

# Guidance for Recipients of Investment Reporting

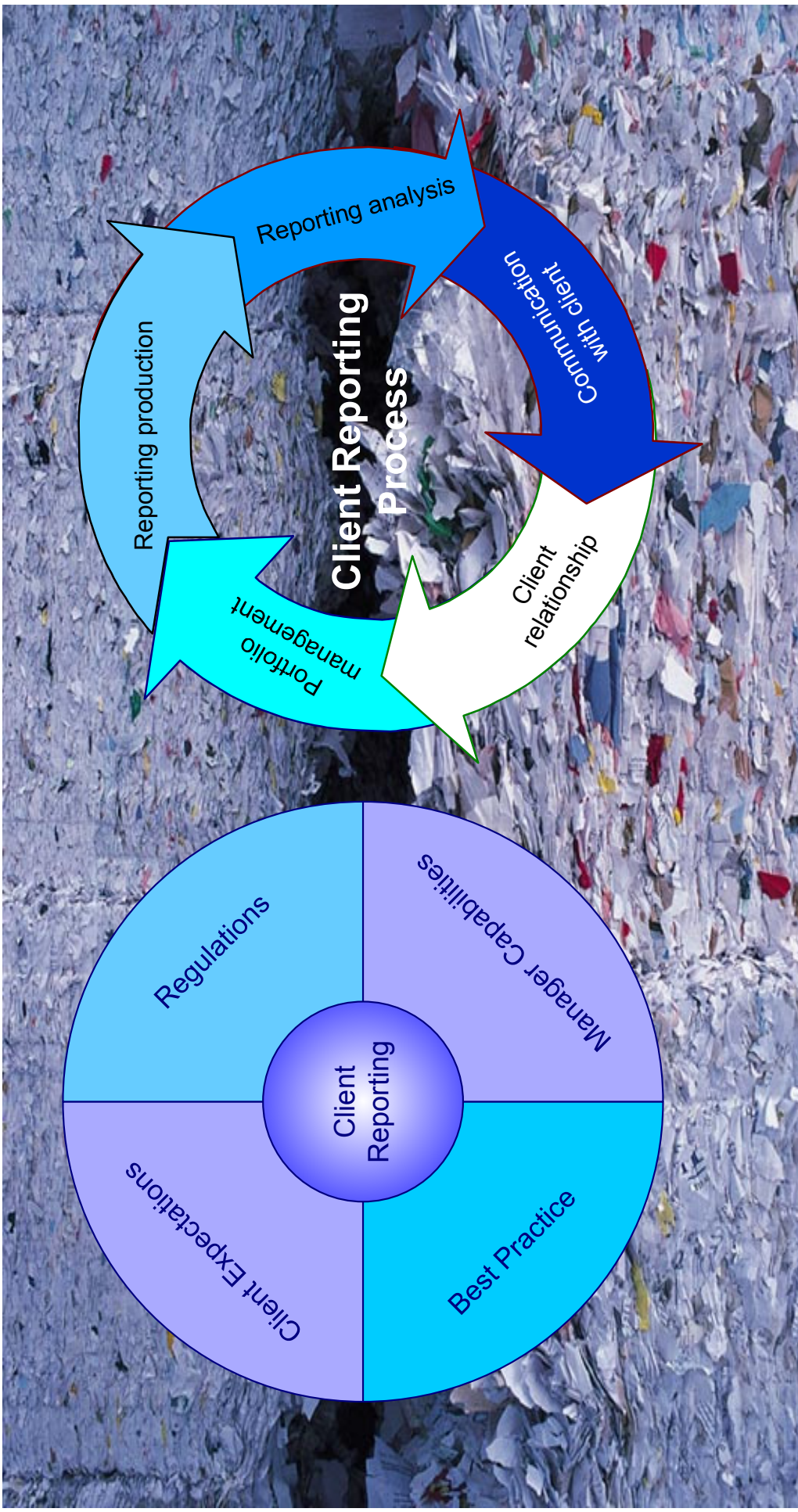
Dimitri Senik, CFA  
14 September 2006

# Content

- Why self-regulation guidance is needed
- RIPS EMEA Guidance for Recipients of Investment Reporting

Why self-regulation guidance is needed

## Client reporting: key issues (1)



Why self-regulation guidance is needed

## Client reporting: key issues (2)

Answers to question “What in your opinion are the main problems in the client reporting area in general?”

Ranked from 1 (most important) to 3 (third important)

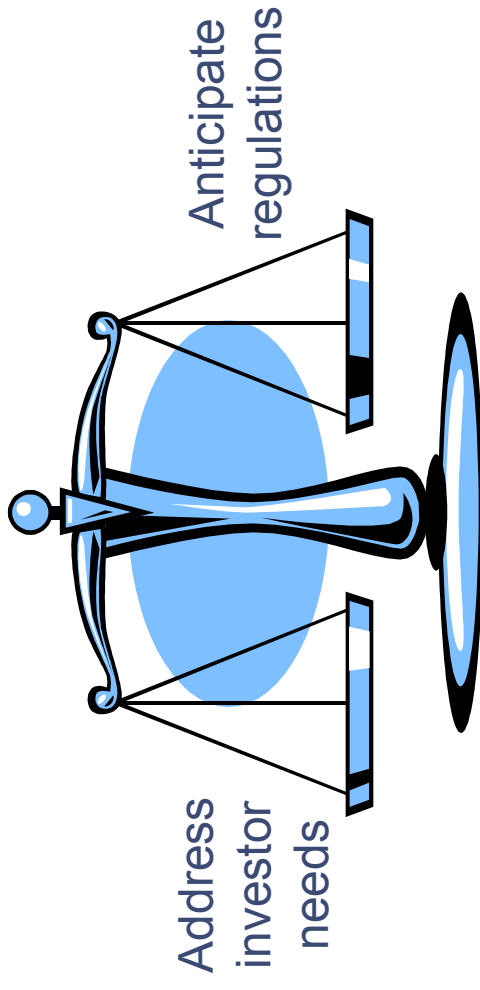
	Problem 1	Problem 2	Problem 3
Poor knowledge of investment reporting matters	0%	4%	<b>39%</b>
Individual reporting demands and wishes of clients	<b>50%</b>	<b>36%</b>	7%
High costs	7%	<b>29%</b>	4%
IT Tools	<b>32%</b>	14%	18%

Source: PricewaterhouseCoopers 2006 Swiss Survey on Client Investment Reporting

Why self-regulation guidance is needed

## Why guidance on client reporting?

- Educate clients and proactively steer their expectations
- Build a basis for a possible “best practice” reporting standard
- Anticipate future regulations
- Elevate the reporting to the core instrument of a comprehensive dialog between the manager and the client



Why self-regulation guidance is needed

## Examples of the industry self-regulation

- FEFISI Code of Good Conduct on the presentation of performance records and the classification of investment funds (2002)
- EFAMA Model of Good Reporting for Investors (2006)
- EFAMA Code of Conduct for the European Investment Management Industry (2006)
- The Guidance on the presentation of the mutual fund performance of the Swiss Fund Association (2004)
- Global Investment Performance Standards (GIPS)
- CFA Institute Asset Manager Code of Professional Conduct (2005)
- NAPF Guidance for Assessing Manager's Performance Presentations
- EVCA Reporting Guidelines
- Various guidance papers of the EIPC



Why self-regulation guidance is needed

## Self-regulation initiatives of the European Investment Performance Committee

European Investment Performance Committee (now renamed as RIPS EMEA) is:

- A regional subcommittee of the GIPS Council
- Represents the European interests in the GIPS development process
- Enables the participating countries to promote and implement investment performance standards
- Launches industry initiatives to enhance the investment performance reporting framework
- Representatives from 24 European countries + representatives from pension funds, EFFAS, CFA Institute, EFAMA.

Why self-regulation guidance is needed

## Why RIPS EMEA to develop industry guidance?

- Recognition of the trend in the investment management industry towards transparency and standardisation
- Attempt to consolidate experience and to answer the question „What can be standardised?“
- Enforcement of the self-regulation efforts in the industry
- As a sub-committee of the GIPS Council and an independent body, it ensures a greater acceptance in the investment management industry
- Ensures a greater geographic representation of opinions
- Contacts to specialists and technical knowledge available



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## Salient features

### Target audience:

- Institutional clients and high-net-worth individuals

### Format

- Questionnaire
- No segregation in requirements and recommendations

### Scope:

- The Guidance applies to investment reporting for *existing* clients
- The Guidance is regarded as an *educational* paper for investors / clients
- The Guidance is *not* considered as a formal part of GIPS. However, the Guidance refers to GIPS as one of the sources for investment reporting

## Reporting Components

Portfolio information	Portfolio structure	Performance report	Return and risk analysis	Portfolio valuation statement
Profit and loss statement	Transaction report	Cash flow report	Investment compliance report	Composite report

## Guiding Principles

- Adherence to ethical standards
- Reporting philosophy should be identifiable and transparent
- Reporting should take into account the type of client
- Reporting should present a true and fair picture
- Reporting should be timely and accurate
- Reporting should take into consideration the applicable legal requirements

## Questionnaire

The questionnaire covers the following areas:

- 1) Investment process and portfolio strategy
- 2) Underlying portfolio input data
- 3) Performance reporting
- 4) Costs of investment management
- 5) Compliance with investment guidelines and regulations
- 6) Risk management process
- 7) Third-party examination

The Guidance was approved by RIPS EMEA in June 2006 and will be officially released soon.

The final draft of the Guidance is available on:

[http://www.swissbanking.org/eipc\\_client\\_reporting\\_guidance\\_draft.pdf](http://www.swissbanking.org/eipc_client_reporting_guidance_draft.pdf)

# Questions?

**Dimitri Senik, CFA**  
PricewaterhouseCoopers

Tel.: + 41 58 792 23 72

E-Mail: [dimitri.senik@ch.pwc.com](mailto:dimitri.senik@ch.pwc.com)

Internet: [www.pwc.ch/gips](http://www.pwc.ch/gips)

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