

Independents: the UK goes from famine to feast

The FCA published its Final Report into the UK's £7 trillion asset management industry at the end of June. The biggest change proposed is that UK funds should have at least two independent directors– and that 25% of the board should be independent, at minimum.

Should the FCA's proposal be adopted, as seems likely, it will lead to a revolution in the provision of independent fund directors in the UK. At present there are remarkably few independents on the boards of UK funds. In fact most British based funds do not have any independents on their boards at all.

The majority of UK funds do have large numbers of directors, typically somewhere in the range of five to eight. But in most cases the board is made up of members of the firm that is promoting the fund. Rarely are external non-executives invited to be part of this group. That is what the FCA wants to correct.

If the FCA's recommendation for independent fund directors is implemented the UK will leapfrog over the international fund jurisdictions like Ireland, Luxembourg and most if not all of those offshore in terms of the percentage of independents on boards. [Continued on page 7 >>](#)

Director compensation to go through the roof

The upcoming boom in independent fund directors in the UK has massive ramifications for every international fund jurisdiction – those offshore as well as those in the EU.

Should UK managers wish to appoint fund directors with experience and a proven track record of performing an independent governance oversight role there is one obvious place that they can turn to: offshore and EU fund centres, where many of these people reside.

As mentioned in the article above the FCA estimates independent directors will be paid in the range of £25,000 to £40,000 per annum per directorship. This is considerably less than the compensation of US mutual fund directors but it much more than the majority of fund directors receive in international fund jurisdictions (with the possible exception of a few in the Channel Islands). [Continued on page 9 >>](#)

Contents

Independents: the UK goes from famine to feast	1
Director compensation to go through the roof	1
News	2
Fund director selection research	2
Shift to alternatives gathers pace	2
SEC to focus on disclosure	3
The UK's post AIFMD world	3
Educating the British on independent fund governance	5
Independents: the UK goes from famine to feast <i>Cont. from Page 1</i>	7
Director compensation to go through the roof <i>Cont. from Page 1</i>	9
BEPS: let the changes begin	11
IFI Global event	13
Non Executive Fund Directors Database	15

IFI Global Research

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How the tax tsunami impacts fund domiciliation decisions

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Alternative Fund Governance: The View of Investors (US & Europe)

The Tracker

The impact of AIFMD on US managers (incl remuneration & ManCos)

For more information, please e-mail [Tamara Sims](#)

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