

The NED

Risk and Governance

Independent intelligence on fund governance issues

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Luxembourg's most impressive

Following reviews of alternative fund board composition in Jersey, Guernsey and Ireland The NED now turns its attention to Luxembourg. Our review of Luxembourg alternative fund boards includes a list of the ten most impressive, including the reasons given for their selection.

The NED was aware that undertaking a review of Luxembourg fund boards would be a significantly different exercise from the reviews undertaken in Guernsey, Jersey and Ireland earlier in the year. The culture of fund governance is not the same in continental Europe as that in the Anglo-Saxon world. And most of the investment entities domiciled in Luxembourg are from managers that are based in these European countries.

NED researchers have sifted through 732 Luxembourg domiciled investment entities (both funds and management groups) primarily on the alternative side of the business. They sought to focus just on funds, at the start of this exercise, as they have done in other jurisdictions. But quite often that information wasn't forthcoming. They were frequently directed to the board of the asset management group that is behind the fund in question.

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Time for board minutes disclosure?

Over the last few months The NED has become aware that some big investors have been pushing to get partial sight of the board minutes of at least some of funds that they have allocated to. Could this be the next step in institutional investor involvement in fund governance and director selection?

As The NED has reported many times institutional investors, and those that work on their behalf, have become more involved in fund governance matters over recent years. Organisations like Aon Hewitt, Castle Hall, Mercers and Towers Watson want to know a lot about those serving on the boards of funds of interest to their clients these days.

Beyond the standard background checks a good way for them to do due diligence on a fund director is to see how he or she performs at board meetings. For example, they would like to know if the fund manager is ever challenged. If so how often and for what reasons?

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