

The NED

Independent intelligence on fund director issues

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SWFs push for better governance

The International Association of Sovereign Wealth Funds has signed an agreement with the Hedge Fund Standards Board (HFSB) to work on improving hedge fund governance. According to The NED's 2015 Survey with allocators there are several areas that investors want to see improved.

One of the issues that concerns sovereign wealth funds, according to an article in the Financial Times about this agreement, is the lack of transparency around funds' liquidity terms. Another problem for these investors are hedge fund fees and expenses.

It has taken a long time but there are growing signs that institutional investors are becoming more interested and involved in the governance of alternative funds. On top of this recent agreement between sovereign wealth funds and the HFSB, and as The NED reported before, The Alignment of Interests Association (AOI), a non-profit institutional investor organisation with a good number of well-known pension funds, has made improving governance standards at hedge funds one of its three founding principles.

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Offshore transparency will be bad for the part timers

How will the drive for higher levels of transparency in the offshore jurisdictions affect the directors of funds that are domiciled there? It is close to certain that it will mean a substantial increase in form filling, compliance, verification checks, registration and so forth. The days when a director could fly under the regulatory radar screen are well and truly over.

Obviously this isn't good news for any director. But it is going to be much worse for part time directors than the full time professional firms. The latter will be geared up to deal with all the form filling. Also those that work at these firms shouldn't have any trouble providing the answers that the authorities are looking for.

But for part time directors, especially those that are based offshore, it might be a very different matter. More registration and form filling might run the risk of triggering investigations from entities like tax authorities and others. For many amateur directors this could be the final straw. Some of them may come to the conclusion that the days of being a director of a few offshore funds, perhaps something they took on in retirement, is no longer worth it.

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