CFA Institute®
Global Investment
Performance Standards

Save the Date!

In 2020 you will have the opportunity to attend two CFA Institute conferences devoted to the Global Investment Performance Standards (GIPS ®).

The **EMEA GIPS Standards Conference** will be held in Amsterdam, Netherlands, 16–17 June 2020 at the NH Grand Krasnopolsky. Registration will open in January 2020. This conference will offer a unique opportunity to address the key points firms and asset owners in Europe, the Middle East, and Africa need to know to comply with the 2020 GIPS standards. Industry practitioners will also address critical issues and major developments in their fields. This conference is essential for any performance or compliance professional.

The **24th Annual GIPS Standards Conference** will be held in Chicago, Illinois US on 28–29 October at the Fairmont Chicago, Millennium Park Hotel. While this conference has been held in September for many years, it will move to October in 2020 to accommodate holidays. Registration will open in June 2020.

GIPS Standards Service Provider List

CFA Institute often receives questions via the GIPS Standards Help Desk email asking for the names of local GIPS standards verifiers, software providers, and others. We believe that providing such a list would be helpful. We are in the process of creating a centralized list that will be maintained on the website. As a first step, we would like to identify any GIPS standards service providers that would like to be included on this list. To receive future communications about this, please send us an email at **standards@cfainstitute.org**.

Dear GIPS Standards Help Desk

The GIPS Standards Help Desk continues to receive questions about classifying funds as broad distribution or limited distribution, and related GIPS Report requirements. Here are some recent questions.

Question: Our firm manages a pooled fund that has both retail and institutional share classes. The fund is not offered exclusively in one-on-one presentations; however, our typical marketing practice is to meet with prospective investors who have at least $10 million to invest in a single fund. Because we meet one-on-one with these prospective investors, is this pooled fund considered a broad or limited distribution pooled fund? Do we have to provide a GIPS Report to these prospective investors?

Answer: A broad distribution pooled fund is a pooled fund that is regulated under a framework that would permit the general public to purchase or hold the pooled fund shares, and is not offered exclusively in one-on-one presentations. Because this fund has retail share classes, which means the general public may purchase shares, and it is not exclusively sold in one-on-one presentations, it meets both requirements for being classified as a broad distribution pooled fund. A pooled fund that has one or more retail share classes is classified as a broad distribution pooled fund even if its institutional share classes are offered exclusively in one-on-one presentations.

The firm is not required to provide a GIPS Report to prospective investors for a broad distribution pooled fund, but may choose to do so.

Question: Our Emerging Market Composite includes segregated accounts and a limited partnership, which we classify as a limited distribution pooled fund. When we meet with a prospective investor for the partnership, what kind of GIPS Report are we required to provide?

Answer: When meeting with a prospective investor for the limited partnership, the firm is required to provide a GIPS Report. This GIPS Report may be either the GIPS Pooled Fund Report for the specific fund or the GIPS Composite Report that includes the fund. If presenting a GIPS Composite Report to a prospective investor for a pooled fund included in the composite, the firm must disclose the pooled fund's current fee schedule and expense ratio that are appropriate to the prospective investor.

Question: We are the sub-advisor for several retail mutual funds. Other firms are the advisors of the mutual funds. As a sub-advisor, should we consider these sub-advised funds to be broad distribution pooled funds or segregated accounts?

Answer: If a firm is the sub-advisor for a pooled fund that is marketed or distributed by another firm, the firm acting as sub-advisor must treat the sub-advised pooled fund as a segregated account. All actual, fee-paying, discretionary segregated accounts must be included in at least one composite.

Question: In the 2020 GIPS standards, provision 3.A.1 states that the firm must create composites for the firm's strategies that are managed for or offered as a segregated account. We maintain composites that include segregated accounts that we do not market. Because we do not actively offer or market these composites, may we terminate them?

Answer: No, firms may not terminate these composites. All actual, fee-paying, discretionary segregated accounts must be included in at least one composite. This is true whether or not the composite is marketed.

Question: We understand that under the 2020 GIPS standards, we will be able to terminate all of our single-fund composites (i.e., those composites that we created to include only a single fund). Is this a proper interpretation?

Answer: Firms must consider how composites that include only one or more pooled funds are used. The key question is whether the strategy of the composite that includes only one or more pooled funds is offered as a segregated account. Prior to the 2020 edition of the GIPS standards, firms were required to include all portfolios, both segregated accounts and pooled funds, in a composite. When a firm adopts the 2020 edition of the GIPS standards, it will no longer be required to include pooled funds in a composite unless the pooled fund has a strategy that is managed for or offered as a segregated account, or if the pooled fund meets a composite definition. Once a firm adopts the 2020 GIPS standards, any composites containing only one or more pooled funds whose strategy is not offered as a segregated account may be terminated. These terminated composites are not required to be included on the firm's list of composite descriptions. This is a one-time exemption to the requirement that terminated composites must be included on a firm's list of composite descriptions for five years after the composite termination date. This exemption applies only to those composites that contain only one or more pooled funds, and whose strategy is not managed for or not offered as a segregated account. If a composite that includes only one or more pooled funds is offered as a segregated account, then the composite must not be terminated, and it must be maintained.

Question: We manage a hedge fund that is classified as a limited distribution pooled fund. Participants in the hedge fund may make contributions or withdrawals quarterly. Because the hedge fund allows cash flows quarterly, does this qualify as our firm controlling the cash flows so that we meet the first criterion for having the ability to present money-weighted returns instead of time-weighted returns in a GIPS Report?

Answer: No, this does not qualify as the firm controlling the cash flows. In this case, the investor controls when to make the contribution or withdrawal, but the investor can only make those cash flows at a specific time. When the firm controls the cash flows, the investor must provide the funds when the firm asks for them. Provision 1.A.35 requires firms to present time-weighted returns unless certain criteria are met, in which case the firm may present money-weighted returns. The first criterion that must be met is that the firm must have control over the external cash flows. The firm would not be considered to have control over the external cash flows when a limited distribution pooled fund has periodic openings and would therefore not be allowed to present money-weighted instead of time-weighted returns in a GIPS Report.

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