

More transparency wanted

Results of The NED's research on transparency in fund governance practices

The NED has conducted a survey with investors, managers and directors on transparency in fund governance practices.

The fieldwork was conducted in March with 87 entities taking part in the study. The survey was conducted by e-mail and phone. We would like to thank all of those that participated in this poll and we are pleased to report that we had responses from all over the world, including from Australia and Canada as well as from the UK and US along with all the main international fund jurisdictions.

We were very encouraged by the interest and level of participation of respondents to this study – especially from investors. Almost universally they would like to see more transparency in fund governance practices. That includes – perhaps controversially - a redacted version of board minutes (albeit after a suitable delay).

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Independents: how many are needed?

How much impact can independents make on fund boards if they are not in control of them? The question of the role of independents has come up a lot recently. This has happened, in part, because of the FCA's reforms to the boards of Authorised Fund Managers in the UK.

At The NED's New York event this April Julian Sluyters, COO of Aegon Asset Management in the US, made the point that '40 Act funds now mostly have truly independent boards. The requirement in the US is for just 40% of the board to be independent but he said that almost all funds go well beyond this minimum requirement. Julian Sluyters stated that 90% of the boards of US regulated funds in the US have 75% independents on them, or above. 'The longer this goes on the more independent these boards become – and they will fire managers'. He added that 'It's no longer the managers' show anymore.'

However, the point was made that this level of independence took a long time to happen. The situation that the US is in today is the result of a lengthy evolutionary experience.

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