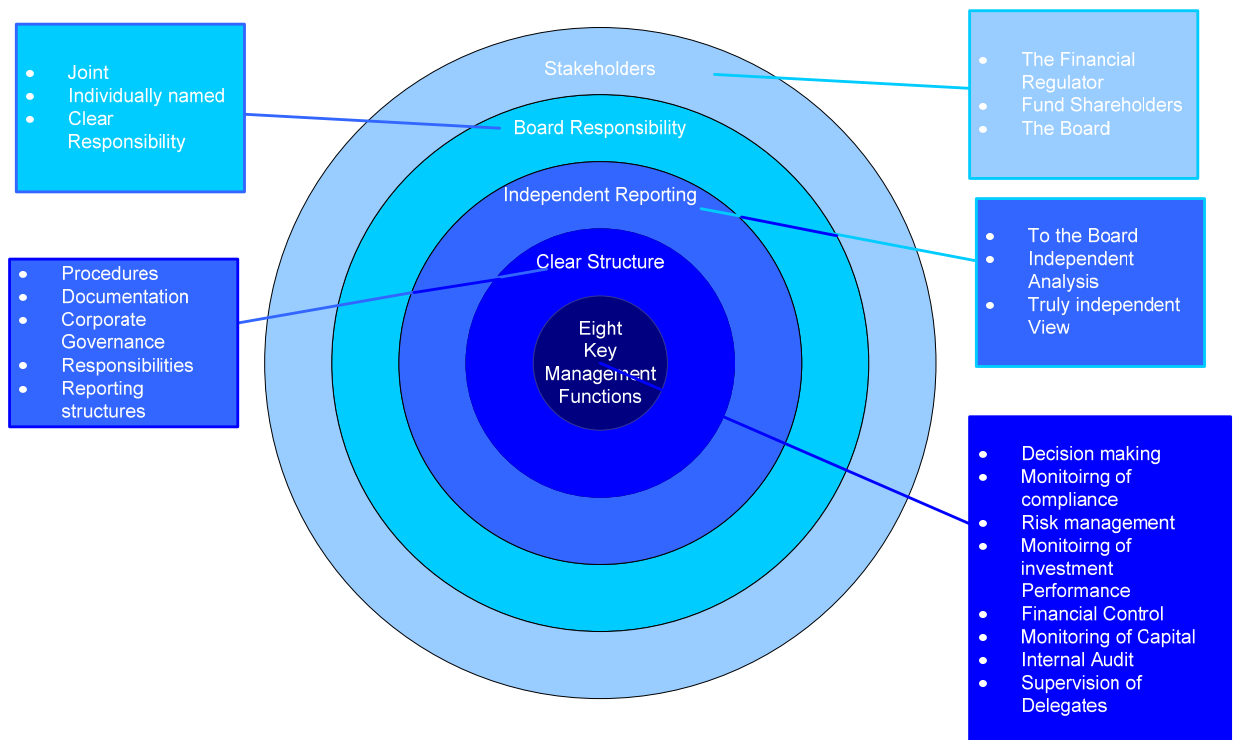


Ongoing oversight of a fund’s or management company’s operation is the responsibility of the Board of Directors. The Financial Regulator (“TFR”) has made this point clear on a number of occasions to the Irish industry.

FMConsult has noted that many different fund’s or management company’s have, in some cases, individual director’s responsible for specific key managerial functions, whereas in other cases the whole Board are collectively responsible for the key management functions. **FMConsult** acknowledge that fund promoters and Directors, in some cases, require support because of their busy work load. **FMConsult** provide support in the form of independent Oversight and Compliance Monitoring Activities. **FMConsult** do not provide independent Directors as **FMConsult** consider that to do so would cause a significant conflict of interest. **FMConsult** consider a truly independent Oversight and Compliance Monitoring approach is to the benefit of both the Board of Directors and Fund Shareholders.

**Ongoing Oversight and Compliance Monitoring Activities**



**Management Directive Requirements**

The requirements of the UCITS III Management Company Directive with regards to the eight key managerial functions, must be fulfilled regardless of whether funds have an Irish manager or are self managed.

**Eight Key Managerial Functions**

TFR has set out eight key management functions, that must be provided by the Management Company that they consider provides substance; being:

- **Decision Making:** Must have clear responsibility and competence in relation to all material decisions affecting the operation and conduct of business of the management company or self-managed fund
- **Monitoring of Compliance:** Must ensure compliance with all applicable legal and regulatory requirements
- **Risk Management:** Must be in a position at all times to identify, monitor and manage all applicable risks pertaining to UCITS under management
- **Monitoring of Investment Performance:** Must ensure availability of up to date information on portfolio performance
- **Financial Control:** Must ensure that all relevant accounting records are properly maintained and are readily available, including production of annual and semi-annual financial statements
- **Monitoring of Capital:** Must ensure compliance with applicable capital adequacy requirements
- **Internal Audit:** Must ensure effective internal audit process
- **Supervision of Delegates:** Must have clear structures in place for the ongoing monitoring of work delegated to third parties

The internal procedures covering the eight key managerial functions should clearly show, as well as the reporting requirements, the following for each of the managerial functions:

- List of circumstances in which action is required following receipt of report by designated person
- Action to be carried out by designated person in certain events e.g. investment breach
- Responsibility distinction between circumstances where the designated person may take appropriate action and those where escalation to a director or the general Board is required

### Corporate Governance

The key to being able to meet TFR requirements for the UCITS III Management Company Directive is having a good corporate governance model. Comprehensive Corporate Governance Policies and Procedures and should address three levels of running the management company or self-managed fund, namely:

- **Strategic** - covering the board of directors; overall strategy; monitoring the strategy; identifying risks and ways to mitigate risks.
- **Oversight and Control** - risk, audit and control management which monitors the entity and controls the risks; ensures the strategic goals are reached within the set limits; reports to the board of directors.
- **Day-to-day** - All day-to-day activities including those undertaken by third parties, including Operations and Accounting; Compliance; and Investment Management.

### Range of Services

FMConsult provide a range of services that are tailored for each Board's individual needs, such as:

#### Supervision of Service Providers

This could include:

- Monthly review of Service Level Agreements, including key performance and risk indicators;
- Reporting to the Board of third party activities;
- Analysis of errors, complaints and the cost thereof;
- Undertake any follow up on specific issues of concern for the Board.

### **Compliance**

This could include:

- Review of all third party compliance systems and processes;
- Undertaking compliance monitoring activities using a risk based methodology;
- Undertaking follow up reviews/investigations on issues arising;
- Provide or review third party periodic compliance reports;
- Monitoring of multi-jurisdiction filings and reporting requirements

### **Risk Management**

This could include:

- Ensuring appropriate Corporate Governance is in place including the identification of operational risks; applicable to the fund and management company
- Provide internal audit and compliance monitoring skills;
- Provide independent investment risk monitoring capabilities, including portfolio risk analysis;
- Ensure comprehensive investment risk systems exist;
- Provide appropriate risk reports.

### **Board meetings and Reporting**

This could include:

- Reporting on the key management functions and issues arising in the day to day operational activities of either the fund or the management company;
- Periodic reporting to the Board
- Assistance with Board paper preparation

### **Fundamentals of our Independent Oversight and Compliance Monitoring Activities**

- Use of experienced practitioners from the financial services industry
- Individually tailors solutions for the Board
- Access to specialists in other business areas, such as product development, project management, fund distribution, investment and operational risk, internal audit
- Impartial reviews of transfer agents, custodians, administrators and other third party service providers
- No presence on the Board to avoid conflicts of interest

### **Benefits and Value of the Independent Oversight and Compliance Activities**

- **No presence on the Board to avoid conflicts of interest. A truly independent view.**
- Enhancement of the overall Corporate Governance environment of the funds and/or management company
- Enhancement of the Boards control and strategic oversight of the funds and/or management company
- Experienced practitioner input.

*For further information on **FMConsult's** independent Oversight and Compliance Monitoring activities, or other products and services, please contact :*

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