

**MANAGED FUNDS ASSOCIATION**  
**The Voice of the Global Alternative Investment Industry**

WASHINGTON, DC | NEW YORK



March 28, 2008

Orice M. Williams  
Director, Financial Markets and Community Investment  
U.S. Government Accountability Office  
441 G Street, N.W., 7149  
Washington, D.C. 20548

**Re: GAO-08-200: Hedge Funds Regulators and Market Participants Are Taking Steps to Strengthen Market Discipline, but Continued Attention Is Needed**

Dear Mr. Williams:

Managed Funds Association<sup>1</sup> (MFA) writes to commend the U.S. Government Accountability Office (“GAO”) for its thoroughly-researched and informative report titled, *Hedge Funds Regulators and Market Participants Are Taking Steps to Strengthen Market Discipline, but Continued Attention Is Needed* (GAO-08-200) (the “Report”). We agree with the GAO’s findings regarding the current state of the industry reflecting improved industry practices, increased hedge fund disclosure to investors and more effective cooperation between hedge fund advisers and their counterparties since the 1998 near collapse of Long Term Capital Management.

We understand that, in light of the President’s Working Group on Financial Markets (PWG) private sector committees development of best practices to enhance market discipline, the GAO may subsequently produce a follow-up report to the Report. We also understand that the GAO is currently developing a report on pension fund investments in hedge funds. In furtherance of the GAO’s work on these two reports, we would like mention that MFA remains committed to provide the GAO with information on the hedge fund industry and with direct access to MFA’s membership and senior management.

The Report references the development of best practice guidance by industry groups, like MFA, and the adoption by market participants of that guidance. As you know, since 2000, MFA has produced four editions of its seminal publication, *Sound Practices for Hedge Fund Managers* (“*Sound Practices*”), which is acknowledged by market participants, hedge fund investors, regulators and hedge fund counterparties as one of the primary resources for industry best practices. For your convenience, I have enclosed a copy of the latest edition of *Sound Practices*. MFA believes that this document is directly responsive to the guidance put forth by the PWG in February 2007 regarding industry self-

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<sup>1</sup> MFA is the voice of the global alternative investment industry. Our members include professionals in hedge funds, funds of funds and managed futures funds. Established in 1991, MFA is the primary source of information for policymakers and the media and the leading advocate for sound business practices and industry growth. MFA members represent the vast majority of the largest hedge fund groups in the world who manage a substantial portion of the approximately \$2 trillion invested in absolute return strategies. MFA is headquartered in Washington, D.C., with an office in New York, NY.

oversight in the United States. Moreover, MFA feels that *Sound Practices* contributes to overall market soundness and enhances investor protection.

We would like to set up a meeting between GAO staff and MFA to formally discuss *Sound Practices* and to answer any questions you may have regarding the document or MFA's activities and initiatives to improve market discipline. Please feel free to contact me if you are interested and available to meet with us, or if you have any questions regarding *Sound Practices* or MFA.

Best regards,

John G. Gain  
Special Counsel