



Is Verification Enough?

Maintaining Compliance with the GIPS® Standards

Complying with the Global Investment Performance Standards (GIPS®) is not a one-time project that, once completed, can be checked off a firm's to-do list and set aside. GIPS compliance is an ongoing process that requires continuous maintenance and updates. Even if a firm receives a third-party GIPS-compliance verification, ongoing compliance cannot be ensured. GIPS verification is conducted at a particular point in time and is based on a review of a relatively small subset of the firm's data. In order to effectively maintain compliance on an ongoing basis, firms should not rely entirely on their verification – they should also establish internal procedures and controls to monitor whether their GIPS-compliance program is working as intended.

Implementing the below procedures will help ensure that your firm is meeting the ongoing obligations associated with claiming compliance with the GIPS standards:

- Actively maintain your composites – not just once a year or when preparing for verification. The more frequently you update and review your composites (ideally, on a monthly basis), the more accurate they will be and the easier the process will become.
- Implement a comprehensive review process to assess the accuracy of composite construction. This should involve testing the treatment of all new accounts, closed accounts, and accounts that experience strategy changes. There should also be a process for evaluating ongoing composite placement, such as reviewing performance outliers – composite members that perform in a manner that is materially different from the rest of the composite – to ensure that they continue to be included in appropriate composites.
- Monitor for any changes to the GIPS standards that may impact your firm, as well as changes to the regulatory requirements applicable to performance advertising. This could include signing up for email alerts, attending webinars or conferences, and having regular dialogue with your consultants and verifiers.
- Review and update your GIPS policies and procedures manual on at least an annual basis. Ensure that your manual not only addresses what is done to maintain compliance (the policies) but also how compliance is maintained (the procedures) and that it keeps up with changes in your business.

- Separate from your GIPS policies and procedures manual, you should document standard operating procedures (SOPs) to outline step-by-step instructions for updating composites and presentation materials (including the different processes that are done monthly versus after year-end). The SOPs should outline the systems used, sources for information, people involved and performance analysis that is conducted before performance is distributed.
- Update your firm’s list of composite descriptions to reflect all newly created composites as well as composites that have been discontinued. Remember that discontinued composites must remain on the firm’s list for five years.
- Update your GIPS-compliant presentation materials on at least an annual basis and more frequently if your firm’s policy dictates doing so. This process should not just involve updating the statistics in the performance table, but also a thorough review of the associated disclosures. Date-dependent disclosures, such as the period of verification, generally need the most attention.
- Ensure that your process for distributing GIPS-compliant presentations to all prospective clients is working as intended. This may involve interviewing individuals in various departments to confirm that they understand their role in the process and their responsibilities.
- Notify CFA Institute each year of your ongoing claim of compliance by submitting the notification form on the GIPS website. The annual notification deadline is June 30th.
- Get verified – but remember that verification does not ensure compliance. If you need additional help beyond what your verifier can provide, contact Guardian Performance Solutions, a specialty compliance consulting firm focused on helping investment managers to comply with the GIPS standards. We can do the heavy lifting for you.

Contact us to learn how our team can help you!

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Our GIPS Compliance Program Maintenance Services include:

- Managing the composite construction and maintenance process
- Maintaining and updating your customized GIPS policies and procedures manual
- Developing a process for maintaining composites and creating detailed desktop procedures
- Conducting ongoing testing to validate that the firm’s business practices are consistent with documented policies and the requirements of the GIPS standards
- Reviewing and updating the firm’s GIPS-compliant composite presentations
- Reviewing sales and marketing literature for consistency with the requirements of the GIPS standards
- Helping the firm to make business decisions related to the evolution of your GIPS-compliance program (e.g., changes to firm definition, new systems, new products or strategies)
- Providing proactive advice related to changes in the GIPS standards and their potential impact to your firm
- Delivering customized training and providing consultation relating to performance measurement, composite construction, and the application of the GIPS standards