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Fund Management Company Effectiveness –
Delegate Oversight Consultation
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Dear Sirs

**Consultation on Fund Management Company Effectiveness – Delegate Oversight
(Consultation Paper 86)**

Thank you for offering the opportunity to comment on the work undertaken by the Central Bank of Ireland in respect of Fund Management Company Effectiveness – Delegate Oversight.

Legal & General Group Plc is one of the UK's largest quoted companies. The core business of the group is the provision of broad range of savings and protection products for individuals through our major retail channels. This product range includes term assurance, mortgage protection, household insurance, private medical insurance, saving for retirement, annuities, unit trusts and ISAs. Our corporate business (pensions, group life assurance and group income protection) complements our individual business, drawing on our fund management, actuarial and administrative skills.

Legal & General Investment Management Limited (LGIM) is a subsidiary of Legal & General Group Plc and provides fund management expertise to the Group's retail and corporate businesses as well as to trustees of pension schemes and other institutional clients. Total funds under management were €869 billion at 30 September 2014 underlining Legal & General's position as a major investment house.

Legal & General's primary focus is on UK business, but the Group has operations in Europe, the USA, and the Far East. LGIM has a number of funds and assets under management domiciled in Ireland, through our range of Liquidity Funds and Qualifying Investor Alternative Investment Funds, such that this is an important financial centre to LGIM's business.

We welcome the opportunity to address, and comment on, the issues raised by this consultation, and our response to the Questions for Consideration is set out below.

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?

We concur that publishing guidance provides a sound approach to encourage and promote increased awareness and understanding of expected good practice and, in so doing, will promote higher standards amongst those

responsible for supervision. We would note, however, that there already exists a number of similar responsibilities set out in both the UCITs regulation and the recent AIFMD requirements. In addition, both the IFIA Corporate Governance Code and the Fitness and Probity Standards combine to create similar measures.

Some examples of this are requirements around the provisions set out in Composition of the Board, Role of the Board and Risk Management, Audit Control and Compliance sections of the Corporate Governance Code. There are a number of instances of overlap with the requirements to describe the designated responsibilities and oversight, organisational requirements and resources, and reporting requirements in the UCITs Business Plan. Additionally, AIFMD sets out responsibilities regarding risk management, delegates, outsourcing and conflicts of interest.

It would be helpful to those responsible if the regulations, codes and guidance are consistent in their requirements.

2. Is the breakdown of revised managerial functions correct? Should other managerial functions be provided for? 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 welcome the simplification of the Managerial Oversight tasks into six easily understood categories and, whilst it is possible to debate the precise underlying details and headings included, these are broadly fine.

One of the questions we would have concerns about is the cross border jurisdictional implications of a UK based, FCA regulated AIFM, with AIFs domiciled in Ireland under an umbrella company structure. Certain of the responsibilities in relation to the AIFs, for example, liquidity management, capital management and remuneration, are prescribed as the responsibility of the AIFM under AIFMD. However, in other places in the guidance note, these are set out as the responsibility of the Board of the AIF. We would welcome clearer guidance on the potential differences between the responsibilities which are allocated to the AIFM under AIFMD and those allocated to the Board of the AIFs under this guidance paper.

3. Is relaxing the two Irish resident director requirement the correct approach? Will relaxing this requirement have an adverse impact on the ability of the Central Bank to have issues with distressed investment funds resolved? If so, how could this be addressed?

We recognise that there may be benefit to relaxing the two Irish resident director requirement provided there are adequate safeguards in place to ensure the benefits of appointing subject matter specialists are properly realised. However, we would raise concerns over the level of record keeping which may be required to meet the current proposal.

We would also note that the proposed approach is contradictory to the provisions of the IFIA Corporate Governance Code. We would therefore request any revisions to this do not set firms in conflict with the Code.

4. What are your views on the proposed approach to measuring time spent in Ireland? Can you suggest any alternatives or any enhancements to the definition proposed by the Central Bank?

We note the proposals and have no major concerns with this. However, we reiterate our concern over the potential resource requirement of record keeping.

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

Whilst there appear no obvious downside to documenting the rationale for the board composition, there is no clear criteria for determining what the Central Bank would consider amounts to sufficient expertise. A strong Board usually comprises individuals with a good mix of technical skill, but also the softer, perceptive and intuitive capabilities, coupled with business acumen and experience. Some of these are difficult to describe on paper, but are equally important in establishing the balance of the Board.

If the measures proposed are adopted, we would suggest a twelve month transition period from publication of the finalised requirements to enable proper understanding and time to make adjustments (if necessitated).

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

We have no further comments on this but would welcome stronger reference to, and linkage with, the other similar regulations and guidance, thereby providing greater clarity and reducing conflicting or competing requirements.

Yours faithfully,

Steven Maton
Fund Governance