a GIPS Pooled Fund Report, these returns must be comparable. If the firm presents gross returns only, gross returns with and without the subscription LOC must be presented. If the firm presents net returns only, net returns with and without the subscription LOC must be presented. If the firm presents both gross and net returns, the firm must present gross returns with and without the subscription LOC as well as net returns with and without the subscription LOC.</p>	
31.	HB 5.C.5 HB 7.C.5	Given the unique nature of a PME, if the market index used to calculate the PME is not readily recognized, the firm must also disclose the description of this benchmark.	Yes
32.	Q&A - GIPS Reports	When providing a GIPS Composite Report to a prospective investor for any pooled fund included in that composite, a firm must include the explicit name of the pooled fund when disclosing the fee schedule and expense ratio.	Yes
33.	Q&A - Real Estate, Valuation	<p>If a firm has based their valuation on a pending sale, repossession, or lease termination, the firm must maintain documentation showing that the process was started by the date the external valuation would have been required.</p> <p>If the sale of a property, loan default, or lease termination action is subsequently cancelled and the firm used the original transaction documentation to satisfy the external valuation requirement, the firm must obtain an external valuation of the property within six months of the transaction cancellation date.</p>	
34.	Q&A - Securities Lending	The firm cannot exclude the impact of the securities lending collateral shortfall if it had previously determined that it would include the income associated with securities lending. Firms must not exclude the portfolio from the respective composite due to the loss on securities lending collateral.	
35.	Benchmark GS	If a hedged or partially hedged benchmark is used, the hedging criteria for the benchmark is expected to be disclosed as a part of the benchmark description.	Yes



	Source	Requirement	GIPS Report
36.	Benchmark GS	In a highly customized LDI benchmark, there may be instances in which the portfolio-weighted custom benchmark consists of a very large number of underlying benchmarks. In these cases, some of the weightings of the component parts may be so small, and the list of benchmarks so long, that listing all of them would make the disclosures difficult to read. In these instances, firms must disclose the major components and weightings of the customized benchmark and must offer to make the smaller, undisclosed components available upon request	Yes
37.	Overlay GS	The firm must disclose it if chooses to arithmetically link overlay strategy portfolio or composite returns.	Yes
38.	Overlay GS	If a firm chooses to apply the Guidance Statement on Overlay Strategies retroactively, it must disclose if any restatement of the historical track record was necessary as a result of the retroactive application.	Yes
39.	HB 4.A.12 HB 5.A.13 HB 6.A.10 HB 7.A.12	If supplemental information is not presented in the same currency as the required and recommended information in the GIPS Composite Report/GIPS Pooled Fund Report, this fact must be disclosed.	Yes