



Newsletter – July 2017

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New Stakeholders

The HFSB is delighted to welcome the following new additions to its family:

Signatories

- 400 Capital Management (USA)
- BlueBay Asset Management (UK)

Cyber security: employee awareness and training key to strengthening resilience

Cyber Security has become an increasingly prominent focus of the financial industry. Regulators also are taking a strong interest in understanding and assessing the resilience of regulated firms to cyber-attacks. The HFSB actively has contributed to the debate in recent years (including Cyber Security Memo, cyber-attack simulation table top exercises and Cyber Security Survey).

Careless or uninformed employees can be a major risk to their firms' cyber security. Therefore, it is important that firms establish good "cyber hygiene", make sure that their employees fully understand the security policy set by the firms and that employees receive adequate training. Practices and priorities in this area vary, as was revealed by the results of the 2016 Annual IOSCO Affiliate Members Consultative Committee (AMCC) Cyber Security Survey. The 2016 Survey was conducted internationally among a wide range of asset managers (including HFSB stakeholders). The key findings included:

- 53% of firms require that employees undergo information security training [frequency: 79% annually, 9% bi-annually, 12% only when hired] (23% are considering introducing this)
- 36% of firms conduct fake phishing tests (25% are considering introducing this)
- 51% of firms require that all employees sign an annual affirmation that they have read and understood the firm's information security policy (19% are considering introducing this)

The HFSB is supporting this year's AMCC Cyber Security Survey; as with last year, HFSB signatories will receive invitations to participate in the 2017 Survey in the next few weeks. More information on the HFSB activities in this area is available in the [Cyber Security section of the HFSB Toolbox](#).



Upcoming events

- **7 September, London: HFSB Annual General Assembly**
This is the 9th annual event for HFSB stakeholders. This London gathering will bring together HFSB Signatories, Investor Chapter members and Core Supporters. The keynote remarks will be made by Andrew Bailey, CEO of the UK's Financial Conduct Authority. Other speakers include senior representatives from Caisse de dépôt et placement du Québec, Church Commissioners for England, Future Fund Australia, Man Group and Varma Mutual Pension Insurance Company.
- **19 September, Chicago: HFSB Institutional Investor Roundtable**
Topics for discussion include institutional investor priorities, use of alternative data in investment management and how managers can instil a strong culture in their firms. Confirmed speakers include senior representatives from Alyeska Investment Group, Citadel and Municipal Employees' Retirement System of Michigan. The closing remarks will be made by the Director of the Chicago Regional Office of the US Securities and Exchange Commission
- **21 September, Washington, D.C.: HFSB Institutional Investor Roundtable**
Confirmed speakers include James Grossman, CIO, Pennsylvania Public School Employees' Retirement System, Andrew Palmer, CIO, Maryland State Retirement and Pension Office, senior policy and regulatory officials, and alternative investment managers. Tom Hardin (Tipper X), who was the cooperating witness in Operation Perfect Hedge, a major investigation into insider trading, will speak about corporate ethics.
- **16 October, Los Angeles: HFSB Institutional Investor Roundtable**
The event will bring together international industry participants. Details to be published soon.

The full event schedule is available [here](#).

Analysis of conformity with the Standards: Fund Governance

The Fund Governance section of the Standards focuses on putting in place a suitable fund governance structure to deal with potential conflicts of interest. Most of the signatories complied with these Standards; a small portion of signatories provided the following explanations:

- a) some funds are limited partnerships and do not have a fund governing body;
- b) no board was created due to the size of the fund; and
- c) the firm organises its funds in a master-feeder structure, where offshore funds invest in a Cayman Island company, and US investors invest in an LLC. Each of the Cayman companies is overseen by an independent board of directors.

All signatories also comply with the recommendation that in cases where (i) a majority of the individual members of the fund governing body are not independent of the manager or (ii) there is no fund governing body, certain actions will be taken only with investor consent or if advance notice is provided, giving investors sufficient time to redeem. Such actions include (a) material adverse changes to fees and expenses payable by



the fund to the manager, (b) material changes to the fund's stated investment strategy etc. and (c) redemption rights available to investors.

The final Standards of this section recommend that the details of the fund governance structure and the existence of any class of shares which are held only by the manager and which carry voting rights affecting any aspect of decision-making in respect of the fund, should be disclosed in the fund's offering documents. Most signatories disclose the above in their fund's offering documents with the biographies of each director included in the prospectus.

Next month, we will publish the analysis of the final section of the Standards: Shareholder Conduct.

APPENDIX

400 Capital Management

400 Capital Management ("400CM" or the "Firm") was founded in 2008 by credit market veteran Chris Hentemann. Along with partners Alex Cha, Todd Leih and Bill Sanders, Chris and the team have been investing and trading in structured credit markets for over 24 years on average. The Firm offers investors access to securitized and structured credit strategies across its fund and separately managed account platform, including multi-sector and single-sector investment strategies, enabling investors to take advantage of the wide range of risk and return profiles available within the credit markets. The Firm's funds and separate accounts are managed for a global investor base, which includes without limitation, U.S. and non U.S. public and private pension plans, sovereign wealth funds, endowments, foundations, insurance groups, family offices, qualified high net worth individuals and consultants. 400CM and its affiliates employ 36 people, with offices located in New York City and London, and currently manage over \$1.4 billion. The Firm is registered with the U.S. Securities and Exchange Commission as an investment adviser.

BlueBay Asset Management

BlueBay Asset Management is one of Europe's largest specialist active managers of fixed income, entrusted by clients with over US\$54 billion in AUM (30 June 2017) in corporate and sovereign debt, rates and FX.

The firm's investment philosophy and approach is focused on delivering absolute-style returns, with an emphasis on capital preservation.

BlueBay has an established track record of innovation and performance across a broad range of relative return, total return and alternative investment portfolios.

Institutional clients can invest in strategies and blended solutions across investment grade, emerging markets, global leveraged finance, private debt and convertibles.

BlueBay Asset Management has offices in UK (head office), US, Japan, Luxembourg, Switzerland, Germany and Australia and is a wholly-owned subsidiary of Royal Bank of Canada, with full investment autonomy and substantial operational independence.



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