

Irish directors are in danger of becoming ‘micro-managers’

The CBI is accused of wanting to turn fund directors into micro-managers by some Irish based iNEDs. It expects them to have more hands-on oversight of managers’ investment strategies in future. And directors will also be required to determine whether the fund strategy is right for its investors.

The push for more portfolio management oversight, by the board, follows on from the CBI’s thematic review into closet indexing. 62 Irish domiciled funds are now under further formal investigation by the CBI as a result of this review.

Requiring boards to determine whether the fund’s portfolio management strategy is the right one for its investors is controversial; it is also likely to have a substantial long-term impact on Irish fund governance practices. If other jurisdictions were to follow Ireland’s lead it could have a transformative impact on fund governance. The CBI says boards must consider whether the fund has delivered on its stated objectives, and ‘remains viable and suitable for investors’.

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Hands-on vs lofty detachment

Fund boards are moving in one direction

Hands-on directors that add value seems to be a fast-growing industry trend at present – whether it be value for investors, managers or even regulators like the CBI. For a number of different reasons, and in a variety of jurisdictions, directors that can provide real or added value, however defined, is becoming all the rage.

The reason that the CBI wants Irish fund directors to become more involved in portfolio management oversight is that it wants them to be more proactive in stopping things from going wrong, before they reach crisis proportions. That kind of proactivity obviously adds value but it is arguably over and beyond the traditional role that has been played by fund boards – at least those in an international fund jurisdiction.

What is happening in Ireland shows that the era of the gentleman amateur director might eventually come to an end. Having individuals on the board that offer just the basic, standard directorship functions may not last for all that long into the future. Directors who like to survey the scene – with an Olympian and lofty detachment – which is gleaned from their attendance and preparation for the occasional board meeting, does not appear to be what is in vogue these days.

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SWIFTBIC: HBUKGB4B

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The NED is published by IFI Global Ltd, 10 Arthur Street, London EC4R 9AY Tel: +44(0)207 220 9077

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