



IPAF responses to ‘Questions for Consideration’ to the ‘Consultation on Fund Management Company Effectiveness – Delegate Oversight’: Consultation Paper CP 86

1. Is publishing a delegate oversight good practice document along the attached lines a good approach to encouraging the development of the supervision of delegates by fund management companies?

Yes.

2. Is the breakdown of revised managerial functions correct?

Complaints handling should be in compliance, not distribution.

Should other managerial functions be provided for?

No

What are your observations about what the operational effectiveness function might entail and how this might be performed?

Do you see any obstacles to the Chairperson performing the operational effectiveness function?

We agree that the Chairperson is best placed to perform the overall effectiveness function but he should be removed from the day-to-day activities of the fund. i.e. he should remain in a non-executive role. If he is involved in the day-to-day running of the fund, this might compromise his independence.

3. a) Is relaxing the two Irish resident director requirement the correct approach?

Yes, this would benefit both the investors in the funds and also the Irish resident directors. The investors would benefit from a larger pool of talent and experience. The Irish Resident directors would benefit from this as they would sit on boards alongside non-Irish directors who might have wider experience. Opening the market up to non Irish resident directors sends the message to the world’s financial community that Dublin is determined to promote genuine independent directors and prevents any concerns that too many Irish directors know each other. It ensures that directors are truly independent – from each other as well as from the fund.

b) Will relaxing this requirement have an adverse impact on the ability of the Central Bank to have issues with distressed investment funds resolved?

No, if only directors of a high calibre and with sufficient capacity to perform their duties are approved to sit on boards, there should not be a problem.

c) If so, how could this be addressed?

n/a

4. a) What are your views on the proposed approach to measuring time spent in Ireland?

This seems a reasonable measure of time but it might be simpler to use one of the existing resident measures .e.g tax system.

b) Can you suggest any alternatives or any enhancements to the definition proposed by the Central Bank?

See a).

5. Is there a downside to requiring fund management companies to document the rationale for the board composition?

No, a balanced board is very important to good corporate governance of a fund and documenting it is good practice. No single director can be experienced in every area and putting directors with different skill sets on a board makes it much more effective and will benefit the investors. If funds are not currently thinking about their board composition this will prompt them to and potentially prompt them to appoint different directors. Documenting the rationale is not time consuming and is often requested by investors anyway as part of their due diligence process.

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Will fund management companies require a transitional period during which they can alter their board composition to ensure they have sufficient expertise and how long do you consider would be a reasonable timeframe for such adjustments?

This depends on how the Central Bank is going to determine what is an acceptable board composition. i.e. how prescriptive/ strict is it going to be? The more stringent the requirements then the greater time needed for the adjustments.

Existing funds should also be included in this requirement as many 'older' boards were assembled when there was slightly less attention to corporate governance and composition, and are therefore not as balanced and this could prompt some changes which would benefit the boards and the funds' investors. It could also be an opportunity to consider whether a director is still independent if they have sat on a board for a very long time (say over 10 years)

If existing funds then, a six month - 1 year transition period is probably needed with the ability for an extension under extenuating circumstances.

6. Are there any other elements that should be included by the Central Bank in a Fund Management Company Effectiveness- Delegate Oversight initiative?

No

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