

The NED

Independent intelligence on fund director issues

Issue 3 November 2011

A case to out do Weaving looms on the horizon

The litigation of the Bear Stearns credit funds has profound implications for directors

The Weaving ruling generated an enormous reaction and vast amounts of comment. Many were surprised by the severity of judgement handed out in the Grand Court of the Cayman Islands against Stefan Peterson and Hans Ekstrom, directors of the Weaving Macro Fixed Income Fund. They were found to be guilty of "wilful neglect" and were fined \$111 million. But the outcome of the current Bear Stearns litigation could well have far more significant long term consequences for non executive fund directors than Weaving. NEDs of any failed fund that drifted from its original investment remit, and was not properly monitored by the directors, should take notice.

This story dates back to the collapse of Bear Stearns' mortgage hedge funds in 2007, in which investors lost approximately \$1.6 billion. The global credit crunch began with the implosion of these funds. Scott Lennon and Michelle Wilson-Clarke of Walkers Global were the non executive directors for these funds.

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Director selection: how and who to choose?

With growing investor interest changes in NED selection procedures are likely on the way

The NED has spoken to a number of managers and advisors on non executive fund director selection decisions in preparation for a major survey that it is undertaking on this subject over the winter. These preliminary conversations would indicate that there is likely to be a significant increase in the attention that managers pay to this subject – particularly on the alternative side of the fund industry.

"We are at an inflection point with regard to improvement in standards," says Vincent Vandenbrouke of Hermes BPK Partners a \$2.1 billion alternative advisory boutique and fund of hedge funds manager. "I share the view that boards should achieve good corporate governance."

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Companies and Associations mentioned in this issue:

Appleby
Bear Stearns
Bridge Consulting
Came
Compliance Ireland
Cornerstone
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DMS
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FMConsult
FTI Capital Advisors
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