

Press Release

Nice, London, Paris, Singapore, April 17, 2012

A new EDHEC-Risk survey reveals that “transparency, information and governance” tops the list of concerns for European fund management industry professionals in the area of non-financial risk management

More than 160 high-level European fund management industry professionals were surveyed by EDHEC-Risk as part of the “*Risk and Regulation in the European Fund Management Industry*” research chair, sponsored by CACEIS.

For the respondents to this survey, entitled “*Shedding Light on Non-Financial Risks – a European Survey*,” the main causes of the **increase in non-financial risks** are firstly the **growing sophistication of operations** (a cause considered important by 77% of respondents), followed by the **reduced capacity of some intermediaries to guarantee deposits** (59%), unclear or inappropriate regulation (57%) and finally the total absence of responsibility of management companies regarding restitution (53%).

The main message from this study is that the regulatory priorities for the respondents relate to themes to which the regulator has paid less attention in recent work, notably AIFMD. For the respondents, “transparency, information and governance” are the priority for the regulation of non-financial risks, followed by the financial responsibility of the industry. On the latter point, it is important to stress the recognition that non-financial risks are largely the consequence of the fund manager’s decisions.

On “transparency, information and governance,” the primary concern of respondents, a huge majority (91%) agrees that the regulator must ensure that information is genuinely fair, clear and not misleading.

On the financial responsibility of the industry in non-financial risks, the second greatest concern for respondents, 79% consider that “fiduciary duties of asset managers should be reinforced, by stating that they must invest for the sole benefit of their clients,” and 67% agree that asset managers should have greater responsibility for non-financial risks. They are therefore in complete agreement with a previous EDHEC-Risk Institute study, which considered that the responsibility for decisions and compliance with regulatory obligations does not rest with the depositary alone.

Responsibilities for the restitution of assets should be contractually defined between depositaries and asset managers; for 68% of respondents this should be done at the creation of the fund. Moreover, the depositaries should only be unconditionally responsible for the assets that they actually control (69%), and responsibilities should therefore be defined by asset class.

In the area of distribution, a strong majority of respondents (81%) is in favour of **clarifying responsibilities according to who controls the information**, with distributors having a role to play as the first line of defence for investors (69%).

The costs of stronger protection should be largely supported by the industry and would not be totally transferable to investors. Strengthening the regulation would therefore result in a net cost for asset managers (for 70% of respondents), depositaries (69%) and custodians (73%).

Finally, faced with the growing complexity of UCITS and the resulting increase in counterparty risks, the idea of secure UCITS funds, where the depositary would be unconditionally responsible (contractually or legally) for the restitution of assets, should be an option to consider, according to 67% of respondents.

A copy of the EDHEC-Risk Institute survey can be found here:

[EDHEC-Risk Institute Publication Shedding Light on Non-Financial Risks – a European Survey](#)

This survey was produced as part of the “Risk and Regulation in the European Fund Management Industry” research chair in partnership with CACEIS.



Contact:

For further information, please contact **Carolyn Essid**:

Tel.: +33 (0)4 93 18 78 24 – E-mail: carolyn.essid@edhec-risk.com

About EDHEC-Risk Institute

Since 2001, EDHEC has been pursuing an ambitious policy in terms of international research. This policy, known as “Research for Business”, aims to make EDHEC an academic institution of reference for the industry in a small number of areas in which the school has reached critical mass in terms of expertise and research results. Among these areas, asset and risk management have occupied privileged positions, leading to the creation in 2001 of a major research facility: EDHEC-Risk Institute. This institute now boasts a team of 80 permanent professors, engineers and support staff, as well as 18 research associates from the financial industry and 6 affiliate professors.

EDHEC-Risk Institute is located at campuses in Singapore, which was established at the invitation of the Monetary Authority of Singapore (MAS), the City of London in the United Kingdom, and Nice, France. In addition, it has a research team located in the United States. The philosophy of the institute is to validate its work by publication in prestigious academic journals, but also to make it available to professionals and to participate in industry debate through its Position Papers, published studies and conferences. Each year, EDHEC-Risk organises two conferences for professionals in order to present the results of its research, one in London (EDHEC-Risk Days – Europe) and one in Singapore (EDHEC-Risk Days – Asia), attracting more than 2,000 professional delegates.

To ensure the distribution of its research to the industry, EDHEC-Risk also provides professionals with access to its website, www.edhec-risk.com, which is entirely devoted to international risk and asset management research. The website, which has more than 50,000 regular visitors, is aimed at professionals who wish to benefit from EDHEC-Risk’s analysis and expertise in the area of applied portfolio management research. Its monthly newsletter is distributed to more than 1,000,000 readers.

EDHEC-Risk Institute also has highly significant executive education activities for professionals. In partnership with CFA Institute, it has developed advanced seminars based on its research which are available to CFA charterholders and have been taking place since 2008 in New York, Singapore and London. EDHEC-Risk Institute has an original PhD in Finance programme which, in addition to its highly selective residential track for young talents worldwide, has an executive track for high level professionals who already have masters degrees from prestigious universities and significant industry experience. Complementing the core faculty, this unique PhD in Finance programme has highly prestigious affiliate faculty from universities such as Princeton, Wharton, Oxford, Chicago and CalTech.

www.edhec-risk.com

About CACEIS

CACEIS is the asset servicing banking group of Crédit Agricole dedicated to institutional and corporate clients. Through offices across Europe, North America and Asia, CACEIS offers a comprehensive range of high quality products and services covering depositary and custodial services, fund administration, middle office services, fund distribution support and issuer services. With assets under custody of €2.3 trillion and assets under administration of €1.1 trillion, CACEIS is one of the world market leaders in asset servicing and the largest depositary bank and the premier fund administrator in Europe (figures as of 31 December 2011).

www.caceis.com

EDHEC–Risk Institute

393 promenade des Anglais
BP 3116 - 06202 Nice Cedex 3
France

EDHEC Risk Institute—Europe

10 Fleet Place - Ludgate
London EC4M 7RB
United Kingdom

EDHEC Risk Institute—Asia

1 George Street
#07-02
Singapore 049145