



January 29, 2018

CFA Institute
Global Investment Performance Standards
915 E. High Street
Charlottesville, VA 22902
USA

RE: Exposure Draft of GIPS Guidance Statement on Benchmarks

Dear Sirs or Madams,

On behalf of the Canadian Investment Performance Council ("CIPC"), we are pleased to provide our comments on the Exposure Draft of the Guidance Statement on Benchmarks.

The following pages include responses to the questions posed in the paper.

Thank you for providing the opportunity to submit our feedback.

Kind regards,

A handwritten signature in black ink, which appears to read 'Hope Celani', is positioned below the text 'Kind regards,'.

Hope Celani, CIPM
Chair, Canadian Investment Performance Council

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?*

Yes, firms that deem it appropriate to use an ETF as a benchmark should be required to disclose the reasons. This will provide prospects with the opportunity to assess the validity of the reasons for the firm's benchmark choice. Benchmark selection should not be used as a marketing opportunity. If a firm manages ETFs, it should not use its own ETFs as composite benchmarks. Firms should further disclose whether an ETF is purely an index fund or there is an active management component.

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

Yes, firms should have a documented process for benchmark selection which includes return comparability criteria. The rules of this process should be consistently applied for all benchmarks, including when selecting an ETF as the composite benchmark.

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, disclosure may help a potential client understand how the benchmark returns were derived. The criteria used for hedging may differ and these differences should be identified.

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?*

No, but disclosure on the selected withholding tax status of the benchmark should be required. In addition, the withholding tax status of benchmarks should be consistent between composites within the firm.

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. For some asset classes, net returns could be materially impacted by fees and/or trading costs. Also, asset owners are required to disclose net of fees returns. This is why we believe that managers and asset owners should be allowed to create custom benchmarks using fees and/or trading costs to provide returns comparable with the net-of fees and/or trading costs composite returns. As with any custom benchmark, the methodology should be extensively disclosed. Furthermore, the highest applicable fee should be used - same guidelines must apply when using model fees to compute the composite net returns and the methodology must be identical if actual fees are not employed for the composite.

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, disclosure would be important for potential clients. Did you use the highest fee as an estimate? Did you use actual fees? Did you use an average as an estimate? As per above, the same composite guidelines should be applied to netting benchmark returns as well.

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

Yes, ideally, the benchmark should replicate the income characteristics of the composite. Total returns should always be used, unless not available, in which case, price-only benchmark returns may be used.

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, disclosure of the change should be made. The length of time for inclusion should be stipulated in the policies and procedures manual (for example, 1 year). Once the period has elapsed then the disclosure should be removed.

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

Yes, definitely. The reason for the switch should be disclosed in detail. This would avoid cherry picking.

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, firms should be allowed to present the name of the benchmark for a readily recognized index. However, firms should be required to maintain benchmark descriptions in their policies and procedures manual. When presenting only the name of the benchmark, firms should be required to note that the benchmark description is available upon request.

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, the benchmark description should be included if the firm is uncertain whether the benchmark is readily recognized. Benchmark descriptions should be required for any benchmarks other than standard (unmodified) readily recognized indices.

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?*

Yes, definitely. All of the required benchmark disclosure should apply for benchmarks shown as supplemental information. Including a disclosure of the methodology if custom, the official name of the index if from a provider and a full description.