

CFA Institute
Global Investment Performance Standards
Re: Exposure Draft of the GIPS 2020 Standards for Verifiers
915 East High Street
Charlottesville, VA 22902
USA

28 December 2018

Comments on the Exposure Draft of the GIPS 2020 Standards for Verifiers

Dear Sir/Madam,

Thank you for the opportunity to comment on the Exposure Draft of the GIPS 2020 Standards for Verifiers. The Securities Analysts Association of Japan, the Country Sponsor of the GIPS Standards in Japan, is pleased to submit comments as follows:

Overall Comments:

The Japanese Institute of Certified Public Accountants (JICPA) separately submitted their comments to the CFA Institute from the standpoint of verifiers.

The followings are our comments as a GIPS Country Sponsor:

Apart from technical issues that involve in the GIPS verification and performance examination, we would like to raise one big important point.

The GIPS 2020 Consultation Paper released for public comment in May 2017 did not include any proposals on verification, and therefore all of the GIPS stakeholders are now seeing the content of this Exposure Draft for the first time. We do not turn down the effort of the Verification Subcommittee. Rather we appreciate that effort. Considering a successful promulgation of the GIPS standards over the past two decades, we deem it appropriate to rethink the fundamental aspects of verification and performance examination by examining what they should be for.

Nonetheless, two-month lead time is too short for the entire industry to study the proposal in full. It should not be decided in haste and we strongly propose that the GIPS 2020 process should only deal with the minimum amendment on verification and/or performance examination due to the new/alterd GIPS provisions such as pooled fund reports, and discussions on verifier qualification, scope of verification, required verification procedures, and verification opinion should go on separately.

In so doing, the following should be clarified:

1. What are the problems with current verification and performance examination scheme?
2. What do we think verification and performance examination should provide?
3. How much tangible impact would the change cost for the entities undergoing verification and/or performance examination as well as recipients of verification and performance examination

reports?

Qualification for verifiers needs an intensive review as we understand that verification by non-auditing firm verifiers are increasing. For ensuring a level playing field for all verifiers, we propose that verifier must conduct GIPS verification and/or performance examination in conformity with the ISAE3000 that is applicable to assurance engagements by non-auditing firms as well, or other attestation standards that incorporate the ISAE3000.

Comments on certain questions raised in the Exposure Draft:

Question 1): Contrary to the stated intention of the Verification Subcommittee to make verification opinion more aligned to the required verification procedures, we do not see any development as there is still a large gap between them. Thus we do not agree.

Question 5): We anticipate not a few firms would adopt the 2020 GIPS standards partly or entirely before the Effective Date e.g., stopping inclusion of broad distribution pooled funds into composites and closing those composites including only broad distribution pooled funds as at 31 December 2019. How will the verification for 2019 be conducted in this situation?

Sincerely yours,

The Securities Analysts Association of Japan