

The NED

Independent intelligence on fund director issues

Issue 10 • June 2012

How are boards dealing with the euro crisis?

A euro collapse will expose the inadequacies of limited boards

Hardly a day goes by without yet more bad news on the never ending euro crisis. The subject has dominated markets for many months. The consequences for the European, if not global, economy if things go from bad to worse are unimaginable. Should the euro break-up, or possibly collapse, as some now believe could happen, there would of course be dramatic repercussions for the asset management industry.

How much are the various different disaster scenarios that are played out in the press being discussed at board meetings? The NED contacted several directors to find out. We discovered that there are usually questions regarding counter-parties risk raised in relation to the euro crisis – banks in particular. FX exposure and discussions regarding currency management are common. But detailed reviews of what a fund should do in the worst case scenario (a euro break-up and ensuing liquidity crisis) seem to be relatively rare.

There appears to be a divide between the level of discussions that are taking place on the boards of large and small funds – particularly on the alternative side of the business.

[Continued on page 12 >>](#)

The AIFM Directive is bad news for governance

Any day now we will find out about the Level II provisions in the AIFM Directive. No doubt there will be much excitement. Lawyers, consultants and others will go to work on their briefing papers. There will be numerous articles in the trade media and probably several conferences too. But, will anyone pause to reflect upon what all means for alternative fund governance? The answer is probably no.

The AIFM Directive is really terrible news for those that believe an experienced and independent board is as good a way to go to protect the interests of investors as any other. It is on the other hand good news for those that believe bureaucracy, supervision and regulation are the best way to help investors.

[Continued on page 15 >>](#)

Contents

How are boards dealing with the euro crisis?	1
The AIFM Directive is bad news for governance	1
NED News	2
The evolution of fund governance	6
Carne defines director independence and time commitments	7
Harvard Law School Forum calls for better hedge fund governance	8
Directors beware: Learn the lessons of Stanford	9
The view from CIMA <i>Interview with Yolanda McCoy</i>	10
Conflicts of interest in Ireland: any different from elsewhere?	17
The NED Directory <i>(information on how to join the database)</i>	19

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