

**Doctor educates to cure common client reporting ills**

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## **Doctor educates to cure common client reporting ills**

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by: Dr. Stefan J. Illmer

Within the arena of client reporting and performance measurement, there are few men more diverse than Dr Stefan Illmer, director and head of client reporting at Credit Suisse in Zürich. He has been published widely and is highly sought after as a speaker, articulately discussing performance measurement, attribution and compliance standards.

Since 1999, he has been an active participant in the development and implementation of the Global Investment Performance Standards (GIPS). He also chairs the Europe, Middle East, Africa Regional Investment Performance Subcommittee (EMEA RIPS) and served as the chair of its predecessor subcommittee, the European Investment Performance Council (EIPC). With PricewaterhouseCoopers, he founded the Swiss Performance Attribution Roundtable and the Swiss Client Reporting Roundtable, putting to practice his strongly held belief that education is the alchemy that turns client services and reporting into performance gold.

### **How did you move into client reporting?**

I started in portfolio management and, as a portfolio strategist, I was responsible for reviewing the strategies for asset allocation products. Then I was given the task of coming up with a controlling concept for the asset management division at Credit-Suisse. I did this in addition to building up compliance. Eventually I was asked take over the client reporting, so I increased my responsibility. I am now in charge of performance measurement attribution and client reporting to global custody, institutional and private banking clients. I head a team of around 35 people and the (total) asset on our reports total around SFr300bn.

### **You differ from most other experts in this industry because you actually studied the topics you now work on at university. The majority of your contemporaries have moved into this arena of business by accident. Do you see this 'accidental' movement as the reality of client reporting?**

Absolutely. Especially with a lot of companies in the Anglo-Saxon world – the UK and the US – this is often the case. If you look at companies in continental Europe things are different. If you look at Germany you find a lot of people from university working in performance measurement departments or client reporting. I don't know why this is the case, but you do see there is a difference.

### **What advice would you have for young graduates who might be considering a career in client reporting?**

Take time to educate yourselves in the basic theory of the industry. I just hired a new graduate and for the first six months he has been given a lot of time to get trained into the theory. He's had to learn the basics – what is performance measurement? What is attribution? We want him to not just say he 'gets' it, but to really understand it. You have to know the basics to be able to argue your case in your daily business with clients and portfolio managers. If you don't understand the basics, you get lost.

### **What do see as the main challenges in client reporting today?**

First, the data quality and data management. I think this is one of the biggest, if not the biggest challenge, because clients are asking for more and more detailed information, and more detailed data. Second, analytics, not only in a monthly basis, but also on a daily basis. We need more data to fulfil all the needs of our clients. This is a big undertaking.

**How different are these challenges from when you started your career in this field?**

When I started my career we had no database and no tools, so I had to build up a performance measurement department. We had a system that calculated some kind of performance number but we had to implement and develop an in-house system. There was nothing there. Today in any performance measurement department you have a database and benchmarking tools.

**How do you see this industry evolving in the next decade and what do you think will be some key changes from now to then?**

We will be able to meet most of the needs of our clients and their increasing needs for perspective portfolio analytics, so we will have a much more detailed level of performance analytics. Things will evolve on a portfolio level, on a stock level, on a daily basis. We will also be responsible for all managed portfolios, which will include hedge funds and derivatives. Also, we will report more frequently than today and make reports available online. Not just asset allocation charts, you will have all these analytics online.

**You are the chairman of the GIPS [Global Investment Performance Standards] executive committee that has just ruled it will not recommend mandatory verification for GIPS-compliant firms. Can you tell me the thought behind this ruling?**

We decided that at a future date verification will not be mandatory because we realised this was not realistic today to require verification on a global basis. There are some countries where this would be appropriate, but other countries that would not accept this. There are countries like the UK where their verification is not only best practice, but common practice – just like in Switzerland. In other countries, where verification might not be common practice, we had to find a solution to fulfil all the needs and wishes of the different stakeholders and country sponsors. This is why we asked the verification sub-committee to come up with a win-win solution. This solution now says that verification is not mandatory but the firm has to state in the future whether they are verified or not. If you are not verified, you have to make a negative statement saying that you are not verified. This might be a global compromise, but this is not fixed yet.

**Is the pressure to report in shorter time frames reducing accuracy?**

I think the issue is not that we have to report more frequently, but you have to have the ability to do this. Due to the increased need for more detailed data you have to increase the frequency of the calculation. You might only need to report on a monthly basis, but you have to do all these calculations on a daily basis.

**What about online reporting? Some in the industry have said clients are not using this service as many had thought they would. Do you think online will ultimately be the main source for the reports or will physical reports remain?**

Physical reports will remain. I agree that online reporting is not being used in a way we all thought it would be. Online reporting value is there if you use it like an MIS tool. For example, if you have an online solution, you will not just see charts but you can see all the data. You can scroll down and see where this data is coming from. This means you can use the online tool as a management information system. That's where most of the value is. But

there are not many clients using this tool like an MIS. For a normal client I think it is nice to have. For the big institutional clients they might use the online tool on a more regular basis.

**You mentioned you want to further education in the industry. What are you doing in Switzerland to accomplish this?**

What I am interested in is similar to what is done at Osney Media [ie, their conferences]. I have developed roundtable meetings in Switzerland. There's no conference organisers who are doing this – it is an industry group that gets together. We started roundtables on performance attribution and risk, as well as on client reporting, about two years ago. I think they have been very helpful. If you want to promote certain methodologies you have to educate the people. That is why we push these roundtables, because you can really educate the financial market. If you support these discussions and facilitate these meetings, then you increase the awareness.

**You seem very passionate about speaking at conferences, would you ever want to teach at university?**

I would like to do so. Currently, I am teaching once a year on investment controlling, so I'm teaching on what I did during my first years in this industry. I am teaching investment control, attribution and risk measurement – and how they all come together.