

# The NED

Independent intelligence on fund director issues

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## Director remuneration: ridiculous

Directors of most alternative funds are paid less than 7% of what is earned by those doing the same job for US mutual funds or less than 12% than the equivalent position at UK investment trusts. Whilst there are some differences in responsibilities something has gone badly wrong.

If anything the differences between the two are growing. Competition for directorship positions in Cayman is intense. Basic laws of supply and demand are lowering directors' fee levels. There is no sign of anything equivalent occurring in the US or UK. Indeed if anything director compensation surveys show the opposite: remuneration packages for sought after non-executive directors is going up.

Of course there are obvious differences between private funds, mainly domiciled offshore, with relatively small AUMs, and heavily regulated public US mutual funds, that are invested in by widows and orphans, and which come from multi-billion dollar asset management houses like Fidelity or BlackRock.

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## Poles apart in Dublin and Lux

The European Union is supposed to be all about creating level playing fields, single markets and so forth. Wasn't that the reason for AIFMD? And, to be fair to the EU, UCITS has been a great success. But Ireland and Luxembourg, the EU's two main cross-border domiciles, appear to be drifting apart on fund governance supervision. They have moved further away from each other since AIFMD was implemented than they were before.

CP 86 illustrates the different approach taken to governance supervision in Ireland from Luxembourg. CP 86 is very detailed, functional and proscriptive. There is nothing like it in Luxembourg. And it is close to certain that there never will be. Luxembourg's fund association, ALFI, has provided the industry with a Code of Conduct. It is a general overview covering fund governance principles.

Luxembourg's approach to fund governance is principles based; Ireland's is functional and proscriptive. One might be termed theoretical, the other practical.

Does it really matter that Europe's two dominant cross-border domiciles are as unlike as they are when it comes to fund governance supervision (with Malta, the EU's third fund jurisdiction, somewhere in between the two of them)?

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