

MEMO# 29878

April 29, 2016

ICI Submits Comment Letter on CFA Institute's Draft Guidance Statement on Broadly Distributed Pooled Funds

[29878]

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TO: ACCOUNTING/TREASURERS MEMBERS No. 9-16
ADVERTISING COMPLIANCE ADVISORY COMMITTEE No. 5-16
ICI GLOBAL REGULATED FUNDS COMMITTEE No. 29-16
INTERNATIONAL MEMBERS No. 8-16
INVESTMENT ADVISER MEMBERS No. 7-16
SEC RULES MEMBERS No. 19-16
SMALL FUNDS MEMBERS No. 15-16 RE: ICI SUBMITS COMMENT LETTER ON CFA INSTITUTE'S DRAFT GUIDANCE STATEMENT ON BROADLY DISTRIBUTED POOLED FUNDS

The CFA Institute [\[1\]](#) issued an Exposure Draft of the Guidance Statement on Broadly Distributed Pooled Funds ("Draft Guidance") in late January. [\[2\]](#) ICI submitted the attached comment letter this afternoon, opposing the Draft Guidance.

Summary of the Draft Guidance

GIPS are mandatory only for those firms that claim compliance with the standards ("Firms"). The purpose of the Draft Guidance is to address Firms' application of GIPS to broadly distributed pooled investment vehicles. [\[3\]](#) It would apply to any Firm that is marketing a fund to more than one investor, and only to Firms that manage one or more funds and also are responsible for the creation of the fund offering documents and fund-specific marketing material.

The Draft Guidance addresses Firms' obligations with respect to their fund offering documents, fund-specific marketing material, and compliant presentations. [\[4\]](#) Specifically, the Draft Guidance would:

- Require that fund offering documents and marketing material include a number of items (the "Required Items"); [\[5\]](#)
- Recommend, but not require, that these materials include information about sales charges and a claim of compliance with GIPS; and

- Require Firms to provide a compliant presentation to a prospective fund investor upon request.

Summary of ICI's Comment Letter

The ICI comment letter opposes the Draft Guidance. Fundamentally, we object to overlaying the proposed standards on the robust fund performance reporting and disclosure requirements that regulators have put in place. More specifically, we explain that the Draft Guidance:

- Would be burdensome and costly for Firms to implement;
- Is ambiguous in certain key respects; and
- Within some jurisdictions could undermine comparability in offering documents and marketing material.

We suggest that if the CFA Institute believes that regulatory efforts to date have been inadequate, a more targeted and prudent approach to improving standards could include:

- Setting forth recommended or voluntary standards for Firms; and/or
- Requiring compliance with new standards only in those materials in which a Firm affirmatively claims compliance with GIPS.

Matthew Thornton
Assistant General Counsel

[Attachment](#)

endnotes

[1] The CFA Institute (formerly known as the Association for Investment Management and Research) is a global not-for-profit association of investment professionals that maintains Global Investment Performance Standards ("GIPS") for calculating and presenting investment performance.

[2] The Draft Guidance is available at www.gipsstandards.org/standards/Documents/Guidance/exposure_draft_public_comment_pooled_funds_gs.pdf. See Memorandum No. [29694](#), dated February 10, 2016, for a more detailed summary of the Draft Guidance.

[3] Such vehicles would include mutual funds, open-ended investment companies (OEICs), investment companies with variable capital (ICVCs), unit trusts, and sociétés d'investissement à capital variable (SICAVs) ("funds").

[4] A compliant presentation is "a presentation for a composite that contains all the information required by the GIPS standards and may also include additional information or supplemental information."

[5] Specifically: (i) the description of the fund's investment mandate, objective, or strategy; (ii) an indication of the fund's risk, as either a qualitative narrative or a quantitative metric, as mandated by the local regulators; (iii) fund returns calculated according to the methodology and for the time periods required by local laws or regulations (if there is no

mandated methodology, the Draft Guidance provides one that must be used); (iv) benchmark total returns and the benchmark description; and (v) the currency used to express performance. These requirements would apply only to materials that present investment performance, and the Draft Guidance makes clear that if local laws or regulations prohibit a required item from being included in a fund offering document or marketing material, then that item must be excluded.

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