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Paul A. Volcker Senior Fellow in International Economics, Council on Foreign Relations
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European Commission

Dan McCrum
Investigative reporter at the Financial Times
Author of Money Men

Bill Kelly,
President and CEO of CAIA Association

For more information visit aima.org/media/the-long-short.html

Message from AIMA's CEO

Jack Inglis
CEO, AIMA

Although hedge funds have on average performed admirably this year, according to popular indices, global trading conditions remain tricky. As we head into the final weeks of the year, fund managers and businesses across the alternative investment sector – including AIMA – are naturally reflecting on what went well and where improvements can be made.

Reading the Q4 AIMA Journal, I found a refreshingly concise collection of expert opinions that offer insights and practical considerations focused on a host of the macro-economic, operational, technology and legal challenges plaguing our corner of financial markets.

This edition contains a wealth of information on some of the biggest issues of the moment that have dominated AIMA's agenda this year, including a deluge of new regulatory proposals from the SEC and other regulators, along with general compliance concerns. Whether it's navigating financial sanctions, the fast-evolving arenas of ESG and digital assets, or the increasingly complex regulatory framework our market operates in, the themes discussed in this edition will likely only compound in 2023 and beyond.

That's why, as always, AIMA will be there each step of the way providing guidance and a forum for valuable industry discussion that will make all this more manageable.

I would like to draw particular attention to the multiple articles in this edition aimed at emerging managers, penned by several well-established names in the alternative investment sector, that offer guidance and support to the next generation of fund managers. These articles are precisely the reason the AIMA Journal has remained free-to-read for all and is distributed to a community of more than 30,000 subscribers, including members and non-members.

Either through our Next Generation Managers Group, our busy calendar of events, or publishing market research and thought leadership aimed at smaller fund managers, AIMA has always embraced the responsibility of cultivating a thriving community of newcomers to the space.

Allow me to close my final Journal note of 2022 with an earnest thank you to all our contributors that provide insights and inspiration for so much of our work, from informing our research to providing discussion points for our podcast The Long-Short. The thoughtful pieces submitted in each edition never fail to result in a highly valuable resource for all.

As always, the spaces for the next edition are quickly being filled so if you're looking for a creative new year's resolution then make it contributing to the AIMA Journal next year.

Jack Inglis
CEO, AIMA

Upcoming AIMA conferences 2022/23

AIMA

8 December 2022

AIMA China Live 2022

30 January 2023

AIMA & ACC Private Credit Investor Forum 2023

12-13 October 2023

AIMA Global Investor Forum 2023

The full 2023 conference calendar will be announced in due course

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Why start-up managers should consider an alternative route to launching

Teun Johnston
CEO
Man GLG

Carol Ward
President
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Using third-party infrastructure that is both proven and scalable can be a powerful boost when starting a new fund business.

Introduction

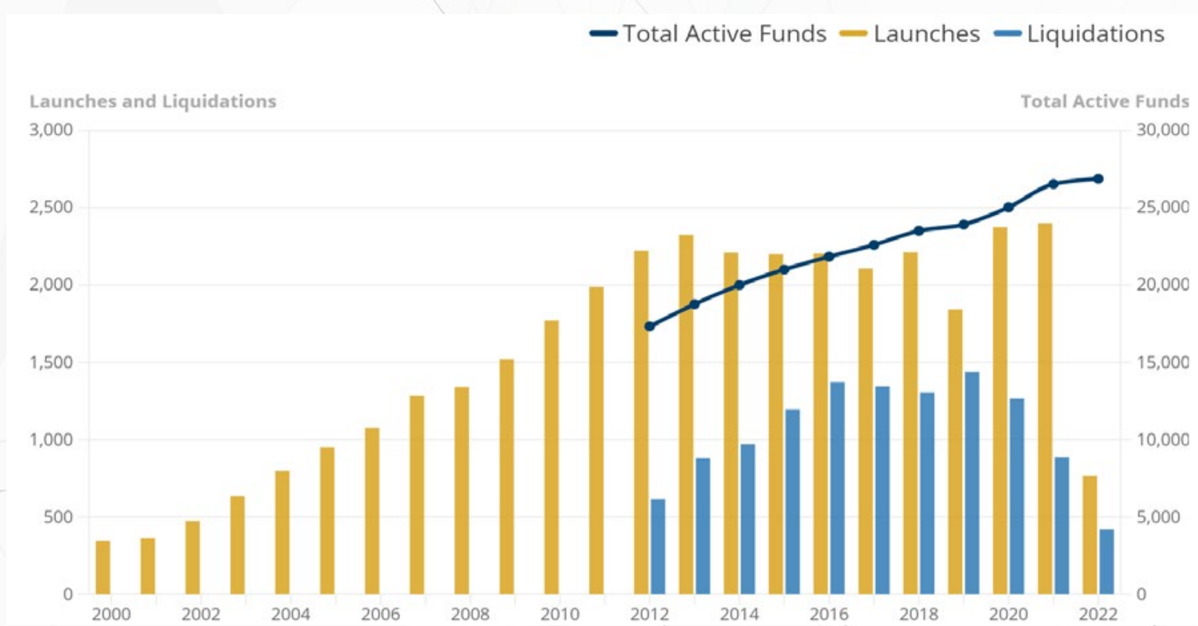
There is very little in a portfolio manager's career that can compare to the excitement of starting a new hedge fund business. Indeed, the process of striking out on one's own is the culmination of many years of hard work and good performance. But since hedge funds became established vehicles in the 1990s, the difficulties of raising capital, managing compliance responsibilities, and investing assets successfully, have risen. At the same time, fund businesses must provide a competitive fee structure which offers clients value for money, meaning that the challenges of running a hedge fund business, small or large, have never been higher.

What then, should fledgling fund managers do? In our opinion, the answer is not to duck the opportunity to run their own fund. Instead, managers should look to avoid the burden of administration and increase their prospects of success by considering an established asset manager. In particular, asset managers that offer a multi-boutique model can often deliver the entrepreneurial freedom of a start-up model, with the institutional benefits of a scaled business. By joining an established asset manager which provides product development capabilities, full trading, and research infrastructure, as well as sales, administration and compliance support, managers can avoid the pitfalls of striking out their own, while still giving themselves the chance to shine as investors and focus on what they do best: delivering alpha for clients.

The headache and the cure: economies of scale in asset management

Setting up an independent fund means that portfolio managers are also setting up a small business. Like all small businesses, hedge funds have a high failure rate. Over 11,000 hedge funds have liquidated over the last decade. For every two funds that launched one fund entered liquidation (Figure 1). While this refers to funds rather than management firms, it is indicative of the challenge that managers face. As seen in 2022, periods of significant market volatility add to the challenge as many managers have struggled to deliver performance, which may trigger additional liquidations. Put simply, the skills required to run a fund management business go well beyond the skills required to manage money.

Figure 1: Hedge fund launches and liquidations



Source: Preqin; as of October 2022

This point is reinforced by the contraction in hedge fund fees over the past decades. In a world where 2 and 20 is no longer the norm, it is harder for smaller funds to consistently compete, with lower revenues sparking a negative cycle of lower reinvestment in the business.

While difficulties for new fund businesses have never been greater, there are many economies of scale to be had within asset management. While generating alpha will always remain a test of an investor's skill, new managers may well be able to mitigate some of the costs of running a fund. We see the major challenges that new funds contend with as being focussed around three core areas:

Challenge 1: sales and distribution recruitment

The first challenge is the need to recruit a sales and distribution operation, which will then require time to bed in and develop relationships with investors. Finding salespeople is no easy task: relationships with institutional investors take time to build, and not every new hire will be able to easily transfer their network to their new role. This in turn increases the amount of dead time in between starting a fund and beginning to trade, as the time needed to gather assets is increased.

A recent study by AIMA[1] indicated that start-up hedges funds are taking longer to scale to US$100 million AUM (*widely seen as a key threshold for funds looking to attract a wider variety of capital investment*). The study found that 50% of funds that are five years or older are below US$100 million AUM, versus 38.9% in 2017.

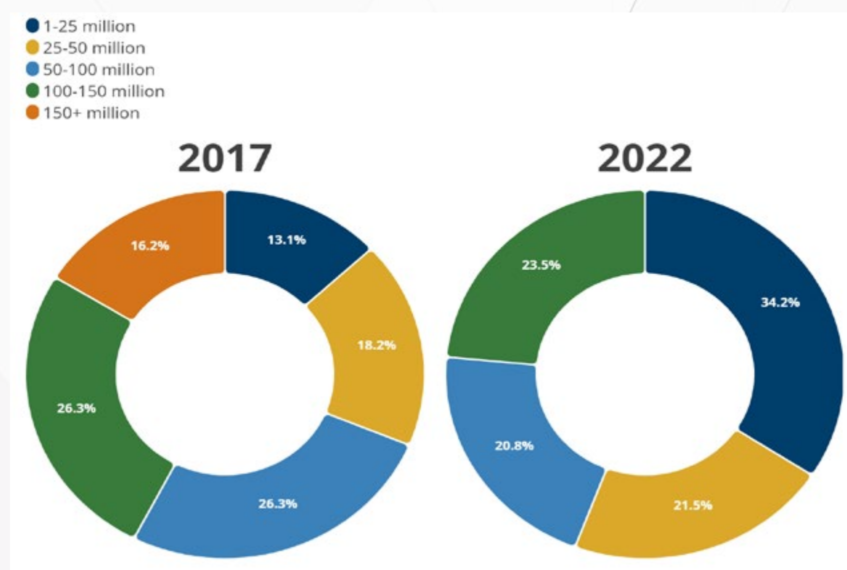
There are a few ways around this problem. Investment banking capital introduction teams can play a key role in helping new managers to get off the ground and giving them a platform to showcase their edge to clients. The alternative is bypassing the issue entirely. By joining an established asset manager that offers a multi-boutique model, new funds immediately benefit from the relationships of an established sales team, making the process of gathering assets quicker and easier. Such firms typically have relationships with a vast number of clients globally thus ensuring the broadest possible distribution is available to new managers. Furthermore, an established firm will typically contribute seed capital, which allows managers to hit the ground running through the allocation of internal capital to begin establishing a track record – of huge importance over the life of a fund.

Challenge 2: building fund management infrastructure

The fledgling fund must also put in place the operations personnel and infrastructure required to begin trading. Good risk management is a core part of successful investing and cannot be neglected. This requires both experienced staff and good technology systems, neither of which come cheap.

Likewise, fund accounting and administration systems and staff must be put in place, and relationships with brokers and counterparties established. As with a salesforce, there are significant economies of scale to be had in this area. Thankfully a number of high-quality outsourcing solutions have emerged in recent years which significantly ease the cost for start-up managers. A strong COO type role is typically needed to oversee these functions to ensure that the running of the business doesn't detract from alpha generation. Interestingly AIMA have found that the breakeven point for start-up managers in terms of AUM has reduced in recent years (Figure 2) driven by increased use of outsourcing and the ability to run with smaller internal teams. It also reported however that there is significant regional dispersion in the underlying analysis, with the breakeven AUM greater in the UK than in other regions globally (Figure 3).

Figure 2: breakeven point for start-up fund managers



Source: AIMA; as of 2022

1 https://www.aima.org/educate/aima-research/emerging-stronger.html

Figure 3: average breakeven – By region

Breakeven ($m)				
Year	Europe ex-UK	North America	APAC	UK
2022	47	59.9	60.6	85.5
2017	75.7	82	101.9	91.3

Source: AIMA; as of 2022

Established asset managers enjoy the benefits of economies of scale in non-investment functions such as compliance, legal, human resources, operations. In addition to allowing investment teams to focus on alpha generation this comes with the benefit of providing institutional clients with comfort around established operational due diligence criteria, an area that can be a challenge for start-up managers.

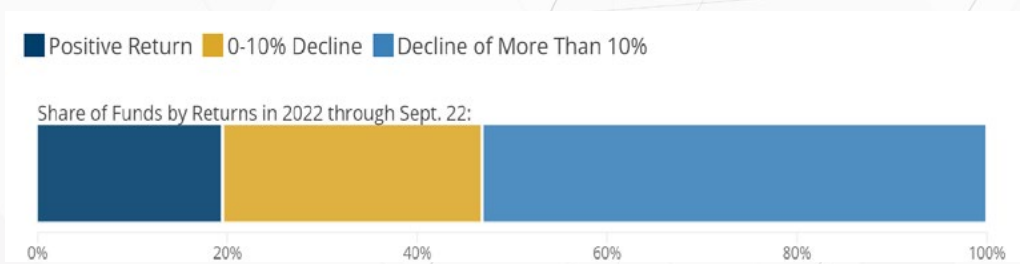
Economies of scale can be extended to administrative functions such as compliance, legal and human resources. The regulatory landscape is constantly evolving, and it is critical that investment firms respond well to regulatory change to fulfil their fiduciary for clients. Given the continuing evolution and complexity of the regulatory environment, this also can he a challenge for start-up managers.

Critically, established managers typically ensure full independence between portfolio management teams and investment risk. In addition to providing a 'second pair of eyes' and constructive challenge, well-formed risk teams play a proactive role in stress testing portfolios and scenario modelling ahead of key market events – all of which play a key role in protecting client returns. This can often be a challenge for start-up managers which lack funds to invest in innovative tooling and where the risk function lacks independence (as the portfolio manager is often the head of the business).

Challenge 3: alpha decay

2022 has been a year that has demonstrated the challenges for many hedge funds in delivering consistent performance. While many hedge funds protected investors on the downside, there has been significant dispersion in the industry, and it has been a year where many of the hedge fund 'darlings' have slipped.

Figure 4: hedge funds by performance



Source: Bloomberg

In a world where quant managers are becoming increasingly sophisticated, the delivery of consistent alpha requires continual investment in all areas that drive and protect performance, such as data, research, analytical resource, risk management resources or behavioural analytics. This applies to both quant and discretionary investors. To maintain an edge, managers must continually enhance and review their investment process and prevent alpha decay.

Scaled asset managers can offer benefits of scale in terms of innovation and alpha generation. From incorporating quantitative support into discretionary investment processes, to ensuring that funds can benefit from the latest ESG research, to having access to the latest data sources. By pooling resources between portfolio managers, larger platforms are able to ensure their teams have access to the data, tools and research they need to generate alpha. Again, this requires capital investment: trading platforms to minimise slippage, global datasets, proprietary research and analyst support all cost money. This is not necessarily something which is easy to achieve in a smaller business where revenues may not be high enough to enable such spending. Furthermore, by working within a larger fund platform, managers have the opportunity to collaborate and share expertise with colleagues

Conclusion

The last ten years has seen something of a winnowing of hedge funds. Lower fees, increased competition, increased regulation and more selective clients have all made it harder than ever to run a successful fund business – even if performance itself is not the issue.

Fortunately for the next generation of portfolio managers, alternatives exist. Multi-boutique asset managers offer economies of scale, sales and distribution, and middle and back-office operations and infrastructure. Most importantly however, they offer managers crucial support in areas directly relevant to generating alpha, investing in research and technology capabilities to keep portfolio managers ahead of the competition. Instead of focussing their energy on running their own business, managers should conserve their energies for what they do best – running money – and leave the operational headaches to someone else.

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The global GRC risks of unauthorised business communication channels

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Communication has always been integral to the investment world and, as technology evolves and expands, the need for adequate and equally evolved surveillance mechanisms has grown. More widespread use of mobile apps and communication tools such as WhatsApp became increasingly prevalent during the various COVID-19 lockdowns as professionals sought to maintain connection with one another. Habits are quickly formed, and so convenient mobile app usage has become an integrated part of work communications.

The Financial Conduct Authority (FCA) in the UK openly noted the challenges for authorised firms to maintain surveilled and recorded methods of communication during lockdowns; they provided relief from the requirements for transactions to be conducted on a recorded medium, provided contemporaneous notes were taken at the time that could be maintained. This relief has now passed as firms adapted to and adopted varieties of hybrid working models.

In the US, scrutiny of this area by the Securities and Exchange Commission (SEC) has fast evolved. It has grown from the investment banking world to include investment advisors in Q1 2021, incorporating information requests into wider scope examinations alongside one-off type examinations.

In August of this year, following these examinations and the gathering of data, the SEC took one of its first enforcement actions against a private fund manager and its founder for various alleged failures in this area. This enforcement action, which involved a comprehensive corrective-action plan, draws sharp focus on why managing risk in this area is essential and using comprehensive and cutting-edge Regulatory Technology (RegTech) software tools more and more critical.

SEC allegations

The SEC alleged that even though the private fund manager's compliance manual restricted business communications to firm-provided email accounts and certain messaging platforms (like Microsoft Teams and Bloomberg Chat), multiple personnel (including the founder) communicated via various mobile apps on personal devices (such as iMessage and WhatsApp) that were neither authorised nor archived. These communications included recommendations and advice made for clients, the movement of client funds, and securities sale and purchase orders.

The SEC further alleged that restrictions in the compliance manual relating to permissible business communication channels (and related record-keeping requirements under the Investment Advisers Act) were not enforced. Additionally, the SEC alleged that by not updating its compliance manual to permit and archive business communications through the above-mentioned additional channels, the fund manager violated the Investment Advisers Act's requirement to adopt and implement an adequately tailored compliance program. Further, apart from not producing any text messages in response to an SEC staff's investigative subpoena — before the fund manager was made aware of the SEC investigation — the founder, on multiple occasions, allegedly instructed at least one officer of the fund manager to delete all text messages.

SEC-stipulated corrective action plan

Perhaps even more noteworthy than the SEC's allegations is the corrective action plan that the fund manager and its founder had to agree to. This plan (described below) indicates the expectations the SEC has for private fund managers to manage these risks and forms solid actionable takeaways. Under the SEC-mandated corrective action plan, the private fund manager in question is required to retain an independent compliance consulting firm to assist it with the following tasks:

- A review of the private fund manager's surveillance, compliance, and archiving policies and procedures (and employee training) designed to ensure that its electronic communications, including those conducted via mobile apps on personal devices, are conducted in accordance with applicable regulatory requirements. A review of employee certifications as to compliance with the foregoing policies and procedures to ensure these are being submitted quarterly.
- An assessment of the technological solutions that the private fund manager has begun implementing to assist with the above tasks, including an assessment of the likelihood that employees will use such technological solutions going forward. A review of the measures employed by the private fund manager to track employee usage of new technological solutions.
- A review of the private fund manager's electronic communications reviews to ensure that they are covering business communications undertaken via mobile apps.
- An assessment of the steps taken by the private fund manager to prevent the use of unauthorized communications channels for business communications.
- A review of the framework adopted by the private fund manager to address instances of non-compliance by employees with the foregoing policies and procedures. This review should include corrective action taken in instances of non-compliance, an evaluation of who violated policies and why, what penalties (if any) were imposed, and whether penalties were handed out consistently across business lines and seniority levels.

FCA overview and considerations

Following the US$1.1bn fines issued by the SEC to 16 banks, the FCA appears to be focusing on the usage of WhatsApp across the market. In early October, the FCA confirmed it had begun holding discussions with several authorised and regulated firms on the topic of personal device usage for business purposes. The FCA was then still at a 'supervisory' stage and recent economic events may well have resulted in a shuffling of priorities for the regulator. It should be noted though that the FCA had warned authorised firms of the need for electronic communications to be recorded and auditable prior to confirmation that discussions had commenced.

It is not unusual to see the UK regulator take this approach. Often supervisory conversations with certain institutions are used as an indication to the wider market as to where the focus of the FCA may be at a given time. The FCA repeatedly states that firms must implement surveillance tools and mechanisms that are tailored to their structure and business, and that a simple 'plug and play' solution may not be appropriate. Although ostensibly discussing market abuse surveillance systems, it is not hard to read these warnings across all types of solutions.

What steps can firms take?

The SEC-mandated corrective plan discussed above obviously gives clear immediate steps for firms, irrespective of the regulator. The initial (and natural) reaction to such regulatory scrutiny may be to aggressively clamp down on employees' use of various electronic communication channels and monitor them for violations. However, it is worth reflecting that such an approach is increasingly becoming antiquated and unlikely to manage risk effectively in the longer term because:

1. the use of non-email-based apps for business communications has significantly increased across the investment management industry. Reversing course appears futile.

2. the ability to archive non-email communication channels has significantly expanded over the past several years. Many private market fund managers' policies restricting business communications exclusively to firm-provided email accounts were often drafted when archiving capabilities were quite different from what they are today.

As such, private fund managers may wish to re-visit their historic policies by:

1. Comprehensively polling their employees on which apps they and their industry contacts use to conduct business

2. Working with their archiving vendors to determine if communications via these apps can be archived

As an example, numerous managers became comfortable with employees using Microsoft Teams' chat feature to correspond internally on business matters and discovered they can (and are) effectively archiving these communications.

Further, as evidenced by recent regulatory scrutiny, it has become increasingly critical to supplement old school electronic communication reviews with machine learning based holistic surveillance tech tools. These tools combine behavioural and natural language processing (NLP) machine learning algorithms to detect potential inappropriate employee behaviour early in an effort to prevent (or at least minimise) damage.

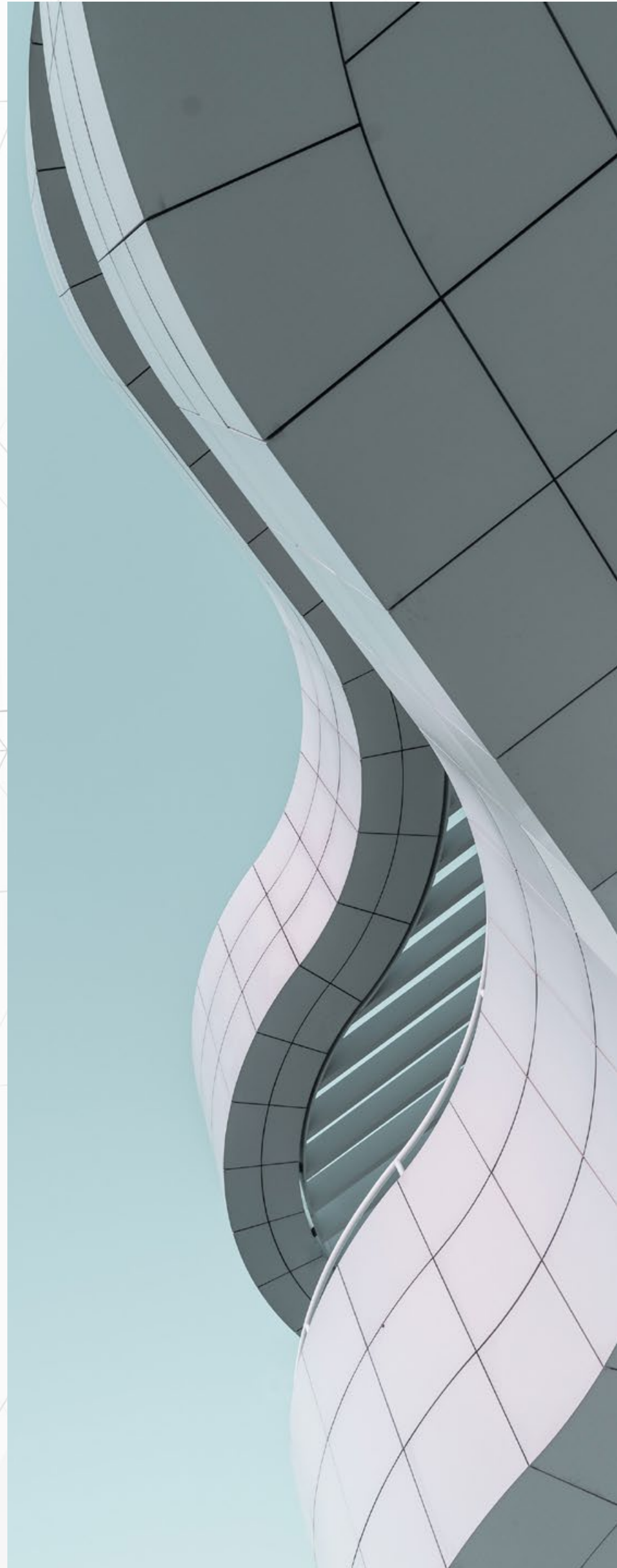
These tools can holistically integrate surveillance of business communications across all apps into a single unified view so communications can be understood in context, detecting risky behaviour patterns more readily, irrespective of what apps are used or even how these apps are accessed (e.g., via firm-provided desktops/other devices or personal hand-held devices). This is a significant advantage over 'reviewing' communications app-by-app in isolation.

Additionally, with the increasing adoption of Bring Your Own Device (BYOD) programmes, firms should have enterprise-level technological controls on both firm-issued and personal handheld devices. This helps prevent employees from inappropriately copying, downloading or otherwise moving sensitive work-related data from work accounts set up in applications used to conduct business.

Finally, employees should be reminded that to the extent they receive or initiate communications through unauthorised electronic communication channels (whether via their personal devices or firm-issued devices), these communications should not be deleted without the prior approval of their compliance departments. Instead, they should be forwarded to their firm-provided email or firm-approved communication channels that are subject to archiving. This latter step will ensure these business communications are archived.

Conclusion

The modern technological world is evolving rapidly with different communications options being adopted and discarded seemingly at the drop of a hat. While the various regulators fight to catch up and maintain pace with the market, it is essential that firms implement appropriately sophisticated and targeted solutions to embrace this technological evolution. As former US Deputy Attorney General Paul McNulty famously stated; *"If you think compliance is expensive, try non-compliance."*



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Data challenges in new high yield digital lending markets for asset managers

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Credit markets are evolving quickly, and new asset classes are emerging every day. Asset managers are always on the lookout for the most promising opportunities, but they are not always prepared to face the challenges these new asset classes entail. Take, for instance, innovative credit models such as Buy Now Pay Later (BNPL) and Revenue-Based Financing (RBF). When it comes to data, these types of financing structures carry with them a unique and novel set of challenges.

Without the proper tools and processes in place, investments' data is difficult to manage, monitor, and reconcile. A lack of efficient data management can result in wrong decisions, which in turn lead to higher defaults and lower performance, hampering an asset manager's ability to fully capitalise on the emerging opportunities inside the credit markets.

After a brief overview of the emerging credit models, we will examine the data challenges they present and how market actors can successfully overcome them.

Buy Now Pay Later

The general Buy Now Pay Later model involves a customer purchasing on the merchant's website with BNPL financing. When the purchase is confirmed by the merchant - and by the BNPL provider - the customer receives its products.

From a financial point of view, every time a new product is purchased with the BNPL option, a new loan is issued by the BNPL provider and - in case of securitisation - sold to an SPV.

Clients benefit from a free payment split over time (max 3/4 installments), and asset managers have access to portfolio diversification, and attractive returns (generally paid by the merchant).

Revenue-based financing

In revenue-based financing, a company funds its financing needs with a loan to be repaid from a share of its future revenues. For the borrower, this becomes a very flexible and scalable instrument as there will be no 'large' installment at the end of the month, but only a fixed percentage of sales applied on a daily basis.

On the other hand, the lender receives back the capital and interest much faster and in a more predictable way. The relationship between the two is key to this business model. The financing line becomes true growth support for the borrower instead of a 'burden' that would come from a classical loan.

Inventory-based financing

Inventory-based financing involves using inventory as collateral to obtain an advance, loan, or line of credit to purchase products/inventory or fund liquidity short-term cash flow problems. In the last few years, this financing model has extended to retail and seasonal businesses, including product categories ranging from clothing to food and beverages.

This model represents an attractive form of financing for businesses and lenders. Since inventory is used as collateral, it is easier for a business to obtain a loan compared to other types of financing, while from a lender's perspective, there is less risk associated with the investment.

eCommerce financing

Marketplaces such as Amazon wait 14 - 60 days before making the payment to the retailer after a transaction is completed. Marketplaces retain consumer payments for a certain amount of time to facilitate returns and refunds, but retailers struggle in managing their operations with such long cash cycles.

eCommerce financing enables merchants to get their cash at the end of each sales day. The faster cash cycle supports the merchants' growth while reducing working capital. For a lender, the attractiveness of eCommerce financing derives from the visibility of the historical cash-flows and revenue data.

Device as a service

The device/product as a service business involves the rental of a device/tech product/car/ etc., to the final customer. Compared to BNPL, this financing model provides a greater payment guarantee (if the customer stops paying, the lender will take back the product), decreasing the risk associated with the investment.

This form of financing allows customers to rent devices in the way that best suits their needs. There is no upfront capital expense which significantly lowers the barrier to entry to try new devices or vehicles.

Data challenges in new digital lending markets for asset managers

Distinctive business models

As the credit models described above are relatively new to the market, there is still no standard investment management structure in place. This becomes particularly evident for BNPL products: while some providers charge a fee to the merchants on generated sales, others employ a subscription-only or a mixed model with a fixed subscription and fee on sales. In some cases, BNPL

providers give the option to extend the installment schedules further, applying interest on the outstanding amount.

It often happens that asset managers invest in several BNPL providers. This adds even more complexity as each provider, depending on its geography, has specific accounting and reporting policies, data, and business models, and so on, leading asset managers to lose track of realised performance.

Continuous modifications to repayment schedules

Asset managers must carefully plan and monitor their investments on an ongoing basis. Predicting the expected tenor and return of a single exposure or a portfolio is critical, however, the lending models discussed above do not make it an easy task to accomplish.

The above-mentioned asset classes are usually managed at borrower level, allowing consolidation of exposure generated via multiple purchases. In many cases, extensions or modifications of amortisation plans are granted, generating further changes to the payment schedule.

Asset managers must review their expected cash flows and returns over and over again usually using .csv files

Tracking all these changes in maturities and returns is rather difficult considering exposure is usually granular and spread over thousands of lines. In addition, when business models are based on fixed subscription fees (as in the case of many BNPL products), there is no direct connection between the borrowed amount and the paid fees: the subscription fee would still be the same and will still be charged regardless of whether or not the credit line is used.

Furthermore, every single BNPL provider has its own specific way of reporting data, increasing the complexity of monitoring activities to understand how investments perform. All of the above combined make it extremely challenging to monitor delinquencies, defaults, delays, and, more broadly, investment performance.

Volatility

With revenue-based finance, returns can be extremely volatile. Given the product structure, with no fixed maturity and repayments that correlate to company revenues, planning in advance is not straightforward, as revenues can be uncertain and fluctuate over time depending on the borrower's monthly performance.

From a lender (or asset manager) perspective, revenue based finance is somehow more similar to equity than to debt, as its value can be considered as a revenue multiplicator. Therefore, in order to plan efficiently, every quarter, asset managers need to revise and adjust estimations, the lent amount, and expected returns. Managing cash expectations efficiently is quite complex and, as a consequence, there could be a high cash drag effect and lower returns for the clients.

eCommerce financing presents similar issues, especially when it comes to product returns (refunds), which represent a big risk for the lender. Once a sale is recorded and the financing is extended to the merchant, a refund request from the customer causes a credit drop, decreasing the borrowing base while increasing the risk and the expected tenor (which in turn reduces returns).

Full visibility on investments

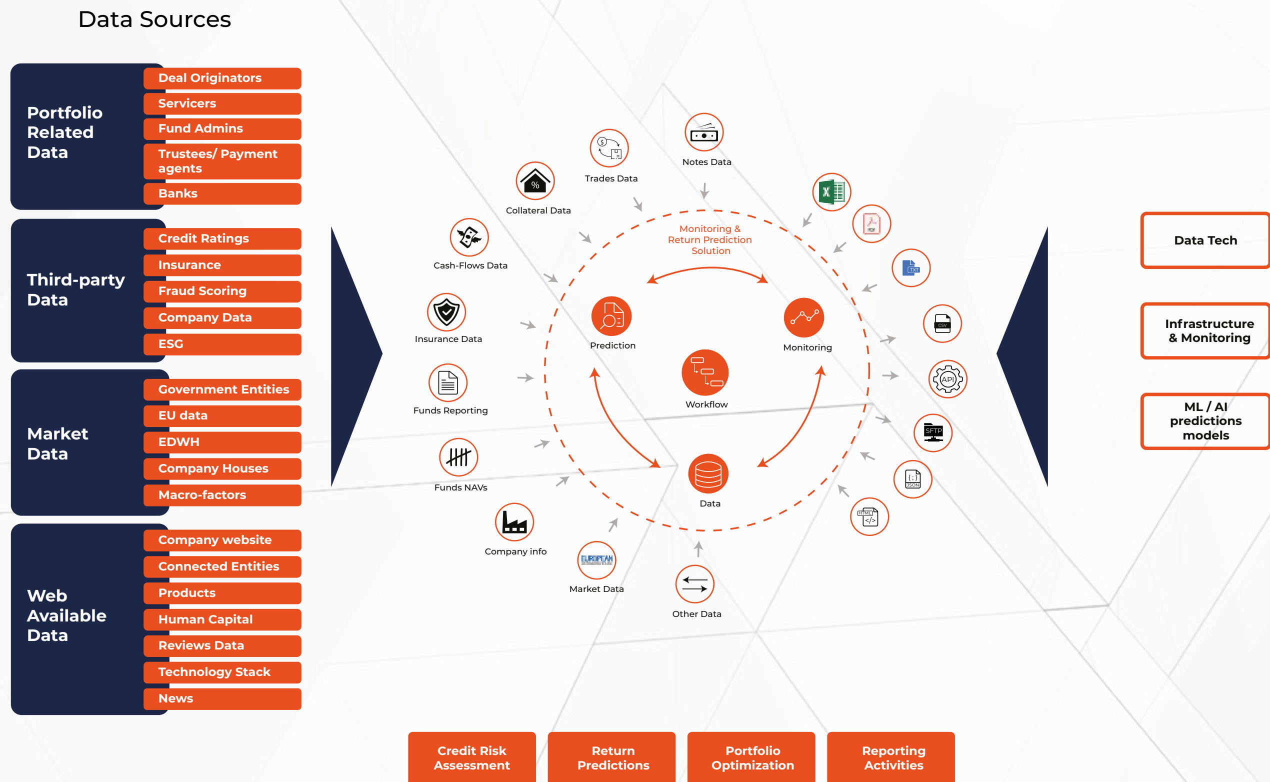
Proper management of Inventory-based financing requires asset managers to constantly track what is happening to the underlying assets. Devaluations, weight reductions, and other factors could impact

the collateral's value. Being able to retrieve reliable data that enables efficient and time-effective monitoring might require dedicated solutions.

In order to have full visibility of all these changes, asset managers need to rely on automated tools that can predict in real-time returns, automatically adjusting statistics and generating alerts based on the past data and characteristics of the scenario under evaluation.

Need for custom-made reporting

Traditional tools such as spreadsheets imply very manual and tedious reporting processes, with a high level of operational risk. Emerging credit models require personalised adjustments each time, which increases the difficulty of accommodating reporting needs of external parties quickly and accurately.



Streamlined data management process with AI and ML-based models

Conclusion

"With great opportunities come great challenges" and technology has the potential to solve them all by providing the right tool to correctly manage data and bring transparency and speed to asset managers.

However, using software with basic functions, in the case of new lending models, is simply not enough. The market needs dedicated AI-based models that are built based on each specific product structure. For instance, BNPL products require delay prediction models, propensity to pay back models, and revenue limit estimations that are automatically calculated with every new subscription and updated after each event (purchase or repayment). Standard calculations updated on a yearly basis are not sufficiently detailed.

Moving at the same speed as the market is critical to stay ahead of competitors. When evaluating whether to enter the emerging credit markets, asset managers should take into account all the data challenges they entail and think in advance about a dedicated solution to streamline operations and analytics.

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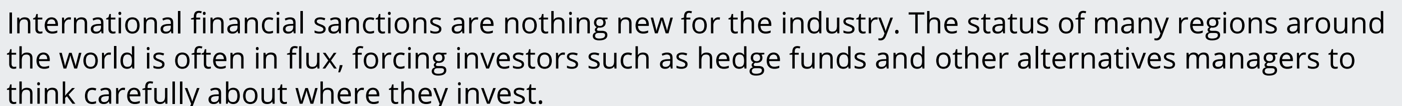
Financial sanctions and natural language processing: supporting evolving client needs through innovation

Sinead Mitchell
Head of Investor AMLCDD
Citco (Canada) Inc.



International financial sanctions are nothing new for the industry. The status of many regions around the world is often in flux, forcing investors such as hedge funds and other alternatives managers to think carefully about where they invest.

However, since the turn of the century, and specifically since 9/11, these sanctions have become increasingly targeted.

As the name suggests, this new breed of sanctions focus on specific individuals or companies. Following the invasion of Ukraine earlier this year a raft of sanctions was published by various international organisations and countries - including the European Union (EU), United Nations (UN) and United Kingdom (UK) - impacting Russian and Belarusian individuals and companies.

Adhering to these sanctions is one of the important tasks which asset servicers handle on a day-to-day basis for clients, and the industry has well-established and effective processes for this. These sanctions feed into the ongoing screening process of the Citco group of companies (Citco).

Using techniques such as fuzzy matching logic (which finds two similar - but not identical - elements of text or information), asset servicers can compare the individuals or companies named on sanctions lists against customer databases (i.e. clients, investors and their associated parties).

As it pertains to investors, the screening process is fed by the data collected via Citco's Anti-Money Laundering Customer Due Diligence (AMLCDD) process.

While different AML regimes have different identification and verification requirements, many AML regulators have sought to address transparency issues in recent years by requiring asset servicers and their clients to fully understand ownership and control of non-individual investors – i.e. ultimate beneficial ownership (UBO).

This has resulted in a much enriched investor data set for screening, which has been helpful in trying to pre-prepare for potential sanctions.

However, amid the invasion of Ukraine, we have seen a shift this year. Clients have moved to get ahead of the official listings by understanding their potential exposure to Russia and Belarus, both in terms of their underlying investors and their investments.

This presented a new challenge; a shift from monitoring the 'who' to a focus of the 'where' in regard to domicile and nationality/citizenship.

In response to client requests to know the 'where' of their investors specifically, additional, bespoke extracts and reports are now being utilised to collate this data, and this is where technology is playing a growing role.

Can natural language processing help manage sanctions?

As sanctions can be implemented quickly, it is extremely helpful to be able to easily extract data from an asset servicer's systems.

In the case of exposure to Russia and Belarus, Citco expanded its data set by applying natural language processing (NLP) to its document repositories. This process looked for specific data points on a document, for example, if the place of birth recorded on any passport is Moscow, USSR, etc. While the outputs required manual review, it is clear that this additional technology, once fully developed and tested, will offer an additional layer to Citco's data collection tools.

However, it is important to understand that NLP is not a standalone solution. This type of data extraction has its limitations within the AMLCDD process. For example, in the case of Russian sanctions, a 'Russian' person could present a passport from a different jurisdiction, with a non-Russian nationality and non-Russian registered address.

As a result, the data captured, while compliant, would not present any nexus to Russia. In this scenario, the next stage is to use the name matching capabilities of Citco's established screening process which would identify an actual sanction target, albeit only after the sanction is published. So far we can see how NLP can be a useful tool rather than a one-stop-shop solution when it comes to sanctions. However, as demand for better data solutions grows, we will likely see NLP and other technologies used even more in this space.

Clients now want real-time, flexible reporting and analytics, and that means tools such as NLP – combined with existing processes – will take center stage in the battle to adhere to financial sanctions in the future.

What’s next?

Being able to automate tasks such as financial sanction screening is undoubtedly a step forward for asset servicers when it comes to delivering ever more value to their clients.

NLP is also developing at a rapid rate. Trends seen in the space this year include an increasing ability to automatically complete parts of documents accurately based on less and less initial input.

While NLP is predominantly used to enhance the interpretation of text currently, it could well expand its reach into areas such as unstructured data, again bringing further benefits to asset servicers and their clients.

However, the future success of this is dependent not just on technological advancement, but also in the adoption of these technologies by all industry participants.

The more widespread the use of these tools across both investors and asset servicers is, the more streamlined the process will become as the various systems used by different organizations manage to talk to each other more clearly.

One other thing is also clear; now that this technology is being used, there will be no stepping back from it. Administrators looking to deliver the best possible service to their clients will need to incorporate these technologies more and more.

The impact of volatile markets on PB margining: Understanding margin model changes and the impacts on your portfolio

Vardaan Kohli
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Cassini Systems

In times of market uncertainty, risk functions at prime brokers (PBs) manage their client risk exposures more dynamically. Their role is to ensure enough margin is charged and collateral is held in a variety of 'risk-off' scenarios across the spectrum of hedge fund trading strategies.

How do prime brokers manage market volatility?

PB margin frameworks utilise parametrised rules and market stress shocks meant to provide stable margin for clients whilst also covering their lending risk in adverse scenarios. These models, at times, may be outdated for the adverse market conditions they were developed for, or may not account for extreme tail risk. As such, in times of turmoil, PBs will alter the parameters for client margin agreements or house stress policies to cover any potential gaps in margin charged.

The practice of benchmarking the frameworks used to margin a PB's clients to the PB's own internal stress models is commonplace across all major banks.

This means that dynamically changing margin parameters to ensure the margin charged stays within the stressed risk or backtesting metrics become more frequent in choppy markets.

These margin methodologies are often opaque to the end client when initially implemented as they are defined in complex model documentation. This, coupled with parameter and threshold changes that become more frequent during volatile markets, makes it challenging for hedge funds to have full transparency over their margin calculations on a daily basis.

How are hedge funds looking at this?

Prolonged and heightened market volatility has renewed the focus on margin costs across the hedge fund industry. At times when market factors lead to sudden deleveraging and reallocation of risk; Treasury and COO functions need to ensure margin jumps don't generate additional drags on P&L.

A recent market study commissioned by Cassini, in partnership with Acuiti, on Margin Management for Hedge Funds, found some impactful themes supporting this:

- 50% of hedge funds surveyed had been forced to take negative steps, reducing fund performance when meeting margin calls in volatile markets. In parallel, 38% had to close out high-margin strategies.

- In the aftermath of Archegos, 46% of funds saw their PB's change margin policies and 54% have stricter enforcement of margin calls.
- In contrast, aspects such as pricing were found to be much stickier in volatile markets, with only 27% of funds reporting fee increases.

Following the collapse of Archegos, have your Prime brokers taken any of the following actions?

Stricter enforcement of margin calls

Changed margin policies

Increased fees

Reduced available leverage

From the view of their margin relationships with PB's; Hedge fund personnel are most focused on the following:

- How they can validate complex margin policies, assess the impact of new trades prior to receiving T+1 margin calls and ensure transparency on daily margin vs term lending limits.
- Having transparency for day-to-day reconciliation. Validating large moves in the margin or changes to parameters.
- Attributing margin costs against different strategies and to different portfolios for optimal operational performance. Examining exposure and margin at intermediate margin rules assesses which strategies are margin-reducing.
- The front office wants to reduce performance drag from margin inefficiencies and have a pre-trade view of the impact of give-ups, closeouts, executions, or clearing activity across Prime clearing counterparties.

There are 4 ways hedge funds can address margin strategies

1. **Evaluating the impact of a rules-based vs stress-based margin policy.**

Stress-based margin policies have comprehensive market scenario shocks, for bespoke strategies such as an equity fund with mergers or pairs arbitrage this type of policy won't be the most efficient.

2. **Assess how altering parameters can impact the portfolio whilst cognizant of parameter changes' trickle-down effect.**

A PB may change policy thresholds in light of market volatility, which doesn't lead to a significant change in day 1 margin, though over time can creep to have a much higher margin percentage charged.

3. **Testing the impact of increased mandates or hypothetical portfolios across PB relationships.**

Where funds anticipate a new trading mandate or higher allocation to a PM in a multi-manager strategy, they should run what-if scenarios across their PB relationships to estimate if the increase in margin is linear or it has an asymmetric impact to margin increase.

4. **Overlaying impact of margin when negotiating the allocation of balances across PBs based on wallet share.**

PBs offer lower financing rates when they can negotiate a higher share of balances from hedge funds. Though, a mismatch in exposure where hedge funds have directional portfolios at PBs can lead to overall higher margin rates and subsequently lower leverage. As much as lower financing rates will have a direct impact to the bottom line; the ability to have higher leverage will allow trading strategies to achieve higher efficiency. At times when without a certain amount of leverage, the strategy may be ineffective, it is imperative to overlay margin rates in wallet share negotiations.

Conclusion

As we have seen, there are several reasons why prime brokers alter and adapt their margin rules. It is imperative for them to keep their models current with market conditions to manage their counterparty risk.

Last year's events from the fall of Archegos are a prime justification for prime brokers to ensure their margin policies are not outdated. This event shed light on the equities and synthetic PB business lines and was a driver in a re-evaluation of the client risk PBs are taking.

Similarly, the events we are seeing this year with the war in Ukraine and post COVID-driven market demand/supply imbalances are causing prolonged high inflation rates which in turn are leading to strong macro-economic policy responses. This has brought market shocks to all areas of investing such as interest rates, inflation, and corporate debt driven strategies.

There have been outsized losses and some contrarian winners as a result. Volatility levels across the asset classes remain elevated. This has enhanced the need for banks to have comprehensive stress-based policies that cover all asset classes and market scenarios.

Given the current volatility in the market, changes in margin models are going to be more common, rather than the alternative. PB internal stress testing policies are more robust and are reflected in client policies. After Archegos, there has been a big push to review PB policies more frequently and update risk parameters to reflect current market risks.

This is a prompt to hedge funds to be more proactive in their assessment of PB margin requirements rather than reactive to changes driven by the primes.

Hedge funds should have the tools and resources at hand that allow them to transparently view complex PB Policies.

They need to use these tools to discuss their margin requirements openly with their prime brokers so they don't block an unnecessarily higher amount of liquidity and collateral, which would ordinarily be deployed towards revenue-generating avenues.

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Five key considerations when selecting a prime broker

Jack Seibald
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Cowen

The prime brokerage industry is going through a turbulent time as some large providers have pulled out of the market in the last 12-18 months. This has forced a growing number of fund managers to rethink their approach to prime brokers. Rather than relying primarily on one big bank, an increasing number of mid-sized funds are engaging with multiple prime brokers. They are also having to be more selective about which firms to consider, most notably by diversifying counterparties to include non-bulge bracket providers.

Fund managers are casting their nets more widely than ever before when looking for a primary or secondary prime broker. Here are my top five tips for what to consider when choosing a prime broker.

1. **Size matters:** Choose the prime broker best suited to the size and ambition of the fund. The bulge-bracket banks, understandably, may be less willing to take on a fund with a relatively small amount of assets under management. These banks may also be less generous with their time and resources and have certain minimum revenue expectations.

2. **Full-service capabilities:** While all funds need strong operational support, state-of-the-art technology and solid risk management, additional requirements may vary according to the age and stage of the firm. In the case of emerging funds, for example, their needs could involve capital introduction or consulting. For established funds, they could involve service in a range of asset classes or detailed knowledge of regulatory regimes in a particular geography.

   Outsourced trading is increasingly in demand and therefore a prime broker with a multi-asset outsourced trading offering should be considered a very compelling partner. Outsourced trading does not necessarily need to be deployed across all areas of trading but can be a very efficient and effective route to expertise, scale and reach – improving access to liquidity, asset classes, markets and geographies.

   Fund managers must ensure that their needs are aligned with the prime broker's capabilities, and that the prime broker will be able to handle their evolving requirements as they grow, and their needs evolve.

3. **Robust risk management practices:** Weak risk management practice is one of the main factors blamed for the well-publicised losses generated by some prime brokers last year, and the ripple effects are still being felt. Providers need the right tools, and perhaps more importantly, the right culture to mitigate such risks. The 2022 Global Custodian Prime Brokerage survey highlights, among other aspects, the top performers in terms of risk management.

4. **Outstanding service:** High service levels are particularly important for many emerging and mid-sized firms. Seek a prime broker with a reputation for delivering exceptional customer service and a consistent dedication for emerging and mid-sized managers.

5. **Strong track record:** The right prime broker, whether in a lead role or as a secondary alternative provider, should have been in the business for a while, with a proven track record in providing good advice to its clients. Consistency in commitment to prime brokerage is the key – look out for strong stable performance, a robust business model and diligent client selection.

Transparency from the outset

The prospective client and the broker should both enter into the relationship with their eyes wide open and be transparent about their respective expectations. This will lessen the chance of the uncomfortable discussion 6-12 months later about unmet expectations – revenues on the broker side and service on the client side.

While some prime brokers who have moved up the food chain due to the market upheaval have caused mid-sized clients to search for alternative solutions, others have made it clear that they wish to retain an interest in dealing with new or emerging managers and are committed to help with the growing pains of the fund in the early days. They are keen to take on clients that are a good match. If the prime broker is selective, it shows they are committed to the strategic vision of the fund and are therefore motivated to dedicate the resources to make the partnership a success. That's surely to the advantage of both parties.

Choose carefully

Fund managers are grappling with rising market volatility and seismic shifts in the global economy. They need to find a partner who they can trust and who they can work with for the full lifecycle of the fund. With the number of providers declining, fund managers need to be more judicious than ever in choosing their stable of prime brokerage providers.

It is critical to do thorough research prior to engaging a prime broker and ensure they can tick all the boxes, for both current and future needs. Only a limited number of prime brokers can offer the full spectrum of services on a global basis and provide the level of high-touch customer service that many funds need.

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Evolution of fund administration: Is your administrator keeping up?

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EVP of Risk & Compliance
Formidium

Fund administration services and associated technologies have evolved extensively throughout the years and are expected to continue to evolve as private funds' needs increase in complexity. What started as an outsourced responsibility of the investment manager to maintain "books and records," has evolved into a fully independent fund administration service sector with the technology capability to meet the modern needs of fund managers, investors, and regulators. Today, fund administrators are expected to be partners with investment managers, while also being cognisant of the best interests of the fund investors. Despite these additional responsibilities, service fees have been declining due to technology and increased competition. A long-short equity fund today pays half of what it would have paid 20 years ago and gets a significantly higher service level. Though a high touch service industry traditionally, automation and technology will continue to make it more efficient and less personalised.

To understand the evolution of fund services, it is important to first understand the evolution of the hedge funds industry itself.

Evolution of funds and fund administration prior to the 1990s

Regulations

While investment pools and trusts date back to the 1800's, the 1920's saw the first modern mutual funds established for outside investors. Following the heavy losses from the 1930's stock market collapse, the Securities Acts of 1933 and the Securities Exchange Act of 1934 were enacted to protect investors from bad actors. The Acts required funds to register and disclose holdings, performance, and other items which were later expanded as part of the Investment Company Act of 1940.

AW Jones

In 1949 Alfred Winslow Jones started a 'hedged' fund for friends that reduced risk by combining the purchase of equities and short selling of stock. The fund was launched as a private limited partnership and not marketed, therefore able to avoid registration and disclosure requirements. Mr. Winslow utilised leverage, created the 2 and 20 fee structure to avail himself of a tax benefit, and did not disclose his positions. During this time, the recordkeeping and "administration" of funds was generally handled by the fund issuer, typically an investment house or bank.

Birth of offshore services

In 1968 the US Treasury introduced the ten commandments. The commandments were ten essential activities that foreign entities needed to perform outside of the USA to be considered foreign. Among these activities were the acceptance of new investors, providing ongoing performance communication with investors, and the maintenance of the books and records of the fund. As a result, any US managers managing non-US funds were required to find service providers outside of the US to fulfill these functions. They naturally looked to the same offshore jurisdictions where funds were being formed, consequently spawning the offshore fund administration industry. Most of these service providers were accounting or trust companies or other specialist firms.

US onshore services

In 1997 the Taxpayer Relief Act repealed the ten commandments allowing these activities to be performed within the US, which lead to many administrators scaling back or outright exiting offshore jurisdictions. Around this same time interest in hedge funds expanded to institutional investors, such as university endowments, family offices, and pension plans who began to enter a space that had been previously dominated by private, individual investors. Many investors recognised the risk of managers performing accounting and recordkeeping, and the importance of independence, further expanding the need for third-party fund administration.

Evolution of fund administration services

Self-administration and hired hands

Today there is no regulatory requirement for a private fund to utilise a third-party administrator and some hedge and private equity funds continue to ‘self-administer’.

Private funds were historically self-administered by the manager using an internal finance team, accounting firm, or some other specialist firm to assist. Aside from a lack of independence this led to non-standardised procedures. For example, some of these firms allowed the manager to adjust the books and records as they wished, while others were not independently pricing securities or reconciling trades, simply calculating NAVs taken from custody report balances. As funds evolved and the investor makeup and needs changed, so too did fund administration services. Fund administration evolved into a back-office necessity for many asset managers to maintain books and records and process investor activity.

Administrator as independent party

As institutional investors expanded into private funds, so did the scrutiny investors placed upon fund administrators with respect to independence and adherence to best practices. This led to an expansion of the expected services from fund administrators.

Today investors, funds, and fund sponsors expect administrators to be partners, assisting both manager and fund in adhering to regulations and requirements, all while remaining independent. Services have also expanded from accounting and investor record keeping, to now include technology that supports financial reporting, regulatory and tax reporting, investor tax reporting, AML compliance, company officers, investor relations, real time reporting, web portals, website design, white label marketing, etc.

Administrators as tech enabled service providers

The 'lack of technology' period

Prior to the 2000s, fund administration technology was dominated by large mainframe operating platforms for accounting and databases for investor recordkeeping. There were little to no industry-specific tools and many administrators were utilising mutual fund platforms, front-end investment management platforms, or wealth management platforms.

Technology with significant gaps

In the early 2000's as hedge funds expanded in popularity, numerous technology firms entered the space with expanded offerings which only focused on basic accounting and investor services requirements. Many accounting platforms required workarounds or offline spreadsheets to support rapidly expanded trading across OTCs, derivatives, short-selling, multi-currency portfolios, allocations/ waterfalls and more. Most of the investor services technologies were basic databases that could only support limited fund structures (partnership vs share issuance) or specific fund types (closed-end PE vs open-end hedge). Many lacked the capability to monitor investor requirements such as lockup periods, gates, side letters, etc. These accounting and investor support platforms were not integrated and required manual export/import or keying in of data.

In the decade to follow, technology evolved to address many deficiencies resulting from manual and disparate processes, yet shortfalls and workarounds remained pervasive. These problems were a result of antiquated infrastructure unable to support new functionality, as well as a lack of investment to automate further. While additional technology was introduced to deal with the ever-growing service requirements of funds, these continued to be stand-alone platforms centered around compliance, risk management, and reporting. Because each platform had its own data needs it drove the concept of a data warehouse to store, transform, and transmit data between these inter-connected platforms in a more structured manner. Managing vendors and a data warehouse presented unique challenges to administrators, such as vendor upgrades, which required significant efforts to identify upstream/ downstream impacts.

Vulnerabilities in modern fund administration technology

Today many fund administrators continue to maintain a portfolio of third-party tools. The complexity of the technology stack leaves many administrators at the mercy of their vendors. Administrators that have developed in-house technology are better suited to manage upgrades, releases, and improvements while maintaining responsibility for security and development.

Many challenges with fund administration technology remain. Among them: industry technology is often built on older foundational code; many of the platforms are still not connected and require manual intervention to pass data; others still require allocations or some waterfall types to be performed in spreadsheets.

Key features of modern fund administration technology

Built correctly, technology exists to solve the needs of fund managers and clients. A modern fund administration technology offering should include at minimum, the following components:

- Cloud-based
- Multi-asset class & multi-currency investment accounting
- Native general ledger
- Web interface for report and data build and download
- Cybersecurity and safety features
- Open architecture to allow for integrations with external applications for a seamless experience
- Electronic subscription
- CRM/Investor communication
- Complete audit trail with internal controls, include SOC/ISO audits
- Integrated financial reporting
- Integrated tax/regulatory data preparation

Fund administration in the next decade

As the complexity of investment funds grow - with added expectations of lower cost - our conclusion is that fund administration will continue to evolve with even more emphasis on technology. Many of the processes and interactions of today will eventually be replaced by automated workflows. The 'Great Resignation' has contributed to acceleration of this trend. As Gen-Z start entering the fund management industry, their comfort with and expectation for more technology means we will likely see a newer generation of managers and investors who no longer view an administrator as a partner, service provider, or an intermediary, but rather as a provider of back-office technology solutions. The adoption of technology enables significantly higher levels of internal controls as opposed to making subjective decisions. As a result, we believe such controls can be decentralised, ushering in tremendous efficiencies.

As for the fund service providers themselves, they should prepare for their new role in the era of a disintermediation of their core product. Much like how the ingenuity of AW Jones in 1949 birthed the modern-day hedge fund, to succeed fund administrators will be required to leave their comfort zone and think and act as much like technologists as they do as accountants.

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Why the cloud is critical to business continuity management

George Ralph
Managing Director
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2022 has been a challenging year for many firms in alternative asset management. There are a plethora of business continuity threats and most of these belong in the tech space. Cyberattacks are a critical concern for all firms and their impact can cause significant damage to networks, as well as causing financial loss and potentially damaging reputation too.

It is a reality that business continuity is often overlooked as fund managers and IT teams seek to operate systems on a day-to-day basis. Yet in the current geopolitical and cyberthreat landscape, businesses could be at greater risk of maintaining their normal daily operations.

Before pandemic, a financial services' firm business continuity plan involved a server and firewall. However, business continuity in 2022 are based around much bigger event driven activities such as cyberattacks on firms. The pandemic triggered many business leaders to reassess their operational resilience. As the world embraced increased remote working organisations were prompted to review their operational resilience. According to PWC's report of last year, 30% of business leaders shared that they did not have a designated core crisis response team within their organisation prior to the pandemic. What's more, only 35% of business leaders believed that they had a crisis response that is 'very relevant' to the current economic, social, and geopolitical climate. 95% of businesses reported that they needed to improve their crisis management capabilities.

Whilst it is true that technology can create opportunities for businesses, it also comes with challenges that can impact business continuity. Business leaders in the financial services sector are continually reassessing their IT structure and solutions in order to ensure a robust solution. Moving to a cloud-based network solution has been the biggest and most significant move by firms over recent years. The benefits of a hybrid cloud environment are plentiful. Not only does cloud provide alternative investment firms with the ability to scale due to movements in the market as volatility can be caused by external events such as physical or environment setbacks, as well as changes in the geopolitical landscape as well as fluctuations within the financial markets. These can all have a significant impact on business continuity.

Whilst a cyberattack can result in downtime for a company's day to day operations, firms need to be able to be prepared for how this kind of disruption impacts their systems beyond the attack. A robust business continuity strategy helps a company function at an acceptable level following a cyberattack or disaster. The cloud is a critical feature of a BCP's goal of being able to help businesses carry out operational continuity within their disaster recovery plan. A cloud based set up lends itself to an outsourced IT model. This supports alternative investments firms through the ebb and flow of day-to-day trading, not only to provide additional resource, but also to give confidence that their IT is being managed by a specialist third party vendor.

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Fund managers: Maintain SEC and FTC compliance with this cybersecurity best practice checklist

Don Duclos
Chief Information Security Officer
Linedata

Hedge funds and alternative credit managers face growing threats from cybercriminals. Government bodies including the Securities and Exchange Commission (SEC) and the Federal Trade Commission (FTC) have introduced new cybersecurity regulations and signaled their intention for more stringent enforcement.

If you've seen the news about steep fines for cybersecurity breaches, you know the penalties can be severe — not to mention the damage to your brand and reputation. The consequences of even one data breach can result in millions of dollars in fines or even the end of your company.

To prevent such disasters, funds need to ensure their data and confidential information are secure. Unfortunately, what worked ten (or even three) years ago won't necessarily work today.

"Investment advisers and broker dealers must fulfill their obligations concerning the protection of customer information. It is not enough to write a policy requiring enhanced security measures if those requirements are not implemented or are only partially implemented, especially in the face of known attacks."

Kristina Littman, Chief of the SEC Enforcement Division's Cyber Unit

Factors that have changed the cybersecurity landscape

The threat landscape has evolved since the pandemic, and firms must adapt to a changing world.

What's different now compared to a few years ago?

Remote work. When cities locked down due to COVID, employees began to work from home at unprecedented rates. And the easing of lockdowns didn't stop the remote work wave. While many employees love this flexibility, remote work does create more vulnerabilities for cybercriminals to attack.

Increased cybersecurity activity. Partially due to the upward trend of remote work, companies have seen an increase in the sheer volume of cyberattacks. In fact, over 80% of global organisations surveyed have experienced an increase in cyberthreats since the COVID-19 pandemic.

New leadership in government agencies. Gary Gensler was appointed as SEC Chair in April 2021. Since then, he's announced his intention to expand the commission's regulations relating to cybersecurity, noting its importance to national security.

New regulations and proposals from the SEC and FTC. In addition to the FTC making significant updates to its Safeguards Rule, the SEC announced proposed rule changes, including requiring firms to report cybersecurity incidents within four business days, provide a detailed summary of cybersecurity policies and procedures, and likely add staff and technology tools, among other actions.

With these changes, companies can't use the same cybersecurity playbook they've used in the past. And fund managers in particular, can't afford anything less than diligent cybersecurity measures.

The great mystery: What to prioritise in cybersecurity

As an alternative fund manager, this much is clear: cyberthreats are on the rise, and cybersecurity practices have never been under more scrutiny. It's obvious that you need to prioritise the protection of your digital ecosystem, but cybersecurity impacts so many business facets that it can be hard to know where to focus first.

Do you need a financially prohibitive, all-encompassing security solution to protect against the most common cyberattacks? The answer is almost always no. So, what can you do to keep your data — and your clients' data — safe?

Start by adopting proven best practices.

The following actions will help you boost data security quickly and create safe environments without years of planning, preparation, and onboarding. We'll start with three best practices that focus on end users, followed by four organisational best practices.

As we move through each action, it's important to remember that strong security is about layers. No single product or solution will cover all of your systems and keep them protected. You need to think about each solution as a spoke in your cybersecurity wheel. They all work together to strengthen your organisation's protection.

Cybersecurity best practices checklist

Are you prepared to protect your firm from cybercriminals? Do you have the following cybersecurity best practices in place?

1. **Multi-factor authentication.** The verification of a user's identity with two or more independent credentials. Authenticating with an app or push notification is the safest route.

2. **Phishing training and testing.** Train users to identify phishing emails and follow correct protocols. Education combined with testing at regular intervals leads to organizational compliance.

3. **Endpoint security**. Protecting endpoints (desktops, laptops, mobile devices, etc.) utilised by end users is essential in our remote work environment. Fund managers should combine endpoint protection with monitoring and remediation.

4. **Infrastructure security monitoring**. Observe and track security events on essential infrastructure (servers, routers, switches, etc.) to keep production environments up and running. Most firms look to agent-based and probe-based monitoring, often packaged into a Managed Detection, Response and Remediation (MDRR) solution from a reputable provider.

5. **Vulnerability assessment**. It's critical to patch known vulnerabilities in your (often robust) tech stack. While vulnerability scanning is essential, the ability to quickly scan, identify, and patch vulnerabilities with a proven process ensures more secure environments.

6. **Security for Office 365**. Secure all applications within Office 365, which holds a bevy of confidential and sensitive information. Look to run an assessment and use optimal setting configurations.

7. **Incident response**. Incidents are inevitable but having a documented response will save you precious time when an incident occurs. Create documentation that defines roles and actions to be taken by specific representatives, including reporting to external bodies, where relevant.

Want to learn more about this critical topic? Download the whitepaper '7 Cybersecurity Best Practices to Prevent Data Breaches and Regulatory Fines'.

Protect your firm with industry expertise

Implementing the best practices outlined above will put your organisation on the pathway to better data security and stronger protection against cybercriminals. If you want to skip the trial and error, working with an expert provider will help ensure the highest level of security and compliance.

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Increase investment returns through real-time tax management

Five key criteria for a technology solution

Christopher Madpak
Managing Director Tax & Tax Technology
SS&C Technology

Investors look to fund managers to deliver optimal performance in any market conditions. Over the past decade, however, it has become increasingly difficult to consistently outperform the market. In the search for structural alpha, many managers may be missing an opportunity to add incremental percentage points to their returns through tax-efficient investment strategies.

Along with asset allocation and security selection, taxes are among the most influential factors in portfolio performance. Experienced investors know this. They are increasingly tax-aware and expect their managers to pursue strategies to optimise their tax positions. At some point in due diligence or in fundraising pitches, a fund manager must be able to answer the question: "What are you doing to be tax-efficient?" Managers able to demonstrate a systematic approach to tax-efficient investing stand to gain a significant competitive advantage.

The essential ingredient: reliable data

Diligent tax-efficient investing requires access to real-time portfolio data and advanced analytics capabilities, enabling managers to run 'what-if' scenarios to evaluate more precisely the tax impact of investment decisions before executing them. Many firms lack the necessary access to data and analytics. Those trying to be tax efficient are left to rely on stale data aggregated from multiple systems or vendors and spreadsheet-based calculations, yielding less-than-reliable forecasts. As a result, whether by a lack of effort or a faulty methodology, many firms are leaving a substantial percentage of potential returns on the table.

CPA firms, auditors and tax advisors can help you minimise your tax obligations within legal bounds, but they are not in the business of helping investment managers optimise returns. They might be able to help identify the sources of tax drag after the fact, but they do not have the data infrastructure to deliver real-time, reliable, actionable data to support proactive tax impact analysis.

What's needed: a smart technology solution

Not surprisingly, fund managers serious about tax efficiency are looking to technology for help. So what would the optimal technology solution look like? To support both tax-efficient investment decisions as well as timely and accurate tax reporting and filing, the solution must meet five key criteria:

- A single source of truth: The first requirement is to make all portfolio and transaction data needed for tax reporting, compliance and analysis accessible through one system. Too often, the data needed to prepare tax filings is spread among several siloed systems and never aggregated until the filing season. Centralising data on a single platform and eliminating data redundancies and inconsistency is the first requirement of a tax-smart solution.

- Process integration: Similarly, all the processes related to tax reporting and compliance should be integrated in one system, rather than run in isolation and 'handed off' from one system to another.

- Intelligent automation: Today's advanced automation technologies raise the bar for speed and accuracy, helping ensure data integrity and process efficiency. With a single, integrated platform powered by smart technology, firms can eliminate cumbersome offline workarounds and manual intervention and free people to spend less time processing data and more time analysing it.

- Advanced analytics: With all the necessary data centrally organised and accessible, firms then need tools to leverage their data and derive insights from it. Advanced analytics capabilities are critical. Powerful analytics enable managers to deliberate alternative scenarios more quickly and thoroughly to better understand and manage their tax exposure all year-round – not just at tax time.

- Investor-level tax analysis and reporting: The same solution supporting the fund manager's decision-making should also help communicate the tax benefits of the manager's strategy to investors. It should deliver data and analysis to help investors understand their own tax exposure and meet their tax reporting obligations accurately.

Improve performance while reducing tax liability

The ability to manage a fund's tax exposure year-round has a number of potential benefits. It enables a firm to maximise structural alpha, or consistent after-tax returns in excess of designated benchmarks, through data-driven, tax-efficient investment strategies. At the same time, it can help minimise the overall tax impact on a fund and its investors while enabling the firm to meet its tax compliance obligations efficiently, accurately and in a timely manner. Moreover, the ability to demonstrate a systematic approach to tax-efficient investing and communicate its benefits to investors can help fund managers strengthen relationships, engender loyalty and increase retention.

In sum, tax-efficient investing can improve returns significantly and confer a competitive advantage with differentiated strategies. Today's intelligent technologies make it possible for investment managers to easily incorporate tax strategies into their everyday decision-making processes, while simultaneously mitigating the annual tax bite.

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Side letter terms

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Side letters form a contract between the investor, the fund and/or its manager that could alter the general contractual position of an investor under the fund's governing documentation. An investor may request side letter terms to cater for its bespoke regulatory and tax requirements or to obtain certain improved terms.

When negotiating side letters, it is important not to unduly expose the fund and the manager to regulatory, legal and operational risks. When seeking to accommodate an investor request, the fund and manager should seek to avoid those unduly restrictive or burdensome terms, including from a monitoring perspective (if side letter terms are not easy to monitor, there will be an increased risk of breach).

Overview of UK and EEA regulatory requirements

Managers based in the EEA or the UK (or managers based outside the EEA or the UK that market to investors in the EEA or the UK) that qualify as AIFMs are subject to AIFMD and must comply with certain regulatory requirements. In particular, AIFMD requires that all investors are treated fairly, and that any preferential treatment granted is disclosed to other investors. Such disclosure obligations have been broadly interpreted to require general disclosure in the fund's governing documentation the types of preferential treatment that might be granted to investors and to ensure that a description of any specific preferential treatment granted to an investor is made available to investors.

AIFMD also requires that any preferential treatment granted to an investor may not result in an overall material disadvantage to other investors.

Key side letter terms

Management and performance fees. Investors may seek lower management and performance fees than headline rates. These may be structured as a fee rebate in a side letter or implemented through establishing a separate class of shares (or interests).

Capacity rights. Investors may request the right to make additional investments in the fund on the same terms as their initial investment. The capacity right is typically expressed either as a maximum dollar amount or a percentage of the fund's net asset value. The right often extends to other funds managed by the investment manager (albeit the right should be excluded for managed accounts and 'fund-of-ones'). If the capacity of the fund's strategy is limited, a manager should seek to limit investors' capacity right to make further investments to avoid the concentration of the manager's investor base. If possible, capacity rights should also be limited in time and, if capacity is made available, the investor should be required to elect the use of such capacity within a certain period to allow the manager to offer such capacity to another investor.

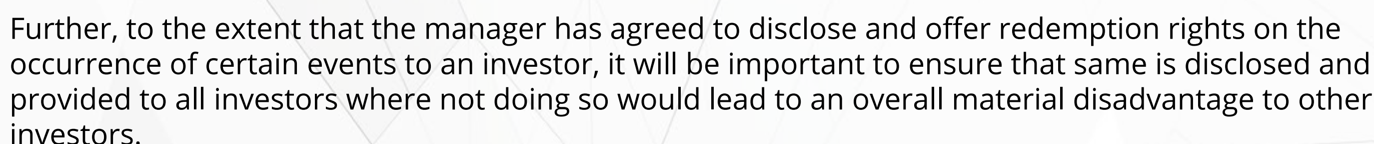
Co-investment rights. Investors may request the right to participate in co-investment opportunities. A manager should seek to ensure that this right is restricted such that the investor is required to participate in such co-investment opportunity on the same terms made available to other participating investors and on a pro-rata basis.

Most favoured nations (MFN). Generally speaking, an MFN term requires that an investor is offered any preferential term which is offered to another investor. This is aimed at preventing another investor from receiving better terms of investment. If granted, the manager will need to actively monitor the MFN terms to ensure compliance. Managers should also seek to limit the MFN such that it does not negatively impact the manager's ability to raise assets from new investors. This might be achieved in several ways, including:

- restricting the MFN application to the fund in which the investor is invested (and funds and accounts with substantially similar strategies);
- restricting the application of the MFN to terms granted in respect of an amount invested which is, by value, the same as or less than the investor's investment in the fund;
- restricting the MFN to key investment terms, for example, fees, liquidity and transparency and avoiding a 'catch-all' MFN term. Any terms granted due to the specific nature of an investor (e.g. because of its regulatory or tax status) and which are not generally applicable to the other investors should be carved out from the application of the MFN term;
- requiring the investor to take the investment on the same terms and conditions (so as to avoid the investor 'cherry picking' the new investor's terms); and
- agreeing a forward-looking MFN by limiting its application only to future investors in the fund.

Redemption rights. An investor's investment could be subject to a lock-up period or relatively restricted redemption terms. If so, an investor may seek the right to redeem on the occurrence of certain material and adverse events, for example: (i) upon the occurrence of a key person event, if the key person has reduced their investment in the fund (or the strategy) below a certain amount, or if the key person or any member of the investment management business has been convicted of a dishonesty offence; (ii) if the manager materially breaches the fund documents or an active breach occurs with respect to certain investment restrictions; or (iii) there has been a decline in the fund's net asset value over a certain threshold.

It is essential that the manager ensures that any redemption rights are limited by reference to materiality and that if such terms are offered to an investor, they do not materiality disadvantage the interests of other investors, including in light of the manager's obligations under AIFMD. Accordingly, the investor's right to redeem should be stated to remain subject to the liquidity management terms detailed in the fund's constitutional and offering documentation (including, in particular, any gates, suspension rights and the right of the fund to redeem an investor in specie rather than in cash only).



Further, to the extent that the manager has agreed to disclose and offer redemption rights on the occurrence of certain events to an investor, it will be important to ensure that same is disclosed and provided to all investors where not doing so would lead to an overall material disadvantage to other investors.

Redemptions in cash. Investors may request that the fund agree to only make cash distributions on redemption, thereby removing the fund's power to make redemptions in specie. The request is often driven by the investor's own regulatory requirements or internal investment policies. Granting such terms should be avoided where to do so would result in unfairness to other investors (where remaining investors are left with illiquid assets whilst the investor(s) benefiting from the term would receive cash).

If requested by an investor, the fund and the manager should ensure that the fund retains the right to make distributions in specie where it is not reasonably practicable to make a cash distribution. Further, any such terms should remain subject to applicable law and regulation (which should assist the fund and manager in disapplying the right to receive cash where to do so would breach AIFMD obligations).

Transfer rights. An investor may request the right to transfer its investment without the consent of the fund or the manager, often to its affiliates. If given, transfer rights should ideally be limited to the investor's affiliates (or another pre-designated group), and any transfer should be made subject to the terms of the fund's governing documentation (such that the transferee is required to enter into transfer documentation and satisfy the eligibility criteria). Further, the transfer right should be disapplied where it would result in material adverse legal, tax, pecuniary or regulatory consequences to the fund, other investors and/or manager.

Transparency. An investor may require transparency and access to certain information that a manager would not otherwise offer to all investors (often to ensure compliance with any investment restrictions or guidelines). This obligation might include position-level transparency.

Granting preferential transparency rights risks breaching AIFMD requirements where transparency would allow an investor better access to information that might inform its decision to redeem from the fund ahead of another investor. Accordingly, to ensure such transparency does not create unfairness, the manager should either provide such transparency to all investors at all times or ensure that, if circumstances exist that would lead such transparency to cause unfairness, to ensure all investors have such transparency at that time.

Investment restrictions. An investor may specify that certain investments are not permitted to be held by the fund (typically for regulatory or tax reasons). Managers should ensure that agreeing to such restrictions does not unduly restrict the manager from fulfilling its stated investment strategy.

Regulatory and tax terms. Investors may request a variety of tax obligations and confirmations due to their specific circumstances. Provisions might include enhanced reporting rights and confirmations that the fund will be managed so as to avoid certain taxation consequences (such as the need for investors to file taxation returns in certain jurisdictions). Agreeing to such terms should be balanced carefully against unduly restricting the ability of the manager to pursue the stated investment strategy and not unfairly treating other investors.

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The unfolding trade and transaction landscape

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Trade and Transaction reporting as part of the G20 regulatory mandate has been a market feature for 10 years now. No one could have predicted the complexity, cost and resources that would be required by the financial services industry, including asset managers, hedge funds and other buyside firms, to meet their trade and transaction reporting obligations. The industry is certainly better prepared, better organised and has more resources focused on regulatory change, however, we are still chasing the next new wave of regulatory change that is always just around the corner.

The upcoming regulatory reporting crunch

Over the next three years we will see significant changes to reporting requirements in the US, Canada, Europe, UK, Singapore, Australia, and Japan. In the US, the CFTC rewrite is just a month away, due to be implemented by the 5th December 2022, with the second phase of the CFTC rewrite is due in Q4 2023. Australian authorities have issued consultation on changes to their reporting rules with a target to go live in two phases – October 2023 and April 2024. Similarly, Canadian and Japanese regulators have changes targeted for H1 2024.

One regulation of particular concern for the buyside is the upcoming EMIR REFIT. The updated technical standards for the EMIR REFIT go live on the 29th April 2024. When EMIR was first introduced in 2014 many buyside firms initially opted to delegate their reporting obligations to their sell side counterparties as they didn't have all of the data, technology or internal processes to support the requirements. Over time many firms have realised that managing controls, reconciliation and ensuring the data being reported by their counterparties is accurate has proven to be costly and burdensome. While regulatory risk of complete, accurate and timely reporting is still a concern, there is a shift in the market with many firms now choosing to handle reporting themselves or partnering with technology providers.

With the date still far in the future, the question is how much preparation should be taking place now? While every firm's scenario is different, it is prudent to start to focus on a number of key areas:

- New fields with new systems – Are you making internal changes such as replacing back-office systems or moving to an internal data lake? If yes, it's worth checking how data capture of these systems fits with the field and lifecycle reporting obligations of the updated REFIT regulation. Special focus should be made on new asset specific fields.
- Lifecyle Events – Start examining the new types of Lifecycle Event being introduced. Examples include corporate events, derivative exercises and risk mitigation processes that are reported as part of a New, Modification and Termination message. Whether you are planning on using existing data sources or migrating to new ones, now is a good time to map how these lifecycles are captured and can be reported from company systems.
- Counterparty data – MIFID II introduced 'No LEI, No Trade'. For EMIR REFIT, this trend continues as firms will need to collect more information about their counterparties and customers such as whether they are above clearing thresholds, their corporate sector and NFC/FC status. Being aware of what new data is required to be captured internally, and putting in place a plan to collect it, can be done now. This will reduce situations where transactions are unable to be reported in the future due to lack of data.

Data harmonisation and data quality

Needless to say, the industry will be busy for the next three years! But why all the changes? Ultimately, it's all about data harmonisation and data quality. Because each regulator initially came up with their own rules, technical specifications and data formats, the result has been that the same trade is currently reported in different ways depending on the jurisdiction.

There has finally been the realisation that there has to be a better way: standardise the critical data elements (CDE) globally, ensure there is a standard unique product identifier (UPI) and have a common submission format (ISO 20022 XML). These consultations and rule changes are the result of that realisation with global regulators adopting similar standards across regimes. Regulators are also speaking with various industry working groups to better understand how they are capturing transaction and lifecycle events in their books and records and how this information fits into schemas for reporting. In addition, work has been done to adopt similar practices to the logic creation and distribution of unique trade identifiers (UTI) among participants.

How does this impact the buyside?

However, while the proposed changes mean unification of transaction reporting formats and processes, it also presents the industry with a massive problem: how to resource for all these regulatory projects, particularly when it appears there is no end in sight. For example, it is one thing to say that replacing the multiple existing CSV submissions with a more standardised XML format will improve efficiency and data quality, but it is another to uproot how trades are currently being reported and put in place new systems to support the changes. Similarly, there are years of bilateral agreements in place that cover responsibilities for delegated reporting and UTI sharing that may need to be updated and agreed upon between counterparties to comply with new UTI waterfall standards being introduced across multiple derivative reporting regimes such as EMIR, ASIC and MAS.

As the industry stares down the runway of projects for the next three years, and the three years after that and so on, many firms are asking the same questions about how to stay compliant and how to manage costs. Importantly, with numerous costs and requirements the industry needs to meet, there is a growing realisation that now more than ever it may not make sense for individual firms to own every aspect of regulatory reporting processes themselves.

Industry wide challenges need industry wide solutions, through a mutualised cost structure that allows a critical mass of clients to satisfy their reporting obligations through the same solution. This model works in trade processing, confirmations, clearing, payments and in many other corners of the capital markets. Trade and transaction reporting is certainly an area where this has proven to work and can help to drive reduced costs and lower long-term costs of ownership.

UTI enrichment

A great example of where this model of industry wide solutions can be effective is with UTI enrichment under SFTR. As a new regulation, many of the largest securities lending and repo dealers worked with IHS Markit (now S&P Global) and other solution providers to create systems to share and match UTIs between counterparties. Using these matching systems, reporting firms were able to have UTIs automatically enriched to their reports, greatly reducing the time spent populating UTIs and increasing the overall quality of UTI pairing rates. The 2021 EMIR and SFTR data quality report published by ESMA shows the EMIR pairing rates at 60% after 8 years of reporting but SFTR has achieved around 64% after 2 years of reporting. The SFTR reconciliation rates for loans, which is the next stage of matching after pairing, ended at 50% but there is no mention of this for EMIR. Similarly, shared data can be used across EMIR and ASIC to allow companies to automatically enrich UTIs. Shared industry platforms can also be used to generate consensus opinions on the correct formatting of new lifecycle event fields and enriching UPIs.

The road ahead

In the last 10 years, the industry has worked endlessly to keep up with the wave of regulatory reforms across all major financial jurisdictions. It is difficult to say what the next 10 years will hold, but certainly in the next three years we will see an extremely busy regulatory agenda through rewrites and refits as well as new reporting requirement proposals such as the SEC securities reporting requirements (10c-1) and the swap-based position reporting (10b-1). Firms are starting to seriously consider whether they should continue operating as they have been doing (i.e., continuing to build for every new regulation or managing all the regulatory changes in house) or whether to partner with proven industry solutions providers to help reduce cost and manage regulatory change, allowing them to focus on their core business activities.

Co-investment and 'club deal' vehicles: The private funds regimes in the Cayman Islands and the British Virgin Islands

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The private equity market has seen an increase in co-investment and 'club deal' investment syndication activities in recent years, and the Cayman Islands and the British Virgin Islands continue to be jurisdictions of choice for those and other investment vehicles given their legislative framework, flexible structuring opportunities and tax neutrality.

Fund managers remain active in exploring structuring options for their vehicles, in particular, given the rise in co-investment and club deal opportunities. While investors remain interested in such investment opportunities in order to enhance diversification of their portfolios (and in the case of co-investments, to increase exposure to the pool of investment assets in the main funds they are already invested in). Many co-investment funds are structured as single investment funds – with co-investment funds being established alongside their corresponding main funds by GPs/fund managers. Fund managers may also accord favourable fee arrangements to investors in these structures, such as *no-fee/no-carry* arrangements, making participation in such investment opportunities even more attractive to investors.

The commercial and investor specific factors that need to be considered when deciding on the structure and domicile of a co-investment or club deal vehicle are many and varied. In addition to the relevant legislation of prospective domiciles there may also be onshore tax and/or regulatory requirements to be taken into account that may influence which jurisdiction may be most appropriate.

Legislation in both the Cayman Islands and the British Virgin Islands has evolved in recent years to introduce a regulatory overlay for closed ended funds, which co-investment and club deal structures will typically be. In doing so, the jurisdictions have continued to demonstrate their commitment to co-operation and transparency in line with international recommendations and best practices.

The Cayman Islands

The Cayman Islands Private Funds Act (the **PFA**) came into force on 7 February 2020 and requires the registration of closed-ended funds with the Cayman Islands Monetary Authority (**CIMA**) where they constitute *private funds*.

A private fund is defined under the PFA as a company, unit trust or partnership that offers or issues or has issued investment interests, the purpose or effect of which is the pooling of investor[1] funds with the aim of enabling investors to receive profits or gains from such entity's acquisition, holding, management or disposal of investments, where:

(a) the holders of investment interests do not have day-to-day control over the acquisition, holding, management or disposal of the investments; and
(b) the investments are managed as a whole by or on behalf of the operator of the private fund, directly or indirectly.

It should be noted that the definition of a private fund exempts any vehicle which falls within scope of any of the specified non-fund arrangements from registration, including, by way of example, holding vehicles, joint ventures, proprietary vehicles, employee incentive schemes, individual investment management arrangements and arrangements not operated by way of business.

Under Cayman Islands law, to constitute a private fund a vehicle must have a pooling of investor funds – with pooling here understood to require there to be no fewer than two investors of record. Single-investor funds are accordingly not required to register as private funds with CIMA.

A co-investment vehicle established for a sole investor of record, therefore, would not fall within scope of the PFA. and would not be registrable. Conversely, a co-investment or club deal vehicle being established for two or more investors is likely to be registrable, and required to comply with ongoing operational requirements, under the PFA unless it is able to avail of an exemption by virtue of being a *non-fund arrangement*.

The British Virgin Islands

The regime relating to regulation of private investment funds in the British Virgin Islands was introduced by way of amendments to the Securities and Investment Business Act (**SIBA**) and came into force on 31 December 2019. SIBA now requires that any entity which carries on business or holds itself out as carrying on a business as a private investment fund in or from within the British Virgin Islands to first apply to the Financial Services Commission of the British Virgin Islands to be recognised as a private investment fund.

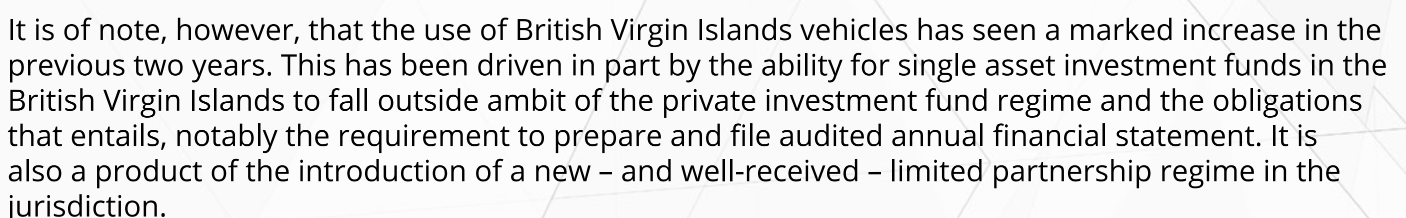
For the purposes of SIBA, a private investment fund means a company, a partnership, a unit trust or any other body that is incorporated, registered, formed or organised, whether under the laws of the British Virgin Islands or the laws of any other country, which:

(a) collects and pools investor[2] funds for the purpose of collective investment and diversification of portfolio risk; and
(b) issues fund interests, which entitle the holder to receive an amount computed by reference to the value of a proportionate interest in the whole or in a part of the net assets of the company, partnership, unit trust or other body.

1 Note that certain categories of fund investors are carved out of the "investor" definition under the PFA – namely a fund's promoters, operators or proprietary investors.
2 For the purpose of SIBA, "investor" is not subject to the same promoter/operators/proprietary investor carve-outs as the Cayman Islands equivalent under the PFA.

As is the case with the Cayman Islands private funds regime, the British Virgin Islands legislation requires a pooling of investor funds. Accordingly, where a co-investment fund or club deal structure has only one investor of record, it will not be a private investment fund for the purpose of SIBA and will therefore not need regulatory recognition.

It should also be noted however that, for the purposes of SIBA (and in contrast with the position under the PFA), in order to be a private investment fund, there is also the requirement for there to be diversification of portfolio risk. This means that if a co-investment or club deal vehicle is being established for the purposes of investment into a single asset, including under certain circumstances multiple securities of a single issuer it may fall outside the ambit of the private investment fund regime in the British Virgin Islands. When considering the domicile of a structure for co-investment and club deal transactions, fund managers have conventionally opted for Cayman Islands vehicles, with the exempted limited partnership remaining the most prevalent entity type. Investor familiarity with the Cayman Islands and the exempted limited partnership structure along with the jurisdiction's sophistication and flexibility mean its popularity continues to endure.



It is of note, however, that the use of British Virgin Islands vehicles has seen a marked increase in the previous two years. This has been driven in part by the ability for single asset investment funds in the British Virgin Islands to fall outside ambit of the private investment fund regime and the obligations that entails, notably the requirement to prepare and file audited annual financial statement. It is also a product of the introduction of a new – and well-received – limited partnership regime in the jurisdiction.

The enactment of the British Virgin Islands Limited Partnership Act, which came into force on 11 January 2018, represented a major overhaul of the British Virgin Islands' limited partnership legislation. As a result of the significant changes to the previous, under-utilised, legislation, the British Virgin Islands limited partnership has now become a more viable choice for global investment fund managers. This development, coupled with the exemptions afforded to single asset investment fund vehicles, has contributed to the increased popularity of the British Virgin Islands structure with fund managers who wish to set up co-investment and club deal structures.

While the Cayman Islands continue to be the preferred domicile for investment fund structures, it is anticipated that more fund managers may consider setting up co-investment funds and club deal structures in the British Virgin Islands, in particular, where those vehicles are being established to invest a single asset or securities of a single issuer.

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Please note the deadline for reserving a spot for the Q1 2023 edition of the AIMA Journal is 5pm UK time, Friday 27th January. Please note that availability is limited, and we cannot accept any additional contributions once all the spots have been filled.

- Q2 Edition 134

Deadline for submission 5pm UK time Monday 22nd May | Publication Monday 19th June

Please note the deadline for reserving a spot for the Q2 edition of the AIMA Journal is 5pm UK time Friday 5th May. Please note that availability is limited, and we cannot accept any additional contributions once all the spots have been filled.

- Q3 Edition 135

Deadline for submission 5pm UK time Monday 24th July | Publication Monday 18th September

Please note the deadline to reserve a spot for the Q3 edition of the AIMA Journal is 5pm UK time Friday 7th July. Please note that availability is limited, and we cannot accept any additional contributions once all the spots have been filled.

- Q4 Edition 136

Deadline for submission 5pm UK time Monday 23rd October | Publication Monday 20th November

Please note the deadline to reserve a spot for the Q4 edition of the AIMA Journal is 5pm UK time Friday 6th October. Please note that availability is limited, and we cannot accept any additional contributions once all the spots have been filled.

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