

From:
To:
Subject: Comments on proposed guidance for firms only managing BDPFs
Date: Tuesday, August 22, 2023 5:16:05 PM

CAUTION - EXTERNAL SENDER

Hello,

I am a verifier with The Spaulding Group, and the firm has already submitted a response (which I fully support) to this proposed guidance. Here are a few additional observations and comments:

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

Generally, yes. This document largely elaborates on existing guidance and adds some useful "real-life" examples that should be helpful for all concerned.

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 Report or GIPS Advertisement? Why or why not?

No. As with other firms, the claim of compliance should be restricted to only GIPS Reports and GIPS Advertisements. Firms that only manage BDPFs have the option of adapting their marketing materials to be GIPS Advertisements. Such firms also have the option of following GIPS provision 1.A.10 (The firm must not make statements referring to the performance of a current client or pooled fund investor as being "calculated in accordance with the Global Investment Performance Standards," except for when a GIPS-compliant firm reports the performance of a segregated account to current clients or a pooled fund to current investors).

Question 3: Do you agree with 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 a GIPS Report or GIPS Advertisement? Why or why not?

Yes. All firms that claim compliance with the GIPS standards should have the same recordkeeping requirements and follow the same applicable guidance. Firms that manage only broad distribution pooled funds, even though they may elect not to create GIPS Advertisements or GIPS Pooled Fund Reports, should be required to maintain records sufficient to produce these documents. This includes, of course, records related to their calculated performance that would be presented in any marketing materials or provided to databases, which would need to comply with provision 1.A.7 and thus need to be consistent with GIPS Reports and GIPS Advertisements that could be produced.

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?

I believe that the requirements and recommendations of the GIPS standards should be the same for all firms that claim compliance, with respect to error correction. There should neither be a higher bar for firms that manage only BDPFs, nor a lower bar. If the intent of the wording in this proposed guidance is to maintain that level of requirements and recommendations, then I agree

with the approach. This guidance then conceptually combines provisions 1.A.7, 1.A.20 and 1.A.21.

Correction of material errors in GIPS Advertisements may need to be addressed or highlighted in this guidance (though that is not a topic that only applies to firms managing BDPFs).

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

Yes. GIPS verifications can be conducted for firms only managing BDPFs. The GIPS Standards for Verifiers has sufficient procedures outlined that verification firms need to follow. Additional guidance can be introduced help make this clear, if verifiers have questions.

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

No. The wordings of the claims of compliance should be consistent across all firms. This proposed wording seems to include unnecessary qualifying language (“which manages only broad distribution pooled funds”).

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

Generally, yes.

Respectfully submitted,

John D. Simpson, CIPM
Executive Vice President and Chief Ethics Officer
TSG

