

The NED

Independent intelligence on fund director issues

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Fees falling in Cayman

There is a growing amount of under-cutting of directors' fees in Cayman. The NED first became aware that this had become widespread on a trip there last December. A number of people complained that they hadn't been able to secure board appointments because they weren't prepared to lower their fees as far as others who they believed were not as well qualified.

Since then such under-cutting has apparently become yet more prevalent. It is in danger of becoming one the trends of the year in a jurisdiction already known for its competitively low director fees. To have non-exec fund director compensation actually go down, from its already low levels, is not something that many would have forecast occurring a few years ago.

There appear to be three reasons that this is happening: the relatively tough times for hedge fund managers and, relatedly, the low number of start-ups, are two of them. The third is the over-supply of directors in Cayman - particularly in the number of boutique start-ups launched over the last few years.

More hedge funds closed their doors in 2015 than at any time since the financial crisis, according Hedge Fund Research (HFR).

Continued on page 8 >>

Partial launch of AIMA's DDQs

AIMA's DDQs for hedge fund directors have only been partially launched. The NED understands that AIMA accepts that they haven't been well received. AIMA has responded by stating that the current versions are not the finished article and has called the DDQs that were presented at the GAIM Ops conference in Cayman earlier this month 'work in progress.' Another version will be brought out in approximately three months' time.

As reported in last month's issue those that had seen the draft document in February, who had spoken with The NED, were not impressed. They thought that the then draft DDQs were too lengthy and intrusive whilst missing out altogether critical areas of a director's supervisory responsibility like risk management.

AIMA presented the DDQs to an audience of over a 100 at the GAIM Ops conference this March. The presentation was brief and no questions were raised by anyone in the audience. The NED understands that the DDQ project was lead-managed by AIMA's Jennifer Wood but she did not attend the presentation in Cayman.

Continued on page 12 >>

Contents

Fees falling in Cayman	1
Partial launch of AIMA's DDQs	1
News	2
Support service for independent directors	2
Industry reaction to CP 86	3
Depositaries becoming part of governance	4
SEC's views on fund boards	5
Dodd-Frank helps the SEC's with private fund advisers	6
SEC names Anthony Kelly as Co-Chief of Asset Management	6
AIMA launches hedge fund DDQs	7
Cyber-security: iNEDs are the weak link	10
Governance guidance issues	13
Non Executive Fund Directors Database	16

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