

Newsletter
March 2014

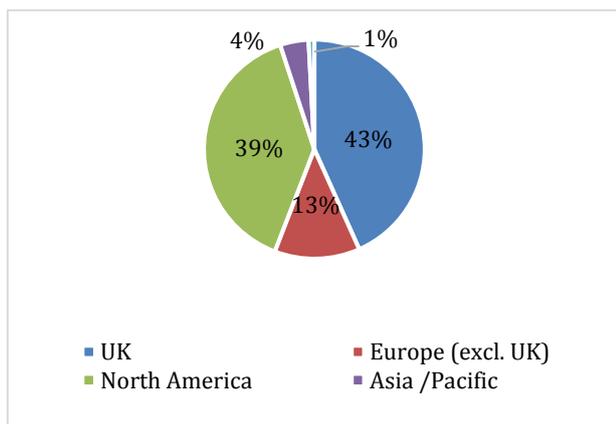
Dear All,

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

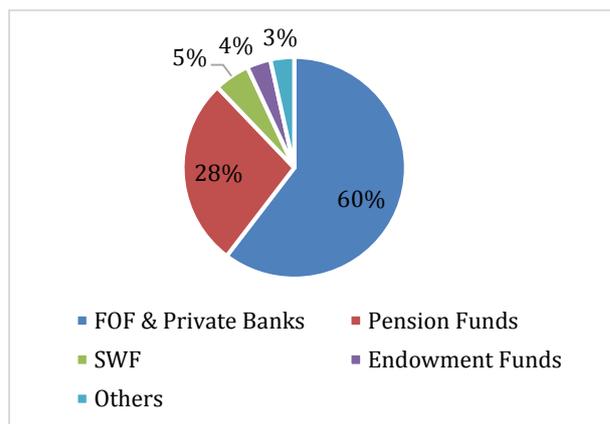
Summarising Q1

The first quarter 2014 has been an eventful one at the HFSB with eight new managers and one managed accounts platform becoming signatories, and two investors joining the Investor Chapter. We are delighted with the growing number of our North American signatories, which now account for nearly 40% of our signatories. We are equally delighted with the expansion of our Investor Chapter, which now includes two major pension funds from Finland. Pension funds now account for more than 25% of our Investor Chapter.

Signatories



Investor Chapter Members



HFSB to Launch a Toolbox

Next month, the HFSB is launching a “Toolbox” which will be available through the HFSB website. This Toolbox is intended to be an additional aid, particularly for hedge funds, to complement the HFSB’s standard-setting activities. While the sign-up process to the Hedge Fund Standards is formal and is done on a “comply-or-explain” basis, the materials available through the HFSB Toolbox will serve as a guide only and are not formally part of the Standards.

The HFSB will not hold special consultations in relation to the Toolbox contents but will welcome input, particularly via its Institutional Investor Roundtables and Stakeholders events held worldwide. The HFSB will also be happy to receive feedback by email. The received feedback will be analysed and

Managers, investors, board directors and others are invited to draw upon the HFSB Toolbox materials and to suggest any additions or other areas that it would be helpful to cover.



included in the Toolbox from time to time, as appropriate. The first topic to be included in the Toolbox will be a standardised board agenda. Over time, the HFSB will add additional topics.

Upcoming events

In Q1 the HFSB also kicked off its 2014 Global Institutional Investor Roundtable series in San Francisco, Sydney and Melbourne, which was covered in detail in our previous newsletter.

The HFSB is continuing this series in Q2, and the next two events will take place in Paris and London in May. The Roundtable in London will be a part of the HFSB Stakeholder General Assembly. More detailed information will be circulated later.

Standards Corner

Fund Governance and Board Agenda

An important issue to consider when establishing a fund is the mechanism for addressing potential conflicts of interest between hedge fund managers, the hedge funds which they manage and investors in those hedge funds; i.e. appropriate governance mechanism and oversight. Conceptually, the HFSB believes that in most cases the preferred model involves establishing a fund governing body comprising a majority of suitably qualified and experienced independent directors. It is also recommended that the composition of the fund governing body and the governance processes in place should be monitored and adjusted, if necessary. Careful consideration should be given to the extent to which the adoption by the fund governing body of all or parts of established codes of corporate governance or other director guidance is appropriate.

The Standards make further recommendations on how often the fund governing body should meet (face-to-face, preferably quarterly) and what issues should be included in the board agendas. They can include approval of accounts, investment performance review, performance of third party service providers, review of risk management procedures etc. The full list of potential agenda items will be made available through the HFSB Toolbox next month on the HFSB website. Please note that the Toolbox is not part of the Standards but only a helpful information resource which should be used as a guide only.

To learn more about fund governance, please visit [Standards 21-22](#).