AIMA’s Review of the Year 2012
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End-of-year message from Andrew Baker

The global financial crisis has transformed the work that AIMA does on behalf of the industry around the world. There has been a wave of new laws and regulations introduced internationally, some designed to regulate hedge fund managers, others to regulate the markets our manager members operate in, others the taxes that are applied to them.

The world has changed, and with it AIMA has changed too. We have built new structures and brought in new people to address these challenges. We are very much more active now than ever before in advocacy on behalf of the industry, whether with the policymakers or regulators or other important audiences like the press or investors. We have also used the expertise of our members in unprecedented numbers through their contributions to our many working groups, for which we are enormously grateful.

All this work has delivered significant real results for the industry. Our diligent, patient and sustained engagement on the major pieces of regulation internationally and our willingness to engage constructively with the authorities in order to explain the industry’s concerns, has helped to influence key outcomes within the whole process. Much of the regulation impacting the industry globally is no longer as damaging as it was when first proposed. Outcomes such as these are a testimony to the work of our staff, members and volunteers and the relationships they have built up.

In other work, we commissioned with KPMG new research demonstrating the superior historical performance of the industry over the long-term. We carried out one of the biggest ever surveys of our members, also in collaboration with KPMG, which looked at how the industry has evolved since the onset of the financial crisis. We also published jointly with Deutsche Bank a new edition of AIMA’s Roadmap to Hedge Funds, the world’s first educational guide for institutional hedge fund investors.

We more than doubled our events programme and were delighted to host a very successful Global Policy and Regulatory Forum in Hong Kong and an equally well-received Annual Conference in London. We also expanded the number of speaking engagements that we carried out around the world.

We were gratified that so many of our members renewed their memberships in 2012 — the renewal rate was well over 80% again — and by the end of the year we had more than 1,300 corporate members, the most we have ever had.

The year ahead will present another set of challenges for the industry. The AIFMD will clearly be one. As part of our AIFMD implementation Project, we will create an online operational guide in partnership with PwC that will enable our members to track their compliance readiness, while a handbook on the AIFMD will provide guidance regarding the AIFMD’s requirements in areas of uncertainty. We believe these tools will provide a very useful service to members in 2013.

Also in the coming year, we plan to build on the already rapidly growing number of briefings, networking events and seminars we organise for our members globally. And with the knowledge of how highly our members value our industry guides in mind, we are planning to revise and expand our DDQ series and our Guides to Sound Practices.

It promises to be another busy and productive year, and we look forward to continuing our work on behalf of the industry around the world.
Global and Regulatory Affairs

AIFMD

In March 2012 the European Commission produced an initial draft of the Level 2 AIFMD regulation which contained a number of significant divergences from the technical advice provided to the Commission by the European Securities and Markets Authority (ESMA) in November 2011. The most notable divergences were in the areas of third countries, depositaries, delegation, risk management, leverage and professional indemnity insurance. AIMA documented those divergences and shared our preliminary assessment with a number of Member States and some MEPs in preparation for their meetings with the Commission. Throughout 2012 AIMA has worked with the Commission to attempt to reintegrate ESMA advice to the greatest extent possible into the final Level 2 text. The final regulation is less restrictive than the initial draft in a number of areas, such as:

Third countries
There has been a useful redrafting of the provisions dealing with the content of cooperation agreements which will be necessary for national private placement regimes as well as delegation to third country entities. The language is less restrictive, allowing for greater flexibility on the part of EU and non-EU authorities when entering into such agreements.

Delegation
The initial Commission draft added two additional conditions to the ESMA technical advice which, if adopted as proposed, would have meant that the vast majority of EU-based funds and managers would have to significantly restructure their businesses without any apparent benefits to investor protection. The Commission has ultimately moved away from what was confirmed initially as solely quantitative determination of when an AIFM will be considered to be a letter-box entity (focusing exclusively on the quantity of assets managed by the AIFM itself) towards a more qualitative approach (for example considering the types of assets whose management has been delegated or whether the delegate is part of the AIFM group). The latest amendment to the delegation text added the possibility (not a requirement) for ESMA to introduce further guidance on how competent authorities assess delegation structures. It also introduced a review of the provision to be carried out within two years of implementation.

Leverage
The Commission initially rejected ESMA’s proposal to introduce a third, more advanced method of calculating leverage. An amendment has been added in the final text which allows for the possibility of ESMA developing technical advice on a further calculation method for leverage. The final text also states that leverage will only be considered to be employed on a substantial basis when the exposure of an AIF as calculated according to the commitment method exceeds three times its net asset value (NAV). The initial draft had suggested that it would be considerable if only two times NAV.

Depositary contracting a discharge of liability
The initial draft suggested that in order for a depositary to contract a discharge of liability it would have to demonstrate that both (a) it had no other option but to delegate its custody duties to a third party; and (b) the AIF or the AIFM acting on behalf of the AIF has notified the depositary in writing that it considers the investment concerned by the delegation of custody to be in the best interest of the AIF and its investors. Under the final text, these two criteria (albeit in a revised form) will be alternatives rather than cumulative.

Ability to use non-EU OTC derivative counterparties and non-EU prime brokers
When selecting a prime broker or other counterparties, these entities will not be required to be subject to regulation equivalent to Union law.

Providers of professional indemnity insurance (PII)
The initial draft stated that providers of PII must be subject to regulation and supervision in accordance with Union law. Under the final text, PII will be able to be provided by both EU and non-EU entities which are subject to adequate regulation.
TAX

Foreign Account Tax Compliance Act (FATCA)
We updated our online Q&A in the light of the draft regulations issued in February and made submissions on those regulations, on the Intergovernmental Agreement (IGA) information exchange model issued in July (a key issue being broader scope, to ‘catch’ managers and advisers, by the definition of ‘Investment Entity’) and on specific implementation issues facing administrators. AIMA was pleased that the US authorities responded to industry comment and changes made by the IGAs and are delaying implementation of several reporting and withholding deadlines, pushing back the effective date for many requirements to 1 January 2014. The revised deadlines should be incorporated in the final regulations - now expected by year-end.

Financial Transactions Tax
AIMA’s working group has closely tracked the EU-wide proposal (introduced by the European Commission in September 2011) and contributed to a detailed paper produced by our Research department in February on the potential impacts (a paper used in AIMA’s and HMT’s discussions with individual Member States and which the House of Lords’ committee noted in its report of May, stating that there is no case for an EU-wide FTT). That proposal failed to get support by June 2012 but, in October, the Commission put forward a draft proposal, now supported by 11 Member States, for a FTT to be implemented by means of ECP (enhanced cooperation procedure, requiring at least nine Member States’ support) among participating States. This requires adoption by the Council (ECOFIN) and Parliament and could be implemented in January 2014. Precise details as to structure, scope and likely anti-relocation measures are not yet known.

Australia IMR
AIMA has continued to provide input in the development of an Investment Manager Regime (IMR) in Australia. It participated in a Treasury workshop and provided material highlighting issues for fund structures typically used by hedge fund managers.

Tax Transparent Funds and UCITS IV implementation
AIMA’s tax and asset management teams responded in March to the UK HM Treasury’s consultation on Tax Transparent Funds and UCITS IV implementation — proposals for authorised contractual co-ownership funds and partnership funds. AIMA noted that, absent the ability to have a tax-neutral corporate feeder ‘blocker’, take-up by industry is unlikely. We also participated in an HMT work-stream on vehicle structures. AIMA’s input in the debate on the reform of the UK fund regime continues as HMT officials continue to explore changes to the regime that would take account of the UK hedge fund industry’s global investor base.

India — GAAR
In April, AIMA’s tax committee supported a submission by SIFMA and ASIFMA on amendments proposed to Income Tax Act 1961, seeking clarification of the scope of GAAR and indirect transfer provisions. The Government announced postponement of GAAR to April 2013 and opened consultation on draft guidelines, on which AIMA made a submission. In September, a report recommended deferral of GAAR to April 2016, grandfathering existing structures and the removal of CGT on short-term gains.

ASSET MANAGEMENT

US — Commodity pool operator exemption
In a joint letter, AIMA, Managed Funds Association and the Investment Adviser Association requested that the Commodity Futures Trading Commission (CFTC) extend the period during which a commodity pool operator could still claim an exemption pursuant to Rule 4.13(a)(4) (which has been rescinded) with respect to a newly formed pool from 24 April to 31 December. The CFTC granted this request allowing commodity pool operators to newly formed funds to claim an exemption on terms similar to the rescinded Rule 4.13(a)(4) until 31 December.
Shadow banking
AIMA worked closely with IOSCO/FSB to ensure understanding of the hedge fund industry as asset managers rather than shadow banks. We responded to the EU Green Paper on Shadow Banking reiterating the comments made to the FSB that it is clear that the hedge fund sector does not operate outside the regulatory perimeter, does not engage in banking or quasi-banking activities and should therefore not be subject to banking regulation.

Switzerland — CISA
AIMA has been working closely with the Swiss Funds Association and following the developments of the revised text of the collective investment schemes act (‘CISA’). The final law has been heavily amended, lightening the requirements for the management and distribution of offshore funds in Switzerland.

MARKETS

US — OTC derivatives
We continued to engage with the relevant US agencies on the implementation of the OTC derivatives provisions of the Dodd-Frank Act. SEC/CFTC appear now to be more receptive to ideas on international coordination of the OTC clearing framework, an issue on which AIMA took an early lead (e.g., CFTC to review its interpretive guidance on the extra-territorial impact of swaps rules under Dodd Frank in light of feedback).

EU — Short selling regulation
Significant improvements were made to ESMA’s initial proposed advice at Level 2 in a number of areas. For example, ESMA agreed to permit firms to use sovereign CDS for cross-border hedging, it adjusted the rules on the manager/fund level reporting requirement and on the level of correlation to be demonstrated for a sovereign debt position to be considered long. AIMA has worked closely with ESMA on its Q&As in response to questions raised by members.

European Market Infrastructure Regulation (EMIR)
AIMA has successfully engaged with the EU Parliament in championing the cause of clients in a number of important areas. For example, we have been able to successfully argue for client representation on the CCPs’ risk committees. Individual segregation got a more serious hearing after our continued engagement with the Council, Commission and Parliament and is now described in greater detail. Finally, the whole complex of third country issues has been redrafted in a more workable and practical manner, allowing for a crucial opening of the EU regime.

EU — Capital Requirements Directive
We’ve engaged intensively with the EU institutions in order to ensure that Limited Liability Partnership capital can continue to be regarded as capable of being a common equity tier 1 instrument.

MiFID/MiFIR
Both the EU Parliament and the Council have worked with AIMA on the changes to the algorithmic trading regime in the proposals introduced by the EU Commission. It appears now there is consensus on rejecting the continuous quoting obligation imposed by all those engaging in algorithmic trading activity. Equally, it appears as though a consensus is emerging to let Member States have a final say on how they deal with investment firms from third countries in the non-retail space.

Market Abuse Directive (MAD) / Market Abuse Regulation (MAR)
It is likely that we will have a significantly improved final text, in particular as regards a clearer definition of ‘inside information’.
### Regulatory submissions and other documents in 2012

*Click on the hyperlinks (marked as red, underlined text) to read our submissions and other documents*

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18 April EC Submission — Proposal for a directive in respect of the excessive reliance on credit ratings
4 April CFTC Summary — CFTC’s final rules on commodity pool operators and commodity trading advisors: amendments to compliance obligations
2 April ESMA Submission — Risk mitigation techniques for OTC derivatives not cleared by a CCP
30 March ESMA Submission — ESMA’s guidelines on ETFs and other UCITS issues
27 March FSA Submission — Implementation of the AIFMD
27 March BaFIN Update Note — German short selling disclosure
26 March MAS Submission — Proposed Regulation of OTC Derivatives
23 March ESMA Submission — Key concepts of AIFMD and types of AIFM
21 March EBA Submission — Draft technical standards on supervisory reporting requirements for institutions
20 March ESMA Submission — Draft technical standards for regulation on OTC derivatives, CCPs and trade repositories
12 March ESMA Submission — ESMA’s draft technical advice on possible Delegated Acts concerning the regulation on short selling and certain aspects of credit default swaps ((EC) No XX/2012)
29 February EC Position Paper — MAD/MAR
29 February ESMA Briefing Note — AIFMD
28 February ESMA Summary — EMIR discussion paper
28 February EC Update Note — EMIR
28 February ESMA Submission — Guidelines on certain aspects of the MiFID compliance function requirements
22 February ESMA Submission — ESMA’s consultation paper on Guidelines on ETFs and other UCITS issues
20 February EIOPA Submission — Proposal for quantitative reporting templates for financial stability purposes
16 February SEC & others Submission — Prohibition and restrictions on proprietary trading and certain interests in, and relationships with, hedge funds and private equity funds, notice of proposed rulemaking
13 February CFTC Submission — Process for a designated contract market or swap execution facility
13 February ESMA Submission — Draft Technical Standards of the Short Selling Regulation
24 January EC Summary — ESMA’s consultation paper — Draft Technical Standards of the Short Selling Regulation
17 January CFTC Submission — interim Final Rule on Position Limits for Futures and Swaps
13 January EC Position Paper — MiFID / MiFIR
13 January EC Submission — Rapporteur’s Questionnaire re MiFID / MiFIR
9 January SFC Submission — proposals to amend the Code of Conduct
6 January CFTC Submission — segregation and MF Global Inc

Tax submissions and other documents in 2012

Click on the hyperlinks (marked as red, underlined text) to read our submissions and other documents

13 December HMRC Updated Q&A — FATCA
26 November HMRC Submission — Implementing the UK-US FATCA Agreement
22 October HMRC Submission — Reform of two anti-avoidance provision (s13 TCGA)
14 September IRS Submission — FATCA Administrator issues
3 September UST, IRS Submission — FATCA Intergovernmental Agreement
20 July IRS India Submission — General Anti Avoidance Rules
21 June HMRC Submission — Possible changes to income tax rules on interest
29 May ECJ Note — ECJ ruling on French withholding tax on dividends
3 May IRS Update Note — FATCA
30 April IRS Submission — Draft FATCA Regulations
20 March HMT Submission — Contractual schemes for collective investment
17 January Research Note — Proposed EU financial transaction tax
News in brief

AIMA announces new Chairman, new Global Governing Council
AIMA has appointed a new non-Executive Chairman, Kathleen Casey. Ms Casey is a former Securities and Exchange Commissioner and SEC representative to the International Organization of Securities Commissions (IOSCO) and the Financial Stability Board (FSB). In that role, she also served as Chair of the IOSCO Technical Committee and led various international regulatory workstreams. Ms Casey is a member of the District of Columbia and Virginia State bars. She holds a JD from George Mason University School of Law and a BA in International Politics from the Pennsylvania State University. The period of Ms. Casey’s appointment is for two years. Meanwhile AIMA announced the formation of a new AIMA Council, our Board of Directors, in September 2012. Ms Casey is joined on the new AIMA Council by Olwyn Alexander, Partner, PwC; Mark O’Sullivan, Partner, Ernst & Young LLP; Phil Schmitt, President, Summerwood Capital Corp.; and Henry Smith, Global Managing Partner, Maples and Calder. Those continuing their Directorships of AIMA are Andrew Baker, Chief Executive Officer, AIMA; Andrew Bastow, General Counsel, Director of Government & Regulatory Affairs, Winton Capital; James G. Dinan, Founder, Chairman & CEO, York Capital Management; Chris Pearce, Asia COO, Marshall Wace Asia Ltd; Paul Sater, Partner, Ernst & Young; and Phil Tye, Co-Founder and Managing Director, DragonBack Capital Limited. The retiring slate of Directors are Robert De Rito, Head of Financial Risk Management, APG Asset Management US Inc; Christopher Fawcett, Senior Partner, Fauchier Partners LLP; Florence Lombard, CEO, Chartered Alternative Investment Analyst (CAIA) Association; Sir Paul Ruddock, Director & Chief Executive Officer, Lansdowne Partners Ltd; and Sean Simon, private investor.

AIMA opens New York office
AIMA opened an office in New York City, our first ever in the United States. The office is located on Madison Avenue, between East 56th Street and East 57th Street. The opening of this office has enabled us to improve the service to our growing US membership and organise more events in the US. Contact Michelle Noyes to find out more about our activities in the US.

AIMA Middle East initiative
We launched a new initiative to increase our activities in the Middle East with regards to managers, service providers and investors such as sovereign wealth funds. The initiative is spearheaded by former AIMA Chairman and current EMEA RAC member Sohail Jaffer of FWU Group, who is based in Dubai. If your firm has any activities in the Middle East or liaises with Middle Eastern investors, please reach out to Sohail at S.Jaffer@fwugroup.com.

AIMA Brazil Advisory Group
The AIMA Brazil Advisory Group was formed to take a leadership role in the AIMA Brazil Network. The Advisory Group includes: Richard Aldrich, Partner, Skadden, Arps, Slate, Meagher & Flom; Lizandro Arnoni, International Sales, BRZ Investimentos; Francine Balbina, Executive Director, DMS Offshore Investment Services; Eric “Shee Wah” Chang, Head of International Products Structuring, Itaú Asset Management; and Flavio Serpejante Peppe, Partner, Audit – Financial Services, Ernst & Young Brazil. The AIMA Brazil Network was established in 2011 and has held more than 10 educational events for the local industry to date. To learn more, contact Francine Balbina at fbalbina@dmsoffshore.com.

Publication of AIMA Canada Handbook 2012
AIMA Canada released the AIMA Canada Handbook 2012 in May, covering all aspects of the Canadian hedge fund industry. The 106-page Handbook contains an overview of the Canadian hedge fund industry, background on AIMA Canada, as well as essays on the stability of Canadian banks and fund administration for the global hedge fund industry. Click here to download a copy.

New AIMA website launched
AIMA launched a new website in January, with a number of new features and functions designed to make it easier for our members, policymakers, investors and other stakeholders to find information of value to them. The website is found at the usual address, www.aima.org. The centrepiece is a comprehensive section dedicated to major regulatory and tax matters including AIFMD, Dodd-Frank, FATCA, UCITS, MiFID, MAD, FTT, remuneration, derivatives reform and short selling. Meanwhile, AIMA established an increasing presence on the influential social media sites Twitter and LinkedIn during 2012. To follow our updates, click here for Twitter and here for LinkedIn.
Publications

Two-part AIMA/KPMG report on the state of the global hedge fund industry

Part one: The value of the hedge fund industry to investors, markets and the broader economy

Hedge funds significantly outperformed traditional asset classes such as equities, bonds and commodities over the last 17 years according to a study released in April by The Centre for Hedge Fund Research at Imperial College in London. The research, commissioned by KPMG, the international audit, tax and advisory firm, and AIMA, is the most comprehensive of its kind to date. The report, entitled The Value of the Hedge Fund Industry to Investors, Markets and the Broader Economy, found that, per annum, hedge funds returned 9.07% on average after fees between 1994 and 2011, compared to 7.18% for global stocks, 6.25% for global bonds and 7.27% for global commodities.

Moreover, hedge funds achieved these returns with considerably lower risk volatility as measured by Value-at-Risk (VaR) than either stocks or commodities. Their volatility and Value-at-Risk were similar to bonds, an asset class considered the least risky and volatile. The research also demonstrated that hedge funds were significant generators of “alpha”, creating an average of 4.19% per year from 1994-2011. Portfolios including hedge funds also outperformed those comprising only equities and bonds, The Centre for Hedge Fund Research concluded. The study showed that such a portfolio outperformed a conventional portfolio that invested 60% in stocks and 40% in bonds. The returns of the portfolio with an allocation to hedge funds also yielded a significantly higher Sharpe ratio (which characterises how well the return of an asset compensates the investor for the risk taken) with lower “tail risk” (the risk of extreme fluctuation).

The Centre for Hedge Fund Research has created a unique aggregate hedge fund and benchmark index database. The database represents a careful aggregation of all the current information from multiple leading sources about hedge fund performance globally. Survivorship bias is not a factor because both active and inactive funds are included. The report also highlights the positive contributions the hedge funds industry makes to the broader economy. Not only are hedge funds important liquidity providers in the markets they are active in, they also have a role to play in the efficient allocation of capital, portfolio diversification and financial stability.

Part two: The evolution of an industry

The post-2008 influx of institutional money into hedge funds has resulted in a marked increase in the global industry’s operational sophistication and transparency to investors, according to a report released in May by KPMG, the international audit, tax and advisory firm, and AIMA.

The report, entitled The Evolution of an Industry, is based on a survey of and in-depth interviews of 150 hedge fund management firms globally with more than $550 billion in combined assets under management. It found that hedge fund management firms have increased their operational infrastructure in areas like investor transparency and regulatory compliance as allocations from institutional investors have increased.

Seventy-six per cent of respondents have observed an increase in investment by pension funds since 2008, while institutional investors as a whole, including funds of funds, accounted for a clear majority (57%) of assets under management.

The report finds that the increase in institutional investment has led to more thorough due diligence and greater demands by investors for transparency, with 90% of respondents reporting an increased demand for due diligence since 2008. Eighty-four per cent of all respondents indicated they had increased transparency to investors since 2008, which is reflected by the fact that the majority of firms have taken on multiple members of staff to respond to these increased investor demands.

The report also found that hedge fund management firms had almost universally increased investment in regulatory compliance since 2008, with 98% of firms hiring additional staff in this area.
AIMA and Deutsche Bank published a new edition of the educational guide for institutional investors in hedge funds, the *Roadmap to Hedge Funds*, in December.

The new *Roadmap to Hedge Funds*, published jointly by AIMA and Deutsche Bank, outlines how the volatile external environment has driven an even greater need for active risk management. In reaffirming the case for investing in hedge funds, the *Roadmap* highlights how the industry responded swiftly to the losses of 2008. The average hedge fund recovered from its 2008 losses by October 2010, in contrast with global equities which are not expected to recover their financial crisis losses until at least 2015.

Other highlights from the *Roadmap* include:
- *Long-term performance* — A hypothetical investment in the S&P 500 Total Return Index of $100 at the beginning of the last decade stood at $121 by August 2012, while a hypothetical investment of $100 in the HFRI Fund Weighted Hedge Fund Index stood at $201.
- *Downside protection* — Hedge funds continue to demonstrate an ability to protect capital in periods of considerable market stress. Managed futures funds are found to have delivered a positive return in 18 out of 20 equity down-markets between 1980 and 2012. Even in the 10 worst quarters since 1990, a diversified hedge funds portfolio preserved capital better than a global equities portfolio.
- *The institutionalisation of the hedge fund market* — Pension funds in particular are seeking hedge fund investments to diversify equity/bond portfolios and deliver superior risk adjusted returns. In response, hedge funds have become more transparent, better governed and better understood by institutional investors.
- *The concept for active managers* — While many aspects of hedge fund investing have changed since 2008, the concept of active risk management has not. In fact, the case for active risk management has increased over the past four years.

AIMA first published the *Roadmap to Hedge Funds*, the world’s first educational guide for institutional investors in hedge funds, 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.

The updated *Roadmap to Hedge Funds* was also authored by Alexander Ineichen, founder of Ineichen Research and Management (IR&M). He has identified new trends and developments and strongly makes the case that hedge funds still provide a value proposition for investors. The new *Roadmap to Hedge Funds* can be downloaded [here](#).

**OTHER PUBLICATIONS IN 2012**

**Guide to Sound Practices for Business Continuity Management**
AIMA published *AIMA’s Guide to Sound Practices for Business Continuity Management for Hedge Fund Managers and Funds of Hedge Funds Managers*. This revised guide updated and re-sequenced the material to more faithfully reflect the structure of a hedge fund firm’s typical business continuity plan. New material has been added setting out some of the crisis scenarios that may arise and what mitigations may be gainfully utilised, while the sections on Crisis Management, Recovery and Resumption and Testing have been expanded and organised, which should assist investors undertaking operational due diligence.

**Updated prime broker DDQ and Guide to Sound Practices**
AIMA released the *AIMA Guide to Sound Practices for Selecting a Prime Broker* and an updated *Illustrative Questionnaire for Due Diligence of Prime Brokers*. The former provides an overview of the steps that hedge fund managers should take when selecting their prime broker, whether it is establishing a first prime brokerage relationship or choosing an additional prime broker for its business. The updated illustrative *Questionnaire for Due Diligence of Prime Brokers* was considerably revised from the earlier 2007 version including a comprehensive set of questions on central clearing and OTC clearing.
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 new 2012 edition the author, Alexander Ineichen, one of the leading authorities on hedge funds, has identified new trends and developments and strongly makes the case that hedge funds still provide a value proposition for investors. All of the original data from the 2008 edition have also been updated.
Events

AIMA Annual Conference draws more than 340 delegates to London’s Guildhall

The AIMA Annual Conference and annual general meeting at Guildhall, London in September, was a great success. There were more than 340 attendees on the day, representing 230 firms from more than 20 countries. Particular thanks were owed to our speakers, our event hosts the City of London, and the four event sponsors — CME Group, Ernst & Young, Simmons & Simmons and SEI.

Andrew Baker, AIMA

[L-R] Jiri Kral, AIMA; Sheila Nicoll, Financial Services Authority; and Stephen Foster, Credit Suisse Asset Management

[L-R] Jim Kandunias, Esemplia Emerging Markets; Vincent Vandenbergroucke, Hermes BPK Partners; Julian Young, Ernst & Young; Lisa Fridman, PAAMCO; and Alexander Ineichen, Ineichen Research & Management

The event was attended by over 340 delegates from more than 20 countries

Kathleen Casey, AIMA Chairman, delivering one of the keynote speeches

Ignazio Angeloni, European Central Bank
Largest audience for AIMA’s Global Policy and Regulatory Forum in Hong Kong

AIMA held its annual Global Policy and Regulatory Forum in Hong Kong on 8 March 2012. The event was attended by 215 people — our largest ever turnout for a Policy and Regulatory Forum — and 17 different regulatory authorities were represented, along with 110 different member firms. The event featured an array of senior speakers, including John Tsang, the Hong Kong Financial Secretary; Ashley Alder, the CEO of the Hong Kong Securities and Futures Commission (SFC); and Alexa Lam, the deputy CEO of the SFC. There were also speakers from the European Commission, the European Securities and Markets Authority, the New York Fed, the Japan FSA, Singapore’s MAS, Korea’s FSC, Australia’s ASIC, the Czech National Bank and the Polish government, as well as senior figures from the industry. Particular thanks are owed to the main sponsor of the event, Deutsche Bank, and the four panel sponsors, CME Group, the Chartered Alternative Investment Analyst (CAIA) Association, Ernst & Young and Simmons & Simmons.

OTHER HIGHLIGHTS IN 2012

FSA Asset Management Visits: Past Findings and Future Expectations, February, London

OTC Clearing Breakfast Briefing, February, London

AIFMD Workshop, March, Hong Kong

The Future of the Hedge Fund Industry in Europe and France, March, Paris

Half-Yearly Meeting, May, London

Swiss Briefing, July, Zurich

Jersey Briefing, September, Jersey

NY Global Regulatory Seminar, September, New York

JOBS Act Seminar, September, London

Coming Revolution in Hedge Fund Marketing, October, London

Investment Fund Audits, October, Grand Cayman

Opportunities & Challenges of Investing in Hedge Funds, November, Dubai

AIMA — Ireland Briefing, November, Dublin

Thank You Drinks 2012, November, London

Breakfast Briefing on Remuneration, November, London

Developments in Derivatives Markets, November, Paris

Best Practices in Fund Marketing and Investor Relations, November, Sao Paulo

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

- AIMA Hong Kong organised 24 events in 2012, ranging from networking receptions to briefings on FATCA and China
- AIMA Canada held 23 events across the country, including its Annual Debate in Toronto
- A total of 18 networking events and seminars were organised by AIMA Singapore
- The AIMA Brazil working lunch series featured 12 events
- AIMA Cayman organised a very successful series of seminars
- AIMA Australia organised eight events, ranging from networking events to a day-long Hedge Fund Forum
AIMA's Review of the Year 2012

AIMA — Representing the Global Hedge Fund Industry

Speaking engagements

AIMA principals spoke at numerous industry events during 2012, including the following:

KPMG: AIFMD Seminar, January, Isle of Man
PwC Ireland: Alternatives Seminar, February, Dublin
CET/AIFMD L2 Seminar, February, Brussels
2nd Annual European Hedge Fund Leadership Conference, February, London
Outlook 2012 Conference on Alternative Investments, February, Paris
2012 Mobile STP Program, February, Cyprus
Schulte Roth & Zabel: London Investment Management Hot Topics, February, London
Regulation of Alternative Investment Fund Managers Conference, March, London
Hedge Fund Leadership Conference, March, Palm Beach, Florida
European Leaders: 2nd Asset Management Forum, March, Frankfurt
EDHEC Risk Days Europe 2012, March, London
Willis: Solvency II — Threat or Opportunity, April, London
PRMIA: Shadow Banking, April, London
Bank of America Merrill Lynch: Regulatory and Tax Developments in Europe and the US, April, London
Kinetic Partners: AIFMD — Scope, Implications and the Next Steps, April, London
Ernst & Young: Hedge Fund Symposium, April, Luxembourg
GAIM Ops Cayman 2012, April, Grand Cayman
Managing the Consequences of the AIFMD, April, London
EuroHedge Summit 2012, April, Paris
Global ARC, May, London
Deutsche Bank: European Hedge Fund Symposium, May, London
TradeTech Swaps & Derivatives, May, London
23rd Annual Conference on the Globalisation of Investment Funds, June, Boston
GAIM International, June, Monaco
CAIA Association Symposium, June, London
FSA Asset Management Conference, September, London
GAIM Ops International, October, Paris
Cayman Alternative Investment Summit, November, Grand Cayman
Shearman & Sterling: Derivatives Clearing, November, London
Responding to Form PF and AIFMD, November, London
Hedge Fund Symposium, November, London
MENA Investment Management Forum, November, Qatar
Credit Suisse: Managing your Regulatory Risk, November, London
100 Women In Hedge Funds and Paris-New York Paris Bar Commission: Conference on Hedge Fund Regulation, November, Paris
ALFI's European Alternative Investment Funds Conference, November, Luxembourg
FundForum Latin America, November, Sao Paulo
Hedge Fund Operations & Due Diligence Conference, December, London
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.
Representing the world’s hedge fund industry

www.aima.org