

MEMO# 31178

April 20, 2018

CFA Institute Announces Changes to Its Broadly Distributed Pooled Fund Guidance Statement

[31178]

April 20, 2018 TO: ICI Members

ICI Global Members SUBJECTS: Advertising

Compliance

Disclosure

Fund Accounting & Financial Reporting

International/Global

Investment Advisers RE: CFA Institute Announces Changes to Its Broadly Distributed Pooled Fund Guidance Statement

This week, the CFA Institute announced[\[1\]](#) upcoming changes to its Guidance Statement on Broadly Distributed Pooled Funds (“Guidance Statement”).[\[2\]](#) The CFA Institute website characterizes the changes as “removing compliance barriers for broadly distributed pooled funds,” and the intent of the announcement is to “inform those firms that have adopted or are in the process of adopting the Guidance Statement... .”

Background

Over the past two years, broadly distributed pooled funds (including regulated funds) and their disclosure and performance reporting practices have become a focal point for the CFA Institute.[\[3\]](#) ICI has submitted comment letters in response to these CFA Institute initiatives.[\[4\]](#) ICI submitted a follow-up letter to the CFA Institute in October, expressing concern with the CFA Institute’s recent work related to broadly distributed pooled funds.[\[5\]](#)

In November, the GIPS Executive Committee announced that the effective date of the Guidance Statement would be delayed to coincide with the effective date of the 2020 edition of the GIPS standards.

Summary of the Announcement

This week’s announcement states that the CFA Institute will do the following with respect to its Guidance Statement:

- issue a Q&A explicitly stating that prospective investors in broadly distributed pooled

funds are not required to receive a compliant presentation;

- recast the requirements in the Guidance Statement (currently scheduled to go into effect January 1, 2020) as voluntary Advertising Guidelines, similar to the current Advertising Guidelines for composites; and
- include the Broadly Distributed Pooled Funds Advertising Guidelines in the GIPS 2020 Exposure Draft to provide the public with the opportunity to comment on the approach.

The announcement states that the GIPS 2020 Exposure Draft (the follow-up to the 2017 Consultation Paper) will be released for public comment on August 31, 2018, and the effective date of GIPS 2020 is scheduled for January 1, 2020.

Matthew Thornton
Assistant General Counsel

endnotes

[1] The announcement is *available at* www.gipsstandards.org/news/Documents/april2018.pdf.

[2] *Available at* www.gipsstandards.org/standards/Documents/Guidance/gs_pooled_funds.pdf.

[3] See Institute [Memorandum No. 30755](#), dated June 22, 2017, for additional background and summaries of the CFA Institute's (i) Guidance Statement, and (ii) May 2017 GIPS 20/20 Consultation Paper ("Consultation Paper"), *available at* www.gipsstandards.org/standards/Documents/Guidance/gips_2020_consultation_paper.pdf. Global Investment Performance Standards ("GIPS") apply to all firms ("Firms") that claim compliance with the standards, many of which are ICI members.

[4] See ICI Comment Letter on CFA Institute's Exposure Draft of the Guidance Statement on Broadly Distributed Pooled Funds dated April 29, 2016, *available at* www.ici.org/pdf/29878.pdf; see also ICI Comment Letter on CFA Institute's Consultation Paper dated July 14, 2017, *available at* www.ici.org/pdf/30778a.pdf.

[5] ICI's most recent letter is *available at* www.ici.org/pdf/30922a.pdf. We strongly urged the CFA Institute to reconsider the need for, and its fundamental approach to, issuing pooled fund-specific guidance and standards, and recommended a delay in the Guidance Statement's effective date, to give both the CFA Institute and Firms sufficient time to complete their respective work.