

The NED

Independent intelligence on fund director issues

Issue 63 • November 2016

Remuneration: not so bad after all

The NED's 2016 Director Survey sheds light on one of the big talking points of the year: directors' fee compression. But contrary to the view of some, especially in Cayman, directors' remuneration is not really being compressed, let alone on the way down.

The figures given by The NED's survey respondents this autumn, as the standard minimums in their jurisdictions, look to be in line with the amounts quoted for similar surveys that The NED undertook in 2014 and 2015.

But there is one exception: start-ups. Directors that The NED spoke to for this survey reported that the start-up market was even more disappointing this year than it was in 2015. This appears to be a widespread problem. There have been remarkably few new fund launches across all the international fund jurisdictions, and all alternative asset classes, this year. This is one of the reasons why so many jurisdictions launched new fund structures in 2016 – it was their attempt to stimulate the fund start-up market.

Continued on page 10 >>

How much do LPACs help PE governance?

How useful are LPACs in providing governance oversight for investors at private equity structures, particularly in the US? And will the SEC's Private Funds Unit be put on the leash following Trump's election and Mary Jo White's departure?

There has been growing interest in LPACs (Limited Partnership Advisory Committees) in the US since the SEC set up its Private Funds unit two and half years ago. What the SEC unearthed, particularly with regard to fees and conflicts of interest, concerned a lot of investors. The airing of private equity managers' fees and expenses in the media caused alarm at some large institutional investors, including CalPERS. There has been much reported unease that investors don't really know what they were paying for.

Last year, for example, The Financial Times contacted Carlyle, KKR, Blackstone, Apollo, TPG and Warburg Pincus for information on their fees. All of refused to comment, claimed the FT. The newspaper quoted Professor Ludovic Phalippou, of the Said Business School at Oxford University, who said the following: "Private equity managers' fees and expenses are like an iceberg as so much remains hidden. And the iceberg is very deep."

Continued on page 13 >>

Contents

Remuneration: not so bad after all	1
How much do LPACs help PE governance?	1
News	2
Weaving: the latest twists and turns	2
Mary Jo White to leave the SEC	3
EU's tax haven blacklist by end 2017	4
The Donald and Dodd Frank	4
No passport extension	5
Guernsey launches Private Investment Fund	6
DMS expands in London and New York	7
Cordle joins Ogier in Guernsey	7
Understanding the risks on behalf of a fund's shareholders	8
Non Executive Fund Directors Database	16

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IBAN: GB58MIDL40353541444530
SWIFTBIC: MIDLGB2148J

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