



association of the  
luxembourg fund industry



Institut Luxembourgeois  
des Administrateurs

# BOARD MEMBER TIME CAPACITY

# Director Time Capacity

## ALFI Code of Conduct for Luxembourg Investment Funds

### Principle 2

*The Board should have good professional standing and appropriate experience and ensure that it is collectively competent to fulfil its responsibilities*

### Recommendation 6

*The members of the Board are expected to understand the activities of the fund and devote sufficient time to their role.*

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## Introduction

As a result of Principle 2, Rec.6, of the ALFI Code, Directors should ensure they dedicate the appropriate time and care to each mandate in order to satisfy their obligation of acting as a “*bon père de famille*” (the prudent person in the same position) as required by Luxembourg Company Law.

The CSSF in Circular 12/546 also sets out:

*"Furthermore, every member of the board of directors of the management company must dedicate the required time and attention to his duties. Consequently he must ensure that he limits the number of other professional engagements, in particular mandates held in other companies, to the extent necessary in order to perform his tasks correctly." (CSSF Circular 12/546 – 4.1)*

The roles of Directors, Committees, Daily Management and Conducting Officers have evolved over past years, and have become demanding and time consuming.

Frequency of Board meetings and correspondence will differ in accordance with the specific needs and complexity of each Fund/ManCo, as well as current business needs and conditions. However, Board meetings are simply a snapshot of a Board’s activities - a Director is a Director every day and not merely at Board meetings. Directors have on-going duties and responsibilities towards the Fund/ManCo.

### **Sufficient time capacity is required to ensure each Director allocates sufficient time to perform its duties effectively:**

- Generally, this means the care, skill and diligence that would be exercised by a reasonably diligent person. Directors are equally liable for their omissions as their actions.
- the amount of time involved will differ greatly between mandates and business cycles, as well as according to the support structures in place. It is therefore difficult to set a “*one size fits all*” figure on how many mandates are appropriate for any one person (although some hard limits exist for banks and MiFID firms).
- in situations of market stress or crisis Directors can also expect involvement to increase significantly.
- it is best practice for a Director to maintain some spare time capacity to be able to deal with unusual situations in a timely manner.

- If a Director finds he/she seems to be missing many Board meetings or unable to attend physically and/or to prepare adequately, then the Director should reflect on whether he/she is over-engaged and whether certain commitments – whether the Board mandates or other activities - need to be dropped, or support staff should be hired.
- during the mandate, time availability should continue to be self-evaluated critically and honestly on an on-going basis. A periodic self-assessment by each Director is recommended to ensure the Board mandate remains compatible with other employment, commitments and interests.
- Boards should also periodically assess the time commitment and availability of all of their members, for example as part of the periodic Board evaluation.

### **Mini Director Time Availability Self-Evaluation**

Answer agree/disagree to the following:

#### **Board Meetings**

1. I usually attend 100% of regular scheduled meetings
2. I usually attend at least 75% of regular scheduled meetings in person
3. I usually attend ad hoc meetings at least 75% of the time
4. I feel I have sufficient time to properly review Board materials, and to review & comment on draft Agendas and Board minutes
5. I feel I have sufficient free time to deal with ad hoc issues arising between Board meetings

#### **Director's role and involvement**

1. I believe I devote the necessary time and attention to Board duties
2. I consider myself an engaged and available Board member who contributes actively to this Committee
3. I believe I commit sufficient time to continuing professional development in order to develop my knowledge and skills
4. I believe I have sufficient time to spend on understanding the entity and key service providers
5. I believe my other Board colleagues would give the same answer to each of the above
6. *Regulated ManCo, AIFM and Funds*: My minimum time commitment remains materially in line with that declared to the regulator

#### **Board Committees (if any)**

1. I believe I devote the necessary time and attention to Committee duties
2. I consider myself an engaged and available Committee member who contributes actively to this Committee
3. I feel I meet the Committee's performance objectives
4. I believe I remain suitable for this Committee's business going forward
5. I believe my other Committee colleagues would give the same answer to each of the above



**The Association of the Luxembourg Fund Industry (ALFI)**, the representative body for the Luxembourg investment fund community, was founded in 1988. Today it represents more than 1,500 Luxembourg-domiciled investment funds, asset management companies and a wide variety of service providers including depository banks, fund administrators, transfer agents, distributors, law firms, consultants, tax advisers, auditors and accountants, specialist IT providers and communications agencies.

Luxembourg is the largest fund domicile in Europe and its investment fund industry is a worldwide leader in cross-border fund distribution. Luxembourg-domiciled investment structures are distributed in more than 70 countries around the globe, with a particular focus on Europe, Asia, Latin America and the Middle East.

ALFI defines its mission as to **“Lead industry efforts to make Luxembourg the most attractive international investment fund centre”**.

Its main objectives are to:

### **Help members capitalise on industry trends**

ALFI’s many technical committees and working groups constantly review and analyse developments worldwide, as well as legal and regulatory changes in Luxembourg, the EU and beyond to identify threats and opportunities for the Luxembourg fund industry.

### **Shape regulation**

An up-to-date, innovative legal and fiscal environment is critical to defend and improve Luxembourg’s competitive position as a centre for the domiciliation, administration and distribution of investment funds. Strong relationships with regulatory authorities, the government and the legislative body enable ALFI to make an effective contribution to decision-making through relevant input for changes to the regulatory framework, the implementation of European directives and the regulation of new products or services.

### **Foster dedication to professional standards, integrity and quality**

Investor trust is essential for success in collective investment services and ALFI thus does all it can to promote high professional standards, quality products and services, and integrity. Action in this area includes organizing training at all levels, defining codes of conduct, transparency and good corporate governance and supporting initiatives to combat money laundering.

### **Promote the Luxembourg investment fund industry**

ALFI actively promotes the Luxembourg investment fund industry, its products and services. It represents the sector in financial and economic missions organised by the Luxembourg government around the world and takes an active part in meetings of the global fund industry.

ALFI is an active member of the European Fund and Asset Management Association, of the International Investment Funds Association, of Pensions Europe, of the International Association of Pension Funds Administrators and of the Global Impact Investing Network.

For more information, visit our website at [www.alfi.lu](http://www.alfi.lu) and follow ALFI on



## about ila

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The mission of ILA is to promote the profession of Directors by developing its members into highly qualified, effective and respected Directors.

In parallel, it will promote best practices in Luxembourg in the field of Corporate Governance of companies and institutions by actively engaging with those institutions charged with the introduction, application and oversight of those Corporate Governance rules and practices. It will achieve this through high quality training, forum discussions, research, publications and conferences.

ILA aims to be the premier interlocutor in Luxembourg on issues affecting Directors.

For more information, visit our website at [www.ila.lu](http://www.ila.lu) and follow ILA on:



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Board member time capacity**