Past Risk and Return Verification Agency (PaRRVA)

Prelims - *Regulatory Bodies (SEBI), Recent initiatives in financial market regulation.*

Mains (GS III) - *Indian Economy – Mobilization of resources, Government Budgeting, SEBI reforms and investor protection mechanisms.*

Why in news?

Securities and Exchange Board of India (SEBI) issued the operational framework for Past Risk and Return Verification Agency (PaRRVA).

- **Purpose** - It is the main verification agency that will *validate past performance claims made by investment advisors, research analysts, and algo providers.*
- **Investment advisors** – They are SEBI-registered professionals offering ***personalized financial advice*** to clients.
- **Research analysts** – They are also SEBI-registered research and provoide recommendations on financial instruments such as stocks and mutual funds.
- **Algo providers** – They provide trading services through *computerized trading using proprietary algorithm*.
- **Need for verification** – It prevents misleading performance claims and ensures transparency for investors.
- It also standardizes risk-return calculations and protects against cherry-picking or exaggeration.
- **Eligibility:**
  - Must be a Credit Rating Agency (CRA).
  - Minimum ***15 years*** of existence.
  - Minimum Rs.100 crore net worth.
  - Must have rated *at least 250 issuers of debt securities*.
  - Must have an investor grievance redressal system, including online dispute resolution.
  - Must enter an agreement with the PaRRVA Data Centre (PDC).
  - Following approval from SEBI, the CRA would have to develop the infrastructure within 3 months.
- The number of PaRRVA isn't fixed any eligible Credit Rating Agency can become a PaRRVA on approval of SEBI.
- **Responsibilities - Creates Rules for Fair Comparison -** PaRRVA will *set the standard method for how risk and return are calculated.*
- **No Cherry-Picking Allowed -** Investment advisors and algo providers can't pick the best time periods to show their results.
- They must present a full, fair picture not just the "good parts".
- **No Highlighting Only One Product -** They also can't only show the best-performing product or service and hide the rest. All data must be transparent.

- **All Claims Must Link to Verified Data -** Every claim whether in a PDF, email, brochure, or website must include a link or QR code.
- That code will take investors to PaRRVA's website, where they can see the full summary of how the performance numbers were verified.
- **PaRRVA Data Centre (PDC) -** This will be the *data repository and infrastructure provider* that supplies all required data for verification.
- **Eligibility -** A stock exchange will be designated by SEBI as the PDC.
- Responsible for providing secure and verified market data to PaRRVA.
- Must maintain infrastructure for data sharing, grievance handling, and QR code generation for performance summaries.

Reference

Business Standard | PaRRVA