



## News Release

FOR IMMEDIATE RELEASE  
March 31, 2009

CONTACT: Meg Bode  
(516) 869-6610

Rhonda Bentz  
(202) 315-5100

### **MANAGED FUNDS ASSOCIATION TAKES STEPS TO RESTORE INVESTOR CONFIDENCE WITH ENHANCED BEST PRACTICES & INVESTOR DUE DILIGENCE RECOMMENDATIONS**

**WASHINGTON, DC** – Managed Funds Association (MFA) today took steps to restore investor confidence in the markets with the release of its newly enhanced *Sound Practices for Hedge Fund Managers*, including a due diligence questionnaire for investors to use as they consider whom to trust with their investments.

The 2009 edition of *Sound Practices*, MFA's fifth version of its pioneering guidance that was first published in 2000, incorporates the recommendations provided in the final President's Working Group's (PWG) *Best Practices for the Hedge Fund Industry Report of the Asset Managers' Committee* plus additional guidance that goes above and beyond the scope of those recommendations.

Richard H. Baker, MFA President and CEO, said, "The hedge fund industry has a strong role in helping to restore financial stability and investor confidence, and to hasten economic recovery. While policy makers consider sweeping regulatory reforms in the U.S. and abroad, and economic leaders gather for the G-20 in London, on April 2, the hedge fund industry is taking steps to restore investor trust through the promotion of sound business practices and tools for investors to use as they conduct ongoing due diligence of money managers."

*Sound Practices* is the cornerstone of the Association's initiative to collaborate with international organizations with the goal of establishing uniform global principles and guidance. MFA, the PWG Asset Managers' Committee and the Alternative Investment Management Association (AIMA) have committed to providing the Financial Stability Forum (FSF) with a set of unified principles of best practices before April 30, 2009.

"The hedge fund industry recognizes its responsibilities as liquidity providers and risk dispersers in the markets, and continues to take the lead in its approach to disclosure and investor protection as well as active market disciplines such as risk management and valuation which contribute to market soundness and investor protection. This latest edition of MFA's seminal *Sound Practices* concludes many months of diligent work by leading hedge fund managers, service providers and MFA staff to provide updates and revisions for voluntary adoption by hedge fund managers.

"MFA has a decade-long tradition of robust *Sound Practices*. Today, more than ever before, investors will benefit from our due diligence questionnaire as they undertake robust diligence when considering an investment in a hedge fund. Investors can also benefit from reviewing the recommendations in *Sound Practices* as they consider operational, governance and other matters as part of their diligence when making an investment." added Baker.

The 2009 edition of *Sound Practices* provides comprehensive updates in every area of guidance including recommendations for disclosure and responsibilities to investors; valuation policies and procedures; risk management; trading and business operations; compliance, conflicts of interest, and business practices; anti-money laundering; and business continuity and disaster recovery practices.

### **Major Revisions**

*Sound Practices* is a dynamic blueprint written by the industry, for the industry, to provide peer-to-peer guidance to:

- Strengthen business practices of the hedge fund industry through a strong framework of internal policies and practices;
- Encourage individualized assessment and application of recommendations on one size does not fit all; and
- Enhance market discipline in the global financial marketplace.

The revised edition includes substantially updated and expanded guidance in seven areas:

- **Disclosure and Investor Protection:** Establishes practices intended to assist a hedge fund in fulfilling its responsibilities to its investors;
- **Valuation:** Establishes a framework, governance and policies and procedures for valuations of assets;
- **Risk Management:** Establishes an overall approach to risk monitoring, measurement and management. Also describes types of risk and recommendations on management thereof;
- **Trading and Business Operations:** Establishes policies and procedures for management of trading operations including relationships with counterparties, use of service providers, accounting, technology, best execution and soft dollar arrangements;
- **Compliance, Conflicts and Business Practices:** Establishes guidance for the adoption of a culture of compliance including a code of ethics, compliance manual, record keeping, conflicts of interest, training/education of personnel and more;
- **Anti-Money Laundering:** Updates MFA's seminal AML guidance; and
- **Business Continuity/Disaster Recovery:** Establishes general principles, contingency planning, crisis management and disaster recovery.

Baker noted that, "Ultimately, each hedge fund manager must determine whether and how to tailor these *Sound Practices* to its individual business. We believe that the strong business practices in *Sound Practices* are an important complement to a smart regulatory framework and that strong business practices and robust investor diligence are critical to addressing investor protection concerns."

For a copy of *Sound Practices* please visit: [www.managedfunds.org](http://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](http://www.managedfunds.org)