



**Global Investment Performance Standards**

## **Guidance Statement on Recordkeeping Requirements**

Adoption Date: 28 September 2010

Effective Date: 1 January 2011

Retroactive Application: Not Required

**[www.gipsstandards.org](http://www.gipsstandards.org)**

## **GIPS® Guidance Statement on Recordkeeping Requirements**

### **Introduction**

The GIPS® standards state, “All data and information necessary to support all items included in a compliant presentation must be captured and maintained.”

The following guidance relates only to records necessary to satisfy the recordkeeping requirements of the GIPS standards. In all instances, either paper (hard-copy) records or electronically stored records will suffice. If records are stored electronically, the records must be easily accessible and printable if needed. Although most firms are looking for a very precise list of the minimum supporting documents that must be maintained to support all parts of the compliant presentation, including the ability to recreate the firm’s performance history, there is not a single list of records that will suffice in all situations.

### **Guiding Principles**

1. Above all else, a firm must comply with all applicable laws and regulations regarding the calculation and presentation of performance, including any recordkeeping requirements.
2. For each performance period presented in the compliant presentation, a firm must maintain sufficient records that allow for the recalculation of portfolio-level returns. Depending on the system and methods used for calculating portfolio-level returns and to prove the existence and ownership of client assets, one firm may need different records than another firm needs. Records to support portfolio-level returns might include a combination of the following (this list is not meant to be an exhaustive list):
  - Associated bank/custodial statements and reconciliations,
  - Portfolio statements of investments and valuations, including information supporting the determination of fair value as required by the GIPS Valuation Principles,
  - Information to prove the existence and ownership of client assets,
  - Portfolio transactions reports,
  - Outstanding trades reports,
  - Corporate action reports,
  - Income received/earned reports,
  - Accrued income reports,
  - Foreign or other withholding tax reclaim reports,
  - Cash flow/weighted cash flow reports,
  - Information on calculation methodology used,
  - Information provided by a third party (e.g., the sponsor in a wrap fee/SMA relationship) where it may be necessary for a firm to take additional steps to ensure the information provided by the third party can be relied on to meet the requirements of the GIPS standards, and
  - Investment management fee information.
3. For each performance period presented in the compliant presentation, a firm must maintain sufficient records that allow for the recalculation of composite-level

returns and other composite-level data. Depending on the system and methods used for calculating composite-level returns and data, one firm may need different records than another firm needs. Records to support composite-level returns and other composite-level data might include a combination of the following (this list is not meant to be an exhaustive list):

- Portfolios included in/excluded from the composite,
  - When each portfolio entered (and exited, if applicable) the composite,
  - Each portfolio's return,
  - Value used to weight each portfolio [beginning value or beginning value plus weighted external cash flows],
  - Number of portfolios in the composite and the composite assets presented as of each annual period-end,
  - Internal dispersion calculation data,
  - Investment management fee information, and
  - Ex-post standard deviation and additional measures of risk calculation data.
4. A firm must maintain records to support why a portfolio was assigned to a specific composite, or was excluded from all composites. Supporting records might include a combination of the following (this list is not meant to be an exhaustive list):
- Composite definition, particularly related to the composite inclusion criteria, including the definition of discretion,
  - Portfolios excluded from composites and the reasons for exclusion,
  - Investment management agreements and amendments thereto,
  - Reports provided to clients, including attribution information, if utilized to help determine composite assignment, and
  - E-mail/other correspondence with clients regarding documented changes to a portfolio's investment mandate, objective, or strategy.
5. A firm must maintain records to support its claim of compliance on a firm-wide basis. Information must be maintained to support the following items (this list is not meant to be an exhaustive list):
- Definition of the firm, historically and current,
  - Total firm assets reported as of each annual period end,
  - Composite definitions and composite creation dates,
  - List of composite descriptions, and
  - Compliant presentations and supporting information for all composites, including any supplemental information.
6. The GIPS standards require that “firms must document their policies and procedures used in establishing and maintaining compliance with the GIPS standards, including ensuring the existence and ownership of client assets, and must apply them consistently.” Therefore, firms must maintain all policies and procedures (both current and previous versions) that support the claim of compliance.

7. When firms utilize third-party service providers, firms are encouraged to ensure that they have adequate service-level agreements to provide the historical records necessary, both currently and at a date in the future. If a firm utilizes a third party to provide any service (e.g., sub-advisor, custodian, performance measurement), the firm is responsible for its claim of compliance and must ensure that the records and information provided meet the requirements of the GIPS standards.
8. A firm must maintain any additional records necessary to support a claim of compliance, which might include a combination of the following (this list is not meant to be an exhaustive list):
  - Marketing output/request for proposal (RFP) responses,
  - Externally reviewed system and control reports (e.g., accounting reports, other internal controls/compliance reports for the client and/or custodians),
  - Third-party (e.g., sub-advisory, custodial, performance data provider) agreements,
  - Minutes of relevant decision-making committees (e.g., a board, an investment committee, a composite/GIPS compliance committee),
  - Client fee schedules/agreements,
  - Fee data, including custody and administrative fees,
  - Systems manuals, especially for the systems that generate the portfolio and composite reports (including returns and additional disclosures/statistics),
  - Documentation of efforts made to provide all prospective clients with compliant presentations,
  - Documentation of efforts made to provide, in the case of a material error, a corrected compliant presentation including disclosure of the error, to all appropriate parties in accordance with the firm's error correction policy,
  - Underlying benchmark data (if not publicly available), and
  - Documentation of providing the following to any prospective client who requested:
    - A list of composite descriptions,
    - A compliant presentation(s),
    - Composite definition(s),
    - Policies for valuing portfolios,
    - Policies for calculating performance,
    - Policies for preparing compliant presentations,
    - Verification report(s), and
    - Performance examination report(s).
9. All records deemed necessary by the firm must be maintained for each year that is presented in a compliant presentation. At some point in time, a firm may be able to reduce the amount of records stored, as long as the firm can maintain the ability to recalculate the required returns. For example, an annual summary portfolio transaction report may be maintained instead of individual monthly detail reports. The summary report could be used to recreate period-specific information if needed. Electronically-stored records/reports are acceptable.

10. If a firm that claims compliance with the GIPS standards experiences a catastrophic event where all of its records and electronic or other back-up systems have been destroyed, the firm should try to reconstruct the information necessary by obtaining the information from clients, custodians, consultants, verifiers or any other party outside the firm that might have duplicate copies of those records. However, if the underlying data to support the compliant presentation was destroyed because of extreme circumstances beyond the control of the manager and unavailable from other sources, the firm may continue to claim compliance and show performance if the lack of records for the unavailable period(s) is disclosed. The disclosure must include the reason why the records are unavailable and state that the firm is unable to duplicate the records.

For example, if the records for Firm A from its inception 1 January 2007 through 31 December 2007 were destroyed under extreme circumstances beyond the control of the manager, the firm can claim compliance with the GIPS standards by disclosing that the firm's records for the period from 1 January 2007 through 31 December 2007 were destroyed under extreme circumstances beyond the control of the manager and the data are unavailable from other sources. The firm must also consider any applicable regulatory requirements and must remember that the GIPS standards are ethical standards based on the principles of fair representation and full disclosure. Any performance information that is presented must adhere to these principles.

**Effective Date**

The effective date for this Guidance Statement is 1 January 2011. When bringing past performance into compliance, firms may comply with this version of the Guidance Statement or with prior versions in effect at the time. Prior versions of this Guidance Statement are available on the GIPS standards website ([www.gipsstandards.org](http://www.gipsstandards.org)).