



News Release

FOR IMMEDIATE RELEASE
June 2, 2009

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MANAGED FUNDS ASSOCIATION JOINS MAJOR DEALERS IN ANNOUNCING NEW COMMITMENTS TO REDUCE SYSTEMIC RISK IN OTC DERIVATIVES MARKETS

WASHINGTON, D.C. – Managed Funds Association (MFA) today announced that, through its participation in the Operations Management Group (OMG), it is joining the major derivatives dealers (the Major Dealers) and buy-side institutions in presenting a letter to global industry regulators that establishes new commitments to address key concerns raised by supervisors and legislators globally, notably the G20, European Commission and the U.S. Department of Treasury. MFA first joined the Major Dealers in presenting a letter to global regulators detailing operational targets and other industry commitments in March 2008.

Today's letter outlines a firm commitment towards strengthening the over-the-counter (OTC) derivatives infrastructure under the auspices of the OMG and its constituents and partners, including the newly formed Board Oversight Committee (IBOC) of the International Swaps and Derivatives Association (ISDA). MFA is dedicated to continuing its collaboration with global regulators, the Major Dealers, buy-side institutions and service providers to reduce risk and improve market infrastructure and practices across OTC derivatives and other financial products.

Richard H. Baker, MFA President and CEO, said, "MFA, on behalf of the alternative investment industry, is committed to proactively developing and advancing these critical commitments for reducing counterparty and systemic risks and improving operational efficiency in OTC derivatives processing. MFA fully endorses the collaborative efforts with global regulators to support commercially viable centralized clearing platforms, to universally report all OTC derivatives trades and to promote sound business practices. MFA considers today's letter to be an important step forward for OTC derivatives markets and looks forward to continuing our participation in the design of future steps."

MFA and its co-signatories are committed to implementing changes to risk management, processing and disclosure that will significantly transform the risk profile of these important financial markets. The OTC derivatives markets provide important flexibility in terms of products and execution and will benefit from a strengthened infrastructure.

Commitments to reduce systemic risk in the OTC derivatives markets include:

- Implementing data repositories for non-cleared transactions in the OTC derivatives markets to ensure appropriate transparency and disclosure, and to assist global supervisors with oversight and surveillance activities.
- Clearing for OTC standardized derivative products.
- Enabling customer access to clearing through either direct access as a clearing member or *via* indirect access, including the benefits of initial margin segregation and position portability.
- Delivering robust collateral and margining process, including portfolio reconciliations, metrics on position and market value breaks, and appropriate dispute resolution mechanics.

- Updating industry governance to be more inclusive of buy-side participants through collaborative partnerships among the Major Dealers, MFA and other trade associations.
- Continuing to drive improvement in industry infrastructure, as well as engage and partner with supervisors, globally, to expand upon the substantial improvements that have developed since 2005.

MFA began working with the dealer community in early 2005 to develop ways to improve processing practices for new trades and novations in the credit derivatives market. Since that time, collaborative efforts with the Major Dealers, ISDA and the Asset Managers Group of the Securities Industry Financial Markets Association (SIFMA-AMG) led to initiatives that resulted in substantial improvements in the trade infrastructure across OTC derivatives markets and reductions in backlogs of trade confirmations for credit derivatives.

For a copy of the letter, please visit www.managedfunds.org

About Managed Funds Association

MFA is the voice of the global alternative investment industry. Its members are professionals in hedge funds, funds of funds and managed futures funds, as well as industry service providers. Established in 1991, MFA is the primary source of information for policy makers and the media and the leading advocate for sound business practices and industry growth. MFA members include the vast majority of the largest hedge fund groups in the world who manage a substantial portion of the approximately \$1.5 trillion invested in absolute return strategies. MFA is headquartered in Washington, D.C., with an office in New York. For more information, please visit: www.managedfunds.org

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