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CFA Institute makes a big play for private fund advisers in new GIPS standards

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Comments?

They've been years in the making and are a once-a-decade development ([IA Watch](#), May 25, 2017). The **CFA Institute** June 30 released its *Global Investment Performance Standards* for 2020.

One of the biggest changes in GIPS since the 2010 update is the standards now come in three packages:

1. **Asset owners.** [They run 84 pages](#). These would target the **CaIPERS** of the world or asset owners "that do not compete for business and that report their performance to an oversight body."
2. **Firms.** These standards [stretch across 146 pages](#). They are for advisers and private fund advisers – or those asset owners who compete for business.
3. **Verifiers.** They [cover 58 pages](#). Firms that verify GIPS compliance would use these standards.

"A lot has changed since 2010," says **Karyn Vincent**, head of global industry standards and GIPS executive director with the CFA Institute. One goal with the new standards was "to create guidance that was tailored specifically to asset owners," she adds.

Accounting for private equity

Another goal was to craft standards more suitable for how private equity fund advisers tabulate performance. "We wanted to better accommodate the marketing of individual pooled funds ... and not be so focused on composites," adds Vincent.

One consequence is the new standards give firms greater flexibility to "use money-weighted returns versus time-related returns," continues Vincent. This is a recognition that private equity fund advisers typically judge their performance on an internal rate of return ([PF Watch](#), Oct. 29, 2014). The CFA Institute hopes the new global standards entice more private fund advisers to seek compliance with them when reporting results.

Here's one example of a new standard for firms:

Once the firm has provided a GIPS pooled fund report or a GIPS composite report to a limited distribution pooled fund prospective investor, the firm must provide an updated GIPS pooled fund report or GIPS composite report at least once every 12 months if the limited distribution pooled fund prospective investor is still a limited distribution pooled fund prospective investor.

If your firm is GIPS compliant, you should become acquainted with the new standards to learn which ones apply to you, says **Charlie Stout**, a partner and diversified financial practice leader at the **ACA Compliance Group**, a firm that verifies GIPS compliance.

Modernizing standards

Stout credits the CFA with modernizing its standards, especially those targeting private fund advisers. "They did a good job of looking more at the fund context itself and the structure" along with "the return metric that needs to be presented," he notes.

The standards don't technically go into effect until January. Compliance for some firms wouldn't kick in until they begin presenting performance data achieved on or after Jan. 1, 2020. For some, this could push the ultimate deadline into 2021.

There's nothing preventing firms from complying with the standards now. Vincent pledges the CFA Institute will release interpretations, guidance and even a "map" comparing the 2020 standards with the 2010 variety in coming weeks. An August webinar also is planned to go over the new standards.

While compliance with GIPS standards doesn't dominate what OCIE examiners look for, the **SEC** has stated that if a firm claims compliance with GIPS examiners may well seek to confirm that the claim is justified ([IA Watch](#), Sept. 21, 2017).

The information contained herein was current as of the publication date.

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