

The NED

Risk and Governance

Independent intelligence on fund governance issues

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10th anniversary issue

The future of fund governance

Much has changed in fund governance over the last 10 years but a lot has also remained the same. There are the occasional dramas. They erupt from time to time but they have had little to no effect on fund governance practices – unless regulators step in as a result of what has happened.

Weaving, Woodford, the role of the directors in the Carlyle Capital Corp collapse and so forth are good for headlines but they tend not to mean all that much at the end of the day. That is because they are pretty rare exceptions: most of the time everything functions well.

An important part of the reason why everything functions well is of course because of what has been going on in the markets. [Continued on page 14 >>](#)

CBI fines Sarasin

The Irish regulator has fined Sarasin Funds Management €385,000 for four regulatory breaches. Sarasin uses a delegation model. There were oversight failures both at the third party ManCo and at board level.

The bank started its investigation after a disclosure in August 2017 by its depositary about a breach of investment restrictions. In the course of investigating the breach, the CBI also found governance and oversight of delegates breaches.

‘Regardless of any delegation of its functions, a fund management company remains responsible for compliance with its regulatory obligations,’ said Seána Cunningham, the CBI’s Director of Enforcement and Anti-Money Laundering.

‘The firm did not seek updates from its delegate on the progression of the merger of two funds, despite the merger’s attendant risks. More generally, the firm and its delegates were not following the reporting and communication procedures outlined in the firm’s own business plan,’ Ms Cunningham added.

She also said that the board did not challenge its delegates’ failure to provide it with adequate information and did not act to correct these deficiencies.

‘It is a particularly troubling finding of this investigation that the Board had confirmed on a number of occasions in the minutes of its own meetings that it had received certain delegate reports when in fact it had not. This falls well below the level of challenge and scrutiny required of the Firm to meet its regulatory obligations.’

At the time of writing it is not clear what action, if any, the CBI will be taking against the board directors.

10th anniversary year

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