Reporting: no longer straight and narrow

Working Paper - Nummer: 18

2008

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in: Client Services & Reporting Today;

2008; Issue 1;

page 6 – 7.

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Version as of 20.10.2007

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Reporting today – at first it seems almost trivial, but a second glance shows it as far more complicated. Looking up its definition in a dictionary, we realise that reporting is, more or less, everything reported – whether on paper or online. In the financial industry, reporting is the generation and distribution of any information. This may range from payment documents to client specific portfolio analysis.

If we focus on a specific area within the financial industry the experience is amplified. For example, client reporting in the asset management industry appears to be quite straightforward: performance figures and asset allocation reports presented in different ways showing how the investments performed over the relevant period, or proving how well the portfolio was managed by the respective asset manager. Generally, reportings from different asset management companies look similar, but may be different with respect to layout or content – and may be delivered to clients either on paper and/or online. It looks like asset management companies offer standard, rather than customized, reporting.

A deeper look at asset management companies reveals reporting is by no means straightforward – or anything like standard. Depending on the product range, the organisational setup and the asset manager's or client's needs, client reporting can be very complicated and differ substantially from company to company. It may not contain only performance reportings, asset allocation analysis or transaction reporting, but also return and risk attribution, asset liability analysis, regulatory reporting, MIS-reports, market outlook and/or other research materials. It is interesting that it is not necessarily the client that is the driving force in determining the content, but very often – and maybe mainly – the asset manager. In this way the manager better demonstrates the performance quality of the portfolio. But it is not only the variety of different analytics or materials offered to the client that makes reporting complex. It is also the gathering and maintenance of the data needed but also making it available in the necessary format and at the appropriate quality and level of detail. Any reporting or analytic is very sensitive to data errors so it is the data management – not the requested analytics – that offer the biggest challenges. It is this that generates nightmares for people working in client reporting departments.

To summarise: client reporting is becoming more and more complex because it is driven by the needs of the different stakeholders – clients, investment consultants, asset and relationship managers. Since financial products are becoming more complex, regulatory reporting requirements are increasing, clients are becoming more sophisticated and, finally, competition is becoming more difficult, the client reporting is getting increasingly challenging from an operational point of view combined partly with a heavy increase in costs. Therefore client reporting has to be – if not already is – a hot topic to be considered by the senior management of the financial industry. Finding a company specific reporting strategy is by no means an easy task considering the many needs of the different stakeholders and the increasing cost pressure in the financial industry, but it is a very interesting and challenging one.