

Newsletter

July 2015

Dear All,

Below is our July report.

New Signatory

The HFSB is delighted to welcome a new addition to its signatory family:

- **Systematica Investments Limited (Jersey)**

Cybersecurity for asset managers

Cybersecurity has become an important focus for the hedge fund industry, as it has for other areas of the financial services industry, and regulators around the globe have taken an increasing interest in assessing regulated firms' resilience against cyberattacks. To help hedge fund managers navigate this area, the HFSB is currently working on an initiative on cybersecurity for hedge fund managers that will develop and provide practical recommendations, including, but not limited to, how to improve a firm's resilience against cyberattacks. While our work is well-advanced, we invite participation and comments from managers and investors, who are interested in contributing to this initiative. Anyone interested in learning more about this initiative should contact us at info@hfsb.org. The HFSB will present its findings at both its North American Stakeholder Forum in New York in September (see below) and the IOSCO Affiliate Members mid-year meeting in October.

Upcoming HFSB Events

17 September 2015: Institutional Investor Roundtable, Washington, D.C.

The first HFSB Institutional Investor Roundtable in Washington DC will bring the leading Washington DC-based institutional investors and government bodies, together with hedge fund managers, to discuss emerging investor expectations, due diligence case studies, as well as how to improve cybersecurity practices. The event, which will be hosted by the World Bank, will include speakers from Georgetown University Endowment, Howard Hughes Medical Institute, the Rock Creek Group and the World Bank.

24 September 2015: Annual North American Stakeholder Forum & Institutional Investor Roundtable, New York

The HFSB Annual event in North America will be held in New York City, with speakers from the SEC, the FBI's Cyber Branch in New York, Utah Retirement Systems, New Holland Capital, Caisse de dépôt et placement du Québec, and Magnetar Capital.

Shadow Banking Discussion at the German Parliament

Thomas Deinet participated in a panel discussion on "Shadow Banking" at the German Parliament in Berlin. The event was hosted by the parliamentary group of the Social Democratic Party. The panel included members of the

German Parliament, including [Peer Steinbrück](#), the former German Federal Minister of Finance, who in the past had been critical of the private equity and hedge fund industry.

While the policy leaders were concerned that the next crisis may be caused by “shadow banks”, they also acknowledged the need to attract more market-based finance in light of the shrinking banking sector. Thomas provided examples of how the asset management sector provides financing to the economy. He also reminded the audience of the key distinctions between “banking” and “asset management”, such as banks take deposits (depositors have zero tolerance for losses) and perform maturity transformation. In asset management, investor capital constitutes equity capital in the fund and bears losses; there is no maturity transformation and there are tools to manage liquidity distress.

Thomas also highlighted that the alternative investment sector was one of the first areas regulated in Europe following the banking crisis, with detailed operating conditions (some of which were originally developed by the Hedge Fund Standards Board) and leverage monitoring, addressing concerns in relation to conduct and financial stability. Also, the relatively new data collection efforts by regulators (including Form PF, AIFM-Appendix) will help the analysis of interconnectedness and the build-up of counterparty risk in the financial system.

The discussion highlighted that the asset management industry needs to be transparent and explain (1) its important role in financing the economy and (2) how it contributes to liquidity and better price formation in capital markets for the benefit of all market participants and the economy at large. It also should engage constructively with policy leaders and regulators on issues such as the “shadow banking” debate. There is a clear need for the industry to take a proactive approach to address emerging industry issues and improve standards in collaboration with the investors.

The HFSB has engaged actively in the discussion on financial stability and shadow banking in recent years and through its affiliate membership of IOSCO. The HFSB first highlighted potential systemic concerns in its initial report published in 2008 ([HFWG Final Report p. 33](#)), focussing on liquidity risk management practices and issues in relation to risk concentrations and unwinding of positions in situations of distress. The Standards address these issues in a number of areas, including liquidity risk management, counterparty disclosure, governance and handling of redemptions (disclosure).

APPENDIX

Systematica Investments Limited

Systematica Investments launched in January 2015 after a decade of experience within BlueCrest Capital Management, to focus on rigorously applying science and technology to the investment process. The firm was founded by Leda Braga and manages approximately \$8.8bn (as at 1 June 2015) across a number of futures and equity based strategies. The philosophy of the firm is one of innovation, excellence in research and a commitment to fostering strong alignment with investors. Systematica Investments has a global presence with offices in Jersey, Geneva, London, New York and Singapore.