

January 2009

GIPS 2010 Exposure Draft Open for Public Comment

The GIPS Executive Committee (EC), the governing body for the Global Investment Performance Standards (GIPS®), has announced that it is seeking comments on proposed changes to the investment industry performance standards. [View the GIPS 2010 Exposure Draft.](#)

The public comment period ends on July 1, 2009 and submissions may be sent to standards@cfainstitute.org.

The proposed revisions to the GIPS standards include:

1. Compliance Statement – As part of the GIPS compliance statement, investment firms will be required to disclose whether their firm has been verified.
2. Fair Value – The proposal requires firms to report portfolio performance based on fair value accounting.
3. Risk Disclosures – As part of the composite description, firms will be required to disclose sufficient information to allow a prospective client to understand the relevant risks of the composite strategy.
4. Verification – The scope and purpose of verification, as well as the required verification procedures that must be followed by verifiers have been clarified in Section III in order to increase the understanding and consistency of verification.
5. Non-fee-paying Portfolios – Investment firms will be required to include all discretionary non-fee paying portfolios in at least one composite.
6. Standard Deviation – Investment firms will be required to disclose the three-year annualized ex-post standard deviation of the composite and benchmark.
7. Proprietary Portfolios – Firms will be required to disclose the percentage of composites composed of proprietary assets (e.g., “seed” capital or “house” money).
8. Real Estate External Valuation – For periods beginning January 1, 2012 or after, real estate investments must be valued by an independent external valuer or appraiser at least once every 12 months.

The current version of the GIPS standards became effective January 1, 2006 and investment managers who claim compliance will have to adhere to the revised standards beginning January 1, 2011. To maintain global relevance, and recognizing the dynamic nature of the investment

industry, the GIPS standards are continually updated through new provisions, guidance statements, and interpretations. The GIPS EC, in collaboration with various subcommittees and working groups, has reviewed the existing provisions and guidance in an effort to eliminate those no longer necessary and has added new provisions that promote best practice