Dear reader,

The Guidance Statement on Alternative Investment Strategies and Structures was adopted by the GIPS Executive Committee on 18 May 2012. This long-awaited guidance provides the industry with valuable guidelines in valuation, return calculation, fees and treatment of side pockets, to name but a few. Notwithstanding its name, the new publication will also be relevant to traditional asset managers that may not consider themselves “alternative” investments managers.

In line with the evolving priorities and aspirations of the asset management industry, the standard setters continuously review Global Investment Performance Standards (GIPS) strategic priorities and re-evaluate the areas that need to be addressed to keep up with the needs of the asset management community. The new GIPS Guidance Statement on Performance Examinations and the Revised GIPS Handbook help asset managers and verifiers by offering more transparent procedures as well as practical interpretations.

Besides new country sponsors such as Peru and Mexico, which were recently endorsed by the CFA Institute and pave the way for GIPS development in Latin America, we also update you on the process of establishing the GIPS standards in China.

Ernst & Young’s GIPS news summarizes key developments in GIPS and in investment performance in general. We aspire to provide asset managers with the necessary information to better understand the main factors shaping the GIPS standards as well as the broader issues impacting your business.

To that end, we have included a guest article on the Solvency II regime, where our colleagues present the results of a recent market study.

We hope that you will enjoy reading this issue of GIPS news.

Susanne Klemm
Head of Investment Performance Services, Switzerland
susanne.klemm@ch.ey.com
The GIPS Strategic Plan

The GIPS Executive Committee has now gone public with the GIPS Strategic Plan aimed at achieving its mission statement: “To ensure that the GIPS standards are the premier performance standard globally and continue to represent best practice for the calculation and presentation of investment performance information.” The Strategic Plan sets forth the key areas of this process, questioning the need to prioritize when all areas are considered.

The document has existed internally for a number of years, and the consultation across the GIPS Committee and Subcommittee membership has been widespread. That is perhaps why there is concern from some members keen to “just get on with the job” about the length and necessity of this process, questioning the need to prioritize when all areas are considered important and need addressing.

While some of this frustration is understandable and the desire to press ahead commendable, the scale of the “GIPS Constituency” (now over 35 countries) itself justifies this level of structured consultation and reporting. Furthermore, for GIPS-compliant managers, the Strategic Plan should provide value as a signaling mechanism, informing them of the areas where new guidance will come out and encouraging them to participate in the development process. The latter aspect is particularly important – writing good guidance necessitates a thorough understanding of how the issues are dealt with currently (for better or for worse) to take account of the technical as well as practical considerations.

The five topics identified, all of which we welcome and believe to be free of material omissions, are:
- Pooled Funds and Retail Products
- Risk Guidance
- Supplemental Information
- Overlay Assets
- Portability

As noted above, none of these are new to our clients. Clients have addressed these areas by making judgments backed up by well-documented rationale. We find it helpful to think of the five topics as falling into the following three buckets, illustrating the conceptual framework for considering future topics of priority:

Existing guidance statements requiring refresh
Expansion in corporate and product activity in the asset management sector over the last 10 years has outflanked the existing guidance statements on Portability and Supplemental Information. Our view is that the core principles remain valid, but much more practical application guidance is required, which will sometimes need to be prescriptive where there is sufficient commonality on a particular issue or evidence of abuse requiring it as an “anti-avoidance” measure.

Guidance statements needed to clarify the core principles
Risk Guidance and Pooled Funds have always been part of the GIPS provisions, but in the case of the former (and certainly prior to the 2010 edition of the GIPS standards) there were not enough hard requirements to ensure that performance and risk were being presented together in GIPS-compliant reports, which in our view is fundamental to ensuring that performance data is useful. Having established the bridgehead in the main provisions of the GIPS standards, this is now to be followed up with some extension of the requirements coupled with expanded flexibility to cater to the full spectrum measurement techniques and investment products available.

Pooled Funds is an important area to expand guidance in because however well their relevance is spelled out for GIPS-compliant firms, the concept itself appears at odds with the fundamental principle of having a composite for all strategies. The answer – single fund composites along with a concession in the GIPS Advertising Guidelines to market pooled fund track records – is seldom clear to the users of the GIPS standards. Allied with a strong desire on the part of the GIPS Executive Committee to connect directly with the retail investor, new guidance will emerge in this area explaining in detail how the GIPS standards apply and also how, despite the apparent irrelevance of composites, it benefits investors in pooled vehicles.

New territory for a guidance statement to address
That just leaves Overlay Assets, where a new guidance statement will need to address the full spectrum of the GIPS principles from calculation methodology (what is the asset base denominator?) to composite construction (is it part of the composite strategy or something that is a separate feature?) and, finally, the inevitable presentation and disclosure issues.

For managers who are already or aspiring to be GIPS-compliant, the GIPS Strategic Plan is well worth a read because it shows the direction of new guidance. In particular, where the existing principles of the GIPS standards have been applied to these areas, the GIPS Executive Committee (either directly or through Ernst & Young) is very keen to hear such stories so they can be taken into account in formulating the new materials. From our perspective, while we share the concerns raised about the risks to addressing these areas in a timely fashion, we can use the structure set out by the Strategic Plan to schedule our involvement in the process for the benefit of our clients, facilitating timely communication and debate over the principal issues and providing useful feedback to the GIPS Executive Committee.
The revised GIPS Standards Handbook

The revised GIPS Handbook will contain several new interpretations and clarifications, a selection of which are discussed below.

Providing a compliant presentation electronically
According to GIPS article 0.A.9, the firm is obliged to provide a compliant presentation to prospective clients. Posting a compliant presentation on the firm’s website and directing the prospective client to obtain the presentation from the website would require the prospective client to initiate the retrieval of information rather than the firm issuing the information, and, as such, would not satisfy the requirement. However, the firm may provide the compliant presentation electronically as an email attachment. In this way, firms will know which specific document has been sent to a prospective client, allowing the error correction policy to be applied if necessary. This new interpretation will require some GIPS-compliant firms to review their practice of directing potential clients to the firm’s website to download GIPS-compliant presentations.

The use of price indices as benchmarks is not allowed
According to GIPS article 5.A.1e, compliant presentations must show: “The total return for the benchmark for each annual period. The benchmark must reflect the investment mandate, objective or strategy of the composite.” Some firms have still been using price indices as composite benchmarks, which exclude dividend income in the benchmark return calculation. The GIPS standard-setting bodies concluded that total return benchmarks must be used as composite benchmarks. In the absence of a total return benchmark, the firm may not present the benchmark and will need to disclose why the benchmark is not presented. This conclusion clarifies that a price-only benchmark could be misleading and would not be a fair representation compared to a total return composite performance. Firms may, however, continue to use either a gross- or net-of-tax total return index as a composite benchmark in line with the investment strategy of the composite.

Overlay portfolios
All Q&As regarding overlay portfolios will be removed from the GIPS Handbook and the Q&A Database as guidance on this topic will be developed in a separate project, in accordance with the GIPS EC Strategic Plan of October 2011. A dedicated working group will examine technical aspects such as calculation of composite and total firm assets and will develop new guidance.

Clarification on real estate performance calculation
Supplementing the GIPS real estate requirements and the GIPS Guidance Statement on Real Estate, the revised GIPS Standards Handbook contains a new section on the calculation of time-weighted real estate component returns (income return and capital return components). Although the section does not contain new requirements for real estate, the typical formulas utilized by real estate firms to calculate component and total returns are presented as a recommendation. Alternative formulas may be applied by firms, provided the calculation method chosen represents returns fairly, is not misleading, and is applied consistently. The handbook also provides a detailed calculation example. This new section will be helpful to firms with dedicated real estate composites since clarifications on this subject had been removed from the GIPS texts during the GIPS 2010 revision work.

Readers are aware that according to GIPS article 0.A.1: “Firms must comply with all the requirements of the GIPS standards, including any updates, Guidance Statements, interpretations, Questions & Answers (Q&As), and clarifications published by the CFA Institute and the GIPS Executive Committee, which are available on the GIPS standards website as well in the GIPS Handbook.” Over the last year, considerable work has been undertaken by the GIPS standard-setting bodies to update the GIPS Handbook to reflect the changes in guidance, Q&As, and applications in the 2010 edition of the GIPS standards.

The new edition of the GIPS Handbook will be accessible for free on the GIPS standards website. In addition, it will still be possible to purchase a hard copy. Although the GIPS Handbook had already been approved during the EC Committee open meeting on 16 March 2012, some final editing work remains to be completed. CFA Institute plans to publish the revised GIPS Standards Handbook in the fourth quarter of 2012.

Not all existing Q&As will be included in the GIPS Handbook. The rationale is that new Q&As may be issued after publication, thus making the handbook outdated. The electronic version of the handbook will be updated periodically and will also be available as a PDF document as well. The online Q&A Database will continue as a reference for all GIPS Q&As. Q&As that have become obsolete as a result of 2010 edition of the GIPS standards will be archived.
The new Guidance Statement on Alternative Investment Strategies and Structures

Having written for many years on the benefits of the GIPS standards for hedge funds, we welcome the newly released Guidance Statement on Alternative Investment Strategies and Structures as significant in the evolution of the GIPS standards from its traditional roots, putting it in harmony with with the key strategic aim of CFA Institute’s “GIPS Executive Committee” to broaden the reach of the GIPS standards to all corners of the asset management industry.

The GIPS standards establish the core principles of performance measurement and reporting (input data, calculation methodology, composite construction, disclosure and presentation) and the guidance statements provide detailed application notes. They can be about a single topic, such as calculation methodology, or in this case, how to apply the GIPS standards to a specialist segment of the industry, which has already been done with private equity and real estate.

This new guidance, focused primarily on hedge funds, has inevitably come later, because as we have seen, the GIPS standards were perfectly workable for hedge funds albeit with a considerable degree of interpretation required.

The Guidance Statement on Alternative Investment Strategies and Structures is a good one. The technical content is of a high caliber, and the layout is logical and easy to follow. The consultation process also reached the right people, in the form of the Hedge Fund Standards Board and other organizations that could effectively represent the views of large groups of managers. The crucial question now is whether awareness will follow, in the form of increased levels of adoption - an area where the private equity and real estate equivalents have ostensibly come up short.

The short answer is that this guidance statement will succeed where these predecessors have struggled. For one thing, early movers, such as GAM and GLG Partners, whose peers will want to follow them. At the time, judgment calls were necessary in many of the areas where there is now (thanks to the new release) clear guidance, such as the treatment of incentive fees in performance calculations, illiquid investments (including side pockets), creating composites out of master feeder structures, and disclosing the use of leverage, derivatives and the risk metrics used to control them. For diversified asset managers with significant hedge fund operations, the new guidance is equally relevant and helpful for ensuring they fully comply with the GIPS standards.

The major achievement of this guidance statement is therefore reducing the cost and time involved in achieving compliance, thereby favorably influencing the cost-benefit ratio since it was first expressed some years ago. This now raises the question: will all hedge fund managers embrace the GIPS standards as an essential component of their control environment?

Since that time, the benefits of GIPS compliance have become clearer, but largely as a function of the direction the industry is taking. We have seen a markedly increased appetite for hedge funds among pension funds, driving the institutionalization of this segment of the industry like an irresistible force. GIPS compliance is well-known to the pensions sector and is a cost-effective means by which hedge fund managers can signal that they are on a level playing field with their traditional counterparts, particularly when it comes to a strong control environment over their published records.

Our concern is that the prolonged financial crisis may form an immovable object in the path of this simple and logical step forward for hedge fund managers focusing on institutional flows, many of whom are unfortunately being forced to reach once more for the “survival mode” section of the cost management manual. There were certainly more favorable times in which to have released such a guidance statement and encourage more widespread adoption.

On balance, we remain optimistic that the post-crisis spirit we have seen among hedge fund managers will prevail through an extended period of market stress - by treating it as an opportunity to establish alternative investments, delivered through a robust control framework, as an essential component of institutional portfolios. The GIPS standards have always had an important role to play in enabling this process, and this guidance statement makes taking that step even easier.
Although the GIPS standards do not recommend or require performance examinations on the accuracy of specific composite presentations, a number of asset managers choose to have a performance examination for key investment strategies to gain a marketing differentiation through an additional level of investor confidence. The new Guidance Statement on Performance Examinations entered into force on 1 July 2012, facilitating consistency between verifiers conducting a performance examination and asset managers choosing to undergo such an examination. The most important changes, summarized below, mainly address areas that are critical to improve the planning, execution and reporting of the accuracy of a specific composite performance presentation.

On a general note, the guidance statement stresses in the “Fundamental Considerations” section that the required performance examination procedures represent the required minimum. The extent to which this is all that has to be performed depends on the circumstances; verifiers may need to perform additional examination procedures on a composite presentation.

The “Sampling” section has been enhanced considerably, incorporating input from Q&As and highlighting the importance of completeness of the population and the selection of the most appropriate sampling methodology, considering relevant composite and firm-specific circumstances (for example, number of portfolios, number of years examined, performance calculation methodology and internal control structure at the firm).

The “Required Performance Examination Procedures” section covers details and clarifications related to key areas such as portfolio valuation, portfolio trade processing, cash flows, income and expenses, existence and ownership of client assets, performance calculation, presentation information and disclosures, as well as additional and supplemental information.

The most notable update here addresses existence and ownership of client assets. The recommendation that verifiers obtain an appropriate confirmation of assets directly from independent custodians or counterparties is a clear response to the performance examination issues that emerged amid high-profile fraud cases in the not-so-distant past relating to misappropriated client assets and falsified reporting of their existence. Furthermore, the provisions require verifiers to perform a more thorough review of firms’ reconciliations and procedures to ensure the existence and ownership of client assets.

The text also includes improved procedures on custom benchmarks and composite information and disclosures, which have been the subject of regulatory scrutiny.

In the “Representation Letter” section, the guidance statement provides a detailed discussion on the required and “nice to have” areas to be covered in the representation letter that a firm provides to the verifier conducting the performance examination. The guidance statement requires the firm’s management to address fundamental areas such as compliance of policies with the GIPS standards and the consistency of their application and to include any relevant representations.

Lastly, the “Performance Examination Report” section deals in detail with verifier performance examination reporting requirements. The new text aims to improve the consistency of reporting by clarifying the areas verifiers must opine on, the information and references required in the performance examination report, and the way verifiers have to report when a performance examination report cannot be issued.

The Guidance Statement on Performance Examinations includes some significant changes: expanded and, at times more stringent procedures, clarified execution and reporting requirements, and consistent with the 2010 edition of the GIPS standards.
The development of GIPS in China

Ernst & Young has been closely involved in the development of the GIPS standards in China. We would like to describe its recent history, starting with the roles of different market participants before exploring the reasons why some of the largest fund management companies have adopted the GIPS standards and, finally, sharing our thoughts about its future development.

Main participants and their role in promoting the GIPS standards in China

China Securities Regulatory Commission (CSRC)
Regulatory bodies play an important role in the adoption of new industry-wide standards in China. When first tackling the issue of supervising Chinese asset managers, the CSRC, China’s main regulatory body for securities and investment funds, researched the relevant standards in place in other countries and looked at how Western countries deal with investment performance disclosure issues. The CSRC quickly found that many foreign asset managers disclose the performance of assets under management using the GIPS standards. The GIPS standards, as a set of internationally accepted investment performance standards, have attracted a lot of interest in China. The CSRC has been eager to learn from other countries in developing best practices for the fund management industry. It was therefore natural that the CSRC recommended that Chinese fund management companies comply with the GIPS standards once the industry was ready to invest overseas (QDII). In the “Notification to the questions related to QDII fund operations,” the CSRC stated that QDII funds should calculate and disclose investment performance in accordance with the GIPS standards (June 2007). The CSRC seemed also eager to demonstrate that Chinese asset managers’ performance is as good as that of international asset managers. Finally, the CSRC subsequently stated that it encourages Chinese fund management companies to adopt the GIPS standards for reporting in the domestic market as well.

Securities Association of China (SAC) and the Asset Management Association of China (AMAC)
The SAC organized a conference in 2007 with the aim of introducing the GIPS standards to all invited fund management companies. The event was attended by several key parties, including the CSRC, CFA Institute, the Hong Kong Society of Financial Analysts (HKSFA) and qualified GIPS specialists. This conference was widely followed by industry participants and promoted the early adoption of the GIPS standards in China. Afterwards, the SAC founded a small group of delegates from fund management companies and custodian banks to discuss how to best implement the GIPS standards in China. After the official establishment of the Asset Management Association of China (AMAC) in July 2012, this Association has taken over relevant GIPS development work in China.

CFA Institute
As the main sponsor and initiator of the GIPS standards, CFA Institute supports and follows the development of the standards. It works closely with market participants and has held many seminars to promote the GIPS standards in China and continues to promote the standards.

Fund management companies
Many leading Chinese fund managers regularly communicate and exchange information with asset managers in the West, especially those based in the United States. By visiting and learning from US-based asset managers, Chinese fund managers are able to understand the importance of using the GIPS standards when disclosing their fund performance to demonstrate their commitment to integrity and best practice. The first fund management company that considered becoming GIPS-compliant standards was Bosera, one of the leading and largest fund managers in China. When Bosera’s senior managers visited US counterparts, they realized that many leading asset managers and institutional investors were active users of GIPS-compliant reports.

ICBC-CS, the JV fund management company between ICBC and Credit Suisse, was the first Chinese asset manager to disclose a GIPS report publicly on the company website.

Other large Chinese asset managers have followed in the footsteps of Bosera and ICBC-CS and achieved GIPS compliance in the last five years.

Other asset managers
With the expansion of Chinese asset managers’ operations in Hong Kong, more and more have been considering complying with relevant GIPS requirements to meet the demands of international investors. The need to demonstrate good practices in disclosing performance information is a strong incentive for the development of the GIPS standards in China. Asset managers quickly realized that many international institutional investors expect participants in requests for proposal (RFPs) to comply with relevant GIPS requirements.

Verification firms
The Big Four accounting firms and other specialized firms have also been active in promoting the GIPS standards in China and providing verification compliance services. Ernst & Young was quick to identify the potential for the GIPS standards in China and has taken on an important role. Ernst & Young has held a series of seminars to explain how to apply GIPS in China (also in association with CFA Institute). Furthermore Ernst & Young has participated in many of the working groups held by the SAC to further translate the GIPS standards into Chinese and express the
opinions and positions of some Chinese asset managers in relation to proposed changes and guidance statements.

Why have some of the largest fund management companies adopted the GIPS standards in China?

Summarized below are the discussion points that came up in the course of working on and promoting the GIPS standards in China over the last few years. They provide good examples of why the GIPS standards are so important as a “passport” for asset managers wishing to compete internationally.

The GIPS standards as globally accepted practice

Most large international asset managers are GIPS-compliant. Chinese asset managers also understand that the GIPS standards are widely accepted and serve as an important tool in promoting their services to international investors. When issuing RFPs, many international institutional investors demand that asset managers be GIPS-compliant. This has led many asset managers to comply with the GIPS standards since they became established in Hong Kong.

Pioneer spirit

Chinese asset managers have been operating only for the last 13 years. However, most of them are eager to learn and adopt good practice. The market leaders are keen to demonstrate that they have adopted the best practice in investment performance disclosure and are the first to do so on a voluntary basis. Until quite recently, very few Chinese institutional investors would ask for GIPS-compliant performance information.

Growing importance of Institutional investments

Fund management companies provide more of institutional investment services such as corporate annuities, segregated accounts and National Social Security Fund (NSSF) special mandates. Most of the time, the investment performance data of these products is not easily and publicly accessible. This poses an important issue in terms of information disclosure and how institutional investors know whether they are being treated fairly compared with other mandates managed by the same asset managers.

Internal controls related to investment performance disclosure

Many firms realized that they do not have any standardized procedures to use when evaluating the performance of different investment products. Along with the growth of new products and new customers, the GIPS standards not only support good practice when disclosing performance data to investors, but are also a strong tool to report investment performance information and data internally, allowing the evaluation of different asset managers’ performance.

The future of the GIPS standards in China

More asset managers will adopt the GIPS standards and become compliant to promote their services to a broader and more sophisticated investment market in China and overseas.

For alternative investment products that are being launched, information related to the investment performance is either not at all or only slightly regulated. Furthermore, it is not publicly available. Investors and distributors look for investment products that can provide positive returns. Past performance will remain a priority in their assessment of asset managers. The need to obtain relevant performance information is increasing, and most investors and distributors appreciate that asset managers tend to present their performance in the most favorable format, which can sometimes be misleading; thus the GIPS standards have been adopted so successfully in other countries because of:

- Simulated performance
- Partial performance information and performance information with survivorship bias
- Use of marketing tools to present partial information, etc.

More institutional investors are investing in China while more Chinese asset managers are expanding their business in Hong Kong and beyond. They have a common need for good performance information that is presented in accordance with generally accepted performance standards. Adopting the GIPS standards will support Chinese asset managers in reporting investment performance in an internationally accepted format and concurrently promote the self-discipline of the whole industry. There is strong demand for more transparent information in China for all types of investments, including private equity, hedge funds and traditional asset management, and GIPS represents the best solution available to provide this.
Opportunities of Solvency II for asset managers

Solvency II is a European Union (EU) directive established to review the capital adequacy requirements for European insurers and reinsurers, primarily concerning the capital an EU (re)insurer must hold to reduce the risk of insolvency. Solvency II will go into force on 1 January 2014 for all 27 EU member states plus three countries from the European Economic Area (EEA).

Solvency II aims to harmonize the EU insurance regulations in the following key areas:
- Market-consistent balance sheet
- Own risk and solvency assessment
- Risk-based capital
- Senior management accountability
- Supervisory assessment

The Solvency II framework is similar to the three-pillar structure of Basel II:
- **Pillar 1:** capital adequacy - quantitative capital requirement
- **Pillar 2:** systems of governance - effective supervision, governance and risk management requirement
- **Pillar 3:** supervisory reporting and public disclosure - disclosure and transparency requirement

**Challenges for the asset management industry**
The impact of the Solvency II framework extends beyond the insurance industry; its implementation also poses a number of challenges for the asset management industry, including:

- Look-through basis - while the look-through approach aims to assess and manage insurance investors’ risk profile and the risks underlying their investment funds, look-through reporting requires asset managers to provide an increased level of disclosure for pooled investment funds (e.g., securitized products, hedge funds and mutual funds).
- Data granularity - asset managers will need to have the reporting capacity to meet the increased level of data granularity. For each asset, asset managers will need to provide data on a security-by-security basis; this will be a particular onus on providers with large, diverse investment pools across multiple services.
- Data reporting frequency - asset managers will be required to deliver monthly asset reports by the third business day of each month. This challenging timeline will have a considerable impact on the asset managers' operating models and all affected third-party administrators.
- Solvency II will require insurers to be responsible for having some sort of ongoing data control mechanism and quality assessment to demonstrate the completeness, appropriateness and accuracy of data sets. This will need to be evidenced and thus consideration will have to be given to what form this will take. There are various methods of providing quality assurance over solvency reporting data, including independent reviews and Service Organisation Controls Report 2 (SOC 2), while compliance with the GIPS standards is another way of meeting that requirement when it comes to investment performance data.

**Opportunities for asset managers**
Currently, Solvency II presents asset managers with an opportunity to re-assess their strategy and develop investment products for the insurance market. While some managers will see it as an opportunity to come up with bespoke Solvency II solutions, others will agonize over the cost of compliance compared with the cost of exiting the market. Asset managers who seize the opportunity to differentiate themselves by being Solvency II-ready with appropriate investment products will capture insurers and reinsurers who use these investments to manage their capital requirements. In the future, insurers are likely to prefer investments that will closely match their liabilities and minimize risky asset classes. It is clear that a plethora of Solvency II optimized products will be in the offerings, for example, products to hedge long-duration liabilities and products that match the challenges and complexity of discount rates in the new regime. Some asset managers are focusing on their capabilities in portfolio construction, targeting insurance clients' liabilities with genuine portfolio optimization solutions.

**Ernst & Young survey**
For the last two years, Ernst & Young has been working with a number of asset managers, concentrating on the impact of Solvency II on the asset management value chain. Recently, we undertook a survey assessing the asset managers' Solvency II readiness. In this survey, we analyzed Solvency II from an asset managers' viewpoint, confirming that the impact of Solvency II extends beyond the insurance industry and into the asset managers' business models.

**Key findings of the Ernst & Young survey:**
- European asset managers think Solvency II will lead to more insurance business.
- Lack of clarity in the Solvency II regulations remains the biggest challenge.
- Asset managers believe their client reporting, data and product development functions will be significantly impacted by Solvency II.

The survey found asset managers to be bullish about their prospects of winning additional business as a result of Solvency II, with two-thirds of respondents expecting to acquire more insurance business. While this is positive, Ernst & Young believes that this expectation is mainly aspirational rather than based on a specific
revenue target: some 91% of respondents have no set target for additional fees to be generated by Solvency II.

At present, the biggest challenge for asset managers stemming from Solvency II is the “clarity of requirements,” with more than half of respondents citing this as an issue. Once clarity is achieved, we anticipate that the next hurdle would be meeting the objective of providing accurate and timely data.

The top three areas of impact within the asset management operating model highlighted by respondents in our survey were client reporting, data management and product development, respectively. We would have expected data management to be ranked higher than client reporting, because data management concerns the entire investment process, whereas client reporting is only the end of the process. We imagine respondents selected this activity because of a lack of clarity in the reporting requirements under Solvency II.

In conclusion, many asset management firms are not actually taking a strategic view on Solvency II. While over half have said they are being proactive and two-thirds have a strategy in place, more detailed evidence from the survey suggests the approach remains reactive. The survey found that the focus is on operational and compliance matters, with relatively little attention being paid to strategic revenue generation opportunities that may be derived from the Solvency II program.

For a copy of the survey “How asset managers are preparing for Solvency II,” please contact olga.ho@ch.ey.com or visit our website for further Solvency II resources and thought leadership:
Ernst & Young contacts

To learn more about how the Ernst & Young Investment Performance Services practice can help you comply and compete, please contact one of our professionals:

**Australia**
- Brett Kallio
  - Phone: +61 3 9288 8597
  - brett.kallio@au.ey.com

**Austria**
- Roland Unterweger
  - Phone: +43 1 21170 1090
  - roland.unterweger@at.ey.com

**Canada**
- Leon Chin
  - Phone: +1 416 943 3111
  - leon.chin@ca.ey.com

**China**
- Chengsen Yeh
  - Phone: +86 21 2228 2196
  - chengsen.yeh@cn.ey.com

**Denmark**
- Mads Jensen
  - Phone: +45 51 58 26 18
  - mads.jensen@dk.ey.com

**Finland**
- Teemu Luovila
  - Phone: +358-40-772 1974
  - teemu.luovila@fi.ey.com

**France**
- Bernard Charrue
  - Phone: +33 1 46 93 72 33
  - bernard.charrue@fr.ey.com

**Germany**
- Oliver Heist
  - Phone: +49 6196 996 27505
  - oliver.heist@de.ey.com

**Hong Kong**
- Elliott Shadforth
  - Phone: +852 2846 9083
  - elliott.shadforth@hk.ey.com

**India**
- Vipul M Shah
  - Phone: +91 22 6192 2197
  - vipul.shah@in.ey.com

**Hungary**
- Martin Zuba
  - Phone: +36 1 451 8223
  - martin.zuba@hu.ey.com

**Italy**
- Emilio Maffli
  - Phone: +39 02 7221 2203
  - emilio.maffli@it.ey.com

**Japan**
- Yoh Kuwabara
  - Phone: +81 3 3503 3244
  - kuwabara-y@shinnihon.or.jp

**Korea (South)**
- Justin (Jun-So) Pak
  - Phone: +82 2 3787 6528
  - justin.pak@kr.ey.com

**Luxembourg**
- Laurent Denayer
  - Phone: +352 42 124 8340
  - laurent.denayer@lu.ey.com

**Netherlands**
- Remco Stam
  - Phone: +31 88 407 1279
  - remco.stam@nl.ey.com

**Norway**
- Orjan Agdesteen
  - Phone: +47 24 00 27 55
  - orjan.agdesteen@no.ey.com

**Pakistan**
- Ashoke Kumar
  - Phone: +92 21 3563 8238 to 42 Ext- 317
  - ashoke.kumar@pk.ey.com

**Poland**
- Pawel Flak
  - Phone: +48 22 557 7000
  - pawel.flak@pl.ey.com

**Russia**
- Alexey Bratanovsky
  - Phone: +7-495-648-9620
  - alexey.bratanovsky@ru.ey.com

**Singapore**
- Brian Thung
  - Phone: +65 6309 6227
  - brian.thung@sg.ey.com

**South Africa**
- Eugene Skrynnyk
  - Phone: +27 21 443 0635
  - eugene.skrynnyk@za.ey.com

**Spain**
- Maria Cofre
  - Phone: +34 915 727611
  - maria.cofregomez@es.ey.com

**Sweden**
- Jesper Nilsson
  - Phone: +46 8 520 590 00
  - jesper.nilsson@se.ey.com

**Switzerland**
- Susanne Klemm
  - Phone: +41 58 286 6914
  - susanne.klemmm@ch.ey.com

**United Arab Emirates**
- Adnan Mithani
  - Phone: +971 2 417 4400
  - adnan.mithani@ae.ey.com

**United Kingdom**
- Matt Price
  - Phone: +44 (0)20 7951 2223
  - mprice1@uk.ey.com

**USA**
- Todd Johnson
  - Phone: +1 212 773 8667
  - todd.johnson@ey.com
Upcoming conferences and seminars on the GIPS standards

**GIPS Standards Interactive Workshop**
organized by the CFA Institute
19 September 2012
Westin Copley Place
Boston, Massachusetts, United States
http://www.cfainstitute.org/learning/products/events/Pages/09192012_63790.aspx

**GIPS Standards Annual Conference**
organized by the CFA Institute
20–21 September 2012
Westin Copley Place
Boston, Massachusetts, United States
http://www.cfainstitute.org/learning/products/events/Pages/09202012_63296.aspx

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Ernst & Young GIPS contact

Susanne Klemm
Head of Investment Performance Services
Switzerland
susanne.klemm@ch.ey.com
Phone +41 58 286 69 14

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