

New Zealand Society Leads Charge for Adoption of GIPS® Standards

BY CHRISTINE MARTIN

New Zealand may not be the Wild West, but its investment industry lacks many of the regulations and standards in place in many countries with similarly developed markets. “There’s no evidence that investment professionals are exploiting investors,” says Louis Boulanger, CFA, president of the New Zealand Society of Investment Professionals (NZSIP). “Still, the NZSIP views the GIPS standards to be a worthwhile objective to focus its energy and resources.”

The NZSIP adopted the GIPS standards as the country sponsor in 2002 and since has dedicated much of its limited resources to their promotion. Boulanger notes, however, that despite the absence of local standards, the GIPS standards have received a lukewarm reception by the New Zealand investment community. “There’s no big incentive for them to incur the costs involved in coming into compliance,” he explained.

That may change, however. Boulanger believes the GIPS standards will become increasingly visible and important to New Zealand investors as

they gain greater acceptance worldwide and evolve to incorporate issues of particular relevance to New Zealanders.

Boulanger describes the unique characteristics of New Zealand and its investment industry: “New Zealand is relatively small, having a total population of about four million people. It’s like a large city in terms of the total amount of funds under management. The investment industry serves the needs of investors — whether private individuals or institutional investors — largely through pooled vehicles — what we call unit trusts — in order to achieve reasonable diversification. The majority of assets from larger funds are invested with off-shore-based investment managers.”

The Investment Savings and Insurance Association is a nongovernmental body that has developed some limited standards. Otherwise, industry regulation and oversight are virtually nonexistent. “Investment managers are basically free to choose how they represent themselves and their performance. There’s no licensing even. So anyone can set up shop as an investment adviser or fund manager,” says Boulanger.

Instituting self-regulation in New Zealand’s investment industry, therefore, is a priority to the New Zealand

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President
New Zealand Society
of Investment Professionals

Society. “It’s our professional duty to make sure the industry is reputable, and that the interests of the investing public are always considered. We strongly feel that the establishment of standards in New Zealand is a key part of that overall objective and that GIPS is an obvious way we can do this.”

The 60-member NZSIP, which formed just three years ago, has opted to postpone some society endeavors in order to give priority to its role as GIPS country sponsor. NZSIP has made a concerted effort to raise awareness of the GIPS standards among local firms and the general public through both advertising and events. Investment Performance Council (IPC) member Carl Bacon has given two multi-day courses on investment performance measurements that emphasize the GIPS standards, as well as a half-day master course for firms interested in becoming GIPS-compliant.

Yet not a single firm in New Zealand is GIPS-compliant. “There’s no demand from the investing public for GIPS-compliant track records or performance presentation,” says Boulanger. “As long as firms do not see a competitive advan-

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Auckland, New Zealand’s largest and most cosmopolitan city, is home to 1.2 million people and the country’s business center.

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tage in being GIPS-compliant — or a competitive disadvantage in not being compliant — nothing will change.”

Boulanger feels, however, that over time competitive pressure will prompt GIPS compliance in New Zealand, and he points to a recent government initiative that will likely increase public scrutiny of the country’s investment industry.

“To address the growing problem of New Zealand’s aging population and its effect on the cost of providing a universal pension to all New Zealand citizens,” explains Boulanger, “last year the government established the New Zealand Superannuation Fund, which will grow from NZ\$3 billion to NZ\$100 billion by 2023. It will continue to grow to reach a size in excess of 40 percent of New Zealand’s GDP, and will remain at least one-third of the size of the local economy for another 50 years or so.”

Guardians of the Superannuation Fund are in the process of appointing fund managers, which Boulanger sees

as an opportunity for generating greater awareness of the importance of industry standards and transparency. He also noted that an imminent IMF visit to New Zealand to evaluate its securities industry is expected to result in the recommendation for improved industry regulation and oversight.

Boulanger adds that the evolution of the GIPS standards, specifically with regard to issues of taxation, may hold a potential window of opportunity for GIPS to increase its relevancy to New Zealand’s investing public. “In New Zealand, savings are taxed at the same rate, whether an individual is saving for retirement or for a holiday. Unit trusts are taxed as companies — at a rate of 33 percent. Consequently, a whole host of issues arise, particularly in terms of performance reporting, as a result of tax,” he says.

Although the GIPS standards currently do not cover issues of taxation, it’s back on the IPC agenda. And the NZSIP is interested to see what will happen. Says Boulanger: “Although everyone agrees that before-tax returns

are more meaningful when comparing the performance of a manager against a benchmark or market index or against peers, it’s also important to recognize tax-management skill, which likewise needs to be measured, monitored, and reported upon. That’s an area that I think New Zealand will be keen to develop over time.” **■**

Christine Martin is a freelance journalist who writes for a variety of professional and trade publications.

USE OF SUPPLEMENTAL INFORMATION GUIDANCE STATEMENT

The Guidance Statement on Use of Supplemental Information has been approved. For more information, go to www.aimr.org/standards.

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IPC MEETING AUDIO CAST

Proceedings from the IPC meeting held in Sydney, Australia, 25 September are available via audio cast. For more information, go to www.aimr.org/standards.

INVESTMENT PERFORMANCE COUNCIL

MEETING DATE

9 December 2003

Conference Call

7:30 am – 9:30 am (EST)

All meetings are open to the public. To be included in the call, e-mail standardsetting@aimr.org at least two weeks prior to the scheduled meeting date.

IPC-ENDORSED STANDARDS

(CVGS, TGS AND GIPS IN ENGLISH)

as of September 2003

Country Version of GIPS (CVG)

AIPS (Australia)
E-IPS (Egypt)*
IPS (Ireland)
IPPS (Italy)
SAAJ-IPS (Japan)
GIPS (South Africa)*
SPPS (Swiss)
UKIPS (UK)
AIMR-PPS (US & Canada)

Translation of GIPS (TG)

GIPS (Austria)
GIPS (Denmark)
GIPS (France)
DVFA-PPS (Germany)*
GIPS (Hungary)
GIPS (Luxembourg)**
VBA-PPS (Netherlands)
GIPS (Norway)
GIPS (Poland)
GIPS (Spain)*

GIPS (In English)

Belgium*
Luxembourg**
Portugal
New Zealand

* Indicates submission has been received, but not yet endorsed by the IPC.

** Luxembourg has adopted three standards: GIPS in English, France TG, & Austria TG

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