

The NED

Risk and Governance

Independent intelligence on fund governance issues

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Let the sunshine in

Time to end the secrecy in fund governance practices

Transparency allied to technology is transforming the fund industry. They are creating a virtuous circle: some very impressive technology is coming into this business at present. It allows for an ever-wider variety of information to be quickly disseminated to investors, stakeholders, service providers, board directors and so forth. Fund governance will soon be caught up in this too.

The NED is running a series of articles in coming issues outlining how transparency can improve fund governance practises. In the first of this series we focus on board composition.

As The NED's researchers have discovered, obtaining information on who is on a fund board can be very difficult to do. Some funds are very happy to provide this. A number of them even put details of who is on the boards of their funds on their websites. But most do not. And many, but not all, of these funds decline to provide information on who is on their boards when contacted by The NED.

Many believe that information on who is on the board should only be provided on a need to know basis. We often hear that it is only for 'accredited investors' (besides the regulator). It is certainly not for the media. This attitude is not only common offshore but also in Luxembourg and to a certain extent in Ireland too.

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No independent oversight please, we're British

Analysis by The NED of UK authorised fund manager (AFM) boards shows profound differences not only with regulated fund managers in the US, the nearest category to compare them with, but also with the boards of funds pretty much everywhere including in the EU and offshore as well as in the US.

AFM board composition in the UK is distinctly unimpressive, to say the very least. There doesn't seem to be any independent oversight going on in the UK at all, at fund or manager level. There would appear to be more independent oversight of offshore alternative funds, including in Cayman, than of regulated retail funds in the UK.

NED researchers looked at the composition of 200 authorised fund manager boards in the UK, information obtained via filings on the FCA's website. A pattern quickly began to emerge when we undertook this analysis.

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