

25 January 2018

GIPS Technical Committee
CFA Institute
Global Investment Performance Standards
915 East High Street
Charlottesville, VA 22902
USA

Re: Exposure Draft of GIPS® Guidance Statement on Benchmarks

Dear GIPS Technical Committee,

As South African Country Sponsor, The Association for Savings and Investment South Africa (ASISA) welcomes the opportunity to comment on the exposure draft of the GIPS® Guidance Statement on Benchmarks.

As general point, the ASISA GIPS Standing Committee supports the introduction of the Guidance Statement on Benchmarks and believes this guidance is long overdue and needed in the market. Comments based on the body of the Guidance Statement:

Pg. 10 point (d) under “Practical Considerations”: We believe the “will” must rather be a “may”. In the South African market the benchmarks tend to be dominated by a few very large stocks and adding constituents to these benchmarks will not dilute these weights significantly.

Pg. 15 “Benchmark changes”: ASISA feels strongly that the allowance for firms to change benchmarks retroactively should be removed. If there is a retroactive benchmark change, it must be seen as an error and treated as such.

Our responses to the specific questions posed throughout the document are as follows:

Question 1: Do you agree that firms should be required to disclose why they have chosen an ETF rather than a market index as the composite benchmark?

Yes, we do agree that firms should be required to disclose the reason for choosing an ETF as an ETF can still hold instruments that are not part of a traditional benchmark and has an inherent tracking error to a traditional benchmark.

Question 2: Do you agree that the ETF chosen must be one in which the returns are comparable to those of the composite?

Yes, we agree.

Question 3: Do you agree that the hedging criteria for the benchmark must be disclosed? Do you agree that it should be required that any material difference in hedging between the composite and the benchmark be disclosed?

Yes, if it is not a well-known and published hedged benchmark the criteria must be disclosed. Disclosure is aimed at assisting the prospective client and that should always be the overriding principle.

Question 4: Do you agree that firms should be required to select the benchmark that is most consistent with the withholding tax status of the portfolios in the composite?

ASSOCIATION FOR SAVINGS & INVESTMENT SA

CAPE TOWN: Boundary Terraces, 1 Mariendahl Lane, Newlands, 7700 PO Box 23525, Claremont, 7735 RSA T: +27 (0)21.673.1620 F: +27 (0)21.673.1630
GAUTENG: 195 Jan Smuts Ave, Grosvenor Corner, Rosebank, 2193 PO Box 52115, Saxonwold, 2132 RSA T: +27 (0)11.214.0960 F: +27 (0)11.447.5018

SAVINGS AND INVESTMENT ASSOCIATION - SOUTH AFRICA NPC REG NO. 2008/017776/08

www.asisa.org.za

Yes, we agree with taking the withholding tax status into account.

Question 5: Do you agree with the creation of custom benchmarks using fees and/or trading costs to provide returns comparable with the net-of fees and/or trading costs composite returns?

No, we do not agree with allowing this as it can open the door to manipulation of returns of the benchmark. Publication of the fee schedule and disclosure of gross/net for composite and benchmark provides the necessary information.

Question 6: Do you agree that if a net-of-fees and/or trading costs benchmark is presented, the firm should be required to disclose the fee schedule and/or the trading costs used to derive the benchmark returns?

As per the previous question, we do not agree with the presentation of net-of-fees returns for the benchmark. If however this is allowed, then yes, the fee schedule must be a required disclosure.

Question 7: Do you agree with the proposed treatment of price-only benchmark returns?

We feel strongly that only Total Return indices must be used and there should be absolutely no reference to price-only benchmarks/returns.

Question 8: Do you agree that if a firm changes a benchmark retroactively, the disclosure of the change should be required to be included in the compliant presentation only for as long as it is meaningful as per the firm's policy and the disclosure can be removed once it is no longer meaningful?

No, if the allowance for retroactive changes is not removed, then there should be no allowance to remove the disclosure. The test for "meaningful" will be a complete subjective test and can be used as a way to make changes and do very little disclosure around that fact. Hence, note our suggestion above of treating a retroactive change as an error correction.

Question 9: Do you agree that firms must disclose changes to benchmark ordinal (primary, secondary)?

Yes, we agree with this disclosure.

Question 10: Do you agree that firms should be allowed to present the name of the benchmark for a readily recognized index or other point of reference instead of presenting the full benchmark description?

Yes, we agree with allowing the use of the name for readily recognized indices instead of the full benchmark description.

Question 11: Do you agree that if the firm is uncertain about whether the benchmark is readily recognized by any potential prospective client, the firm should be required to include the benchmark description?

Yes, we agree with this requirement.

Question 12: Do you agree that if other benchmarks are presented and labelled as supplemental information, that all of the required benchmark disclosure and presentation items should be required to be presented for all benchmarks included in the compliant presentation?

Yes, all required benchmark disclosure and presentation items should also be required for supplemental information using benchmarks.

We look forward to the completion of the Guidance Statement on Benchmarks. Please do not hesitate to contact us should you need to clarify any of our comments.

Yours sincerely



Sunette Mulder
Chair: ASISA GIPS Standing Committee