

The NED

Independent intelligence on fund director issues

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What's it all about?

Starting with this issue The NED begins a major series examining the real purpose and value of alternative fund governance.

Does it need to improve? If so how and where? And how much do investors care about fund governance matters? (In 2015 the series will be backed up by debates in the US and Europe with investors on this topic.) In these debates The NED will be finding out how governance oversight might help investors further – and what value they put on the role of independent directors.

Much has been said and written on the subject of alternative fund governance since the market crisis. Before the events of 2007-2008 this topic was of little interest to either investors or almost anyone else. Up to that point the real purpose of the board, at least for most managers, was to fulfil various domiciliary requirements – and to help keep the fund out of HMRC's and other tax authorities' hands. Boards proved to the tax collector that funds were entities domiciled in Cayman, Guernsey, Jersey, Ireland, Luxembourg etc.

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Changes expected following CBI's consultation

The result of the Central Bank of Ireland's consultation with industry on changes to Irish fund governance regulation (CP86) is widely expected to lead to some significant differences from what was originally proposed in September.

The CBI published its consultation (CP86) entitled 'Fund management companies effectiveness – delegate oversight' in the early autumn. Among other measures it proposed ending the requirement to have local residency requirements for directors. It said it was doing this to improve board composition of Irish funds and in particular to make it easier for funds to find directors with risk and portfolio management experience. Ireland has been criticised for requiring two directors for each fund to be locally resident.

The CBI consultation also covered practices for the oversight of the activities of delegates, streamlining of the number of designated managerial functions and a new requirement to document the rationale for the composition of the board.

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Companies and Associations mentioned in this issue:

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CBI	MDO
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Cordium	Permal
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