

**Newsletter**

April 2014

Dear All,

Below is our April report on the developments at the HFSB.

**New Signatories**

We are delighted to welcome a new addition to the HFSB signatory family:

- Tolis Advisors, LP (USA)

**Investor Chapter**

We also are delighted to welcome new members of our Investor Chapter:

- Royal Mail Pension Plan (UK)
- Universities Superannuation Scheme (USS) (UK)

**HFSB Standardised Board Agenda**

The HFSB has published a [“standardised board agenda”](#) which is now available through the HFSB website; the agenda is the first item in the HFSB’s recently launched “Toolbox” (see below). The purpose of the [standardised board agenda](#) is to provide an overview of the typical areas and questions that are covered in a fund board meeting in the ordinary course of business. It is not a prescriptive template and is not formally part of the Standards but is meant to provide helpful guidance on governance practices. We hope that Board Directors, managers and investors will find it helpful and will use it.

The HFSB [Toolbox](#) and this first item – standardised board agenda - already have received positive feedback from the market. Kathryn Graham, Trustee of the HFSB and Head of Strategy Coordination of the Universities Superannuation Scheme Ltd, said: “The Standardised Board Agenda covers key issues that need to be addressed in fund board meetings, and fund directors, managers and investors can use it to review and enhance the robustness of the existing fund governance processes.”

Matt Auriemma of HighWater Ltd noted: “We were pleased to provide input for the development of the Standardised Board Agenda. Having an organization, such as the Hedge Fund Standard Board proactively guiding its members toward enhanced corporate governance, will only have a positive effect on the industry as a whole.”

The HFSB is not planning to hold special consultations in relation to the Toolbox contents but welcomes input, particularly via its Institutional Investor Roundtables and Stakeholder events held worldwide. The HFSB is also happy to receive feedback by email. All the feedback will be analysed and included in the Toolbox from time to time, as appropriate. Over time, the HFSB will include additional topics.

**HFSB in the Middle East**

This month Dame Amelia Fawcett and Thomas Deinet toured Qatar, Bahrain and United Arab Emirates to meet the regulators and the investor community in the Middle East. The UK Embassy in Bahrain hosted a dinner for the HFSB with leading investors and government officials.

The HFSB would like to take this opportunity to thank Albourne, an HFSB Core Supporter, for their tireless efforts in facilitating this trip to the Middle East.

### **Regulatory Engagement**

The HFSB [has responded](#) to the Financial Stability Board's (FSB) Consultative Document on [Assessment Methodologies for Identifying Non-Bank Non-Insurer Global Systemically Important Financial Institutions](#) (NBNI G-SIFIs).

The FSB's work on G-SIFIs has been initiated by the G20, and frameworks have already been developed for global systemically important banks (G-SIBs) and insurers (G-SIFS). The Consultative Document proposes a high-level framework and specific methodologies to identify NBNI G-SIFIs, including an AUM threshold of USD 100BN and Gross Notional Exposure (GNE) of USD 400-600BN. The consultation paper acknowledges the "shock absorber" feature that differentiates funds from banks, thereby mitigating the eventual contagion effects in the broader system in times of distress.

The HFSB response highlights some of the shortcomings of the proposed GNE measure and proposes improvements to the overall methodology, including assessing notional exposure in the context of the global derivative market size rather than an undifferentiated "top line" number. The consultation response also highlights that materiality thresholds should be applied on a fund level, rather than firm level (i.e., aggregating non-interconnected funds of the same manager as if they were to create similar risks to those in a large, single bank balance sheet). The response also looks at some of the more practical considerations, including using the existing regulatory data collection efforts (Form PF, AIFM-D Appendix) for the proposed analyses.

### **HFSB Stakeholder Annual General Assembly and Institutional Investor Roundtable**

The HFSB is holding its Annual General Assembly and Institutional Investor Roundtable on 21<sup>st</sup> May 2014 in London. In addition to the annual update on the developments in the last 12 months, the HFSB will host an institutional investor roundtable where several HFSB Core Supporters, Investor Chapter members and Signatories will make practical case study presentations on topics ranging from implementing a responsible investor programme, building better partnerships to cyber security and data protection.

Invitations have been sent to all HFSB stakeholders. Those who have not replied yet, please confirm to us as soon as possible.

### **Public Speaking**

This month Thomas Deinet participated in a panel on regulation and governance at the The EuroHedge Summit 2014 in Paris, 30<sup>th</sup> April.

### **APPENDIX**

#### **Royal Mail Pension Plan**

Royal Mail Pension Plan is a UK defined benefit pension plan responsible for managing the retirement assets for approximately 120,000 postal and delivery workers employed by the Royal Mail and Post Office Limited. It started as a stand-alone postal service pension fund in 1969. The Fund was part of a major reorganisation in 2012, splitting its assets away from the government's liability share as part of the company's transformation leading to partial privatisation in October

	<p>2013. The leaner RMPP now manages approximately £4bn. It is now one of the fastest growing UK pension plans by proportionate cash inflows. It initiated its first absolute return and alternatives portfolio in 2013 and is building a robust program of diversifying assets as part of a strategy to provide consistent but stable return patterns.</p>
<b>Tolis Advisors LP</b>	<p>Tolis Advisors, LP ("Tolis") is a structured credit asset manager founded in 2007 and based in New York City. The firm's investment approach is to apply diligent portfolio construction of attractive risk-adjusted carry assets, layering additional investments that capitalize on the portfolio managers' expertise with non-traditional workout strategies. Tolis employs a fundamentally-based, multi-strategy, multi-sector approach to structured credit assets to uncover and exploit structural and pricing inefficiencies. The firm avoids imprudent leverage to generate targeted returns and minimizes risk by applying extremely conservative assumptions in pricing and monitoring investments. The goal is to deliver lowly-correlated absolute returns with limited downside volatility. Tolis endeavours to provide institutional infrastructure and oversight by partnering with best in class service providers and adhering to regulatory and compliance best practices.</p>
<b>Universities Superannuation Scheme (USS)</b>	<p>Universities Superannuation Scheme was established in 1975 as the principal defined benefit pension scheme for universities and other higher education institutions in the UK. It has over 330,000 scheme members across nearly 400 institutions and is one of the largest pension schemes in the UK, with total fund assets of approximately £40 billion.</p> <p>The scheme's trustee is Universities Superannuation Scheme Limited, a corporate trustee which provides scheme management and trusteeship from its offices based in Liverpool and London. The trustee company delegates implementation of its investment strategy to a wholly-owned investment management subsidiary company - USS Investment Management Limited - which manages virtually all assets in-house and provides advisory services.</p>