

August 22, 2023

VIA EMAIL

CFA Institute
ATTN: GIPS Standards Technical Committee
915 East High Street
Charlottesville, VA
22902
standards@cfainstitute.org

Re: CFA Institute – Exposure Draft Guidance Statement on Firms Managing only Broad Distribution Pool Funds

The Canadian Investment Performance Council of CFA Societies Canada¹ (the CIPC) appreciates the opportunity to provide comments on the Exposure Draft Guidance Statement on Firms Managing only Broad Distribution Pool Funds.

Responses to Select Questions from the Exposure Draft

Question 1: Is the proposed Guidance Statement on Firms Managing Only Broad Distribution Pooled Funds helpful?

Yes, in our view the proposed Guidance Statement on Firms Managing Only Broad Distribution Pooled Funds is helpful, particularly for jurisdictions where relevant local law/regulation does not exist or is less strict than the GIPS standards. The Applicable Provisions chart is a useful tool for comparison purposes and provides greater clarity.

With this noted, there were questions amongst the group as to desirability of the potential outcome whereby a BDPF-only manager, in becoming compliant with the Standards but potentially having no managed separate accounts or marketed composites, might in fact end up producing no GIPS Reports. While this could make sense in jurisdictions where the prevailing performance processes are generally robust, and reporting regulation applicable to the firm and its BDPFs are demanding, this will not always be the case in all jurisdictions, potentially resulting in problematic reliance on regulation for certain less demanding regulatory jurisdictions in maintaining a common standard amongst compliant firms.

¹ The Canadian Investment Performance Council (CIPC) is an advocacy council for CFA Societies Canada, representing over 19,000 Canadian CFA charterholders, and the 12 CFA Institute Member Societies across Canada. The council includes investment professionals across Canada who review regulatory and standard setting developments involving matters relating to investment performance in Canada. Visit www.cfacanada.org to access the advocacy work of the CIPC or follow us on [LinkedIn](#).

CFA Institute is the global association of investment professionals that sets the standard for professional excellence and credentials. The organization is a champion of ethical behavior in investment markets and a respected source of knowledge in the global financial community. Our aim is to create an environment where investors' interests come first, markets function at their best, and economies grow. There are more than 190,000 CFA charterholders worldwide in 160 markets. CFA Institute has nine offices worldwide and there are 160 local societies. For more information, visit www.cfainstitute.org or follow us on LinkedIn and Twitter at [@CFAInstitute](#).

Question 2: If a firm manages only BDPFs and does not prepare GIPS Reports or GIPS Advertisements, should it be allowed to claim compliance outside of the GIPS Report or GIPS Advertisement? Why or why not?

Not all Council members agreed whether a firm which manages only BDPFs and does not otherwise prepare GIPS Reports or GIPS Advertisements should be allowed to claim compliance. Some members' view was that so long as equivalent information as that required by the GIPS standards is made available and is consistent with the information that would be used to prepare and present the corresponding GIPS Report, for example in a fund factsheet or other widely available supplementary disclosure, then firms should be allowed to claim compliance. BDPFs are typically highly regulated requiring much of the same information, but not always. All BDPFs should not have a blanket exemption from preparing a GIPS Report, but rather document where information required by the GIPS standards is presented to obtain the exemption and formalized within a firm policy.

Creating, compiling, and distributing GIPS Reports requires additional resources and can be costly. There should be consideration for relative costs and fair competition among all pooled funds, both LDPFs and BDPFs. Given the complexity of local laws and regulations applying to BDPFs and the number of funds many organizations manage, it is understandable to provide a reasonable exemption to BDPFs who can demonstrate local laws are stricter or more constraining than the GIPS standards.

On the other hand, some members expressed concerns that, in their view, not following all requirements, for example the requirement to produce a GIPS Report in all cases, weakens the integrity of the GIPS standards and perhaps the related goals of CFA Institute, and unfairly alleviates the burden of producing GIPS reports for BDPFs.

Question 3: Do you agree with this approach to recordkeeping for when firms are responding to RFPs and consultant databases? Should firms instead be required to apply the same recordkeeping policies that would apply to a GIPS Report or GIPS Advertisement? Why or why not?

Yes, we generally agree with this approach as Canadian securities-registered investment management firms are highly regulated and have strict recordkeeping requirements. Where relevant local law/regulation does not exist or is less strict than the GIPS standards, firms in these jurisdictions may benefit to be recommended, rather than required, to apply the same recordkeeping policies that would apply to a GIPS Report or GIPS Advertisement.

While complying with the GIPS standards, there should be consideration for the limitations inherent in database and RFP submissions, as there are strict input restrictions in certain cases that may prevent firms from always communicating data in a fully compliant manner.

Question 4: Do you agree with this approach to error correction for when firms are responding to RFPs and consultant databases? Should firms instead be required to apply their GIPS Standards Error Correction policy to the information provided to consultant databases and when responding to RFPs? Why or why not?

Yes, we agree with this approach to error correction for when firms are responding to RFPs and consultant databases. Similar to recordkeeping requirements as noted above,

firms should be recommended to apply their GIPS Standards Error Correction policy to the information when responding to RFPs. Given the complex nature of numerous databases and strict input values, there should be no requirement or recommendation for firms to apply their GIPS Standards Error Correction policy to consultant databases.

Question 5: Do you agree that firms managing only BDPFs should be able to obtain a verification? Why or why not?

Yes, we agree that firms managing only BDPFs should be able to obtain a verification.

Question 6: Do you agree with the modified compliance statement language for firms managing only BDPFs? Why or why not?

We are concerned that a prospective investor may not understand the difference between a LDPF and BDPF, and therefore not understand any applicable differences in requirements to produce a GIPS Report, or any differences relating to verification. If the scope of compliance, or that of verification, is limited, there should be a clearer required disclosure of these limitations for prospective investors.

Question 7: Do you agree with the applicability of each of the provisions in Sections 1 and 2? Why or why not?

Generally, we agree with the applicability of each of the provisions in Sections 1 and 2, except for Provision 1.A.19 which references a GIPS Pooled Fund Report and should not apply.

For greater clarity, the Applicable Provisions section should reiterate that if a BDPF has a corresponding GIPS Report, the firm must follow the relevant GIPS standards provisions. On this point, the “Comments” in the chart should be changed from “N/A because the firm does not prepare GIPS Reports.” to something like “N/A – the firm has chosen to not prepare optional GIPS Reports...”, as firms have the option to prepare GIPS Reports for BDPFs.

We thank you for the opportunity to provide these comments and would be happy to address any questions you may have. Please feel free to contact us at info@cfacanada.org on this or any other issue in future.

(Signed) *The Canadian Investment Performance Council of
CFA Societies Canada*

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CFA Societies Canada**