

# The NED

## Risk and Governance

Independent intelligence on fund governance issues

Issue 107 • July 2020

## Man vs machine

The recently merged organisation of DMS, MDO, MontLake says it is a leading global governance firm. Is the governance of funds better served by having employees from multinational firms on boards or by having people who have decided to become an independent director on a stand-alone basis, or perhaps in collaboration with a few colleagues?

Might fund governance become dominated by large, global entities providing individuals for board positions whilst, at the same time, offering a range of complementary services to managers such as risk and compliance? In short, might fund governance become yet another corporate function?

This question goes to the heart of how fund governance might evolve over this new decade. There is a really important debate to be had here. On one side are those that see governance oversight as another cost function of the fund, to be managed as efficiently and as effectively as possible. On the other side of the debate are those that see good independent oversight of the fund as being something more than just another cost, something of real value.

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## Consultation update

The following is updated information on the the industry consultation that The NED is undertaking this summer on its plans for independent director certification. The consultation goes on until the end of August so there is still plenty of time to get involved. We welcome feedback from all our subscribers.

As mentioned in last month's issue The NED is looking to introduce a Director Capability Rating (DCR), which we suggest should be based on a traffic light system.

The NED is considering how directors with a Green DCR, as outlined below, could be commended for this certification. It is in discussions with Castle Hall Diligence on this project, who would support the rating by completing Reputational Due Diligence ('RDD') on each certified director.

RDD includes a comprehensive review of public record databases to verify that a director is not listed in global money laundering, bribery and corruption and legal databases. RDD also involves a comprehensive media review to validate that a director has not been the subject of adverse media commentary. In combination, RDD provides valuable support for investors as they consider directors as part of their own due diligence process.

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