

Comment on  
the Exposure Draft of  
the Guidance Statement on Firms Managing Only Broad Distribution Pooled Funds

I appreciate the opportunity to comment on this Exposure Draft. All efforts made to produce this document should be duly awarded.

The provision 1.A.15 is quite unique as what is required is “..... may....., but is not required to do so.” The Handbook Discussion on this Provision is rather short and does not cover what the requirements are for firms managing only BDPFs. I think this GS aims to give a full interpretation of the Provision 1.A.15, and is helpful in this regard, but on the other hand I am tempted to find it rather lengthy. This goal could be achieved through establishing a Q&A where we emphasize that when firms managing only BDPFs are claiming GIPS compliance, they are allowed to not present GIPS Report or GIPS Advertisement, but still are required to satisfy all the applicable requirements of the GIPS Standards including those on valuation, performance calculation, error correction, etc., and apply them consistently. The Q&A would answer the questions raised in the ED. The last section the proposed GS is useful for users, and could also be included in the Q&A, or presented as a new “tool.”

My comment on the questions are as follows;

Question 1: Is the proposed Guidance Statement on Firms Managing Only Broad Distribution Pooled Funds helpful?

Comment: It is helpful, but too lengthy. An alternative such as Q&A could be considered.

Question 2: If a firm manages only BDPFs and does not prepare GIPS Reports or GIPS Advertisements, should it be allowed to claim compliance outside of the GIPS Reports or GIPS Advertisement? Why or why not?

Comment: I think firms managing only BDPFs are allowed to claim their claim of compliance somewhere. They must claim compliance in GIPS Reports or GIPS Advertisements, if they opt to prepare those reports or advertisements, but not preparing those reports must not automatically deprive them of the right to claim GIPS compliance.

Question 3: Do you agree to this approach to recordkeeping for when firms are responding to RFPs and consultant databases? Should firms instead be required to apply the same recordkeeping policies that would apply to GIPS Reports and GIPS Advertisements? Why or why not?

Comment: I believe that when firms managing only BDPFs are claiming GIPS compliance, they are allowed to not present GIPS Report or GIPS Advertisement, but still are required to satisfy all the applicable requirements of the GIPS Standards including those on valuation, performance calculation, error correction, etc., and apply them consistently. So, no different treatment should be allowed.

Question 4: Do you agree with this approach to error correction for when firms are responding to RFPs and consultant databases? Should firms instead be required to apply their GIPS Standards Error Correction policy to

the information provided to consultant databases and when responding to RFPs? Why or why not?

Comment: I believe that when firms managing only BDPFs are claiming GIPS compliance, they are allowed to not present GIPS Report or GIPS Advertisement, but still are required to satisfy all the applicable requirements of the GIPS Standards including those on valuation, performance calculation, error correction, etc., and apply them consistently. So, no different treatment should be allowed.

Question 5: Do you agree that firm managing only BDPFs be able to obtain a verification? Why or why not?

Comment: Verification is not for a particular GIPS Report but for the firm, and verification report is an opinion by an independent third party on whether the firm has designed the certain policies and procedures to achieve and maintain compliance with the GIPS Standards and implemented them on a firm-wide basis. Thus, I don't find any reason proscribing firms managing only BDPFs from getting a verification.

Question 6: Do you agree with the modified compliance statement language for firms managing only BDPFs? Why or why not?

Comment: I agree with the revised compliance statement proposed in this GS.

Question 7: Do you agree with the applicability of each of the provisions in Sections 1 and 2? Why or why not?

Comment: I agree with all the applicability decisions presented in the ED.

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