

Development of the Irish Fund Directors Association

By Tim Madigan

Ireland's independent fund directors have organised themselves into a new representative body called the Irish Fund Directors Association (IFDA). Set up in late 2015, the IFDA now has almost 100 members which represents a significant proportion of Ireland's independent fund directors.

'The IFDA is already a significant contributor to the Irish funds industry, with many of our members serving as independent directors for funds managed by leading global investment managers,' according to its chairman Fergus Sheridan. 'Our members - who must all be previously approved as a director by the Central Bank of Ireland or equivalent regulator - play a key role in promoting best practice governance for investment funds. I'm particularly proud of our members' active participation, their commitment to fostering a genuinely independent mindset and their engagement with complex regulatory issues. Building the IFDA is a challenging and exciting project.'

The regulatory environment across Europe is currently undergoing significant transformation with greater emphasis by EU governments and regulators on the introduction of a more comprehensive regulatory regime for investment services and financial markets together with the introduction of common investor protection standards across the EU.

The conditions for authorisation and the on-going changing regulatory requirements for investment firms, regulated markets and trading facilities must now fully comply with, require the management functions of regulated firms to have the relevant expertise and qualifications to fulfil their duties and responsibilities.

In addition, investment fund boards must demonstrate independence to both regulators and investors, hence the role of the independent non-executive directors with the expert knowledge and professional qualifications is critical to strengthening investor protection, reducing market and systemic risks and eliminating inefficiencies and problems in the financial markets.



'The IFDA is already a significant contributor to the Irish funds industry' – *Fergus Sheridan*

These regulatory changes (such as the Central Bank of Ireland's revised Guidance for Fund Management Companies and MIFID II) demonstrate the need for investment firms and service providers to rely upon and seek out the services of the local non-executive director resource pool in Ireland which already have the expertise required by regulators to meet stakeholder expectations with regard to the growing complexity in managing investor and client funds across the EU.

Addressing the IFDA's membership earlier this month Gerry Cross, the Central Bank of Ireland's Director of Policy and Risk, reiterated the Central Bank's support for IFDA: 'The Central Bank very much welcomed the creation of your Association ... We note and support your objectives to advocate industry best practice in corporate and fund governance as well as board oversight. These very much align with the recent work completed by the Central Bank on fund management company effectiveness ...'

Mr Cross was referring to the Central Bank of Ireland's revised Guidance for Fund Management Companies issued in December 2016 after a three-year consultation

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process (known as CP86). This will enhance the governance, oversight and delegation arrangements in place in Irish authorised fund management companies. The managerial function regimes for UCITS and AIFs have been merged into one single regime with six management functions being carried out by designated persons. New rules around the monitoring of directors' time commitments have also been introduced. The IFDA engaged with its members during this consultation process and shared their feedback with the Central Bank of Ireland. Mr Cross has acknowledged 'the contribution that the funds' directors' community made to this work.'

Further commenting on the role of independent fund directors Mr Cross said: 'The role of independent directors in the good governance of the funds sector cannot be overstated; in particular their indispensable responsibility for challenge and oversight, including oversight of the arrangements in place for the supervision of delegates. Our [the Central Bank'] rules require that it be an independent director who must assume the organisational effectiveness role which is a key new role required as a result of the CP86 review.'

'The organisational effectiveness role evolves the responsibilities of the independent fund director who acts in this capacity into one which places the independent director clearly at the heart of a board's activities,' says Mr Cross. 'It constructs a framework through which the effectiveness of the arrangements in place for the management of the fund are actively considered and reviewed on a continuing basis. The individual who carries out this role will be on the alert for organisational issues and will escalate them to the wider Board with proposals for change where necessary.'

Ireland's investment funds industry has gone from strength to strength since its establishment over 25 years ago and is now internationally recognised as a global funds centre. Assets under management domiciled in Ireland's 6,700 sub-funds were €2.7 trillion at July 2017, according to Irish Funds. Over 880 investment managers from 50+ countries have assets administered in Ireland. 17 of the top 20 global asset managers have Irish

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domiciled funds. These funds are sold to 70 countries in the Americas, Asia and the Pacific, the Middle East and Africa. Over 40% of the world's hedge fund assets are serviced in Ireland.

Irish investment funds, fund management companies, fund service providers and MIFID firms are required to appoint at least one independent director. A recent PwC survey showed that 27% of those acting as independent directors have been doing so for 5 years or more, with the remaining 73% entering the space in the past 5 years.

The IFDA chairman Fergus Sheridan is supported in the running of the IFDA by six other elected Council members, with Raymond O'Neill as vice-chair. Tim Madigan oversees external relations with other stakeholders in the investment funds industry, while Conor Molloy leads on regulatory and supervisory matters. Membership growth and relations is spearheaded by Noel Ford. Damian Keane is Treasurer and John Oppermann acts as Council and Association Secretary.

Recently the IFDA took the opportunity to respond to the Central Bank of Ireland's consultation paper on Investment Firms Regulations including changes related to MiFID II (CP111).

Similar representative bodies already exist for fund directors in other major fund centres. Institut Luxembourgeois des Administrateurs (ILA) was founded in 2005 to represent Luxembourg's fund directors. The Mutual Fund Directors Forum (MFDF) plays a similar role for independent fund directors in the US. The IFDA plans to forge links with each of these.

For more information please go to www.ifdassoc.ie or email secretary@ifdassoc.ie. ■