

FSC Guidance Note

No. 1

Global Investment Performance Standards

July 2018

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FSC Membership this Guidance Note is most relevant to:

This Guidance Note is relevant to all FSC Members who calculate and present historical investment manager performance.

Date of Guidance Note:

July 2018

History (prior versions) of this Guidance Note:

Prior version: March 2010 and for historical antecedents as explained further in Paragraph 2 of this Guidance Note

Main Purpose of Guidance Note:

The main purpose of this Guidance Note is to assist FSC members in following the global standard for the presentation of historical investment manager performance through adoption of the Global Investment Performance Standards (**GIPS®**).

This Guidance Note is to be read in conjunction with Standard 2, Standard 6, Standard 8, Standard 8A, Standard 9, Standard 10, Standard 17, Guidance Note 25, Guidance Note 26, Guidance Note 29, Guidance Note 31, Guidance Note 34, Guidance Note 38.

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1. Title

- 1.1 This Guidance Note may be cited as FSC Guidance Note No. 1 *Global Investment Performance Standards (GIPS®)*.

2. Background

- 2.1 The Australian Investment Performance Standards (**AIPS**) were originally issued as the Australian Investment Performance Measurement and Presentation Standards (**AIPMPS**) on 1 January 1998. In July 1999, the FSC adopted AIPS as Guidance Note No. 1.00.
- 2.2 In July 2002, the AIPS were revised as the Australian Version of GIPS®, i.e., a Country Version of GIPS®. They were updated in February 2007. In 2002, the AIPS were endorsed by the Investment Performance Council (IPC) as a Country Version of GIPS®. In 2005, the IPC mandated the convergence of all Country Versions of GIPS® into a Global Standard as of 2006.
- 2.3 Accordingly, as of January 2006, Operators complying with AIPS were required to, in effect, comply with the 2005 edition of GIPS®, due to the requirement that the Australian Country Versions of GIPS® comply with all interpretations, clarifications, guidance statements and GIPS® provisions (which represent the core of AIPS) as issued by the GIPS Executive Committee (formerly IPC) from time to time.
- 2.4 Subsequently, the 2005 edition of GIPS® was revised in recognition of the dynamic nature of the investment industry. The 2005 edition of GIPS® replaced the former AIPS, the Country Version of GIPS®. The 2010 edition of the GIPS® were approved by the Executive Committee on 29 January 2010. Thus, the 2010 edition of the GIPS® replaced the 2005 version.
- 2.5 The 2010 edition of GIPS® was issued in February 2010 following an extensive review process which aimed to maintain global relevance of the dynamic and changing investment management industry, to refine provisions no longer necessary and added new requirements that promote best practice.
- 2.6 The previous conversions of standards to a *Country Version* of GIPS® and the 2010 edition of GIPS® (a revision of the 2005 edition) reinforces FSC's participation in and commitment to a global performance framework.

3. Statement of Purpose

- 3.1 The purpose of this Guidance Note is to ensure FSC members are following the global standard for the calculation and presentation of historical investment manager performance through adoption of and compliance with GIPS®.
- 3.2 In March 2010 the FSC adopted the 2010 edition of GIPS® as Guidance Note No. 1.00, effective from 1 January 2011. It was stated in that version of the Guidance Note that presentation of performance for reporting periods that begin on or after 1 January 2011 must comply with the 2010 edition of GIPS®.
- 3.3 This version of the Guidance Note makes no substantive changes to the 2010 edition and operates as a "refresh" of the 2010 Guidance Note.

4. Effective Date

- 4.1 This version of the Guidance Note is **effective** on and from 1 July 2018.

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5. Guidance

5.1 The GIPS® as well as any GIPS® updates, corrections, interpretations, clarifications, guidance statements and questions and answers can be found at www.GIPSstandards.org

5.2 Subject to Paragraph 5.3, FSC Members who calculate and present historical investment performance, as a matter of best practice, should comply with GIPS® and **adopt and implement** those standards. Compliance with GIPS® includes compliance with all GIPS® updates, corrections, interpretations, clarifications and guidance statements (to the extent required) as issued from time to time by the GIPS Executive Committee (formerly the Investment Performance Council).

Such FSC Members who fail to comply with GIPS® potentially may adversely affect the confidence of investors, prospective investors, Scheme Operators, Responsible Entities, Superannuation Fund Trustees, Asset Consultants and other interested parties involved in the investment and financial services industry.

5.3 Where there is a conflict between the requirements of this Guidance Note and any applicable legislation or the Constitution of a Scheme, the requirements of this Guidance Note, having regard to the purpose of the Guidance Note, should be modified appropriately so that, as far as is practicable, the Operator complies with the requirements of this Guidance Note.

5.4 Where existing laws or regulations already impose performance presentation standards, Operators are strongly encouraged to comply with GIPS® **in addition** to those local requirements. When complying with GIPS and local law or regulation, firms should disclose any local laws and regulations that conflict with GIPS®.

5.5 In this Guidance Note where an expression is not otherwise defined, Members should refer to FSC Guidance No. 5- *Industry Terms and Definitions*.

6. Further Comments on GIPS®

6.1 The GIPS® are a set of ethical principles established globally to enable investment firms to calculate and report their investment results to prospective clients in a way that ensures fair representation and full disclosure.

6.2 The implementation of GIPS® leads to an accepted set of best practices for the calculation and presentation of investment performance results that:

- are readily comparable among investment management firms without regard to geographical location; and
- facilitate a dialogue between investment managers and their prospective clients about the critical issues of how the investment management firm achieved performance results and determines future investment strategies.

6.3 For further background information on the development of Performance Standards in Australia, please refer the FSC P Group website which can be accessed via the FSC website: <http://www.fsc.org.au>.

6.4 Further information can also be found on the GIPS® Standards website at: www.GIPSstandards.org