

**QUESTIONS AND ANSWERS**  
**REGARDING “GOLD” GIPS PUBLIC COMMENT**

**GIPS FAMILY OF STANDARDS: Countries Affected by the Proposed Changes**

Australia – CVG	Hungary – TG	Poland – TG
Austria – TG	Ireland – CVG	Portugal – GIPS
Belgium – GIPS	Italy – CVG	Spain* – TG
Canada – CVG	Japan – CVG	South Africa* – CVG
Denmark – TG	Luxembourg – GIPS/TG	Sweden* – GIPS
Egypt* – CVG	Netherlands – TG	Switzerland – CVG
France – TG	New Zealand – GIPS	United Kingdom – CVG
Germany* – TG	Norway – TG	United States – CVG

*\* Indicates endorsement in process (as of 1 February 2004).*

---

**1. What are the Global Investment Performance Standards (GIPS®)?**

Answer: The GIPS standards are ethical standards created and maintained by AIMR for investment performance reporting to ensure fair representation and full disclosure of an investment firm’s performance history. The GIPS standards provide investment managers around the world with a single set of performance reporting guidelines that create a level playing field for calculating and marketing their performance history in an ethical, standard, and consistent method. Investors benefit because they can have a higher degree of confidence in the numbers and the ability to make a fair, "apples-to-apples" comparison of investment results across firms and across international borders. AIMR members and investment management firms benefit from enhanced internal controls.

**2. What is the relevance of the GIPS standards to the investment community?**

Answer: The GIPS standards provide a standardized approach, based on the principles of fair representation and full disclosure, for firms to calculate and report their investment returns – thus allowing investors to compare results from GIPS-compliant firms throughout the world. Firms in more than 30 countries follow the GIPS standards. The Standards are not mandatory for investment firms to adopt, although firms often find that doing so is a competitive necessity.

**3. What are the “gold” GIPS standards?**

Answer: In AIMR’s view, the proposed improvements to the GIPS standards represent an improved version of the original GIPS standards released in 1999. The “gold” GIPS standards promote high quality performance measurement and presentation practices firms around the world should adopt. The development strategy for the GIPS standards includes extending coverage to other asset classes (real estate and private equity) as well as adding requirements and recommendations on issues such as advertising and fees. It also involves a review of the existing GIPS provisions in an effort to eliminate those no longer necessary and add new provisions that promote global best practice. The proposed “gold” GIPS standards also help eliminate the need for separate investment performance standards in different jurisdictions.

**4. What are the more significant changes in the “gold” GIPS revision?**

Answer: In addition to some deletions and modifications, the proposal adds the following requirements:

**QUESTIONS AND ANSWERS**  
**REGARDING “GOLD” GIPS PUBLIC COMMENT**

- Must provide a **compliant presentation** to all prospective clients
- Must have **written policies and procedures** used for compliance
- Must abide by **guidance and interpretations**, including the GIPS Handbook
- As of 2010, **verification by a third party** will be mandatory
- Must provide a **list and description of composites** to any prospect that requests it
- Must asset-weight portfolio returns to compute a composite return at least **monthly**
- Must value portfolios as of **calendar month-end**
- Must be prepared to provide a **compliant presentation** for any of the firm’s composites
- Must disclose that the **calculation methods and valuation sources** are available upon request
- Must disclose a description of the **investment objectives/style/strategy** of the composite

**5. What impact will these proposed changes to the GIPS standards have on a firm that only complies with a Country Version of GIPS (e.g., A firm claims compliance with AIMR-PPS standards, not GIPS standards)?**

Answer: After AIMR Board approval in 2005, all IPC-endorsed Translations of GIPS (TG) and Country Versions of GIPS (CVG) must be amended to incorporate the final changes to the GIPS standards. The IPC will re-endorse all TGs and CVGs to ensure the “gold” changes are incorporated in each regional standard. Therefore, these changes affect all country and regional standards that are a part of the “GIPS” family of IPC-endorsed standards (see list above).

**6. When will the local versions (TGs and CVGs) adopt the final changes?**

Answer: We anticipate the local versions of GIPS standards implementing the changes as soon as possible after their finalization, so that all firms claiming compliance with GIPS, a TG, or CVG will comply with the new edition of GIPS the standards on 1 January 2006.

**7. How will these revisions bring together the local Country Versions of GIPS? What will the CVGs do with country-specific requirements and recommendations that either duplicate or conflict with the proposed “gold” GIPS standards?**

Answer: It would be ideal if all countries could adopt the “gold” GIPS standards in English, or at least with only the need to translate them to facilitate their use locally. However, the IPC recognizes that even after the GIPS standards evolve, forms of legislation, regulation, or taxation may still call for some countries to adopt a CVG. Ultimately, the evolution of the GIPS standards will eliminate the differences between a CVG and GIPS based on **well-established practices**, since all such practices will either be accepted or rejected by the IPC during the evolution process of the “gold” GIPS standards. The remaining differences between the GIPS standards and CVGs will be due to legislation, regulation, or tax considerations.

Currently 10 CVGs contain provisions that are in addition to the GIPS standards. The IPC will review each local standard and any remaining differences with the local country sponsor of the standard.

**8. What happened to the proposed GIPS Leverage and Derivatives provisions that were released for public comment? I thought these were going to be included in the “gold” GIPS standards.**

The IPC received a number of constructive comments on the Leverage and Derivatives provisions proposed for the GIPS standards and as a result, determined to revise the proposal in

**QUESTIONS AND ANSWERS  
REGARDING “GOLD” GIPS PUBLIC COMMENT**

order to more clearly outline the purpose and users of these provisions. The process to revise the Leverage and Derivatives provisions is underway and is expected to finish during 2004. Once complete, the IPC will circulate a new proposal for an additional round of public comment to gain insight and approval from specific industries (such as the hedge fund industry) that are heavy users of leverage.

**9. The IPC has released several new provisions in the past few months (Fees, Private Equity, and Real Estate) which take effect on 1 January 2005. The “gold” GIPS proposal indicates changes to the GIPS standards will not take effect until 1 year later – in 2006. Does that mean the technical provisions will take effect before the “gold” GIPS standards? Will I be required to follow the new technical provisions prior to the effective date of the “gold” GIPS standards (i.e., 1 January 2006)?**

Yes, firms are required to comply with the GIPS Real Estate, Private Equity, and Fees provisions and guidance when they take effect on 1 January 2005. Changes to the remaining GIPS standards that result from the “gold” GIPS public comment period are not anticipated to take effect until 1 January 2006; however, the IPC will wait until the close of the comment period to finalize the effective date of the changes resulting from the upgrade to a “gold” standard.

**10. Where can I find the actual Fees, Private Equity, and Real Estate provisions?**

All documents relating to the GIPS standards can be found via the Standards homepage of the AIMR Website (<http://www.aimr.org/standards>).

**11. The “gold” GIPS proposal indicates that the effective dates of two requirements will be moved forward into the future:**

- requirement to use accrual accounting for dividends was moved from 1 January 2005 to 1 January 2010, and
- requirement for carve-out segments to be managed with their own cash from 1 January 2005 to 1 January 2010.

**What implications do these proposed changes have? Because these changes are only “proposed,” is there a chance the requirements will come into effect in 2005 as they are currently written in the GIPS standards? Should we begin to make the changes necessary to comply with the requirements now, or can we wait until 2010?**

Answer: As reflected in the “gold” GIPS draft, the Investment Performance Council (IPC) has determined to allow firms more time to meet these two requirements. The flexibility granted under the proposed new effective date of 2010 does not indicate the IPC has changed their view regarding what practices reflect the most accurate and fair representation of a firm’s performance. Instead, the IPC believes that while these provisions reflect best practices, the changes to systems and processes are necessary for firms to comply.

When the GIPS standards were adopted in 1999, the IPC expected technology to develop so that firms could comply with these requirements no later than 2005; unfortunately, the industry has not developed in these areas as anticipated and firms need more time to implement these requirements. In order to maintain a practical approach to evolving the Standards, the IPC agreed to move these effective dates into the future. Firms are not expected to implement these provisions in 2005 as currently stated in the GIPS standards. Instead, firms are strongly encouraged to adopt the infrastructure necessary to implement these provisions *as soon as possible* and it is likely these provisions will become requirements on or before 2010.

**QUESTIONS AND ANSWERS  
REGARDING “GOLD” GIPS PUBLIC COMMENT**

**12. Where do the GIPS Advertising Guidelines fit? Why do they have an effective date of 1 June 2004 and not 2005 or 2006?**

The IPC created the GIPS Advertising Guidelines so that firms could advertise that they comply with the GIPS Standards without requiring that they provide a full GIPS-compliant presentation in the advertisement. The Advertising Guidelines form a new section of the GIPS standards and are a supplement to the required and recommended elements of GIPS. The GIPS Advertising Guidelines are voluntary (firms are not required to comply with the Advertising Guidelines unless the firm includes a claim of GIPS compliance in an advertisement).

The voluntary nature of the GIPS Advertising Guidelines led the IPC to make the Guidelines effective as soon as possible in order to promote GIPS compliance, instead of waiting for the finalization of the “gold” GIPS standards. Firms that choose to advertise their claim of compliance with the GIPS standards are expected to comply from mid-2004 going forward; however, the Guidelines are not retroactive.

**13. The future effective dates for some other GIPS provisions did not change within the “gold” GIPS standards (e.g., requirement to use a time-weighted rate of return that adjusts for daily-weighted cash flows and requirement to use trade date accounting beginning 1 January 2005). Must a firm comply with the 1 January 2005 effective dates as currently written in the GIPS standards or is there a chance these dates will change?**

Other than the two exceptions listed above in question 12, firms must be prepared to implement the GIPS provisions as they are currently presented in the 1999 edition of the GIPS standards.

**14. What is the effective date of these changes?**

Answer: The IPC has proposed that firms comply with the new edition of the GIPS standards by 1 January 2006. Some provisions may require additional time for firms to make changes to current practice and the IPC has proposed different target effective dates for these provisions, such as mandatory verification and accrual accounting for dividends (both proposed for 2010).

**15. When will we know the exact changes to the “gold” GIPS standards? When will the “gold” GIPS standards be finalized?**

Answer: Following is a proposed timetable for the “gold” GIPS standards:

Feb 2004	“Gold” GIPS released for public comment
Aug 2004	Comment period closes
Aug to Dec 2004	IPC reviews comments and revises “gold” GIPS
Jan 2005	Technical provisions take effect (Fees, Real Estate, Private Equity)
Feb 2005	Final version approved by AIMR Board
Feb 2005 to Jan 2006	TGs and CVGs incorporate changes
Jan 2006	All firms must comply with “gold” GIPS

**16. What are the exact changes being proposed for the “gold” GIPS standards?**

Answer: A matrix outlining the changes between the current GIPS standards and the proposed “gold” GIPS standards is provided at [http://www.aimr.org/standards/pdf/Gold\\_GIPS\\_Matrix.pdf](http://www.aimr.org/standards/pdf/Gold_GIPS_Matrix.pdf).