

GIPS[®] Standards Model RFP Template

A guide to questions in RFPs related to compliance with the GIPS standards.

WHY A GIPS STANDARDS MODEL RFP TEMPLATE?

When investment firms comply with the Global Investment Performance Standards (GIPS[®]), they help assure investors that the firm's investment performance is complete and is fairly presented. Both current and prospective clients and pooled fund investors benefit from a global investment performance standard by having a greater degree of confidence in the performance information presented to them.

We understand that the Request for Proposal (RFP) process is challenging and time consuming for investors seeking information regarding a firm's investment strategies and products. This guide was created to streamline the process and to address the sections in RFPs related to compliance with the GIPS standards.

Although the GIPS standards have evolved over the past 20+ years, many GIPS standards-related questions on RFPs have not. We are aware that outdated and incorrect questions are still being incorporated into some RFPs. We hope this template eases the burden of the RFP process as it relates to GIPS compliance and verification.

WHAT THE TEMPLATE WILL TELL YOU

The template is designed to provide guidance and clarity on the "right" questions to include in RFPs related to compliance with the GIPS standards and verification.

Key elements of GIPS compliance and verification are summarized to help investors interpret RFP responses and also assist firms in submitting complete and accurate information.

The GIPS Standards Model RFP Template provides suggested standardized questions.

KEY DETAILS FOR RFP QUESTIONS RELATED TO THE GIPS STANDARDS

GIPS Compliance and Verification Facts

- Compliance with the GIPS standards can be achieved only by a firm, on a firm-wide basis. Portfolios, pooled funds, composites, and portfolio managers cannot comply with the GIPS standards.
- Firms complying with the GIPS standards may choose to be verified. Verification is recommended but not required.
- Only firms are verified—not composites, pooled funds, performance, or the claim of compliance.
- Verification must be conducted by an independent third party.
- Verification provides assurance on whether the firm's policies and procedures related to composite and pooled fund maintenance, as well as the calculation, presentation, and distribution of performance, have been designed in compliance with the GIPS standards and have been implemented on a firm-wide basis.
- There are no "levels" of compliance or verification. Firms either comply with the GIPS standards or they do not. Firms either are verified or they are not.
- Verification does not provide assurance on the accuracy of any specific composite, pooled fund, or performance report.
- A firm may choose to have a performance examination to assess the accuracy of a specific composite or pooled fund and its associated GIPS Report. A performance examination can only be performed either concurrently with or subsequent to the completion of a verification.

Policies and Procedures Facts

- Properly defining the firm is the foundation for firm-wide compliance and creates defined boundaries whereby total firm assets can be determined.
- A firm that does not meet all of the requirements of the GIPS standards must not represent or state that it is "in compliance with the GIPS standards except for..." or make any statements that indicate partial compliance with the GIPS standards.
- Firms must have available information about all composites and pooled funds and must provide it to prospective clients and pooled fund investors upon request.
- Firms must document all policies and procedures used in establishing and maintaining compliance with the GIPS standards, which demonstrates a firm's commitment to internal controls.
- A GIPS Report is a presentation for a composite or pooled fund that contains all the information required by the GIPS standards.
- Firms must provide policies for valuing investments, calculating performance, and preparing GIPS Reports upon request.
- Firms must initially present in each GIPS Report at least five years of GIPS-compliant performance (or since inception if the composite or pooled fund has been in existence less than five years). Subsequently the firm must present additional annual performance, building up to a minimum of 10 years of GIPS-compliant performance.
- Firms must make every reasonable effort to provide an appropriate GIPS Report to all prospective clients for segregated account mandates.
- Firms must make every reasonable effort to provide an appropriate GIPS Report to all prospective investors for pooled funds that are not available to the general public or are offered exclusively in one-on-one presentations.
- Firms must disclose all significant events that could help a prospective client or pooled fund investor interpret the GIPS Report. Although significant events are defined by the firm, a material change to personnel responsible for the investment strategy is considered a significant event and must be disclosed to allow the reader to understand the potential affect personnel changes may have had or will have on the investment strategy.
- Firms must not link model or simulated performance returns with actual performance.

Eliminating Incorrect and Invalid Questions

Eliminating incorrect and invalid questions from RFPs brings more clarity to the RFP process and helps prospective clients and pooled fund investors better understand a firm's claim of GIPS compliance. The following are examples of questions that should *not* be asked in an RFP (and the reason why):

- Is your firm Level I or Level II compliant? (There are no "levels" of compliance. A firm either is compliant or is not compliant.)
- Is your firm Level I or Level II verified? (There are no "levels" of verification. If the firm claims compliance with the GIPS standards, it may or may not choose to be verified.)
- Is your performance system GIPS compliant? (Only firms comply, not systems.)
- Has a composite or pooled fund been verified? (Only firms are verified. But once a firm is verified, it may choose to have a performance examination of a specific composite or pooled fund.)

The GIPS Standards Model RFP Template: A Suggested Set of Standardized Questions

We hope that investors will adopt the following set of concise, standardized questions when creating an RFP. Using these questions will, in turn, standardize and streamline the RFP process for investors and firms.

1. Does the firm claim compliance with the GIPS standards?
2. If the firm does not claim compliance with the GIPS standards, please explain why.
3. Please provide the firm definition used to determine total firm assets and firm-wide GIPS compliance.
4. Please provide the periods for which the firm claims compliance with the GIPS standards.
5. Please provide the firm's list of composite descriptions, list of limited distribution pooled fund descriptions, and list of broad distribution pooled funds.
6. Has the firm been verified?
7. Please identify the period(s) for which the firm has been verified.
8. Please provide the name of the verification firm.

For more information, please visit the GIPS standards website: www.gipsstandards.org