

The NED

Independent intelligence on fund director issues

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Governance standards vary by domicile

There is real variance in governance standards across fund jurisdictions say alternative managers. IFI Global, The NED's parent, surveyed hedge fund and private equity managers with a combined AUM of \$187.8 bn on fund domiciliation matters.

Whilst the overwhelming majority of managers think that there is a significant degree of variability in governance standards in the international fund domiciles a lot of survey participants said that they believe that those standards have been improving over the last three years. No one interviewed stated that standards have gone down, in any jurisdiction.

And although the consensus is that there are marked differences in standards this isn't necessarily something that concerns most managers surveyed a great deal (although there were a few exceptions). The availability and suitability of NEDs in a particular fund jurisdiction is considered less important in domicile selection than these following factors: investor approval, costs and the jurisdiction's regulatory regime. However NED selection did beat some of the other options given to managers to select in response to this survey question, such as other managers that use it and time to market.

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Questions about the questionnaire

The NED has learnt that AIMA is nearing completion on a questionnaire for investors to use for performing due diligence on hedge fund directors. It will be launched at the GAIM Ops conference in Cayman in March.

Many of those who The NED has spoken with about the questionnaire are critical of at least some aspects of it – although this has been balanced by praise for AIMA for undertaking this exercise in the first place.

Also The NED understands that the questionnaire is strong on conflicts of interest, and other areas, that are critically important to investors. (Conflicts of interest was investors' chief concern in the research that The NED undertook with allocators in Europe and the US last year.)

Those that are most critical of the questionnaire, which is still in draft form, fear above all else that it will turn out to have been a wasted opportunity. Many are worried that the questionnaire is just too long.

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