

GIPS® STANDARDS NEWSLETTER

August 2023 Edition

Attention All Performance and Compliance Professionals!

Are you ready for a knowledge-packed event? Join us 17-18 October in Chicago as industry and regulatory experts discuss the latest trends and challenges in investment performance at the 27th Annual GIPS® Standards Conference.

[Register today!](#)

Sessions will delve into OCIO providers and outsourcing considerations, the SEC Marketing Rule and Private Funds proposal, and more. To see the full agenda and speaker lineup, visit our [website](#).



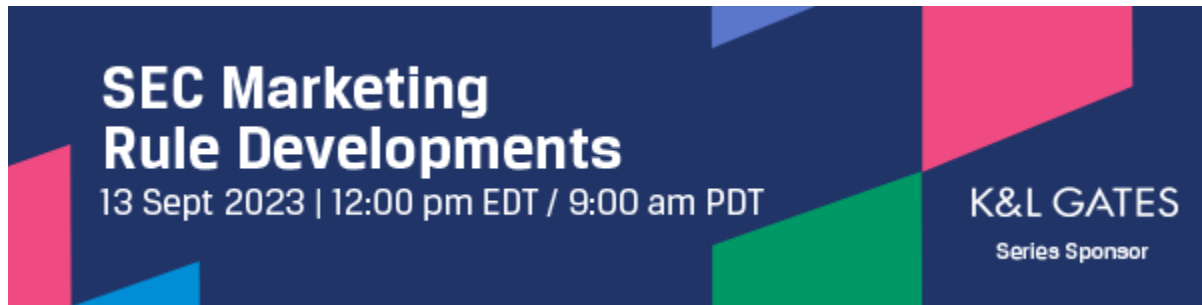
SEC Marketing Rule Developments with K&L Gates Webinar

On 13 September 2023, CFA Institute is offering a complimentary webinar at 12 pm EST/9 am PST on current developments with the SEC Marketing Rule. Attorneys from K&L Gates will provide an update on the current state of SEC examination activities. We will then address continuing challenges for complying with the Marketing Rule, including:

- Dealing with performance materials on websites
- Identifying what is considered hypothetical performance
- Determining which materials are considered regulatory filings and are exempt from the Marketing Rule
- Using performance information from third parties

- Selecting model fees for calculating model net returns

[Register Now!](#)



New Members of GIPS® Standards Committees

The Nominating Committees have completed their review of the applications submitted through the recruitment process for open volunteer positions on GIPS standards committees. We are pleased to announce the following new members who have been appointed effective 1 September 2023:

GIPS Standards Technical Committee

Yoh Kuwabara
Raymond Lee, CFA, CIPM
Hans Pieper
Susan Pike, CFA, CIPM

GIPS Standards Asset Owner Subcommittee

Matthew Liposky (Chair)
Hugo Aravena, CFA, CIPM
Dae-Jun Kim, CIPM

GIPS Standards Interpretations Subcommittee

Paul Blandford
Hans Groetsch, CIPM
Susanne Klemm
Kristina Mihaylova, CFA

GIPS Standards Promotion Subcommittee

Mikhail Mora Aponte, CFA
Chris Lourens
Sanjay Parikh, CFA

GIPS Standards Verification Subcommittee

Janice Kitzman, CIPM (Chair)
Christopher Callard
John Simpson, CIPM
Carrie Zippi

GIPS Standards US Investment Performance Committee (USIPC)

Ambika D'Souza, CIPM
George Findlay, CIPM
Joshua Kramer, CIPM
Sanjay Lamba
Chirag Trivedi, CFA, CIPM

GIPS Standards for FMPs Technical Committee

Mark Latimour

CFA Institute would like to thank everyone who submitted applications. The Nominating Committees were pleased that such qualified slates of nominees were put forward for consideration.

The following volunteers have completed their terms. We are very grateful to them for their contributions and dedication.

GIPS Standards Technical Committee

Crista DesRochers, CIPM
Herbert Jobelius
Jonathan McGee, CFA, CIPM

GIPS Standards Asset Owner Subcommittee

Jean-Charles Dapsens d'Yvoir, CFA, CIPM
Dae-Jun Kim, CIPM
Mabs Miah

GIPS Standards Interpretations Subcommittee

Craig Horvath, CIPM
Susanne Klemm
Megan Piarulli

GIPS Standards Promotion Subcommittee

Hans Groetsch, CIPM

GIPS Standards Verification Subcommittee

Paul Blandford (Chair)
Christopher Callard
Janice Kitzman, CIPM
John Simpson, CIPM

GIPS Standards US Investment Performance Committee (USIPC)

Ambika D'Souza, CIPM
Joshua Kramer, CIPM
Sanjay Lamba

GIPS Standards for FMPs Technical Committee

Mark Latimour

Barry Mack

Giles Payne

Guy Plater

USIPC Updates Error Correction Policies Survey

One of the most widely used US Investment Performance Committee (USIPC) survey reports has been the Error Correction Policies survey from 2014. That survey report summarized the error correction policies used by firms claiming compliance with the GIPS standards, including what thresholds firms were using for identifying material errors in returns in GIPS Reports.

In 2022, the USIPC and CFA Institute conducted a survey to provide more recent statistics and cover additional topics.

Key takeaways from the updated survey include the following items:

- Firms favor a two-pronged materiality threshold for assessing errors in returns, which includes both absolute and relative terms.
- The most common method for tracking errors is an Excel-based list.
- Approximately 70% of responding firms have either a formal or informal GIPS Standards Oversight Committee.
- More than one-half of the respondents apply an error correction policy to errors that occur outside of GIPS Reports.

Click [here](#) to see the updated survey results.

Last Call for Comments — Exposure Draft of the Guidance Statement on Firms Managing Only Broad Distribution Pooled Funds

The GIPS Standards Technical Committee has released the [Exposure Draft of the Guidance Statement on Firms Managing Only Broad Distribution Pooled Funds \(BDPFs\)](#) for public comment. The exposure draft is available for public comment for 60 days.

A firm that manages and markets only BDPFs is not required to provide a GIPS Report to BDPF prospective investors, and it also is not required to create a GIPS Advertisement. A claim of compliance with the GIPS standards, therefore, might not appear in any of the firm's marketing materials. This Guidance Statement addresses how such a firm can claim compliance with the GIPS standards in consultant databases or when responding to Requests for Proposal.

Comments may be submitted by email to standards@cfainstitute.org and must be received by 22 August 2023. Unless otherwise requested by the submitter, all comments will be made public on the GIPS standards website.

Revised Guidance Statement on Benchmarks for Firms Issued

In April 2023, the Guidance Statement on Benchmarks for Asset Owners was issued, and it included some concepts that were not included in the original Guidance Statement on Benchmarks for Firms. The GIPS Standards Technical Committee decided to revise the Guidance Statement on Benchmarks for Firms to add new concepts from the Guidance Statement on Benchmarks for Asset Owners. For example, the [revised Guidance Statement on Benchmarks for Firms](#) includes a discussion of custom benchmarks with leverage and lagged benchmarks. There are no new requirements in the revised Guidance Statement. Added language is indicated by being in blue, small-cap font.

Dear GIPS Standards Help Desk

This month's Help Desk question asks about US-registered fund broad-based indices.

Question: My firm has a US small-cap value open-end mutual fund that is a broad distribution pooled fund (BDPF) for GIPS compliance purposes. This fund is subject to a new SEC requirement to include a broad-based securities market index that represents the overall applicable domestic or international equity or debt market, as applicable, in shareholder reports and prospectuses. This requirement is found within the [Tailored Shareholder Reports for Mutual Funds and Exchange-Traded Funds; Fee Information in Investment Company Advertisements Rule](#). We have determined that we will present the Russell 3000® Index as the broad-based index for this fund.

We include this fund in the US Small-Cap Value Composite. Our firm would like to use the same benchmark in the mutual fund's shareholder reports and the US Small-Cap Value Composite's GIPS Report. We understand that the broad-based index would be considered an inappropriate benchmark under the GIPS standards. Can we add the broad-based index to the composite's GIPS Report as a secondary benchmark and have the broad-based index as the primary index in the fund shareholder reports and prospectuses?

Answer: A broad-based securities market index would not be considered an appropriate benchmark for a composite when it does not reflect the investment mandate, objective, or strategy of the composite. Firms may include a benchmark that does not reflect the composite's strategy as supplemental information in GIPS Reports as long as the appropriate benchmark is shown as the primary benchmark and there is disclosure to explain the nature of the supplemental benchmark and why the supplemental benchmark is shown.

Certificate in ESG Investing

As firms consider how to integrate environmental, social, and governance (ESG) factors into their strategies, this [research report](#) will assist you in identifying ESG information, assessing materiality, incorporating ESG information into equity analysis, and presenting ESG information in research reports. The CFA Institute

Certificate in ESG Investing will equip you with the knowledge and skills necessary to incorporate ESG factors in your analysis and decision making. Take the next step to mastering ESG investing principles today. [Learn more.](#)

Be the ESG investment that firms are looking for.

Get the **2023 CFA Institute Certificate in ESG Investing**



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New Data Science Certificate

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CIPM certificate holders will find that combining their investment performance skills with an understanding of data science and machine learning techniques is an excellent way to expand the effectiveness and efficiency of performance evaluation and attribution analysis. Member pricing is available. [Learn more.](#)

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