



22 March 2018

Dear Members of the CMA's Investment Consultants Market Investigation Group;

On behalf of CFA Institute, I want to thank you for giving us the opportunity to respond to your document 'Working paper: information on fees and quality'.

Specifically, our comments relate to 'Section 4: Prospective clients – information on performance' and industry standards for fiduciary management performance reporting. In the 'Ongoing developments' page of that section you refer to the IC Select Performance Standard and that 'the plan is that this will subsequently be transferred to the CFA Institute, with the development of a global standard and implementation from 2020.'

In this reply, we want to provide you with further detail about this initiative and the commitment of CFA Institute to it that may help with the design considerations of potential remedies indicated on page 90 of your working paper.

As background, CFA Institute and its prior associations have been involved with performance presentation standards since the late 1980s, initially to address the lack of professionalism, transparency, and fairness associated with *ex-post* track records being presented in North America. The growth of the GIPS standards has continued with more than 40 regions/markets now adopting GIPS and more than 1650 firms claiming compliance with the GIPS standards, including 86 of the Cerulli top 100 (and 24 of the top 25) asset managers globally (ranked by AUM) containing a defined firm that claims compliance with the GIPS standards.

The IC Select Performance Standard became known to CFA Institute approximately two years ago, along with a similar concept devised by Ralph Frank, CFA, because both are heavily based on the principles of the GIPS standards. CFA Institute had discussions with both parties, and subsequently, Mr. Frank passed all of his work to CFA Institute as he had transitioned in his career and was unable to continue with the initiative but was keen for it to continue because he saw a need for a standard.

In further discussions with IC Select, it was clear that their standard, while containing details specific to the fiduciary management product, was very strongly aligned with the GIPS standards. It was also clear that the specifics in the IC Select standard improve the quality and utility of performance information provided to prospective fiduciary management clients and comparability between fiduciary managers as well as provide a consistent approach for the production and presentation of fiduciary management performance and performance-related information. It was also noted that the IC Select Working Group had secured support for the standard from a significant majority of the fiduciary managers operating in the United Kingdom.

CFA Institute agreed to work with IC Select to continue to develop the standard, ultimately leading to a transition of the standard into the GIPS framework with a proposed completion date of 1/1/20. Part of the transition would be for CFA Institute to develop the fiduciary management provisions to ensure global relevance in line with the mission of GIPS as the global standard for calculation and presentation of performance and performance related information.

As part of this commitment, Iain McAra, Director, Global Investment Performance Standards, EMEA, joined the IC Select Performance Standard Working Group in July 2017.

Addressing the questions posed on page 90 of the working paper, the definition of composites is determined by the firms that are claiming compliance with the standard. If the definitions being supported by the managers does not represent the strategies that the prospective clients are looking for, those managers will not be able to present relevant information to the prospective clients. Alignment between the information being offered and the requirements of the prospective clients follows. In the specific case of fiduciary management, the IC Select standard has provided recommendations for composite definitions, based on their extensive experience in the fiduciary management space, to help speed up that alignment. It should be remembered that the standard sets the requirements for the minimum set of performance and performance-related information that must be presented to all prospective clients so that a full, fair, and comparable representation is received. Having delivered that information, there is no restriction on further information that can be provided by the manager or requested by the prospective client so that a fuller understanding of the products being shown can be gained. One of the required disclosures in the provided information is that a list and description of all composites is available upon request from the prospective client. The list enables the prospective client to put into context the specific composite that has been presented and investigate whether there are other composites that the prospective client should investigate.

Regarding whether the proposed IC Select framework is sufficient and appropriate for trustees, there are trustees and trustee representatives in the Working Group and also included in the Forum, and their input has been included throughout the development of the standard. The GIPS framework allows for development and expansion as the market develops through the issuance of Guidance Statements, which address specific aspects of the GIPS standards and allow for the introduction of additional best practices. In addition, we support a Question and Answer (Q&A) database that allows for interpretations and further clarifications to be published. The totality of the Standards, the guidance statements, and the Q&As is what a firm claiming compliance with the GIPS standards must be in compliance with. Through these mechanisms, we can ensure the GIPS standards are reflecting what is appropriate to support the industry. An email-based GIPS Helpdesk accepts questions from anyone and is staffed by GIPS subject matter experts, with a typical turnaround time of 3–5 business days for a submitted question.

The GIPS standards are maintained and developed through a number of committees that include various stakeholders: investment managers, asset owners, consultants, third-party independent verifiers, and GIPS sponsor representatives from a variety of regions/markets that, in turn, inform the GIPS technical sub-committee, which is a member of the governing body of the GIPS standards, the Executive Committee. The Executive Committee reports to the CFA Institute Board of Governors. Strategic plans are developed for the Technical Committee, the Executive Committee, and the CFA Institute GIPS staff. The development is not focused on technical issues alone, but also on enhancing market integrity by continuing to focus on the applicability and relevance of the GIPS standards and related material to the market place that it addresses, by improving the accessibility and alignment of the GIPS standards through CFA Institute member societies and GIPS sponsors and other stakeholder groups engaged with the GIPS standards, and finally, by providing proactive guidance and support through thought leadership.

CFA Institute is the global association of investment professionals that sets the standard for professional excellence and credentials. The organization is a champion for 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 150,000 CFA charterholders worldwide in 165+ countries and regions. CFA Institute

has eight offices worldwide and there are 151 local member societies. For more information, visit www.cfainstitute.org

The GIPS Standards are supported by a dedicated team of 10 staff who are members of the Ethics, Standards and Professional Conduct (ESPC) department of CFA Institute, co-headed by Leilani Hall, CFA, CIPM, CAIA, who has overall responsibility for the GIPS standards as the GIPS Executive Director. The GIPS mission is to promote ethics and integrity and instill trust through the use of the Global Investment Performance Standards (GIPS) by achieving universal demand for compliance by asset owners, adoption by asset managers, and support from regulators for the ultimate benefit of the global investment community. For more information, visit www.gipsstandards.org

Specifically relating to the United Kingdom, CFA Society of the UK (CFA UK), founded in 1955, represents around 12,000 investment professionals and comprises part of the worldwide network of member societies of CFA Institute. They actively promote the highest standards of [ethics](#), [education](#), and professional excellence, as well as provide comprehensive [continuing professional development](#). They advocate [professionalism](#) across the investment industry. Most importantly, all their members pledge to act in their clients' best interests with integrity. The Executive Director of CFA UK is Mr. Will Goodhart, CFA

We hope this response provides you with useful input. Please do not hesitate to contact us should you require further information.

Sincerely,

Leilani Hall, CFA, CIPM, CAIA

cc: Paul Smith, CFA
Will Goodhart, CFA
Iain McAra