

The NED Risk and Governance

Independent intelligence on fund governance issues

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What is risk governance?

External oversight of risk is emerging as a key part of the alternative fund business – in European offshore as well onshore jurisdictions. It might still be a cottage industry today but it will undoubtedly become a more important part of the alternative fund investing landscape in the future.

That's mainly because investors and regulators have become more focussed on it over the last two years. On top of which some managers, at least, are coming around to the view that good external risk governance, can be a selling tool.

Hedge fund and private equity investing is largely a US creation but the invention of the independent risk oversight function comes from Europe (although there is some overlap with what is happening in GRC functionality in the US). That is partly because of AIFMD. But it also has a lot to do with the way that the alternative fund business is structured in Europe.

Most European alternative fund managers and advisors have funds domiciled offshore or in Dublin or Luxembourg. The trend in EU and at least in European offshore jurisdictions, like the Channel Islands, is to develop substance around the fund structures in those locations.

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FSB publishes thematic peer review on corporate governance

The Financial Stability Board (FSB) has published a peer review on corporate governance. The peer review takes stock of how FSB member jurisdictions have implemented the G20/Organisation for Economic Co-operation and Development (OECD) Principles of Corporate Governance for publicly listed, regulated financial institutions. In so doing, it identifies effective practices and areas where good progress has been made while noting gaps and areas of possible weakness.

One of the main lessons from the global financial crisis of 2008-2009 learned by financial institutions, regulators and other stakeholders is the need to strengthen corporate governance, both in terms of the frameworks and related rules and in terms of the practices of financial institutions. The peer review found that, while all FSB member jurisdictions have a comprehensive corporate governance framework, its effectiveness can be impacted if the division of responsibility among financial sector authorities is unclear...

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

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

Editorial & research enquiries:
Simon Osborn e-mail: osborn@ifiglobal.com

Directory, event & subscription enquiries:
Tamara Sims e-mail: sims@ifiglobal.com