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**Exposure draft of GIPS® standards Guidance Statement on Benchmarks of the SFAMA
Swiss GIPS Expert Group**

Dear Sir/Madam,

Many thanks for the opportunity to provide feedback to the exposure draft of GIPS® standards Guidance Statement on Benchmarks on behalf of the Swiss Funds and Asset Management Association SFAMA as the GIPS country sponsor in Switzerland.

In general, we agree with the revised Guidance Statement. With respect to the public comment questions raised, our response is as follows:

Question 1: Do you agree that firms should be required to disclose why they have chosen an ETF rather than a market index as the composite benchmark?

We believe that this disclosure should be a recommendation. The reason for selecting an ETF instead of a market index could be higher index licence costs and we are not sure that this information is relevant to the investor. Important is that it must be disclosed that an ETF is used as a benchmark, but not necessarily the reason why an ETF has been chosen instead of an index.

Additional comment of a member of the expert group:

Yes we agree with GIPS guidance. Also license costs as reason should be disclosed.

Question 2: Do you agree that the ETF chosen must be one in which the returns are comparable to those of the composite?

Yes

Additional comment of a member of the expert group:

It should also be required, that the costs and fees used for the ETF are disclosed so the client is able to judge on the fairness of the BM comparison.

**Question 3: Do you agree that the hedging criteria for the benchmark must be disclosed?
Do you agree that it should be required that any material difference in hedging between the composite and the benchmark be disclosed?**

Yes, we agree with the both requirements.

Additional comments of a member of the expert group:

@ 1: If the hedging is done by a third party, only a reference to the third party's public BM information should be required, as the hedging is fully done by this third party and cannot be influenced by the firm owner.

@ 2: . In case of a third party performing the hedging it has to be reviewed regularly as the provider could change his way of hedging over time.

Question 4: Do you agree that firms should be required to select the benchmark that is most consistent with the withholding tax status of the portfolios in the composite?

We think this should be just a recommendation. The GIPS standards currently offer flexibility with respect to treatment of withholding taxes when calculating composite returns, i.e. returns can be calculated either gross or net of withholding taxes (both reclaimable and non-reclaimable). Therefore, this flexibility should be consistent also for benchmarks. Besides, it may not be practicable because some portfolios in the composite may be able to reclaim withholding taxes while some others not.

Additional comment of a member of the expert group:

We think it should be a requirement not recommendation only.

Question 5: Do you agree with the creation of custom benchmarks using fees and/or trading costs to provide returns comparable with the net-of fees and/or trading costs composite returns?

Yes, we agree. In fact, some firms in Switzerland already adjust benchmark returns by fees and withholding taxes in order to make benchmark returns comparable when presenting net-of-fees composite returns.

Question 6: Do you agree that if a net-of-fees and/or trading costs benchmark is presented, the firm should be required to disclose the fee schedule and/or the trading costs used to derive the benchmark returns?

Yes, we agree.

Additional comment of a member of the expert group:

The deduction of fees and costs should happen in the same periodicity for composite and benchmark.

Question 7: Do you agree with the proposed treatment of price-only benchmark returns?

Yes, we agree.

Question 8: Do you agree that if a firm changes a benchmark retroactively, the disclosure of the change should be required to be included in the compliant presentation only for as long as it is meaningful as per the firm's policy and the disclosure can be removed once it is no longer meaningful?

Yes, we agree.

Additional comment of a member of the expert group:

The change of the BM should be disclosed as long as a performance period for the BM is shown, where a change is/was involved. If the BM performance displayed is calculated for the full period using the same BM composition we agree to above mentioned rule.

Question 9: Do you agree that firms must disclose changes to benchmark ordinal (primary, secondary)?

We agree with this. However, we disagree that "any and all benchmarks provided within a compliant presentation (including supplemental information) must adhere to the requirements and recommendations of the GIPS standards", such as presentation of the 3-year annualised standard deviation. In some instances, indeed, it is reasonable to require that for an additional benchmark (e.g. another representative market index) the standard deviation is presented as well. However, if the additional benchmark is presented as a supplemental information just in order to enhance the informational contents of the presentation (e.g. a peer group benchmark for a universe of pension funds), it may not be meaningful to also present the standard deviation because the purpose of this additional peer-group benchmark is not to compare the investment risk of the strategy. We believe that there should be a differentiation for the additional benchmarks in terms of the purpose of their presentation. If such requirement is added, then it would be helpful to define, what primary and secondary means in this context.

Question 10: Do you agree that firms should be allowed to present the name of the benchmark for a readily recognized index or other point of reference instead of presenting the full benchmark description?

Yes, we agree.

Question 11: Do you agree that if the firm is uncertain about whether the benchmark is readily recognized by any potential prospective client, the firm should be required to include the benchmark description?

Yes, we agree. If this becomes a requirement, then the paragraph on benchmark descriptions on page 17 must be adjusted. The adjustment is needed for the sentence "For example, compliant presentations on company websites must have the benchmark description". To make it consistent, this should be a recommendation.

Question 12: Do you agree that if other benchmarks are presented and labelled as supplemental information, that all of the required benchmark disclosure and presentation items should be required to be presented for all benchmarks included in the compliant presentation?

No, we disagree. There should be a differentiation for the supplemental benchmarks in terms of the purpose of their presentation (see also our comments to question 9).

Further comments:

Page 6 and page 17 ("Off-benchmark assets"): With respect to the following statement: "The benchmark must reflect the investment mandate, objective, or strategy of the composite. Firms should disclose material differences between the benchmark and the composite's investment mandate, objective, or strategy", we believe that this disclosure must be a requirement and not just a recommendation, given the significance of this information. In fact, it appears to be a contradiction that on one hand there is a clear requirement that the benchmark must reflect the investment mandate, objective, or strategy of the composite, but on the other hand it is implied that material differences between the benchmark and the composite are possible and does not even warrant a mandatory disclosure.

Additional further comments of a member of the expert group:

Feedback on page 6: Unambiguous Benchmark: The pricing frequency of the BM should as much as possible follow the pricing of the underlying Composite investments and where not, this should be stated.

Investable Benchmark: Specially in the Hedge fund or private Equity space it is not easy to find a benchmark that shows a passive alternative or a realizable opportunity. We think there should be more guidance on that segment.

Feedback on page 8: Portfolio-Weighted Composite Benchmark: Firms should not only be required to disclose the rebalancing process but also the frequency of rebalancing that is applied.

Feedback on page 16: "... a change in the weights of the constituent benchmarks is not considered a benchmark change within the scope of this requirement." If for example the equity portion is increasing by 30% versus the fixed income portion, this would not be seen as a BM change.

Thanks in advance for considering our comments.

Sincerely yours

Swiss Funds & Asset Management Association SFAMA



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