

The NED

Risk and Governance

Independent intelligence on fund governance issues

Issue 65 • February 2017

The NED's new name

The NED has added Risk and Governance to the title of this publication. Including risk and governance in its title is a more accurate description what this publication covers these days. As regular readers will be well aware we have writing about risk and general fund governance for some time now.

Risk and fund governance, especially in Europe, are of growing interest to investors, regulators and the industry. That has a lot to do with AIFMD. Before AIFMD's introduction no one spent any time thinking about risk governance. The Directive is the first regulatory measure to introduce the concept of a governance responsibility around risk.

And in the US institutional investors are becoming ever more focussed on GRC (Governance, Risk and Compliance). Much of what will be published in this publication in future should also be of interest to them.

Risk is still a new concept in governance oversight and even today, years after AIFMD's introduction, there are boards of regulated AIFs that do not independently verify the data that is given to them by managers. That is changing quickly as regulators like the CSSF and CBI have come to focus on this topic more seriously than they once did. Arguably they didn't do that when AIFMD first came in.

This publication will be following the development of this story closely in the coming years – as well as focussing, as always, on matters of interest to offshore non-executive directors.

Risk governance issues to resolve

What is the responsibility of boards on risk? Is it just to make sure the fund stays within its risk limits? Or is it more than that? (And, if so, what?) Also, can there really ever be proper risk oversight that is performed by a board of a private equity or real estate fund? And who qualified to do that (in a non-executive capacity) anyway?

These were some of the questions that panellists, and indeed members of the audience, attempted to answer at a lively session on risk and governance hosted by The NED at IFI Global's recent London conference.

Max Hilton, Managing Director of Clarus Risk, said that risk data might be reliable but is backward looking.

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