



Banc Ceannais na hÉireann
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Fund Management Companies – Guidance

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Adherence to guidance

1. It should be evident from the fund management company’s board minutes that the fund management company is acting in accordance with this guidance, if this is the case.

PART I

Delegate Oversight

Scope

1. This Part sets out the Central Bank’s guidance for boards of directors of investment companies, UCITS management companies, alternative investment fund managers (AIFMs) and AIF management companies incorporated and authorised in Ireland (referred to in this Part as “relevant companies”).
2. A board of a relevant company has ultimate responsibility for all aspects of management that are not specifically reserved to the shareholders (whether by constitutive documents or applicable law¹). While boards may delegate tasks internally, it is also common in Ireland for certain tasks to be delegated externally. The focus of this document is on the role of boards where significant tasks are delegated externally. It is not deemed necessary at this time to issue guidance on other aspects of a board’s work. In those regards, boards are recommended to exercise prudent judgement having regard to, but not necessarily confining themselves to, widely accepted standards of good governance and to have regard to the particular challenges of the relevant company.
3. Such delegation, and the legal responsibilities of delegates, does not reduce the board’s ultimate responsibility. It follows that the board must,

¹ In particular, under the Companies Act 2014 or the Irish Collective Asset-management Vehicles Act 2015

notwithstanding any such delegation, at all times retain and exercise overall control of the relevant company's management.

4. There are also limits on the extent to which delegation is legally permissible. In particular, under European legislation as transposed, AIFMs and UCITS management companies are under an obligation not to delegate to the extent that they become letterbox entities².
5. The responsibilities of a UCITS management company and an AIFM, as set out in applicable legislation, differ. A UCITS management company is defined as a company whose regular business is the management of UCITS (defined as including investment management, fund administration and distribution). An AIFM may carry on all these functions but is required to perform investment management (defined as encompassing portfolio management and risk management). In this Part, no distinction is drawn between UCITS and AIFs, but, in the application of the guidance it sets out, account should be taken of the specific circumstances which prevail.
6. The scope of this Part covers:
 - A. investment management
 - B. distribution
 - C. risk management (both operational and investment risk)
 - D. operation and administration
 - E. support and resourcing
 - F. boards of externally-managed investment companies
7. The main body of this Part concerns the responsibilities of relevant companies (and, by extension, of their boards, which have ultimate management responsibility) which are authorised in Ireland as AIFMs or UCITS management companies. This encompasses:
 - self-managed UCITS and AIFs; and
 - UCITS management companies and AIFMs.

² Regulation 23(2) of the EC (UCITS) Regulations 2011 and Regulation 21(4) of the EU (AIFM) Regulations 2013.

8. In some cases UCITS management companies and AIFMs will have been appointed by investment companies (i.e. UCITS or AIFs). A further section F therefore addresses issues specific to the responsibilities retained by such investment companies (and, by extension, their boards).
9. In this Part the term:
- “delegate” means, in the context of any relevant company or the board of any relevant company, the fund administration company, investment manager, risk manager and distributor;
 - “depository”, in the context of an investment fund, includes reference to any trustee or custodian, if applicable, of that investment fund;
 - “investment company” means an investment company authorised in accordance with Part 24 of the Companies Act 2014 or the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations 2011 (S.I. No. 352 of 2011) or an Irish Collective Asset-management Vehicle (‘ICAV’) registered with and authorised by the Central Bank under the ICAV Act 2015;
 - “investment fund” means a collective investment scheme whether structured as an investment company, unit trust, common contractual fund, investment limited partnership or otherwise³;
 - “fund management company” means an entity regulated as an AIFM or a UCITS management company⁴ in each case incorporated or otherwise organised, and authorised under the laws of Ireland. In the context of section F, however, it may encompass a management company organised and authorised in another EU member state or an AIFM established outside the EU; and

³ Investment funds may be organised and authorised under the laws of jurisdictions other than Ireland. The laws applicable to such an investment fund may impose on a management company additional, or alternative, obligations to those imposed in the case of an Irish investment fund. The Central Bank has focussed only on investment funds organised and authorised under the laws of Ireland and has assumed that nothing in the laws of such other jurisdictions would affect the recommendations made in this Part. Of course, the board of a management company must be satisfied that the management company has complied with all applicable legal and regulatory requirements. It follows therefore that it should also be satisfied that there is no conflict between the respective requirements of each relevant jurisdiction.

⁴ This includes any self-managed investment company which is itself regulated as an AIFM or UCITS management company

- “investment management” means that which, in an AIFMD context, would be encompassed by the portfolio management aspects of investment management.
10. The provisions set out in this Part are intended to assist relevant companies by providing an overview of the approach recommended by the Central Bank. This Part does not purport to address every aspect of such practice in detail. The overriding approach should be that the board should design its governance practices so as to be appropriate and commensurate to the business of the relevant company and, where applicable, the investment funds it manages.

General observations

Relationship between fund management company and delegates

11. Good governance requires clarity as to the allocation of responsibilities, documented policies and procedures, structures which foster constructive challenge, and the effective provision of appropriate information to boards. The adoption by a board of the general approach identified in this Part will not in itself achieve the objective of good governance. The environment and culture in which such an approach operates are also key.
12. The relationship between a fund management company and a delegate must be such as to enable competent and appropriate management of the fund management company and a shared understanding as to how to achieve it. The following features are essential to such a relationship:
- Openness: Full, frank and open dialogue between the board and the delegates is essential. A delegate should provide all information that the board needs in order to discharge its responsibilities. The scope of that information should be clearly identified by the board and agreed with the delegate;
 - Engagement: Directors should be attentive to their duties as directors and dedicate sufficient time to their discharge. The Central Bank’s guidance on directors’ time commitments is relevant in this regard. A

delegate should recognise the directors' duties and facilitate the discharge by the directors of their ultimate responsibility for the delegated tasks;

- Co-operation: A fund management company and its delegates should recognise their common interest in a well-run fund management company that serves the interests of investors in the funds that it manages.
- Dialogue: A delegate should accept that directors, in order to discharge their duties, may need to seek further information on proposals and performance, ask probing questions and provide constructive criticism. The relationship between the delegate and the board should be such that directors are encouraged to do so. Nothing in the way directors are appointed or support is provided to directors should signal any reluctance on the part of delegates to support open board-level challenge.

13. The relationship between the fund management company and its delegates should be such as will support and facilitate the exercise by the board of its ultimate responsibility for, and control over, the management of that fund management company.

Retained tasks and delegated tasks

14. A fund management company may, notwithstanding the ultimate management responsibility of its board, delegate in whole or in part certain specific tasks which form part of the fund management company's management functions. While the tasks may be delegated, however, ultimate responsibility for those management functions themselves cannot be delegated. Delegation is permitted but responsibility is retained. The terms of any delegation should, therefore, be such as will facilitate the discharge by directors of:
- their duties to the relevant fund management company (including those relating to that company's discharge of its obligations in respect of investment funds it manages); and

- any other responsibilities assumed by them to other persons, for example to shareholders (investors) pursuant to the prospectus, where it is a self-managed investment company.

Retained tasks

15. The board should, notwithstanding any delegation of tasks, take all major strategic and operational decisions affecting the fund management company and any investment funds it manages⁵.

16. Examples of key responsibilities that should be retained by the board include the following:

- issue of the prospectus, where the fund management company has responsibility in this regard;
- review and approval of financial accounts and investment fund documentation, where the fund management company has responsibility in this regard;
- temporary suspension of redemptions, or other measures taken in response to adverse financial developments, where the fund management company has responsibility in this regard;
- approval and periodic review of the business plan or programme of operations, as the case may be, and compliance with it;
- its own internal governance, including the appointment and retention of directors and any staff, the capacity of directors to fulfil their roles and conflict of interest policies;
- adoption and review of a comprehensive suite of policies and procedures and, to the extent that reliance is placed on the policies and procedures of delegates, periodic review of the appropriateness of such reliance;

⁵ Subject always to any matters reserved to its shareholders (in the case of decisions affecting it), or to the shareholders (or other investors) or board (or other internal management) of any externally-managed investment fund (in the case of decisions affecting such an investment fund). The below comments on retained tasks should be read subject to this.

- satisfying itself that arrangements are in place to enable compliance with applicable legal and regulatory requirements;
 - appointment, oversight and removal of delegates (including the basis on which delegates may further delegate tasks);
 - investment approach (see section A below);
 - launches or closures of sub-funds and share classes; and
 - distribution strategies including the jurisdictions into which the investment funds are marketed.
17. The board may of course discharge these responsibilities with the benefit of advice and recommendations from delegates. Given the nature of its responsibilities, however, it should consider any such advice and recommendations and reserve the right not to act on such advice and recommendations where appropriate. Decisions on matters reserved to the board should be minuted in precise, unequivocal and directive terms.

Delegated tasks

18. The main body of this Part deals with the oversight of tasks which are delegated.
19. The delegation of a task does not release the board from its ultimate responsibility for the relevant management functions. The board should satisfy itself that the manner of delegation is such that the relevant board responsibilities can be discharged, that management roles delegated internally can be effectively performed (see Part III on organisational effectiveness) and that the external delegate performs the relevant task to an appropriate standard.
20. A board should exercise skill, care and diligence when identifying and approving the appointment of a delegate for any task. It should satisfy itself as to the capacity of the prospective delegate to undertake such task to the required standard.

21. It should continue to exercise skill, care and diligence in its continuing oversight of delegates. To this end the board should receive and be satisfied with periodic reports from appropriately authorised personnel of the delegate.
22. Such reports should address compliance with relevant legal and regulatory requirements and with relevant policies and operating procedures (including those of the fund management company and the delegate as relevant), noting the extent of any breaches; error reporting should be included. The board should identify when standards fall short of the required levels and require remedial action to be taken.
23. In addition, boards should receive and be satisfied with reports or presentations from their delegates addressing significant developments in the delegate's business, including development plans or changes in organisation, business mix or client base, outcomes of regulatory inspections and external and internal audit reviews, and business continuity programmes.

A. Investment management

24. The board should seek a report or presentation from the investment manager prior to the issue of the prospectus and launch of the investment fund or sub-fund (the “relevant fund” in this Part) to inform it of the investment approach the investment manager proposes to take. It should approve the proposed investment approach, taken as a whole. For this purpose, the board should be provided with information about at least the following matters:

- the investment objective and policies;
- any benchmark against which the relevant fund’s performance will be presented to investors and/or used in the calculation of performance fees;
- the range of assets into which it is proposed the relevant fund should invest;
- the portfolio management team’s credentials for the task;
- the investment processes to be adopted by the portfolio management team;
- the type of restrictions and limitations imposed on the management of the relevant fund, additional to those specified in the prospectus, for example those dealing with large exposures or leverage, and the related control arrangements;
- frequency of unit dealing, the basis for pricing relevant fund units, and any anti-dilution measures;
- the investment manager’s trading protocols, including order management, best execution, allocation of business to brokers and commission sharing;
- the basis on which any securities lending is undertaken, including fees, counterparty risk and collateral management;
- the extent to which it is proposed to use financial derivative instruments, the controls to which such use will be subject and applicable policies in respect of collateral management, counterparty risk and leverage management; and

- processes for the management of liquidity risks, including the potential for liquidity mismatches between assets and liabilities, and the actions to be taken to mitigate them.
25. Once the relevant fund has been established and launched, the board should oversee the investment manager's compliance with the approved investment approach. While it is not the role of the board to take day-to-day investment decisions that are properly within the remit of the portfolio manager, it should put in place processes under which it monitors, and the investment manager is accountable for, the delegated tasks.
 26. The board should receive and be satisfied with comprehensive annual presentations from the investment manager detailing developments affecting the manager itself, the investment process and strategy, the investment team, progress and performance (including strategy for responding to any underperformance) and any proposed development of the investment approach. Changes to the investment approach at any time should be subject to approval by the board. A suitable representative of the investment manager should be available to answer questions in advance of and at the board meeting where such changes are being discussed.
 27. The board should also receive and be satisfied with regular (at least quarterly, unless the particular circumstances indicate otherwise) reports during the year. These should include details of any departures from the investment approach approved by the board or breaches of the investment manager's internal policies, and any remedial action taken.
 28. All directors should have a good understanding of all relevant aspects of the investment manager's business and policies. This might require site visits and/or meetings with senior management, in addition to the regular presentations and reports from the personnel working directly on the account where practicable. Such site visits are often beneficial and should be given positive consideration.

B. Distribution

29. At the time of the launch of a new investment fund (including any sub-fund), the board should approve the proposed distribution strategy, including:
- who will undertake the tasks associated with distribution and any proposed delegation;
 - the marketing strategy and approach;
 - target markets and channels, including the competitive landscape;
 - the jurisdictions into which distribution is proposed, whether immediately or in due course;
 - the control framework for compliance with any local legal, regulatory, tax or other compliance requirements; and
 - the control framework for marketing in a manner consistent with the terms of the prospectus.
30. The board should receive and be satisfied with regular reports on distribution, including:
- patterns of distribution, current progress and development, and resourcing;
 - sales flows in the period and current pipeline;
 - any proposed new developments and initiatives; and
 - any local legal, regulatory, tax or other compliance issues
31. The arrangements with any distributor should be structured so that marketing activities are required to be consistent with the agreed distribution strategy. The board should be entitled therefore to receive on request any marketing materials prepared by the distributor, including fact sheets and generic presentations to prospective investors. Boards should seek such marketing material whenever they have reason to believe that such material includes significant elaborations on the matters covered in the investment approach. The board should also examine such material if there is a perceived risk that its content conflicts with the prospectus.

C. Risk management

32. The board should adopt a risk management framework which:
- identifies the applicable risks;
 - confirms the risk appetite;
 - identifies any appropriate risk mitigants; and
 - incorporates appropriate policies for the measurement, management and monitoring of risk, including the implementation as appropriate of any risk mitigants.
33. The risk appetite statement should be appropriate and proportionate to the nature, scale and complexity of the activities of the fund management company and the investment fund(s) under management. The risk policies should include clear procedures (with thresholds where appropriate) for reporting to the board, and considering breaches of any limits.
34. The board should keep the risk management framework, and its constituent elements, under periodic review.
35. The board should agree how its responsibility for risk oversight and management is discharged, given any delegations of tasks, and establish a shared understanding with each delegate as to their respective roles. The board should determine the quality, type and format of risk-related information which it requires and put in place arrangements to receive it.
36. While the board may obtain advice and recommendations on risk issues, including periodic review of the risk management framework, it should retain the ultimate decision-making capability. While it may seek advice relating to risk management and delegate tasks relating to the implementation of the policies, it should ensure that it receives and reviews comprehensive reports from any such delegate.

Investment risk

37. A fund management company's risk management framework should address all significant investment risks to which any investment fund it manages is exposed, which may include some or all of the following:
- market risk, including major external developments which could impact investments
 - portfolio risk, including quantitative analysis
 - liquidity risk, including the risk of investor redemptions requiring the disposal of assets of limited liquidity
 - country or regional risk
 - credit risk
 - counterparty risk
 - leverage
38. Investment risk appetite should be set having regard to:
- the investment objective and strategy and product design of the investment fund(s) under management;
 - the likely nature of potential investors in the investment fund(s) and the appropriate disclosure of risks; and
 - the liquidity of the assets in which the investment fund(s) invests and the potential for any asset/liability mismatch
39. The board should receive and be satisfied with regular reports assessing risk levels relative to the risk appetite(s) for the investment funds under management.

Operational risk

40. A board should satisfy itself that the business of delegates is effectively managed and controlled, and that appropriate operational risk policies and procedures of the delegates are in place and subject to regular review by the delegates. It should receive and be satisfied with regular reports on the performance of the delegate, including the following as they relate to the investment fund under management:

- significant IT incidents
- fraud
- complaints
- outsourcing
- dealing errors
- pricing errors
- other breaches

Operational risk - Enterprise risk and business continuity

41. Boards should receive and be satisfied with reports on risks which could impact the fund management company and the investment funds that it manages. These would include:
- large dealing risk
 - key person risk
 - failure of a delegate or sub-delegate
 - reputational risk
 - regulatory risk
 - continued capacity of systems and personnel
42. In respect of delegated tasks, a board may consider it appropriate to rely upon business continuity programmes maintained by delegates. It should however satisfy itself that
- those programmes are sufficient to discharge the board's own obligations for the relevant tasks; and
 - the delegates' programmes, taken together with any maintained by the board (for example where tasks have been retained rather than delegated), encompass all relevant activities of the company and the investment funds under management.
43. Such reliance should be the subject of periodic review.

D. Investment operations and administration

44. When appointing a delegate to take on operational and administrative tasks, a board should establish in particular that the delegate has:
- operational resilience (the ability to provide an uninterrupted service to the required standard even in adverse circumstances);
 - robust risk management policies and procedures;
 - sufficient capacity and flexibility to manage varying levels of business including potential variations in the fund management company's requirements over time; and
 - suitable procedures for maintaining confidentiality and security of information.
45. The board should receive and be satisfied with regular reports on operational matters, including but not limited to:
- depositary reports, where the board considers that they are necessary for the discharge by the fund management company of its responsibilities;
 - fund administrator reports;
 - performance, including appropriate error and breach reporting;
 - oversight by delegates of any outsourcing arrangements they put in place, and performance of sub-delegates;
 - operation of anti-money laundering policies;
 - IT systems issues, including significant changes and developments of relevance to the board;
 - resourcing of the provision of services to the fund management company.
46. The board should adopt and keep up to date an appropriate valuation policy. It should receive and be satisfied with regular reports on exceptional valuation items, such as stale prices and fair valued securities, and appropriate error reporting. The board should receive reports covering material and non-material pricing errors which identify patterns in causation and satisfy itself

that those errors have been mitigated. In the case of illiquid assets, it should satisfy itself as to the process by which values are set.

47. The board should approve and keep under review a budget for payments over and above the investment management fee which may be charged to the investment fund and receive periodic reports.

E. Support and resourcing

48. Fund management companies need to have sufficient resources at their disposal to enable them to carry out their functions properly, taking into account the nature, scale and complexity of their business. It is the responsibility of the board to determine in the light of its particular circumstances the appropriate resourcing of these functions and to satisfy itself that responsibilities for undertaking delegated tasks are allocated accordingly.
49. The matters on which the board will require support and resources (in addition to the support of the official company secretary, the duties of which are prescribed by law) may include, without limitation, the following:
- proactive monitoring of developments between board meetings, assessing which if any require the immediate attention of the board, and arranging any necessary action;
 - management of board meetings including adequate planning and preparation, preparing the agenda, managing the attendees, actioning of board decisions, briefing of directors on developments and preparation where appropriate of executive summaries for directors;
 - management of other meetings and visits of directors which may include training sessions, due diligence visits, board evaluation meetings or planning and strategy sessions;
 - management of documents, including meeting minutes, business plan, policies, procedures, offering documents, material contracts, registers and correspondence;
 - preparation of reports, summaries and other material relevant to the board's considerations and decisions;
 - timely preparation of half-yearly and audited annual financial accounts;
 - managing an annual calendar, so that all matters required to be considered by the directors through the year are dealt with in an orderly fashion, and facilitating the timely preparation and circulation of papers to the board to enable directors to give proper prior consideration to all relevant matters;

- regular review of the fund management company’s suite of policies and procedures, and preparing any required revised drafts for consideration and approval by the board, including collecting relevant information from delegates, monitoring regulatory and other external developments and evaluating the need for changes.

- 50. There is a variety of potential resourcing models for the necessary support including, without limitation, models based on employees of, and/or secondees to, the fund management company and/or services provided by external delegates. The appropriateness of any proposed model will depend on the circumstances of, and any legal and regulatory requirements applicable to, the relevant fund management company. The board should satisfy itself that the model selected is appropriate in the relevant circumstances.

- 51. Individual directors may be designated as having particular managerial functions. Such designation should not, however, be taken to affect the board’s overall collective responsibility for the function, and procedures should be adopted so that matters continue to be escalated for consideration by the full board where appropriate. When designating an individual director for such a managerial function, boards should be satisfied that:
 - the individual has the requisite skills and experience for the role;
 - sufficient support and resources are available to the individual to enable the role to be discharged; and
 - the designation does not compromise the ability of the individual, or the board as a whole, to satisfy any applicable independence requirement.

- 52. Where a board engages support in discharging its functions, it should retain control at all times, and the respective responsibilities of the provider of that support and of the board should be clearly documented so as to facilitate the exercise by the board of its ultimate responsibility for, and control over, the management functions to which that support relates.

53. A director or directors may on occasion consider it necessary to obtain independent advice on issues relating to the board's functions and responsibilities. It is desirable for a director's contract to enable the director to do so.

F. Boards of externally-managed investment companies

54. The fund management company is responsible for ensuring that it and its investment funds under management comply with regulatory obligations. The board of an externally-managed investment company should ensure that it supports the ability of the fund management company to comply with all regulatory obligations. But it also needs to satisfy itself that the delegation to the fund management company is working effectively for investors.
55. Externally-managed investment companies are not regulated as fund management companies. Nevertheless the board of an externally-managed investment company retains ultimate responsibility for its management⁶, including the appointment and oversight of the fund management company, which is its principal delegate.
56. The relationship between an externally-managed investment company and its fund management company may be structured in a number of different ways. The two entities should agree in the light of their particular circumstances the appropriate and proportionate approach to the recommendations in this section.
57. The board of the externally-managed investment company retains responsibility for issuing the prospectus. It should expect to receive information about the investment approach of the fund management company, as outlined in section A of this Part. It also retains responsibility for publishing audited financial statements (a responsibility shared with the fund management company in the case of an investment company authorised as an AIF).
58. The board of the externally-managed investment company should satisfy itself that its relationship with the fund management company is such that the relevant board responsibilities are discharged, and that the fund management

⁶ Other than in respect of matters reserved to the shareholders

company performs the relevant tasks it is required to undertake to an appropriate standard. It should receive and be satisfied with regular and appropriately detailed reports from a senior representative of the fund management company in this regard. It should further consider and identify any conflicts of interest that may arise and should satisfy itself that such conflicts are being appropriately managed. In general, it should hold the fund management company to the same standards of accountability as the preceding sections of this Part recommend that a fund management company should set for its delegates. It should also receive and be satisfied with regular, direct reports from the depositary. It does not, however, need to replicate the detailed oversight of delegates by the fund management company.

59. The board of the externally-managed investment company should expect to receive and be satisfied with regular reports from the fund management company describing:
- its performance (whether directly or through delegates) of the investment management tasks outlined in section A of this Part;
 - significant developments in the distribution of the investment fund, including any significant legal, regulatory, tax or other compliance issues;
 - its performance (whether directly or delegated) of the risk management tasks outlined in section C of this Part;
 - its performance (whether directly or delegated) of the operational and administrative tasks outlined in section D of this Part;
 - the extent of its delegation of any of the tasks and its control framework for oversight of its delegates' performance.
60. The board should also consider whether it should, in addition to reports from the fund management company, require periodic direct reports from (including, if appropriate, attendance at board meetings by) the delegates of the fund management company.

61. A fund management company may include reports received from its delegates in its reports to the board of an externally-managed investment company. However, a fund management company's report should not consist solely of the transmission of reports received from its delegates. The fund management company's report should include commentary from the fund management company on how it has performed its role.
62. Some AIF "management companies" may appoint external AIFMs. These AIF "management companies" are not regulated as AIFMs but retain responsibility for the AIFs under management and the oversight of the AIFM. The board of the AIF management company also retains responsibility for issuing the prospectus (unless the AIF is itself an investment company) and for publishing audited financial statements (unless the AIF is itself an investment company), the latter responsibility being shared with the AIFM.
63. In such cases, the board of the AIF management company should apply the same approach to the oversight of the AIFM as described above in the case of an investment company.
64. For avoidance of any doubt, this section (F) is limited to externally-managed investment companies and to AIF management companies with external AIFMs, and does not apply to other forms of investment fund or fund management company.

PART II

Organisational Effectiveness⁷

1. One of the independent directors of a fund management company, which could be the Chair if he or she is independent, should undertake an organisational effectiveness role. The purpose of this role is to ensure that there is an independent director within the fund management company who has the specific task of keeping the effectiveness of the organisational arrangements of the company under ongoing review, with his or her reports being submitted to the board for discussion and decision.
 2. The independent director who undertakes this task will be on alert for organisational issues and will escalate these to the board. They will be change leaders who bring proposals to improve effectiveness to the board. They will champion these proposals and will drive through the change agenda to ensure that agreed actions are implemented.
 3. Having a person with responsibility for reviewing organisational effectiveness should ensure that a fund management company does not continue to adhere to agreed organisational arrangements when these are no longer appropriate because, for example, the fund management company has grown and developed, because market practice has moved on or because one of the arrangements suffers from an unanticipated conflict of interests.
 4. Some non-exhaustive examples of the types of matters which the independent director undertaking the organisational effectiveness role will be involved in are: monitoring the adequacy of a fund management company's internal resources to its day-to-day managerial roles; reviewing the organisational structure of the fund management company and considering whether it remains fit for purpose; considering the conflicts of interest affecting the fund management company and its investment funds under management and
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initiating action, such as escalation to the board, where these are having or are likely in the near future to have an adverse impact; reviewing the board composition and reporting on this to the board; organising periodic board effectiveness evaluations and overseeing how well the decision taken by the fund management company and the arrangements for the supervision of delegates are working in the interests of investors.

PART III

Directors' Time Commitments

1. The Central Bank considers that a reasonable number of working hours available for each individual is approximately 2000 per year. This is based on a 9 hour day and 230 working days per annum. This 'total' time allocation should be considered by individuals when taking on new directorship roles and should include all professional commitments including other directorships and employments held. Directors should satisfy themselves, and their boards, that they have sufficient time to fully discharge their duties.
2. Directors and boards should agree a minimum time allocation for board meeting attendance; this should include all necessary preparation, review of documents and also, where appropriate, travel time. The agreed minimum time allocation should be documented in the director's letter of appointment in line with paragraphs 5 and 6 of this Part.
3. Sufficient time should be set aside as a buffer for directors to deal with ad hoc issues that arise from time to time. This should be in addition to the normal time allocated to each director role.
4. Additional time should be allocated where a director carries out a Chairperson role. This time allocation should be agreed with each board and be commensurate with any additional work that this role requires.
5. A designated person role for managerial functions should be considered separately to the role of director. A separate time commitment should be allocated for each such designated person role and should be commensurate with any additional work that this role requires, including remuneration received. The time allocated should take into account, inter alia, the on-going oversight role, daily availability, report review and onsite visits to delegates.

6. A separate letter of appointment should issue in respect of a designated person role for managerial functions. This should include a written contract setting out the job specifications, the time expectations and the fee arrangements for the role. The separate letters of appointment should be subject to annual review by the board and made available to the Central Bank upon request.
7. Individuals with multiple directorships should consider the conflicts which may arise when sitting on a number of boards and the corporate interconnectivity that is created. Conflicts which may occur between individuals with full-time positions in a service provider to the board should also be considered and the most appropriate action taken.
8. In addition to the number of directorships, individuals should consider the additional time required to deal with the number of underlying sub funds within one investment fund. The type and complexity of individual investment funds and sub-funds should also be considered carefully by individuals when assessing both the required time commitment and the necessary expertise needed at board level to oversee the investment fund.
9. Individuals should also take into account the number of different client relationships they have entered into when assessing time commitments.
10. Directors should be fully aware of the regulatory and legal obligations of differing types of boards and legal structures prior to any board appointments.
11. Membership of board committees should also be regarded as a separate role and should be included in any assessment of director time commitment and availability.
12. The ultimate responsibility for compliance with all regulatory obligations rests with the boards and the individual directors. Extensive director commitments without sufficient awareness and consideration of the corresponding impact may lead to significant governance risk.

Central Bank engagement

13. The Central Bank will directly engage with those individuals with high numbers of directorships combined with high aggregate levels of annual professional time commitments to ensure their legal obligations and responsibilities as board members are being met and will monitor directors' commitments so as to avoid any potential risk that governance standards may be weakened.
14. The Central Bank intends to treat high levels of directorships combined with high aggregate levels of annual professional time commitments as a risk indicator. Where any risk indicator is triggered, additional supervisory attention is appropriate under the Central Banks risk-based approach to supervision. Accordingly, in the rare case of the proposed appointment of directors who already hold in excess of a defined number of directorships (including directorships outside of the investment fund industry and directorships within the funds industry outside Ireland) and a defined number of annual hours representing aggregate professional time commitments the Central Bank will:
- Request a letter from each board which will set out the proposed time commitment for that director in accordance with paragraph 4.5 of the IFIA Code;
 - Withdraw from corporate Qualifying Investor AIF which propose such a director, the option of the 24 hour authorisation time-frame. In each such case the Central Bank will be considering additional enquiries which will not be capable of being completed within that timeframe.
15. Previously authorised investment funds which continue to have individual directors who hold more than the defined numbers of directorships and aggregate hours representing annual professional time commitments after 1st January 2016 will be given priority consideration for inclusion in Central Bank thematic reviews where board effectiveness is being tested in any respect.

16. The Central Bank is initially setting that risk indicator in terms of a joint test of (a) having more than 20 directorships and (b) having an aggregate professional time commitment in excess of 2000 hours. These numbers may be reviewed from time to time, having regard to the typical burden on directors and changes in the environment impacting on regulatory risk. The fact that directors hold less than the referenced numbers of directorships and annual hours of professional time commitments does not, of course, obviate the need for the whole of this guidance to be had regard to and the publication of this risk indicator should not be read in that way.

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