

# The NED

Independent intelligence on fund director issues

Issue 62 • October 2016

## BEPS means much more director activity

By the end of the year we should find out how much BEPS Action Plan 7 could affect the structure of the offshore fund director business. The OECD has said that it will clarify details on the rules of Permanent Establishment before 2017.

What is referred to in BEPS Action Plan 7 as Permanent Establishment is very likely to be an enormous issue for alternative asset managers – both those whose funds are domiciled in offshore and EU jurisdictions like Luxembourg and Ireland.

Speaking at IFI Global's seminar at the end of September, BEPS specialist Daniel Lewin, a Partner with Kaye Scholer, said that under Permanent Establishment if an asset manager enters into contracts without material modification by the directors of its fund it will have fallen foul of BEPS. And if it does breach Permanent Establishment rules in BEPS Action Plan 7 the fund will be deemed to be an onshore entity, and its profits will be taxed as such.

*Continued on page 10 >>*

## The implications of fee compression

Director fee reductions means poorer fund governance oversight, said speakers at The NED's recent New York event. At this discussion, with US managers and board influencers, it was agreed that there has been a great deal of fee compression in Cayman over the last few years.

One of the questions that was raised was whether fees might now even have gone so low as to affect governance oversight standards. Might fee compression have gone so far as to influence the number of hours non-executive directors are prepared to devote to a fund?

"Can you pay a director \$5,000 or even \$10,000 and expect that they will really kick the tyres?" said Ron Geffner, a Partner at the New York law firm Sadis & Goldberg, who was speaking at The NED's New York seminar.

He thinks that there will be yet more fee compression. That is because managers are not performing well in these current market conditions; by necessity they have become extremely cost conscious, he suggested. On top of which there are less launches and when they do occur they tend to be smaller than they were a few years ago.

*Continued on page 12 >>*

## Contents

<b>BEPS means much more director activity</b>	<b>1</b>
<b>The implications of fee compression</b>	<b>1</b>
<b>News</b>	<b>2</b>
SEC charges Omega and Artis with insider trading	2
96 countries signed up to BEPS	2
BEPS comes to the BVI	3
OECD threatens Bahamas with blacklisting	3
Europe no longer important to Cayman	3
New UK Overseas Territories Minister visits Cayman	4
Growing interest in ManCo platforms	5
Risk gatekeepers needed	6
Clarus Risk acquires Laven's PE risk practice	7
DMS adds to its New York team	7
<b>Where's the added value?</b>	<b>8</b>
<b>The implications of fee compression</b>	<b>12</b>
<b>The evolving role of risk management</b>	<b>14</b>
<b>Non Executive Fund Directors Database</b>	<b>18</b>

### IFI Global Research

#### ADI

How the tax tsunami impacts fund domiciliation decisions

#### The NED

Alternative Fund Governance: The View of Investors (US & Europe)

#### The Tracker

The impact of AIFMD on US managers (incl remuneration & ManCos)

**For more information, please e-mail [Tamara Sims](mailto:Tamara.Sims@ifi-global.com)**

The NED is published monthly by IFI Global Ltd. Annual subscription is £340. No part of this publication may be distributed or reproduced in whole or in part without prior written permission from the publisher. All contents copyrighted.

## The NED Subscription Form

### With your NED subscription:

- 12 issues of the publication.
- Attendance at all NED events.
- Receipt of NED research. The NED has developed a proprietary databank of information on investor and manager views on board composition, practise and preferred director qualifications.
- The NED Directory. Subscribers are welcome to be included in the NED Directory of fund directors on nedglobal.com.

This form can be completed and saved in Acrobat Reader and then emailed to [Tamara Sims](#)

Name:

Company:

Address:

Email:

Tel:

Date:

An annual subscription to The NED is £340

## Payment options

### Direct Transfer

HSBC Bank Plc  
Oxford Summertown Branch

Account: IFI Global Ltd  
Bank Account No: 41444530  
Sort Code: 40-35-35  
IBAN: GB58MIDL40353541444530  
SWIFTBIC: MIDLGB2148J

### By Cheque (£ Sterling only)

Make cheque payable to:  
IFI Global Ltd.  
10 Arthur Street  
London EC4R 9AY

For additional information please contact Tamara Sims at [sims@ifiglobal.com](mailto: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](mailto:osborn@ifiglobal.com)

Directory, event & subscription enquiries:  
**Tamara Sims** e-mail: [sims@ifiglobal.com](mailto:sims@ifiglobal.com)