

GIPS: A welcome contagion

The NAPF's David Gould explains how the mounting popularity of Global Investment Performance Standards in Europe is helping investors

In June, Poland became the latest in a long line of European countries to sign up to Global Investment Performance Standards (GIPS), the voluntary international code for marketing investment returns which was introduced by AIMR and the Investment Performance Council (IPC) in 1999.

Warsaw also hosted the 8th meeting of the European Investment Performance Committee (EIPC), a regional sub-committee of the IPC. Since its first meeting in November 1999, the EIPC has attracted 22 country representatives, and Spain, Germany, Belgium and Sweden are all currently working on submissions. The current EIPC chairman is Dr Stefan Illmer (Credit Suisse Asset Management, Switzerland) and Joerg Lilla, (ING BHF-Bank, Germany) is vice-chairman. EIPC meetings are held half-yearly, with member countries taking turns as hosts: The UK will host the summer 2004 meeting in Edinburgh.

However, the UK Investment Performance Committee (UKIPC) recognised that a common agreed standard applicable to all markets was a goal worth working for.

The UK version of GIPS contains an appendix with some questions that prospective clients (pension funds) might want to ask of prospective managers - which is where I come in. I was asked to give a short presentation to the EIPC meeting last November and as a result, a small working party was set up under the able leadership of Martin Schliemann (Ernst & Young, Germany) to develop a larger, more useful questionnaire.

The objective of the questionnaire is, of course, to help improve investors' ability to make sound investment decisions that depend, in part, on the availability of accurate and consistent information, presented in a transparent and comparable format, and derived from objective calculation methodology.

In other words, it is to help investors determine whether asset managers' performance management and presentation satisfy the requirements of GIPS.

The areas covered by the questionnaire include composite creation and changes in the investment process underlying the composite; information about input data, eg, what controls exist to ensure data integrity, and how often the controls are reviewed; and information

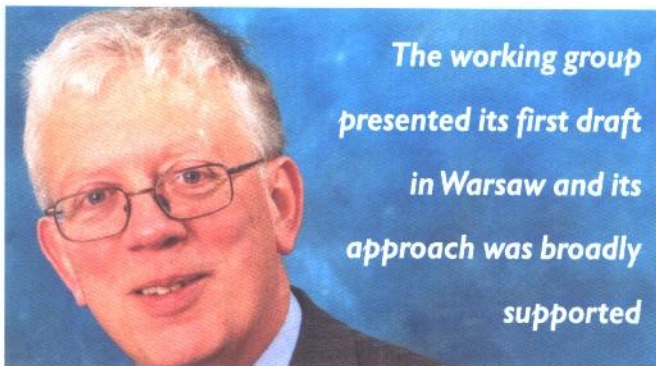
concerning calculation methodology, including whether third party performance measurers are used. Issues of presentation, reporting, disclosure and risk are also referred to. Perhaps the most important question is whether the data is claimed to be a GIPS-compliant performance track record, verified by a recognised, independent verifier.

The working group presented its first draft in Warsaw and its approach was broadly supported. However, the questionnaire still needs to be refined and tightened up. Member countries have been asked to consider the draft - the UKIPC will do this in September - and report back to the next meeting in November. If all goes well, the questionnaire will be offered by the EIPC for consideration as an IPC guidance document.

The EIPC have invited me to join their committee for a year to help with the development of the questionnaire and to provide an investor perspective into other issues - including Performance Attribution Presentation Standards (PAPS).

I believe the development and stewardship of GIPS in Europe is in excellent health and should continue to flourish and grow to meet investors' needs and expectations over the years ahead. ■

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The UK has a relatively long history of investment performance measurement and until 1997 operated its own separate standards.