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**Adrian Lee
& Partners**

ACTIVE ASSET AND CURRENCY MANAGEMENT

Consultation Paper 120 on Corporate Governance Requirements for Investment Firms and
Market Operators
Financial Risks and Governance Policy Division
Central Bank of Ireland
PO Box 559
Dublin 1

27 July 2018

**Re: Consultation on Corporate Governance Requirements for Investment Firms and
Market Operators (“CP 120”)**

Dear Sirs

We, Adrian Lee & Partners (“ALP”), welcome the opportunity to participate in the above public consultation on corporate governance in our industry. ALP is an independent, 100% employee owned firm, specializing in active currency and currency risk management for institutional investors globally. ALP is supportive of efforts to strengthen corporate governance in the financial services industry; however, in order for such efforts to be effective, we are strongly of the view that requirements need to be proportionate to take into account the nature, scale and complexity of each firm.

Section 2 – Scope and Effective Date

We note and welcome that the requirements in CP120 do not apply to firms designated as “Low Impact” by the Central Bank, with such firms being encouraged to adopt the requirements. While noting the Central Bank’s comment in its Feedback Statement on Consultation Paper 94, to the effect that firms generally move gradually towards a higher impact designation, there would appear to be a point in time where a firm would move from being designated as a “Low Impact” firm to being designated as a “Medium-Low Impact” firm. In this regard, the Firm believes that a transition period is necessary, particularly where a number of independent directors would be required to be identified and appointed.

We would also welcome more clarity on “Low Impact” firms being encouraged to adopt the requirements. We believe that this encouragement should be clarified or qualified in some

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way, perhaps by noting that regard should be had for the appropriateness of the requirement to the nature, scale and complexity of the firm and its business.

Section 4 – Composition of the Board

Section 4.2

We believe the requirement in section 4.2 for a majority of independent non-executive directors (“INEDs”) should be restricted to “High Impact” or “Medium-High Impact” firms and not for employee owned asset management firms who do not deal on own account. For specialist employee owned firms like ALP who do not deal on own account or hold client assets and deal exclusively with institutional investors, the requirement to have a majority of INEDs on the board would have an overall negative impact on governance, essentially disenfranchising the owners of the equity and alienating clients.

We understand the general motivations for requiring a majority of INEDs as being:

1. Protection of a varied shareholder base from their interests being subverted by management; and
2. Protection of other stakeholders, particularly clients.

These motivations do not apply to specialist employee owned firms like ALP who do not deal on own account or hold client assets. In brief:

1. The management and the shareholders are effectively the same, ensuring an alignment of interests.
2. As such firms, or affiliates of same, do not trade on own account, hold client assets or act as broker/dealers, there is limited scope for other conflicts of interest.

Institutional investors engage firms like ALP based on the firms being independent of outside interests, with the firms’ interests being aligned with the clients’ portfolio objectives, and would expect a majority of its board of directors, being responsible for the strategic direction of the firm, to be employees and shareholders of the firm.

The effect of section 4.2 on such specialist firms would be, either

1. To enforce the removal of key shareholders from the board of directors, therefore, removing them from input on key strategic decisions; or
2. To make the board of such size to be unworkable and completely disproportionate for a specialist boutique investment firm.

Should you have any queries on the above, or wish to discuss further, please do not hesitate to contact me. These issues are of significant concern for the firm and its clients and, in this regard, we would be delighted to arrange a meeting to discuss further.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Kevin Mahon', written over a horizontal line.

Kevin Mahon
Chief Operating Officer