

# The NED

Independent intelligence on fund director issues

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## American exceptionalism

Alternative fund governance is probably the last remaining area of the fund industry where standards still vary substantially around the world. That is largely because of the United States. The US has taken a very different path on this matter from the rest of the world. This is because of the dominance of partnership structures on the alternative side of its funds business. Whilst no one seems to think partnerships will ever go away there are signs that we might see more of a convergence in governance standards between the US and the rest of the world.

Given the sheer size of the alternative funds business the US, it obviously dominates the global hedge fund and private equity industries. If standards and interest in governance in the US are high they will likely be elsewhere too. But if there is little interest here then it might be difficult for the rest of the world to progress much further – no matter how much regulators revise and develop their governance codes in their various international fund jurisdictions.

The way to make progress in the US must surely be through investors. Managers and their lawyers have no reason to spend more time and money on governance than is necessary. But if investors paid more attention that would have a knock-on effect.

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## The NED's Director Monitoring Service

The NED is starting a new service shortly for investors and managers monitoring developments at the organisations offering fund director services in the international fund domiciles. In the three and a half years that The NED has been in circulation there has been a significant growth in the number of entities coming into this market. As a result The NED feels that systematic categorisation of the organisations involved would be helpful for those interested in their services.

Many have been launched in Cayman but organisations focusing upon providing professional director services have also sprung up across the EU fund jurisdictions, including Malta. And whilst those sitting on fund boards in Guernsey and Jersey are still predominantly individual operators, private equity fund administrators and lawyers there is the beginning of a trend towards professional director firms in the Channel Islands too.

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**For more information on please e-mail [John Omoya](mailto:John.Omoya)**

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Make cheque payable to:  
IFI Global Ltd.  
10 Arthur Street  
London EC4R 9AY

For additional information please contact Tamara Sims at [sims@ifiglobal.com](mailto:sims@ifiglobal.com)

IFI Global Ltd, 10 Arthur Street, London EC4R 9AY Tel: +44 (0) 207 220 9077

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London EC4R 9AY Tel: +44(0)207 220 9077

Editorial & research enquiries:

**Simon Osborn** e-mail: [osborn@ifiglobal.com](mailto:osborn@ifiglobal.com)

Directory & event enquiries:

**Tamara Sims** e-mail: [sims@ifiglobal.com](mailto:sims@ifiglobal.com)

Subscription enquiries:

**John Omoya** e-mail: [omoya@ifiglobal.com](mailto:omoya@ifiglobal.com)