

Hi Friends

Please see below for Three Rock Capital Management Limited's response to CP86. The firm has responded to **question 2** in the paper.

Is the breakdown of revised managerial functions correct? Should other managerial functions be provided for?

It is stated in the Consultation Paper that one of the main drivers behind the revised breakdown of managerial functions is to reduce the likelihood of "overlap" and the possible adverse implications that this may have for accountability. It seems to us that this approach could actually increase the scope for overlap and reduce the clarity with which tasks are allocated to individuals. It may also mean that tasks may be allocated to person not best suited to undertake the task in question. As an example consider the function of "Distribution". The paper suggests that the task of "complaints handling" would be part of this function's remit. It would seem logical that this function would also be responsible for Investor Relations, Business Development, Sales and Marketing of the fund/investment product. It is unlikely that a person best skilled in an organisation to look after sales and marketing would also be the person best placed to handle complaints- indeed there are likely to be conflicts of interest.

This example is to illustrate our broader point. There is a danger that as you concentrate the number of management functions into a smaller number of headline categories with nominated individuals directly responsible, specific tasks may not be allocated to the most suitable people. The actual effect may be diminished rather than enhanced supervision.

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?

We feel that the addition of the role of "Organisational Effectiveness" would be a positive development and help to promote good organisational practice in investment management companies. While we feel that this would be a positive development in general, we would have concerns about the role to be played by the Chairman. Specifically we would have concerns about how this would impact small firms. Changes that results in an executive or quasi-executive role for the Chairman would have implications for the independence of the Board. In smaller firms, with limited Board size, having the role of the Chair extended to become more actively involved in the day to day business between Board meetings will necessarily reduce his/her independence. There is also the issue of the skill set required by the Chair. The changes being suggested would require a greater deal of micro knowledge of a wider range of areas. Smaller firms may have difficulty attracting candidates with the necessary knowledge and experience.

We feel that while this change may have some merit in larger organisations, it is a measure that should be applied on a risk adjusted basis and as per the scale and activities of the particular Management Company.

Regards

Gary Murray

Head of Compliance

Three Rock Capital Management Limited

149 Francis Street

Dublin 8

Ireland

General: +353 1 440 5180 Direct: +353 1 440 5181 Mobile +353 86 6040 991

gary.murray@threerockcapital.com