

Rules on performance reporting to strengthen investor confidence

As another step towards better protection of Czech investors, CFA Society together with AKAT, the Czech asset managers' association, launched a campaign to implement Global Investment Performance Standards.

GIPS are a set of rules that aim to enable clients to objectively evaluate investment managers. Any company can comply, but there are 37 markets where GIPS are promoted by official 'country sponsors' - from the USA to Pakistan to Austria. The Czech Republic will be the 38th to join.

To kick off the initiative, Iain McAra, CFA Institute's GIPS Director for the EMEA region, delivered a presentation in Prague on Sept. 30.

GIPS stipulate the way for asset managers to calculate and present the performance of client portfolios. This should allow prospective clients to compare between different managers, within and across borders.

“The standards will benefit not only asset managers, but also intermediaries, regulators, and especially investors. We are therefore delighted, that the Czech National Bank and Ministry of Finance expressed their support for our initiative,” says Petra Roberts, CFA, Executive Director of CFA Society Czech Republic.

“In our group, we believe the standards will help further cultivate the local market and increase the credibility of the industry,” says Martin Řezáč, CFA, Managing Director of ISČS and member of the Czech GIPS preparatory committee.

“If any clients should lead by example and demand GIPS compliance from their managers, it should be the public sector,” notes Radek Urban, advisor to the Ministry of Finance and an observer in the committee.

Other members of the GIPS committee are Jana Michalíková, Executive Director of AKAT, Lubomír Vystavěl, CFA and Matěj Turek, CFA, board members of the CFA Society, and as an observer Jan Bursa, CFA, head of trade execution oversight at the Czech National Bank.

More about the Standards

The GIPS govern, among other issues, the inclusion of clients into a 'composite' that shows their average returns. Managers can't choose only clients with the best returns and thus present overstated results. It is mandatory to include all clients with an identical strategy.

The standards, which have been developed by the CFA Institute since 1999, are relevant for all companies that provide active portfolio management to private and institutional clients. This includes real estate and other alternative asset classes.

They are also relevant for investment companies – although the NAV of a fund (and thus its performance) is already calculated in a uniform way, the Standards regulate the way returns are presented – e.g. reporting at least 10 years of returns, or the maximum available history of a strategy.

For more information, visit [CFA Institute](#)'s page. After the introductory seminar, CFA Society will continue its effort to promote the GIPS in the Czech Republic.

(Adapted from a [press release](#).)

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GIPS Committee Members:

Ministerstvo financí ČR: Radek Urban - Advisor

AKAT: Jana Michalíková - Executive Director

CFA Society Czech Republic: Lubomír Vystavěl, CFA and Matěj Turek, CFA - Board Members

Investiční společnost České spořitelny: Martin Řezáč, CFA - CEO and Chairman of the Board

ČNB: Jan Bursa, CFA - Head of Investment Services Providers Inspection Unit