

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 provide 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](#)

