

CFA Institute
Global Investment Performance Standards
Re: Exposure Draft of the 2020 GIPS Standards for Verifiers
915 High East Street
Charlottesville, VA 22902
USA

Frankfurt, 28 December 2018

Re: Exposure Draft of the 2020 GIPS Standards for Verifiers

Dear Ladies and Gentlemen,

On behalf of the German Country Sponsor GAMSC, we thank you for providing us with the opportunity to comment on the Exposure Draft of the 2020 GIPS Standards for Verifiers. We appreciate the efforts to update and extend the GIPS and the opportunity to support this process with the following comments for the quoted questions.

* * *

1) Do you agree with all the required verification and performance examination procedures?

In general we agree with all required verification and performance examination procedures. However, we would appreciate if you take our remarks below into consideration.

2) Are there areas of testing that should be added? If so, please explain.

Sect. 9 requires to include the accounting treatment of several issues. We highly appreciate this requirement although verifiers who are not accountants themselves may find this ambitious. Nevertheless, if the accounting treatment is included a check of the **legal ownership** of the managed assets should be required as well like for performance examination purposes. Commercial laws and security laws in general require an accounting based on actual figures. Therefore we believe that for any knowledgeable verifier should perform this task although with a certain effort.

The verification procedures itself would be similar to the procedures described in sect. 10 but would be sample based.

3) The wording for verification reports and performance examination reports has changed. Considering these changes:

a) Is it sufficiently clear that verification does not provide assurance on the firm's or asset owner's claim of compliance in its entirety? If applicable, please provide suggested wording in your response.

We believe that it is in general sufficiently clear that verification does not provide assurance on the firm's or asset owner's claim of compliance in its entirety with reference to GIPS requirements. However, we feel that the impression might arise that the verification covers the period of compliance. This may lead to misunderstandings and interpretation.

In many cases the verification period of the report will not cover the whole period of GIPS compliance or even of verified periods.

Even if compliance and verification period cover the same time span it should be made clear that sample based verification procedures necessarily result in gaps not only of the current but also of

past periods. A former less important composite may have not been covered in former verification procedures at all although it currently gains importance and vice versa

Additionally, the verifier may have changed and the following verifier may not wish to be held liable for the results of the former one.

If the verified periods are interrupted by a year without verification it will be difficult to make a statement for the period before and after the interruption.

Therefore, we suggest to limit the verification statement to a 12-month period. The succession of statements still shows the verification status for the history.

Sect. 14 requires to include the marketing materials of an entity in general. We believe that this goes beyond the rights and duties of a verifier. It may already prove to be difficult to define marketing material as such. Even if this would be clear this requirement would lead to the necessity to check almost all client presentations produced at least on a sample basis.

We believe it would be the better way to cover these requirements in the letter of representation.

- b) Do you agree with the change that the verifier's report opines on both the design and implementation of policies and procedures, for all period(s) being verified?

We agree to the changes. However, we believe that certain information **should** be included in the report instead of "**may be**" included. If the verifier develops a certain view to adopt the standards to asset owners he/she should state this clearly and explain the consequences.

- c) Do you believe that the verifier's report, and potentially the related claim of compliance, should refer to the fact that verification and performance examination procedures are conducted on a sample basis?

Yes

- 4) Do you believe the approach taken for asset owners as described above is the right approach?

Yes. However it should be made clear that a verification statement given to an entity as asset owner can not automatically be used for third-party-marketing purposes. We believe that if an asset owner wants to use the verification statement internally and externally he should mandate the verifier with a "normal" GIPS verification. At this point we may refer to our remarks on the definition on asset owner which you will receive as comment on GIPS 2020.

- 5) Do you agree with the effective date of the 2020 GIPS Standards for Verifiers?

Yes

Additionally, we may add that we are puzzled by the requirement to name the objective and scope of the engagement. We believe it would be better to make a reference to the standard itself. Otherwise each verifier could change the objective and scope.

* * *

Yours sincerely

Signed Rudolf Siebel
BVI

Signed Peter Jakobus
CFA Society Germany

Signed Gabriele Boeger
DVFA