

**Response by Capita Financial Managers (Ireland) Limited (“CFMI”) to
“Questions for consideration” posed on page 8 of Consultation Paper CP 86:
Consultation on Fund Management Company Effectiveness – Delegate
Oversight**

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?

CFMI response: Yes. We feel it is as it encourages a level playing field between providers and encourages best practice.

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?

CFMI response: We note that the revised managerial functions aim to streamline the UCITS and AIFM functions. UCITS funds would thus be in scope for the managerial functions of AIFMD that are not required by the UCITS regulations i.e. Record Keeping, Remuneration, Conflicts of Interest, Liquidity Management, Reporting Process and Operational Risk Management. We feel that managerial functions for UCITS funds should only cover those required by the regulations.

Regarding whether the oversight of the organisational effectiveness function is appropriate for the Chairperson of the board; we feel that where the Chairperson is a non-executive director, there is a danger that this will lead to the role becoming effectively that of an executive director. The paper refers to “day to day control” and extending the role of the Chairperson to “in between board meetings”. We feel that involvement of a non-executive director in day to day operations; even in an oversight capacity is not good governance. Where the Chairperson is a non-executive director, we propose that oversight of the operational effectiveness function is completed by the CEO / Managing Director, on the basis of their familiarity with the day to day operations of the Company.

3. Is relaxing the two Irish resident director requirements 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?

CFMI response: Regarding relaxing the two Irish resident director requirements, we see both positives and negatives to this approach, which we have outlined below:

On the positive side, the position of directors should be considered with respect to their experience and knowledge of the relevant rules and jurisdictional requirements. This should be the criteria assessed for appointment to the board and not their country of residence.

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Capita Asset Services is a trading name of Capita Financial Managers (Ireland) Limited which is authorised by the Central Bank of Ireland under the Investment Intermediaries Act, 1995.

Directors: Tony Joyce (Chairman), Chris Addenbrooke (UK), Michael Greaney, Paul Nunan.

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On the negative side, we feel it may not be in the best interests of shareholders to have solely one Irish resident director as there may be a risk that Irish regulations and requirements would not be given adequate focus on boards. We feel that these requirements would be more likely to be given adequate focus where there are at least two Irish resident directors on boards particularly where the rest of the board, in the case of a SMIC, is made up of employees of the Promoter / Investment Manager and are based outside of the state. We note that an increased number of Investment Risk Management personnel have entered the market in recent years which we feel has mitigated the risks which the paper looks to address by removing the requirement for two Irish resident directors.

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?

CFMI response: We feel that the current approach should be maintained.

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?

CFMI response: We feel a 12 month timeframe would be appropriate for implementation of the required adjustments to board composition.

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

CFMI response: The oversight of the Delegate function should be carried out by personnel with appropriate experience of those functions. That person should be free of conflict from the delegate they are supervising.

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