Governance and Risk Management

Helping Private Equity Funds address their challenges

The Alternative Investment Fund Managers Directive (AIFMD) has had a significant impact on the alternatives industry within and beyond Europe’s borders.

The broad scope of the Directive captures many managers of private equity, real estate, private equity, infrastructure and hedge funds that are marketed within the EU. Some entities had previously been either lightly regulated, or unregulated and so the work required to adapt their operations to the new requirements has been substantial.

The AIFMD measures now in place carry significant implications for the Boards of Alternative Investment Funds (AIFs), as well as the governance structure and risk management oversight functions within the Managers (AIFM).

To ensure that you are covered under the AIFMD requirements, challenge yourself with the following questions to discover to what degree the following are in place and embedded in your organisation.

1. Do you have a robust governance and risk management structure in place that satisfies your investors, and will stand up to regulatory scrutiny under AIFMD compliance?
2. Do you know the individuals who are accountable for the oversight, organisation, management and risk management of the main functions?
3. Are these people doing more than ticking the boxes? Do they understand their responsibilities and do they have the appropriate authority to be held to account if necessary?
4. Are you free to ensure that your time and energy is spent on making key decisions?
5. Are your Board’s procedures documented, followed, and reviewed regularly?
6. Do the Board and your stakeholders have a good understanding of risk management and is it embedded in your culture?
7. Is there a permanent and independent risk management function that has the necessary authority to access all relevant and current information?
8. Is there a designated person in charge of risk management, with sufficient support and appropriate reporting lines?
9. Do your risk management systems allow the Board to quantify, monitor and manage all risks independently of the portfolio manager?
10. Does your Board receive risk reports that support their full ownership of the risk profile?
If you are comfortable with your control of the risk management and corporate governance your fund will start to see the benefits:

1. You will be compliant for key elements of AIFMD
2. Avoid sanctions by satisfying the regulator
3. Action now will provide additional comfort for your stakeholders (investors, potential investors, regulators and tax authorities among them)
4. Retain your existing investors and attract new investors
5. Corporate strength and business growth
6. More streamlined ways of working, and increased decision making agility
7. Minimise your existing inefficiencies, any rogue behaviour, risk and mis-management
8. Reward individuals for success or hold them to account for failure
9. If listed, you should see a positive impact on your share price.

At KPMG, we can help you start to see these benefits because we understand the Regulator, and the regulations. Through our work with our Centre for Regulatory Excellence and secondments with the Regulatory bodies, we understand the desired outcomes, and the detailed rules to be adhered to.

We also have experience in helping investment management firms and individuals to implement and demonstrate effective governance and risk management. This is supported by our extensive experience in people and change management, helping the required changes to become embedded and sustained in your organisation.

About KPMG
We are committed to the investment management industry and have had a dedicated Investment Management practice in Ireland since 1998. Within this practice, over 500 professionals work across our audit, advisory and tax areas specialising in the issues that impact you. We offer a unique mix of skills and experience as we have undertaken a number of consultancy assignments within the sector.
Effective governance and risk management is organisation-wide.
The tone is set at the top, and permeates through every level of the organisation,
creating the corporate governance and risk management culture.
How we can help you

Our approach takes your organisation on a journey from assessing the current state, to designing and implementing a new or refined governance model that can succeed through any regulatory regime. Underpinned by robust methods and tools, the approach can be tailored to focus on your priorities.

Current state assessment:
Define benchmarks and assess the current state of governance structures, risk management frameworks, policies, processes and mind-sets against the desired outcome.

Methodology:
- Interviews, document review and a function analysis

Design and development:
Design the governance and risk management framework using insights from Phase 1 and governance tools and templates. We engage fully with the senior team throughout this phase.

Methodology:
- Corporate governance and risk management GAP analysis
- Design governance and risk management structure
- Review of risk management framework
- Assurance mapping of internal controls
- Build corporate risk register

Risk management and corporate governance culture and practices that are fit for the purposes and can meet the challenges posed by a dynamic regulatory environment.

Methodology:
- Communications plan
- Stakeholder management
- Challenge risks and impacts

Design and development:
Implementation is as important as any other phase of the process. Effective planning, engagement and communications are critical to embed the planned changes.

Methodology:
- Communications plan
- Stakeholder management
- Challenge risks and impacts

For more information, please contact:

Vincent Reilly
Partner & Head of Alternative Investments
+ 353 1 410 1378
v vincent.reilly@kpmg.ie

Michael Hayes
Partner & Head of Alternative Investments Tax
+ 353 1 410 1656
michael.hayes@kpmg.ie

Frank Gannon
Partner-in-charge, Investment Management Advisory
+ 353 1 410 1552
frank.gannon@kpmg.ie

Daniel Page
Head of Asset Management Advisory
+44 776 965 0353
daniel.page@kpmg.ie

© 2015 KPMG, an Irish partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative (“KPMG International”), a Swiss entity. All rights reserved. Printed in Ireland.

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

The KPMG name, logo and “cutting through complexity” are registered trademarks of KPMG International Cooperative (“KPMG International”), a Swiss entity. If you’ve received this publication directly from KPMG, it is because we hold your name and company details for the purpose of keeping you informed on a range of business issues and the services we provide.

If you would like us to delete this information from our records and would prefer not to receive any further updates from us please contact us at (01) 410 2665 or e-mail sarah.higgins@kpmg.ie.

Produced by: KPMG’s Creative Services. Publication Date: March 2015. (539)