

By Email ([fundspolicy@centralbank.ie](mailto:fundspolicy@centralbank.ie))

Fund Management Company Effectiveness – Delegate Oversight Consultation  
Markets Policy Division  
Central Bank of Ireland  
Black D  
Iveagh Court  
Harcourt Road  
Dublin 2

12 December 2014

**Re: CP 86 Consultation on Fund Management Company Effectiveness – Delegate Oversight  
("Consultation Paper")**

Dear Sirs,

We refer to the Consultation Paper and while we generally support having enhanced guidelines on the effectiveness of fund management companies, we have a few areas of concern, and we have limited our response to those specific areas.

**Question 2: Is the breakdown of revised managerial functions correct? Should other managerial functions be provided for? What are your observations about what the operational / organisational effectiveness function might entail and how this might be performed? Do you see any obstacles to the Chairperson performing the operational / organisational effectiveness function?**

With regard to the organisational effectiveness function being performed by the Chairperson. We would believe the Chairperson is not the most appropriate individual to perform this role. Under Section 5 of the IFIA Voluntary Corporate Governance Code for Collective Investment Schemes and Management Companies (the "Code"), the Chairman of management companies should be a non-executive Director, being one who is not directly involved in the day-to-day management of the discretionary investment management of the collective investment scheme. We would query how such a non-executive Director would have capabilities to oversee the adequacy of internal resources within the authorised entity or to oversee the effectiveness of the designation of the retained tasks as a mechanism of ensuring day-to-day control. We believe that this role should be reserved for a Director who is an executive of the asset manager and indeed the role is too broad for any one Director to undertake.

In streamlining the managerial functions into six managerial functions, we believe there should be scope to have more than one Designated Person responsible for each function. We also believe that the "Supervision of Delegates" should have its own separate managerial function, as the proposed "Organisational Effectiveness Function" is extremely broad and would be better served as an oversight function of the whole process, which effectively the Board does today.

We believe further clarity is needed from the Central Bank of Ireland to understand the full extent of the proposed new role of the Chairman, which appears to be very broad, time-consuming and difficult for a non-executive Director to perform.

**Question 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?**

With regard to documenting the rationale for the board composition, we do not believe this is reasonable suggestion. We believe a lot of time and energy is already expended on choosing the composition of a Board, at the initial authorisation stage, and indeed throughout the lifetime of the entity. However, it may not be possible to articulate why one individual is selected over another, when on the face of it both individuals are equally

qualified and suitable for the role. The decision may come down to personalities and whether the chosen individual will work well with the Board as a whole, and with the executives and officers of the authorised entity.

In addition, we would query why the rationale is only required at the outset of the authorisation process. If it is determined by the Central Bank after this consultation process that this is appropriate to request the rationale for the appointment of Directors, the rationale should be required on every appointment and not just in respect of those at the outset of the authorization process.

We would also like to highlight that an analysis and review of the composition of the Board would have been completed at the time of implementation of the Code and indeed since then as part of the review process set out in Section 8.2 of the Code.

We hope this comments are of assistance and are available to discuss these, if required.

Yours faithfully



Michelle McGrath  
Legal Counsel  
Lazard Fund Managers (Ireland) Limited