



Comply Before You Verify

Efficiently Achieve Compliance with the GIPS® Standards

Many investment managers recognize the need to claim compliance with the Global Investment Performance Standards (GIPS®) and to receive a third-party GIPS-compliance verification. However, some managers tend to bypass the process of achieving compliance and jump directly to the verification. They do this typically because they either do not realize the full extent of what is necessary to comply with the GIPS standards or because they believe that the service provider they select to conduct the verification can also help them through the process of achieving compliance.

- In the first case, these firms often find that achieving compliance with the GIPS standards is more nuanced and complicated than they were aware of – and that they are much further from compliance than they anticipated.
- In the second, verifiers can and do typically provide a degree of assistance to help their clients come into compliance through feedback and recommendations, but verifiers are also very limited in terms of the level of involvement that they can have in the process if they also intend to conduct the verification. This is because of the necessity that a verifier remains independent so as not to be put in a position where they may be verifying their own work. If a verifier were to provide the level of service necessary to fully bring a firm into compliance, their independence would be compromised and they would be unable to issue an unbiased verification opinion.

Verification is the capstone to the process of achieving compliance with the GIPS standards. Correspondingly, a verification can only be completed after compliance has already been achieved. With that in mind, it is ideal to already have a high level of comfort that the firm is meeting all requirements of the GIPS standards before attempting to get verified.

Ask the below questions when trying to determine if your firm is ready to start the verification:

- Is your firm currently claiming compliance with the GIPS standards or are you reluctant to do so until after the verification is complete?
- Has your firm documented robust GIPS policies and procedures that address all requirements of the GIPS standards and how the firm is meeting them?
- Have there been any organizational or management changes that could create performance portability issues or could impact the definition of the firm?
- Have you constructed and maintained composites to house all discretionary portfolios managed by your firm over at least the last five full years?
- If composites have not been created, does the firm have systems in place that will allow for efficient and accurate composite construction?
- Have portfolio strategy changes been tracked over time in a manner that can be easily incorporated into the composite construction process?
- Do the performance systems utilized by the firm facilitate compliance with all calculation methodology requirements of the GIPS standards and have the rules used by your systems been set appropriately (e.g., accruing for interest income, revaluing for large cash flows)?
- Are sufficient books and records available to support the performance history for the entire period that compliance will be claimed?

At Guardian Performance Solutions, we identify our client's potential hurdles to achieving GIPS compliance and develop a plan to work through them. Further, as we do not provide verification or other services that would create potential conflicts, we are also able to implement the plan and manage the project through to completion – ensuring that our clients establish comprehensive GIPS compliance programs, that they can confidently claim compliance, and that they are ready for a successful and efficient verification.

Contact us to learn how our team can help you!

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Our GIPS Compliance Program Implementation & Project Management Services include:

- Helping you to make business decisions related to the firm's GIPS policies and procedures and memorializing those decisions in a customized GIPS compliance manual
- Managing the composite construction and maintenance process, including helping to make decisions related to composite construction
- Assessing the effectiveness of your performance systems and whether they are being utilized to their full potential
- Validating composite membership and reported statistics
- Creating GIPS-compliant composite presentation materials
- Assessing the quality of supporting books and records
- Supporting the verification process to ensure it goes as smooth and efficient as possible
- Developing a process for maintaining composites and creating detailed desktop procedures
- Educating stakeholders about the benefits and obligations of claiming compliance with the GIPS standards