

Newsletter
January 2015

Dear All,

Happy New Year and best wishes for 2015.

Below is our report on the upcoming initiatives of the HFSB in 2015.

**Progress report:
Working Group on conflicts of interest**

As we reported in November 2014, as part of its ongoing review of the Standards and in collaboration with its stakeholders, the HFSB put together a working group to review the issues of conflicts of interest in the Hedge Fund Standards, specifically trade allocation and competing funds /employee funds.

The Working Group has held a number of discussions over the last six weeks. In addition the HFSB team is consulting other stakeholders on the initial findings of the working group. The HFSB Board will consider the recommendations, and then we will publish a formal consultation paper in the next few weeks.

**Institutional Investor Roundtable in Sydney
17 February**

- ASIC Commissioner Greg Tanzer will deliver the opening address
- Speakers include representatives from Sunsuper, QIC, MST Capital, Unigestion, IONIC Capital.

Agenda

- Critical assessment of institutional risk management techniques
- Operations & Compliance – tick boxes are dangerous
- Due Diligence case studies
- Conflicts of interest.

HSFB Events 2015

We are planning to continue our Institutional Investor Roundtable series in 2015 and so far have scheduled our events in the following locations:

- 17 February 2015 – Sydney
- 18 February 2015 – Melbourne
- April 2015 – Shanghai (TBC)
- 13 May 2015 – London
- June 2015 – Montreal (TBC)
- 22 September 2015 – New York City
- Oct/Nov 2015 – Geneva (TBC)
- Dec 2015 – Helsinki (TBC)

We are likely to add more roundtables throughout the year as well as continue our series of regulatory workshops on financial stability and shadow banking.

Public speaking

In collaboration with the [Texas Hedge Fund Association](#) and Maples Fund Services, the HFSB held a roundtable on 14 January 2015 in Dallas on governance solutions in limited partnership structures. The topics included:

- Extending offshore governance models to onshore fund structures
- Role of independent fund boards and how advisory boards work
- The [HFSB Standardised Board Agenda](#)
- Regulatory developments

The HFSB will continue to explore this topic at its Institutional Investor Roundtables with managers and investors in 2015.

SEC Exam priorities 2015

The SEC's Office of Compliance Inspections and Examinations ([OCIE](#)) published this month its [exam priorities for 2015](#) focussing on three thematic areas:

- 1.) Retail investor protection
- 2.) Market wide risks, and
- 3.) Detecting illegal activity (excessive trading, pump and dump schemes).

The exams cover a broad range of registered entities, including broker dealers, investment advisors, transfer agents etc. and not all topics are equally relevant to investment advisors.

The following areas are noteworthy in the hedge fund / alternative investment context:

- Alternative Investment companies (catering to retail investors): focus on leverage, liquidity, valuation practices, internal controls, empowerment of boards, compliance personnel (...)
- Fixed income investment companies (for retail investors): risk exposure to interest rate increases, related investment and trading controls, and adequate investor disclosure
- Cybersecurity
- Potential equity order routing conflicts
- Never-before-examined investment companies

The increased focus on alternative retail funds had already been highlighted in speeches by SEC staff last year (including at the HFSB [North American Annual Stakeholder Forum](#)). The explicit mention of "risk exposure to interest rate increases" as a specific investment risk factor is also not new (as mentioned in the [2014 priorities](#)), but it highlights that securities regulators' priorities are determined by their assessment of potential vulnerabilities in the financial system.