



*Newsletter*  
*September 2012*

Dear All,

Now that the holiday season is over, the HFSB is getting back into the swing of its activities. Here is our update for September.

**HFSB in the Nordic Region**

Dame Amelia Fawcett made opening remarks at a breakfast discussion “Hedge Fund Investing and the Hedge Fund Standards Board” on 7 September 2012 in Stockholm. She spoke about the HFSB’s efforts to globalise the Standards and engage with various jurisdictions, including the Nordic region: “the HFSB mechanism allows us to bring together key market participants (investors, managers) and set better standards as well as interact with regulators and policy makers to complement their efforts to improve the quality of the hedge fund market.”

Matthew Roberts, Towers Watson’s Head of Multi Strategy Hedge Fund Research, who was one of the panellists at the event, noted: “the panel was an important opportunity to discuss with Nordic institutional investors a number of current issues in the hedge fund market, particularly improving transparency and disclosure for investors.”

**Stakeholder Interaction**

We are holding a stakeholder breakfast forum “Hedge Fund Standards in the North American Market” on 30<sup>th</sup> October in New York City where Dame Amelia Fawcett will make a keynote speech. The event will include a panel with our North American Investor Chapter members and Signatories to discuss investor expectations and conformity with the Standards in that market. The invitation to our North American stakeholders will be sent shortly.

**Public Speaking**

This month Thomas Deinet participated in HFM Week’s Operational Leaders European Summit in a panel discussion on hedge funds and politics.

Guy Saintfiet, Aon Hewitt’s Principal, who also took part in this forum, emphasised that “the operational standards described by the HFSB are a great place to start for any hedge fund manager who wants to attract institutional investors.”

**Regulatory Engagement**

Thomas Deinet participated in ESMA’s latest hearing in Paris on remuneration on 25 September. The HFSB also provided its [response](#) to ESMA’s CP on [Guidelines on Sound Remuneration Policies under the AIFMD](#).

## Future Events

The HFSB continues its tradition of public engagement and in October Dame Amelia Fawcett and Thomas Deinet will be speaking at the following events:

- 2-3 October, HedgeInvest Forum 2012, London
- 2-3 October, 2012 Hedgefellas organised by Albourne, Chicago
- 16 October, GAIM Ops, Paris
- 19 October, SALT Singapore organised by SkyBridge Capital
- 25 October, Hedge 2012, London

## Standards Corner

Last month we started this section to shed some light on various Standards. This month we focus on liquidity risk management and handling of redemptions (and the interplay between the two).

Liquidity risk management is an important ingredient in the overall approach to portfolio risk management. The Standards emphasise the need for a liquidity management framework to include, amongst other things, stress testing to assess the sensitivity of the portfolio to margin calls, reduction of market liquidity, sudden falls in asset prices, and investor redemptions [Standard 12].

In normal conditions, liquidity risk management would ensure that the liquidity of the portfolio matches with the contractually agreed redemption terms. However, in periods of stress, market liquidity can suddenly dry up. This necessitates an appropriate approach to handling situations of liquidity distress, which should include, amongst other things, disclosure of measures to be used in those circumstances when normal redemption mechanisms may not apply, and involvement of the Fund Governing Body [Standard 2.1 Exit terms].

A solid approach to liquidity risk management and handling of redemptions is crucial, as it improves investor trust and prevents unfair treatment of investors in times of market distress.

*As a reaction to the redemption crisis in 2009, the HFSB consulted on hedge fund redemptions in the same year, and introduced appropriate amendments to the Standards in 2010. More details on this topic are available on the HFSB website in the [consultation section](#) (CPI).*