

GIPS “2010”

– Proposed changes to the standard

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GIPS 2010

- Introduction to the revised standard and dates
- Key Changes - recommendations
- Key Changes - requirements
- Singapore Response
- Feedback Process and Discussion

GIPS 2010 - Introduction

- Last Updated in 2005 when CVGs were removed leaving one global standard
- Agreement to review standards every 5 Years
- New governance process aimed at improving responsiveness and relevance of standards:
 - Executive Committee
 - Asset Manager, Consultants and Asset Owners, Interpretation, Verification and Regional Sub Committees
 - Country Sponsors
 - Real Estate Working Group
 - Private Equity Working Group
 - Risk Working Group
 - Alternative Investments Working Group
 - CFA standing secretariat and helpdesk
- Draft Issued at the beginning of 2009 - Deadline for comments 1st July 2009
- Issue revised standards early 2010
- Implementation 1st January 2011

GIPS 2010 – Key Changes

Mooted as an update not overhaul+. some general cleanup but some other significant changes that you should understand and comment on:

Recommendations

- Verification remains voluntary
- Provide current clients a copy of a fully compliant presentation at least annually
- Value on all cashflows . stepping toward daily
- Update composite presentations regularly -suggested quarterly

Requirements

- No more carve outs
- Disclose whether Verified or not and the period verified . Introduce %Current+concept
- Use Fair Value

GIPS 2010 – Key Changes

- Include non fee paying accounts . disclosures
- Proprietary accounts . disclosures
- Don't show a client smaller than comp minimum the composite
- Stricter rules on valuation for large cashflows and monthly . don't deviate from policy
- Comp description . disclose characteristics including qualitative risks of strategy
- Defined prospective client . must show compliant presentation
- Disclose methodology for net returns . perf fees . model or actual
- Disclose short positions as well as leverage
- If non compliant period is included . remove need to disclose why not in compliance
- Disclose material errors for 12 mths
- 3 Yr Standard deviation should be disclosed
- Maintain all data to verify compliant presentation not just composite calculation
- From 2012 Real estate must be valued at least annually not every 3 years
- Incorporate Advertising guidelines . disclosures in adverts

Other comments on changes

➤ **0A15 & 0B3 – comply with all updates guidance statements etc:**

Updates on standards between the official releases should follow an official consultation process.

The official GIPS authorities and the governance structures should be taken into account in the decision process, avoiding that one organism can decide alone outside an official process.

➤ **0A111 & 0B2 – Provide all Prospective clients with a compliant presentation and existing clients:**

It may be difficult or impractical to track who has received and not received

➤ **1A4 – Valuation at month end:**

We think this should be changed to allow exceptions. For example, in case of market closing, a NAV calculation can be suspended. Or in case of hedge fund, the valuation can be often on another day than the last business day of the month

➤ **2A2 – composite policy on valuing cashflows:**

Defining large cash flow at composite level and computing it at portfolio level is difficult to organize, because it can be done by different entities. We think that alignment is necessary in all GIPS articles using the notion of large cash flow, towards the notion of large cash flow at portfolio level (and not at composite level).

GIPS 2010 – Singapore Response

- We need your views and comments
- We can start discussion now but please send your comments to IMAS for collation (and of course feel free to respond direct) . the questions on the following page would help structure responses
- Send feedback to replies@imas.org.sg
- Deadline 10 June 2009
- IMAS Risk and Performance Committee will issue their response at the end of June and will post to IMAS website

Feedback Process and Discussion

1. Do you agree with including disclosure of the firm's verification status in the claim of compliance?
Do you agree with the classification of a current verification being the last 24 months ?
2. Do you agree with the change from market value to fair value?
3. Do you agree with requiring the inclusion of non-fee paying discretionary portfolios in composites?
4. Do you agree with changing 3.A.9 ("*FIRMS MUST NOT present a COMPOSITE to a PROSPECTIVE CLIENT known to have a PORTFOLIO with assets less than the COMPOSITES'S minimum asset level.*") from a recommendation to a requirement?
5. Should firms be allowed to remove certain disclosures after a defined period of time? If so, which disclosures would be eligible for removal and after what period of time?
6. Do you agree with the inclusion of short positions in provision 4.A.5?
7. Do you agree with requiring the disclosure of key characteristics and risks in the composite description?
8. Do you agree with the inclusion of a standard deviation disclosure?
9. Is it appropriate to discontinue disclosure 5.A.5 regarding Carve outs for periods after 1 January 2011 ?
10. Do you agree with the requirement to present the % of the composite assets composed of proprietary assets?
11. Do you agree that real estate investments must be valued by an independent external appraiser every 12 months beginning 1 January 2012?
12. Do you agree with the additional requirements and recommendations for closed-end real estate funds as described (daily cashflows calculation method etc)?
13. Do you agree that component returns must be disclosed, and that the method described in the provision 6.A.9.b will no longer be acceptable for periods beginning after 1 January 2011?
14. Is it appropriate and/or necessary to include provision 8.A.6, which addresses presenting performance to existing clients, in the GIPS standards?
15. Should firms be allowed to present a "sponsor-specific composite" as opposed to "style-specific composite"?
16. Should specific verification procedures be included for GIPS provisions 0.A.16 (laws and regulations for calculation and reporting of returns) and 0.A.17 (false or misleading information)?
17. Do you agree with the requirements and recommendations in the GIPS Valuation Principles?
18. Do you agree with the definition of prospective client? Qualified and express Interest.

Thank You

➤ Questions?

➤ Discussion points?