

AIMA's Review of the Year 2013



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End-of-year message from Andrew Baker



Andrew Baker
Chief Executive
Officer, AIMA

I am delighted to introduce our Review of the Year for 2013, which describes the work we have undertaken this year on behalf of our membership. We believe that our efforts made a real difference for the industry in 2013 and that we have delivered significant results for our members.

In particular, we would refer you to our work in the following areas:

Regulation

- We've continued to work closely with regulatory bodies globally and particularly in the US on the improvement of the cross border derivatives regimes for asset managers, obtaining significant results in the decrease of overlap and extraterritorial scope of certain provisions
- In AIFMD, we achieved significant improvements in ESMA's remuneration guidelines, including permitting the disapplication of certain onerous rules such as deferrals and claw-backs on a proportionate basis
- For managers reporting under AIFMD, we successfully argued that the initial reporting date should be delayed, that reporting periods should be aligned with the calendar year and that reporting for periods prior to AIFM authorisation should no longer be required
- We argued successfully for improvements to the UK's implementing legislation of AIFMD including the depositary light regime, the transitional provisions, the guidance on marketing, delegation by non-EEA AIFMs and improvements to certain key definitions
- We also created an online self-diagnostic tool and detailed guide to implementation for firms needing to comply with the AIFMD
- In the important revision of the MiFID framework, key changes to the third country framework, allowing for a more liberal cross border regime as well as improvements in areas regulating algorithmic, high frequency trading and commodity derivatives are likely to be secured and confirmed by the end of the year
- AIMA produced a detailed position paper regarding the proposed imposition of a bonus cap and a restriction on the payment of performance fees in the UCITS V legislation which was the basis of our advocacy activities. These amendments were voted on in Plenary by the European Parliament and were voted out of the UCITS V text

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Andrew Baker
Chief Executive
Officer, AIMA

- Our keynote statement of regulatory principles, “Regulating Capital Markets: AIMA’s policy principles” was published

Education and press

- The biggest ever survey of the cost of regulatory compliance of the industry globally covering 200 managers with an AUM of more than \$900bn in a joint effort with the MFA and KPMG, with significant press coverage
- The first global review of the industry’s charitable activities in our ‘Contributing to Communities’ report, again with a lot of coverage in the press
- A timely paper by our Investor Steering Committee on how investors view hedge fund allocations in their portfolios, ‘Beyond 60/40’

Sound practices

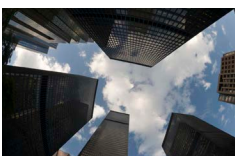
- The updated Guide to Sound Practices for Hedge Fund Valuation was launched

There are full details of these, and many more examples of our work over the course of the last 12 months, in these pages.

While this publication is designed to look back over 2013, I would like to say a few words about our plans for 2014. We are planning to maintain and indeed increase our significant workload in 2014, with plans for a new revised DDQ, a major piece of research on capital markets, a new educational section of the website, and much more. As you know much of the post-crisis regulation is still being implemented globally and it is a time when we have to be extremely engaged in the detail of the new regulatory regimes in order to secure the best results for our members.

Finally, I would like to express our gratitude for the support we receive from our members. It is that support that allows us to continue to deliver all the services our members ask us for; and to undertake, with the help of the members who volunteer their time, all our work on behalf of the industry around the world.

With our very best wishes for the season to you, your colleagues and your families.



Government & Regulatory Affairs highlights

AIFMD

In December 2012 the Alternative Investment Fund Managers Directive (AIFMD) European Commission (Commission) Delegated Regulation was published. The implementation of the AIFMD in Member States then began in earnest. During 2013 AIMA engaged with various national regulators as well as the European Securities and Markets Authority (ESMA) and the European Commission in order to ensure that the implementation of the AIFMD is workable for the hedge fund industry.

Remuneration

On 11 February 2013 ESMA published its final guidelines on sound remuneration policies under the AIFMD (the ‘Guidelines’). The Guidelines contained significant improvements in some areas from the draft guidelines which were consulted upon in 2012. AIMA has been very active in this area, providing EU regulators with important evidence to justify changes to the original proposal. Crucially, ESMA is permitting the disapplication of certain onerous rules such as deferrals and claw-backs on a proportionate basis rather than simply allowing for minor tailoring of those rules. The Guidelines regarding when a firm would need to establish a remuneration committee have also been improved. AIMA is continuing to engage with national regulators in order to ensure that the remuneration guidelines are applied in a proportionate manner.

Reporting

AIMA engaged with ESMA in relation to their guidelines on reporting requirements under the AIFMD. The final guidelines produced by ESMA contained several improvements on the initial draft. For example, the initial reporting date will now be delayed, reporting periods will be aligned with the calendar year and the first reporting period for authorised AIFMs will be the

first full period after the AIFM has information to report so that reporting for periods prior to AIFM authorisation is no longer required.

Cooperation arrangements

AIMA engaged with several EU and third country regulators, as well as ESMA, in order to ensure that the necessary bilateral cooperation arrangements were signed by EU competent authorities and key hedge fund jurisdictions in time for the transposition deadline. By 22 July 2013, ESMA had approved templates for co-operation arrangements between EU securities regulators, with responsibility for the supervision of alternative investment funds (AIFs) and/or AIFMs, and 38 of their global counterparts. ESMA has now produced a table showing which EU Member States’ competent authorities have concluded these co-operation arrangements on a bilateral basis with their global counterparts.

UK

AIMA engaged extensively with Her Majesty’s Treasury (HMT) and the Financial Conduct Authority (FCA) throughout the year on the UK implementation of the AIFMD. This resulted in several improvements in the UK’s implementing legislation. For example, the final legislation included improvements in the depositary light regime, the transitional provisions, the guidance on marketing, delegation by non-EEA AIFMs and improvements to certain key definitions, such as the definition of an ‘AIFM’ and ‘managing an AIF’.

Germany

AIMA argued in favour of a full transitional period for private placements to be extended to third country funds marketing in Germany prior to 22 July 2013 and the introduction of a liberal national private placement regime subsequently. The German transposition took account of both of these points.

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Ireland, Luxembourg, Malta, Sweden

AIMA has successfully engaged with a number of key EU jurisdictions on issues related to delegation, remuneration, depositaries and national private placement rules.

Cross-border application of OTC derivatives rules

Over the course of 2013, AIMA worked intensively on the topic of the cross-border application of OTC derivatives rules. We have focused particularly on what we view as the overly broad reach of CFTC rules, which we believe will lead to overlap and conflict with the rules of other jurisdictions, notably those in place in the EU under the European Market Infrastructure Regulation (EMIR). This saw five written submissions to the CFTC over the course of the year, as well as a face-to-face meeting with CFTC Chairman Gary Gensler and numerous meetings and calls with CFTC staff. In short, our position, as expressed in formal submissions and in meetings with the CFTC, has consistently pressed the following points:

- US regulators should ensure they coordinate their approach to OTC derivative rulemaking with other international regulators. In this regard, AIMA welcomed the joint initiative, called ‘Path Forward’, announced by the CFTC and the European Commission;
- Notwithstanding improvements in the EU-US dialogue, AIMA remains concerned about overlap and conflict between their respective OTC derivatives regulatory regimes. This continued concern stems from:
 - The timing difference between CFTC rules and EMIR;
 - The fact that the CFTC’s substituted compliance framework does not extend to US persons, such as European managed funds which are majority owned by US persons;
 - The lack of relief under EMIR for transactions between two entities that are subject to EMIR (even when one or more

is subject to another jurisdiction’s rules);

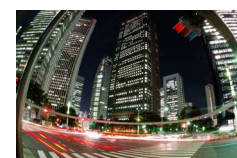
- Uncertainty as to the application of EMIR relief for entities “established in a third country” (we would like ESMA to interpret ‘established’ as meaning “subject to the rules of” so as to provide relief for Cayman funds that are subject to US rules as US persons).

Still, while the final shape of the CFTC cross-border framework is not ideal, we were able to obtain significant improvements on the initial CFTC proposals:

- The CFTC elected not to use CPO registration status to define its jurisdiction which would have caught a number of funds simply on the basis of having a single US investor;
- The CFTC significantly limited the extent of “look through” provisions that would have required managers to look at the status of the end investors in their funds to determine whether they are US persons and therefore subject to CFTC rules;
- There was a useful clarification of the concept of “principal place of business” which explained that non-US managers with trading, research or portfolio management staff in the United States would most likely not be caught in the US person definition;
- The CFTC significantly improved the substituted compliance regime, changing the basis of comparability assessments from the level of the individual firm to the level of jurisdiction in which firms are established.

We have continued to put forward our message with the CFTC, subsequent to the finalisation of the cross-border guidance in July 2013. On 9 October 2013, AIMA submitted a request for time limited no-action relief for “EMIR-covered funds” – entities organized outside the United States but which constitute US persons under the final US person definition and which are also subject to EMIR – in respect of the mandatory clearing requirements arising under CFTC rules.

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We have also highlighted our concerns over the CFTC’s jurisdictional reach in discussions with the European Commission, which has acknowledged the key tenets of our position and discussed the matter with the CFTC.

Automatic exchange of information and Foreign Account Tax Compliance Act (FATCA)

FATCA progresses with Final Regulations having been made by the Internal Revenue Service (IRS) in January 2013. In July 2013, the IRS announced a six-month deferral in implementation to July 2014 (and a short delay in the opening of the registration portal) in recognition of the number of intergovernmental agreements (IGAs) in negotiation. The IGAs include ones with the UK and the Cayman Islands which may ease the operation of FATCA for many AIMA members.

AIMA provided comments to HM Revenue & Customs on the draft UK regulations and guidance and on the UK’s extension of a FATCA-style reporting regime to the Crown Dependencies and Overseas Territories. We have updated our online Q&A to reflect developments and have arranged manager training sessions. AIMA has responded also to European Commission proposals to introduce similar automatic tax information exchange arrangements, based either on an OECD model or an EU format, in all EU member states which may replace or supplement the EU Savings Directive measures in time.

Financial Transactions Tax

AIMA has continued to track the European Commission’s proposal for a FTT to be adopted by 11 Member States by means of the enhanced co-operation procedure. Progress has been slow in the face of concerns voiced by both participating and non-participating Member States over the scope of the tax. The UK has initiated legal proceedings in the European Court of Justice and the EU Council’s own legal service has raised similar objections.

It seems unlikely that the FTT will come into effect in 2014, as the Commission intended.

AIMA, by itself and in co-operation with other representative bodies, has sought to explain to the Commission and key Member States, including France and Germany, the industry and market impact as well as the considerable difficulties associated with the proposed FTT.

Australian investment manager regime (IMR)

AIMA has worked with the Managed Futures Association and the Financial Services Council to inform the Australian government of defects in its proposals for the IMR. It is hoped that the new administration will wish to proceed with the IMR but be willing to redesign certain of its provisions. AIMA also invited members to participate in a survey, the results of which should support the renewed approach to the Australian government.

UCITS V

In May 2013, AIMA produced a detailed position paper regarding the European Parliament’s proposed imposition of a bonus cap and a restriction on the payment of performance fees in the UCITS V legislation which was the basis of our advocacy activities on the matter. On 4 July 2013 these amendments were voted on in Plenary by the European Parliament and were not included in the final list of amendments to the UCITS V text. The text will soon begin the trilogue process and AIMA will continue to engage with the EU institutions as it progresses.

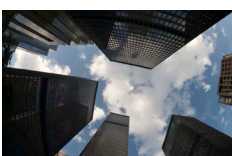
Statutory audit

In 2012, AIMA produced a position paper regarding the proposed scope of the amendments to the Statutory Audits Directive. AIMA argued that investment firms under the Markets in Financial Instruments Directive (2004/39/EC) (‘MiFID’), EU AIFs and UCITS should not be within the scope of the recast Directive. The latest proposals have removed these entities from the scope.

Shadow banking

AIMA has continued to engage with the Financial Stability Board and the European Commission in order to (i) encourage regulators to be mindful of

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the likely impact of changes to existing practices on the broader economy, as well as the operational and cost implications for firms regarding potential prudential oversight of asset managers and restrictions placed on prime brokers in relation to re-hypothecation arrangements; and (ii) highlight that there are well-established differences between asset managers and banks which warrant a differentiated regulatory approach. The Financial Stability Board has refrained from mandating additional regulatory intervention in the asset management space although it has provided a set of tools that national regulators could potentially use when confronted with specific policy issues. It is not expected that hedge fund managers in Europe or the United States will be subject to any additional regulations at this stage.

Markets in Financial Instruments Directive

Work to re-write the existing MiFID rules will have a far-reaching impact on European financial markets, with the new MiFID2/MiFIR legislation likely to: establish position limits in commodity derivative markets; restrict high-frequency trading (HFT) and algorithmic trading; re-write transparency rules for equities, bonds and derivatives, maximising the extent of lit trading; and create a single European framework according to which non-EU firms would access EU markets.

Following the Council agreement on a general approach in June 2013, trilogue negotiations between Council, Parliament and Commission are on-going, with the expectation that an agreement on MiFID2/MiFIR primary legislation will be reached by the end of 2013 or early 2014.

AIMA has engaged closely in negotiations on MiFID2/MiFIR over the course of 2013, meeting with the representatives of key Member States, the European Parliament rapporteur on the legislation Markus Ferber, as well as the Lithuanian Presidency of the Council. We have been successful in shifting the debate regarding regulation of HFT in a more sensible direction, such that restrictive requirements that had been promoted by the

European Parliament, including a minimum order resting time of 500 milliseconds, are unlikely to be present in the final text.

We have also been successful in steering the debate on third countries away from an approach that would have required a positive equivalence determination in respect of a non-EU jurisdiction's rules before firms from that jurisdiction could do business with EU clients. At present we are focusing on the discussion regarding position limits, with a view to ensuring that the primary legislation does not include unworkable provisions.

Once the primary legislation has been agreed, a significant amount of secondary legislation will be required and we have started work to gather input from members on the topics that will be dealt with as part of "Level 2".

A member summary setting out the respective negotiating positions of Council, Parliament and Commission, along with a member summary on likely secondary legislation on MiFID2/MiFIR, is available on our website.

SEC approach to CDS portfolio margining

In May 2013, AIMA wrote to the Securities and Exchange Commission, urging the SEC to abandon its approach to portfolio margining of credit derivatives, which would have seen a multiplier of either 150% or 200% applied to the ICE portfolio margin model for client positions. The SEC ultimately elected not to follow the multiplier approach, instead allowing dealers to use their own models for clients, pending approval of these by the end of 2013.

SEC cross-border rules

On 1 May 2013, the SEC published its proposed cross-border rules and interpretive guidance. Broadly speaking, the proposed rules: (i) provide that a security-based swap (SBS) would be subjected to Title VII of Dodd-Frank if it is with a US person or is a transaction otherwise conducted within the US; (ii) take a more territorial approach

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with the definition of US person (as compared to the CFTC); and (iii) allow non-US persons and US persons to benefit from the substituted compliance framework (where such persons are caught under the SEC's rules and those of a comparable third country regime).

AIMA submitted its comments to the SEC on 19 August 2013. In its submission AIMA acknowledged the more sensible and conciliatory approach taken by the SEC, but highlighted the potential challenges associated with determining whether an SBS transaction meets the standard of being "otherwise conducted within the US". Further, AIMA emphasised the need for an approach to substituted compliance that encompasses all transaction-level requirements that apply to US and non-US persons conducting transactions within the US (i.e., the SEC should go even further than proposed in the availability of substituted compliance to market participants).

European Market Infrastructure Regulation

AIMA has continued to raise key member concerns relating to issues of EMIR interpretation in its 'Letters Suggesting Q&As', submitted to ESMA in March and September 2013. Issues covered in the letters include:

- The scope of EMIR with respect to Alternative Investment Funds (AIFs) (as defined under AIFMD);
- The scope of EMIR with respect to FX derivatives;
- The treatment of the partial delegation of reporting to a third-party; and
- The treatment of exchange-traded derivatives traded on a non-EU market with respect to their reporting start date under EMIR level 2.

AIMA continues to monitor industry developments in relation to the provision of reporting services by trade repositories and clearing brokers. Further, to assist members with the implementation of EMIR reporting requirements, AIMA has co-hosted (i) a breakfast briefing on EMIR reporting with

CME; and (ii) a two-part webinar with DTCC. The first webinar, held in July 2013, covered practical considerations members should take into account when connecting with trade repositories and liaising with their clearing brokers. The second webinar, held in August 2013, focused on the introduction of the global LEI utility.

Sound practice in the secondary loan market

Following concerns raised by AIMA members regarding the Loan Market Association (LMA) Transparency Guidelines published in June 2011, AIMA developed a Note setting out what we consider to represent sound practice in the secondary loan market from our members' perspective. During the latter part of 2012, we consulted widely among the AIMA membership and others on the contents of the Note. In light of the feedback we received, we have made certain changes to reflect the opinions voiced, leading to the publication of an updated Guidance Note in March 2013.

German High Frequency Trading Law

In May 2013, AIMA published a member summary of the German High Frequency Trading Law that had been adopted earlier that month. We also engaged closely with BaFin, encouraging them to address a number of outstanding interpretative issues in respect of the law, resulting in the publication by BaFin of several tranches of Questions and Answers to assist firms in their implementation of the new rules.

Recovery and resolution of banks and CCPs

AIMA has engaged in the legislative development of the framework for the Bank Recovery and Resolution Directive (BRRD), in particular on the potential application of the debt write-down tool (bail-in) to derivative contracts, a member summary of which is available on the AIMA website. During Q3/4 2013, AIMA commenced its legislative engagement on the development of recovery and resolution legislation for systemically important non-bank financial institutions. In October we submitted responses focusing on the recovery and resolution of central counterparties

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(CCPs) to consultations issued by both (i) the Committee of Payment and Settlement Systems and the International Organisation of Securities Commissions (CPSS-IOSCO); and (ii) and the Financial Stability Board (FSB). AIMA also met with the European Parliament (EP) Rapporteur for non-bank recovery and resolution Kaye Swinburne on the EP own initiative report on the topic.

European Market Abuse Regulation

In June 2013, AIMA produced a position paper on the Market Abuse Regulation, urging European policymakers to properly define the concept of inside information and to maintain a number of existing safe harbours. The position was ultimately reflected in the final text agreed between the Council and European Parliament in June 2013. A member summary of the new framework is available on the AIMA website.

European Securities Law Legislation

In May 2013, AIMA produced a position paper on an initial Commission Non-Paper on possible Securities Law Legislation, highlighting our concerns that some of the measures under discussion could unduly restrict re-hypothecation. The paper was sent to a number of Member State contacts, who strongly challenged the ideas presented in the Commission Non-Paper. Legislation has now been pushed back to 2014 at the earliest.

European Short Selling Regulation

AIMA has continued to push for a more streamlined framework for reporting requirements under the Short Selling Regulation, arguing that ESMA should provide a centralised reporting platform. We have also called for greater consistency in respect of the approach taken by individual regulators to short selling bans. These topics are reflected in our March 2013 submission to ESMA in response to its consultation on the impact of the European rules, for which we also undertook a detailed member survey.

For more information on these and other regulatory and tax matters, please contact:

Jiri Krol
Deputy CEO, Head of Government and Regulatory Affairs
E: jkrol@aima.org

Mary Richardson
Director, Head of Tax Affairs
E: mrichardson@aima.org

Jennifer Wood
Director, Head of Asset Management Regulation
E: jwood@aima.org

Adam Jacobs
Director, Head of Markets Regulation
E: ajacobs@aima.org

Paul Hale
Director, Associate Head of Tax Affairs
E: phale@aima.org

Wesley Lund
Associate Director, Markets Regulation
E: wlund@aima.org

Anna Berdinner
Regulatory Analyst, Asset Management Regulation
E: aberdinner@aima.org

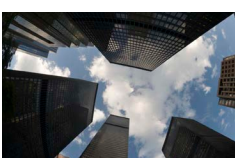
Oliver Robinson
Regulatory Analyst, Markets Regulation
E: orobinson@aima.org



In 2013, AIMA produced over 100 regulatory and tax submissions and documents – the highest in our history. A selection follows.

DATE	AUTHORITY	SUBJECT
28 November	FSB	<u>Strengthening Oversight and Regulation of Shadow Banking</u>
6 November	FCA	<u>AIFM Remuneration Code Guidance</u>
15 October	FSB	<u>Key Attributes of Effective Resolution Regimes to Non-Bank Financial Institutions (joint AIMA/MFA submission)</u>
11 October	IOSCO-CPSS	<u>Recovery of Financial Market Infrastructures (AIMA/MFA)</u>
9 October	CFTC	<u>Request for Time-Limited No-Action Relief with respect to Section 2(h)(1)(A) of the CEA in respect of EMIR-covered funds</u>
9 October	FCA	<u>CRD IV for Investment Firms</u>
8 October	HMRC	<u>Transfer of Assets Abroad</u>
30 September	EBA	<u>Draft Regulatory Technical Standards on own funds requirements for investment firms</u>
23 September	SEC	<u>US private placement</u>
23 September	ESMA	<u>EMIR Q&As (AIMA/MFA)</u>
18 September	SEC	<u>Portfolio margining requirements for BD-FCM margin models (AIMA/MFA)</u>
16 September	HMRC	<u>Expanding the white list</u>
16 September	CBI	<u>Loan origination by investment funds</u>
16 September	BIS	<u>Transparency and Trust</u>

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DATE	AUTHORITY	SUBJECT
16 September	ESMA	<u>Contracts with direct, substantial and foreseeable effect within EU and non-evasion provisions of EMIR (AIMA/MFA)</u>
12 September	ESMA	<u>Clearing obligation under EMIR (AIMA/MFA)</u>
12 September	Australian Treasury	<u>Investment Manager Regime (AIMA/MFA)</u>
5 September	HMRC	<u>Implementing the UK's Agreements with the Crown Dependencies to Improve International Tax Compliance</u>
2 September	FCA	<u>Notification forms for UK national private placement regime</u>
23 August	CSA	<u>AIMA Canada's comment letter re: NI 81-104 Commodity Pools / Modernisation of Investment Fund Product Regulation</u>
14 August	SFC	<u>Proposed Amendments to the Professional Investor Regime and the Client Agreement Requirements</u>
21 August	EBA	<u>Identified staff under CRD</u>
21 August	CFTC	<u>Cross-Border Exemptive Order (AIMA/MFA)</u>
19 August	SEC	<u>Cross-border swaps rules (AIMA/MFA)</u>
16 August	EC	<u>EU-US dialogue on cross-border regulation of OTC derivatives</u>
9 August	HMRC	<u>Partnership tax rules</u>
31 July	EC	<u>EMIR Reporting Start Dates (joint associations response)</u>
17 July	SEC	<u>Regulation Systems Compliance and Integrity (AIMA/MFA)</u>
17 July	EC	<u>AEOI</u>
17 July	HMT	<u>UK Investment Management Strategy</u>

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DATE	AUTHORITY	SUBJECT
12 July	CSA	Canadian Early Warning System (AIMA/MFA)
5 July	CFTC	Final Exemptive Order Regarding Compliance With Certain Swap Regulations (joint AIMA/EFAMA submission)
4 July	HMRC	FATCA draft Guidance and Regulations
1 July	ESMA	Guidelines on reporting obligations under Article 3 and Article 24 of AIFMD
25 June	EC	Long-term financing of the European economy
17 June	CSA	Derivatives Registration
14 June	EP	Coherence of EU financial services regulation
11 June	HMRC	Fee rebates – draft Statutory Instruments
20 May	CFTC / NFA	Request for relief from requirement to use IFRS on CFTC Form CPO-PQR and NFA Form PQR
17 May	BaFIN	Interpretation of the German HFT law (AIMA/MFA)
14 May	EC	The challenges of long-term investment funds
10 May	FCA	Implementation of AIFMD Part 2
7 May	CFTC	Repeal of segregation interpretation 10-1 for futures and options transactions (AIMA/MFA)
25 April	ATO	Investment Manager Regime 3 (AIMA/MFA)
16 April	FCA	Application of delegation requirements of AIFMD to non-EU AIFMs under Article 42
25 March	IOSCO	Recommendations regarding the protection of client assets

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DATE	AUTHORITY	SUBJECT
18 March	CIMA	<u>Corporate governance consultation</u>
15 March	FSA, HMT, HMRC	<u>UK implementation of EMSA’s guidelines on sound remuneration policies under the AIFMD</u>
15 March	FSA	<u>Extension of remuneration guidelines for delegates</u>
15 March	ESMA	<u>SSR call for evidence (AIMA/MFA)</u>
15 March	IOSCO & BCBS	<u>Margin requirements for non-centrally cleared derivatives</u>
14 March	UST	<u>FATCA final regulations</u>
12 March	ESMA	<u>EMIR FAQs (AIMA/MFA)</u>
8 March	CSA	<u>Considerations for New Capital Raising Prospectus Exemptions</u>
28 February	HMRC	<u>Implementation of International Tax Compliance (USA) Regulations 2013</u>
27 February	HM Treasury	<u>Transposition of the AIFMD</u>
22 February	SEC	<u>Capital, Margin, and Segregation Requirements for Security-Based Swap Dealers and Major Security-Based Swap Participants and Capital Requirements for Broker-Dealers</u>
15 February	CSA	<u>Dispute Resolution Services</u>
15 February	CFTC	<u>Enhancing Protections Afforded Customers and Customer Funds Held by Futures Commission Merchants and Derivatives Clearing Organizations</u>
8 February	MAS	<u>Draft Regulations Pursuant to the Securities and Futures Act for Trade Repositories and Clearing Facilities</u>

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DATE	AUTHORITY	SUBJECT
6 February	CFTC	Further Proposed Guidance Regarding Compliance with Certain Swap Regulations (AIMA/MFA)
4 February	CSA	Derivatives: Product Determination and Trade Repositories and Derivatives Data Reporting
31 January	ESMA	Guidelines for establishing consistent, efficient and effective assessments of interoperability arrangements
31 January	ESMA	Draft RTS on types of AIFMs and guidelines on key concepts of the AIFMD
31 January	FSA	Implementation of the AIFMD
21 January	HKEx	Proposal of the Hong Kong Exchanges and Clearing Limited to introduce after-hours futures trading
14 January	FSB	Oversight and regulation of shadow banking
11 January	EC	Consultation on a Possible Recovery and Resolution Framework for Financial Institutions other than Banks



Alternative Investment
Management Association

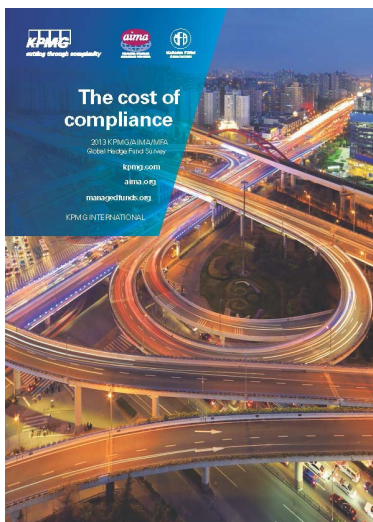
- Click [here](#) to read about the benefits of membership
- Click [here](#) to find out how AIMA represents the global industry
 - Click [here](#) for an application form

Email Fiona Treble, our Associate Director, Membership at ftreble@aima.org to find out more about the benefits of AIMA membership



AIMA publications

The Cost of Compliance



AIMA, the Managed Funds Association (MFA) and KPMG International published ‘**The Cost of Compliance**’, a global survey of hedge fund managers’ compliance investments, in October.

According to the report, the average spend on compliance since the financial crisis was at least \$700,000 for small fund managers, \$6 million for medium-size fund managers, and \$14 million for large fund managers. The survey, one of the largest global surveys of hedge fund managers, was conducted between May and August 2013 and included the views of 200 hedge fund managers representing more than \$910 billion in assets under management (AUM). It also included in-depth interviews with managers from North America, Europe and Asia.

We wish to thank all those of our members who participated in the survey.

Beyond 60/40: The evolving role of hedge funds in institutional investor portfolios



The AIMA Investor Steering Committee (ISC), a committee of institutional investors that undertakes educational initiatives and provides practical guidance within AIMA, published a paper on the evolving role of hedge funds in institutional investor portfolios in May.

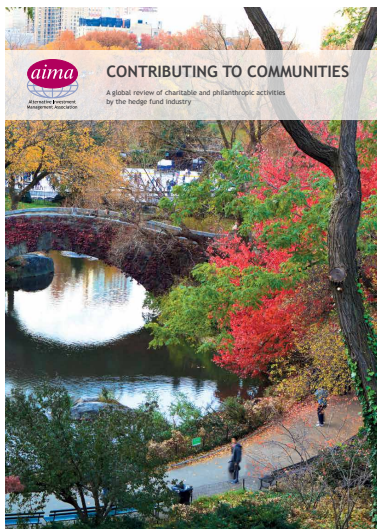
The paper, ‘Beyond 60/40: The evolving role of hedge funds in institutional investor portfolios’, was based on a survey of North American, Asian and European pension funds, endowments, foundations and family offices.

To download the paper, click [here](#).

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Contributing to Communities

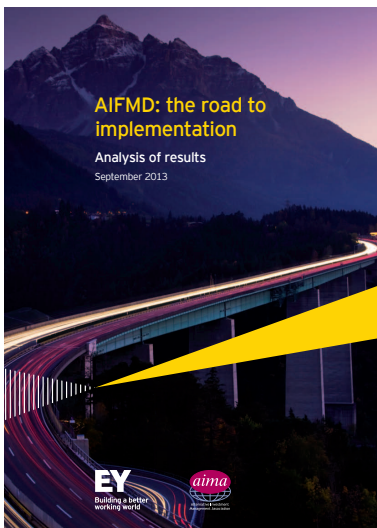


AIMA released the first global review of the hedge fund industry’s charitable activities in May. The 44-page report, ‘Contributing to Communities’, can be downloaded [here](#).

It gives a detailed picture of the global hedge fund industry’s public charitable activities, from workplace-giving schemes and industry fundraising campaigns for charity to individual examples of philanthropy.

We would like to thank our members and industry charitable organisations for all their help in putting together this report.

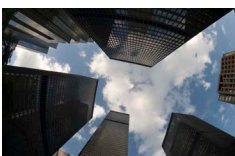
AIFMD: The Road to Implementation



Some key European markets are “gold-plating” the marketing requirements for legacy national private placement regimes (NPPR) over and above those required by the AIFMD, according to ‘AIFMD: The Road to Implementation’, a joint survey by AIMA and EY which was released in September.

The survey sought to develop an understanding of EU member states’ actual readiness to implement AIFMD.

To download the paper, click [here](#).



AIMA'S ROADMAP TO HEDGE FUNDS

2ND EDITION

AIMA first published the *Roadmap to Hedge Funds*, its educational guide for institutional investors in hedge funds, back in 2008. Although it was released at the height of the financial crisis, it quickly became the most-downloaded publication in AIMA's history.

Commissioned by AIMA's Investor Steering Committee, it sought to de-mystify the hedge fund industry at a time when misconceptions around issues such as short-selling, fees, transparency and risk were widespread. It had a global readership and in 2010 was even translated into Chinese.

In the updated 2012 edition, Alexander Ineichen, one of the leading authorities on hedge funds, discusses current trends and developments and makes the case that hedge funds continue to provide a strong value proposition for investors.



Download the *Roadmap to Hedge Funds* at www.aima.org

News in brief



AIMA announces Jack Inglis as new CEO

On 11 November 2013, we announced that Jack Inglis will be the new CEO of the organisation. Jack joins AIMA from Barclays, where he was a member of the Global

Executive Committee for Prime Services. He was previously CEO of Ferox Capital between 2007 and 2010 and also spent 16 years at Morgan Stanley where he was Co-Head of European Prime Brokerage from 2003-2007. The appointment followed the announcement in June 2013 that current CEO Andrew Baker would be stepping down. Jack will start in the role at the beginning of 2014, with Andrew remaining to oversee the handover until then. Andrew has been AIMA's CEO since the beginning of 2009, having previously been Deputy CEO since 2007.

Enhanced statement of principles

AIMA published an enhanced statement of policy principles in a paper entitled, [Regulating Capital Markets: AIMA's Policy Principles](#). The paper built on the AIMA Policy Platform, the landmark 2009 document in which we offered our support for improved transparency, unified global standards, manager authorisation and supervision, aggregated short position disclosure to regulators and new policies to reduce settlement failure. The enhanced principles enshrine AIMA's core set of beliefs in the broad areas of investor protection, regulatory consistency, systemic risk and market integrity. To view the press release, click [here](#). On this [page](#) on our website, view a video recorded in September 2013 by the *Hedge Fund Journal*, in which Jiri Krol, AIMA Deputy CEO and Head of Government and Regulatory Affairs, discusses the policy principles paper with Hamlin Lovell.

AIFMD implementation tools

AIMA launched an online self-diagnostic tool and detailed guide to implementation for firms needing to comply with the Alternative Investment Fund Managers Directive (AIFMD) in January 2013. The diagnostic tool and implementation guide, jointly produced by AIMA and PwC, are assisting AIMA member firms in preparing for and tracking their compliance readiness. They can be accessed [here](#).

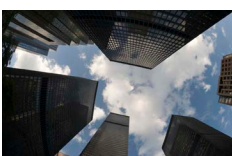
Guide to Sound Practices for Hedge Fund Valuation

AIMA released a new edition of its [Guide to Sound Practices for Hedge Fund Valuation](#) in October. The new edition takes account of recent regulatory reforms, including a summary of valuation requirements under the Alternative Investment Fund Managers Directive (AIFMD). The guide also reflects changes in accounting standards since the previous edition was published in 2007, such as the introduction of new international guidance on and disclosures of fair value accounting. In total, the guide contains 16 recommendations that reflect industry sound practices within the areas of governance; transparency; procedures, processes and systems; and sources, models and methodology. The guide also sets out the areas of hedge fund valuation that are now covered by regulation and those where discretion still applies. The guide was produced by a committee of volunteers from the industry and was co-chaired by Declan Quilligan, Managing Director, Citco Fund Services (Ireland) Ltd, and Olwyn Alexander, European Hedge Fund Leader, PwC.

AIMA paper on international coordination of OTC derivatives regulations

AIMA produced a paper in May which detailed potential areas of overlap between EMIR and CFTC derivatives rules. This paper, entitled [Addressing](#)

[continued](#) ►



overlaps between EMIR and CFTC OTC derivatives regulation, was put together with the assistance of Shearman & Sterling LLP.

Deputy Chairmen and investor-appointee

AIMA announced two Deputy Chairmen from its existing Directors and also an investor-appointee to the AIMA Council in February. The Deputy Chairmen are Andrew Bastow, a private investor and formerly of Winton Capital Management; and Chris Pearce, Asia COO, Marshall Wace Asia Ltd. The new investor-appointee is Robert De Rito, a private investor and formerly of APG Asset Management US Inc.

AIMA Journal ‘app’

An iPad version of the AIMA Journal, our quarterly magazine, was launched in April. It is available from the iTunes store or the App Store. The magazine also underwent a major redesign and expansion in 2013 and each edition is now regularly close to 100 pages.

AIMA Canada celebrates 10th anniversary

More than 300 members and guests were on hand for AIMA Canada’s 10th anniversary celebration in Toronto in April. The guest list represented a who’s who of the Canadian alternatives industry, including fund managers, service providers and investors. Speakers provided their perspectives on the association’s growth and achievements, its future prospects and its role in the global industry.

New regional committees in Canada

AIMA Canada extended its national footprint by announcing the establishment of new regional committees in Alberta and British Columbia. This followed the 2010 establishment of a regional committee in Québec.

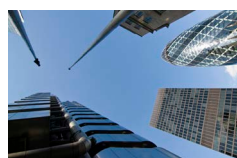
Electronic trading information template

AIMA Hong Kong produced two template documents in October designed as a basic framework to assist members with their regulatory obligations effective 1 January 2014 under the Securities and Futures Commission (SFC) regulation of electronic trading. The SFC consultation conclusions and proposed amendments to the SFC Code of Conduct can be found [here](#). The first document is the Electronic Trading Information Template (the “Industry Template”), which has been created through the collaborative efforts of a number of Hong Kong associations, including AIMA. The purpose of the Industry Template is to streamline, to the extent possible, the due diligence process of firms that are seeking to obtain and use electronic trading services, by establishing a common framework for the request of information from, and disclosure of information by, electronic trading service providers. A link to the Industry Template, as well as its background and proposed usage, can be found [here](#). The second document is an AIMA HK “User Template”, and is drafted for members’ internal use only. It can be downloaded [here](#).



Press releases

DATE	REGION	SUBJECT
6 December	Global	<u>AIMA announces new Chair and Deputy Chair of Investor Steering Committee</u>
11 November	Global	<u>AIMA announces Jack Inglis as new CEO</u>
17 October	Global	<u>Hedge fund managers making significant investments to comply with global regulatory changes: industry survey</u>
11 October	EMEA	<u>Some key EU markets ‘gold-plating’ AIFMD – AIMA/EY survey</u>
9 October	Global	<u>AIMA publishes updated Guide to Sound Practices for Hedge Fund Valuation</u>
5 September	Global	<u>AIMA publishes enhanced statement of principles</u>
24 July	EMEA	<u>AIMA/EY survey finds mixed progress towards AIFMD transposition</u>
12 June	Global	<u>AIMA CEO Andrew Baker to step down</u>
28 May	Global	<u>AIMA paper highlights areas for deeper international coordination of OTC derivatives regulations</u>
23 May	Global	<u>AIMA Investor Steering Committee publishes ‘Beyond 60-40’</u>
1 May	Global	<u>AIMA releases first global review of hedge fund industry charitable activities</u>
20 February	Global	<u>AIMA announces Deputy Chairmen and investor-appointee</u>
31 January	EMEA	<u>AIMA announces AIFMD implementation tools</u>



Events

AIMA Annual Conference 2013

The AIMA Annual Conference, held in London in October, drew more than 330 attendees, representing some 200 firms from more than 12 countries. The event was sponsored by CME Group, EY, Simmons & Simmons, Straightedge & UBS. Speakers included Sajid Javid MP, Economic Secretary to the Treasury, HM Treasury; Jamie

Dinan, Founder, Chairman and CEO, York Capital Management; and Kathleen Casey, Chair, AIMA. Videos of the keynote speeches and panels are available to view [here](#) on our website.

Note – this material and the remarks therein should not be further distributed, placed into the public domain, or referenced or reported in any other internal or external communications.



Andrew Baker, CEO, AIMA



Sajid Javid MP, Economic Secretary to the Treasury, HM Treasury



Jamie Dinan, Founder, Chairman & Chief Executive Officer, York Capital Management



Kathleen Casey, Chair, AIMA

Delegate feedback

“It was interesting, dynamic and I thoroughly enjoyed it.”

“The agenda and networking opportunity was first class. AIMA continues to provide excellent value and support to the industry.”



AIMA's Global Policy and Regulatory Forum

This event, our flagship regulatory forum, drew 300 people to London's Guildhall in March, making

it the largest in the series to date. Fifteen different regulatory authorities were represented, along with 180 member firms.



[L-R] Adrienne Seaman, Executive Director & Associate General Counsel, Legal, CME Group; Edouard Vieillefond, Managing Director, Regulatory Policy & International Affairs, AMF; and Stephen Berger, Director, Government & Regulatory Policy, Citadel Investment Group



Troy Paredes, Commissioner, Securities and Exchange Commission



[L-R] Ignazio Angeloni, Director General, Financial Stability, European Central Bank; Jiří Król, Deputy CEO, Head of Government & Regulatory Affairs, AIMA; and Mojmir Hampl, Vice Governor, Czech National Bank



[L-R] Henry Kenner, CEO, Arrowgrass Capital Partners; Ben Wright, Editor, Financial News; and Ewan Kirk, CEO, CIO and Founding Partner, Cantab Capital Partners

Delegate feedback

“Thank you for one of the most impressive conferences I have ever attended.”

“Would have loved for it to be longer as so much great content that they shared.”

“Very thought provoking and covered a lot of relevant high-level insight into recent issues.”



AIMA event highlights in 2013

In 2013, AIMA held over 120 events globally. A selection follows.

OTC clearing: transaction reporting obligations in a centrally cleared world, London, February

AIMA Middle East Hedge Fund Forum, Dubai, March

AIMA Scandinavian Members' Briefing, Stockholm, March

Global Policy and Regulatory Forum, London, March

AIMA – France Briefing, Paris, March

Hedge Fund Capital Raising in Latin America, New York, April

AIMA Next Generation Manager Forum, London, May

Global Regulatory Update with AIMA's New Chair, New York, June

Understanding the Hedge Fund Landscape in Brazil, New York, June

AIMA – Switzerland Briefings, Geneva and Zurich, July

AIMA Summer Drinks Reception, London, July

AIMA/EY briefing – AIFMD: The road to implementation, London and New York, September

AIMA Annual Conference, London, October

Unlocking the Middle East's Capital, New York, October

Launch of Guide to Sound Practices on Valuation, London, October

AIMA Channel Islands Briefing, Jersey, November

Hedge fund trends, risks and opportunities, Dubai, November

AIMA – Ireland Briefing, Dublin, December

Around the world, our local groups and representatives organised regular events for their local members:

AIMA Canada held 33 events across the country, including its Annual Debate Luncheon and a series of Emerging Managers Seminars

AIMA Hong Kong organised over 20 events on subjects including SFC electronic trading rules; fundraising; and conducting due diligence in China

The AIMA Brazil Network held eight events

AIMA Australia held a number of events including the AIMA Australia Hedge Fund Forum in September

AIMA Singapore held business and networking events throughout the year

AIMA Cayman held seven events including a member event during GAIM Ops Cayman



Speaking engagements

AIMA principals spoke at numerous industry events during 2013, including the following:

EMEA

Regulatory Briefing, PwC, Dublin, January

IMS Regulatory Forum, London, January

Annual Hedge Fund Conference, PwC, London, January

AIFMD Seminar, Northern Trust, London, January

AIFMD Breakfast Briefing, HFMWeek, London, January

Collateral Solutions for a Cleared Market, CME/RBS/BNY Mellon, Edinburgh, February

HedgeMark Forum, London, February

Diversified Asset Show, Dubai, March

Conference Gestion Alternative, L'Agefi, Paris, April

Regulation Event, Bank of America Merrill Lynch, London, April

Regulatory Compliance Breakfast Seminar, Bloomberg, London, April

Insurance Implications of AIFMD, Miller Insurance Services LLP, London, May

Political Risks in Global Markets, TENEO Intelligence, Ditchley Park, England, May

Long Term Financing of the European Economy, Cicero Group, London, May

European Hedge Fund Symposium, Deutsche Bank, London, May

The Role and Responsibilities of Depositaries under AIFMD, ALFI, Luxembourg, May

Annual AIFMD Forum, Infoline, London, May

EuroHedge Summit, Paris, May

Absolute Returns Summit, Warsaw, June

GAIM International, Monaco, June

AIFMD Breakfast Briefing, HFMWeek, London, September

AlphaMetrix Summit, Monaco, September

Channel Islands Funds Forum, Jersey, September

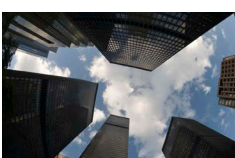
Hedge Fund Startup Forum, Geneva, October

GAIM Ops International, Paris, November

European Alternative Investment Fund Conference, ALFI, Luxembourg, November

Hedge Fund Start-up Conference, London, November

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Regulatory Horizon, ACA Compliance, London, December

European Funds – Future of Asset Management, IBC, Malta, December

Americas

Derivatives clearing: What does it mean for buy-side participants?, Shearman & Sterling LLP, New York, January

Alpha Hedge East, IMN, New Orleans, February

COO/CFO Hedge Fund Symposium, Bank of America Merrill Lynch, Bluffton, South Carolina, March

GAIM Ops Cayman, Grand Cayman, April

World Alternative Investment Summit Canada (WAISC), Calgary, June

Pension Fund Brazil Forum, Latin Markets, Rio de Janeiro, July

Alpha Hedge West, IMN, San Francisco, September

WAISC, Niagara Falls, September

Worth Greenwich Wealth Summit, Worth Magazine, Greenwich, September

HFM Alternative Investments from Valuation to Risk, HFMWeek, New York, September

Global ARC, Boston, October

Global Indexing & ETFs, IMN, Scottsdale, Arizona, December

Asia-Pacific

China Hedge Fund Update, Barclays, Hong Kong, January

Asia Operational Leaders' Summit, HFMWeek, Hong Kong, February

AsiaHedge Forum 2013, Hong Kong, April

Crossing the Border, AsianInvestor & UBS, Hong Kong, July

Hedge Funds World Asia, Terrapinn, Hong Kong, September

AsiaHedge China Forum, Shanghai, September

Asset Management Conference, PwC, Hong Kong, October

China Private Fund Forum, HSBC Prime Finance and HSBC Securities Services, Shanghai, October

Battle of the Quants, Shanghai, November

Electronic Trading Regulation Roundtable, Bloomberg, Hong Kong, November

TradeTech Asia, Singapore, November

Omgeo Hedge Fund Operations Forum, Hong Kong, November





AIMA has more than 1,300 corporate members in over 50 countries and is present in all of the major financial centres globally

Long track record

AIMA was founded in 1990 and has grown into the only truly global hedge fund industry association, with more than 1,300 corporate members in over 50 countries.

Representing the industry

We represent the world's hedge fund industry to regulators, policymakers, investors, the press and other stakeholders.

Speaking for the whole industry

AIMA's members come from all parts of the global industry – including managers, service providers, allocator managers (including FoHFs), advisers and investors.

Regulatory updates

AIMA members receive comprehensive regulatory updates.

Education and Sound Practices

AIMA members are given access to our full range of sound practices material, covering hedge fund management, valuation and asset pricing, administration, governance, business continuity, due diligence questionnaires for managers and service providers, offshore alternative fund directors and fund of hedge funds managers.

AIMA Knowledge Centre

Our members get access to our online library of industry knowledge and expertise. Additionally, they receive our weekly newsletter, covering all the latest key industry

and regulatory developments, and our flagship quarterly publication, the *AIMA Journal*.

A positive start

Due to the amount of information available from AIMA and assistance we can provide through sound practices guidance, membership of AIMA is often one of the first steps taken by new firms in the industry, wherever they are based.

Global forum

Our members are able to share ideas and influence outcomes by either joining one of our many committees and regulatory working groups or by taking part in one of our many events around the world, including our global Policy & Regulatory Forum and the AIMA Annual Conference.

Member events

Our Annual Conference, open to all AIMA members, attracts leading speakers from the industry and among policymakers, and hundreds of delegates, from around the world. We also hold regular events for our members globally, which provide helpful intelligence to delegates and networking opportunities.

Loyal members

AIMA membership renewal rates are regularly above 85%.

Global members

Discounts on membership fees are available to firms with offices in multiple locations.

Contact

The Alternative Investment Management Association Ltd
 Head Office: 2nd Floor, 167 Fleet Street, London, EC4A 2EA
 Tel: +44 (0) 20 7822 8380
 Email: info@aima.org



Alternative Investment
Management Association

Representing the world's hedge fund industry

www.aima.org