

Newsletter

August 2015

Dear All,

Below is our August report.

New Signatory

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

- **Crystalline Management Inc. (Canada)**

Role of the Chief Compliance Officer

Regulators have been focusing on corporate governance and enterprise risk management of investment firms for a number of years now (see [SEC Examination Priorities for 2014](#), “[increased focus on compliance](#)”). Recent enforcement actions against chief compliance officers (“CCOs”) have renewed discussions about the critical role of the CCO in fostering a culture of integrity and compliance in the securities industry.

The public statements by [Commissioner Daniel M. Gallagher \(15 June 2015\)](#), who was critical of recent enforcement actions, as well as those of [Commissioner Luis A. Aguilar \(29 June 2015\)](#) and [SEC Chair Mary Joe White \(15 July 2015\)](#), have highlighted the importance of having an effective and empowered CCO, as well as effective compliance procedures, and a balanced enforcement approach.

The above issues are addressed in detail in [the Hedge Fund Standards](#) in the sections for risk management, fund governance and shareholder conduct (Standards 17, 21, 23). Specifically, the Standards recommend:

- Compliance officer independent of the portfolio management function and with responsibility for overseeing all issues related to regulatory compliance and market and professional conduct, with regular reporting to the CEO or management committee
- Separate reporting lines to CEO/CIO in areas where conflicts of interest can arise (e.g. valuation, risk management)
- Prevention of false incentives through staff remuneration
- Documentation of material aspects of operational procedures
- Compliance processes to identify, detect and prevent breaches of market abuse laws and regulation, and documentation of compliance incidents, reporting to fund governing body
- Regular compliance review by the fund governing body.

Separately, the [HFSB Standardised Board Agenda](#) provides an overview of the areas covered in fund board meetings (item 9: Regulatory and Compliance Update).

Within the framework of its institutional investor roundtables, the HFSB also has explored how managers can use HFSB conformity in regulatory interaction, specifically in SEC compliance inspections.

Upcoming HFSB Events

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

The first HFSB Institutional Investor Roundtable in Washington, D.C. will bring the leading Washington-based investors together with hedge fund managers to discuss emerging investor expectations and due diligence. 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, FBI, Utah Retirement Systems, Caisse de Depot, New Holland Capital and Magnetar Capital. The speakers will review current regulatory initiatives, investor priorities for 2016 and how to improve cybersecurity practices.

APPENDIX

Crystalline Management Inc.

Crystalline Management is an alternative investment manager founded in Montreal, Canada in 1998. The company was founded by Marc Amirault, President and Chief Investment Officer, shortly after joined by Jean-Pierre Langevin as Vice President and Portfolio Manager. Driven by an approach that values low volatility and return generation, the company's management philosophy is based on three core principles: Integrity / Transparency / Expertise.

Crystalline's current AUM is CA \$225m. Its clientele include Canadian and international institutional investors, family offices and private clients looking to diversify their portfolio. The company is committed to gradually increasing its offering through the development and management of new and innovative alternative products. The company now counts fifteen specialized employees, including seven investment professionals along with post graduate interns.