MFA Policy Brief

April 2015

MFA Sponsors 13th Annual European Financial Services Conference

For the fourth year, MFA sponsored the annual European Financial Services Conference in Brussels, Belgium. At the conference, **Roger Hollingsworth** (right), MFA's Executive Vice President and Managing Director, Global Government Relations, participated in a panel discussion with leading financial markets experts to discuss the formation of an EU Capital Markets Union. In the discussion, moderated by the Brussels Editor of The Wall Street Journal, Stephen Fidler, MFA stressed the essential role alternative investments like hedge funds can play in the new union. These investments can help develop a **more diversified financial system** that complements existing bank financing, and provides greater investment incentives in the 28-Member region.

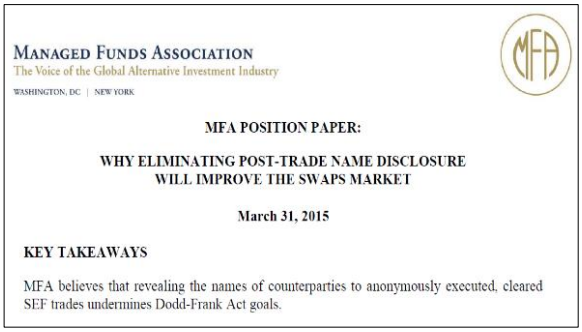
This conference builds on MFA's ongoing work in this area, including a meeting earlier this year with Commissioner Jonathan Hill, the European Commissioner for Financial Stability, Financial Services and Capital Markets Union.

***MFA's Keys to Modernizing Europe's Capital Markets*:**

- Capital markets must be deep, broad and liquid to ensure that all companies, including small and medium enterprises, have regular access to efficient, affordable financing.
- Capital market infrastructure should promote fair competition and fair access.
- Effective markets should have capital from a variety of sources and types of investors.

MFA's *Keys to Modernizing Europe's Capital Markets* White Paper

MFA Publishes White Paper Outlining Ways to Improve Swaps Markets



MANAGED FUNDS ASSOCIATION
The Voice of the Global Alternative Investment Industry
WASHINGTON, DC | NEW YORK

MFA POSITION PAPER:

WHY ELIMINATING POST-TRADE NAME DISCLOSURE WILL IMPROVE THE SWAPS MARKET

March 31, 2015

KEY TAKEAWAYS

MFA believes that revealing the names of counterparties to anonymously executed, cleared SEF trades undermines Dodd-Frank Act goals.

MFA filed a position paper with the **Commodity Futures Trading Commission (CFTC)** explaining ways to improve the swaps market by ending the dated practice of post-trade name disclosure for certain trades on Swap Execution Facilities (SEFs).

MFA's paper highlights the split between so-called dealer-to-dealer SEFs and dealer-to-customer SEFs. This bifurcation, MFA asserts, is a barrier to the Dodd-Frank Act's goal of moving the trading of standardized, liquid, cleared swaps onto registered SEFs with impartial access. **One of the key hurdles is the continued use of post-trade name disclosure on SEFs**.

In the paper, MFA explained why revealing the names of counterparties to anonymously executed, cleared SEF trades undermines Dodd-Frank Act goals:

- There is no commercial, operational, credit, or legal justification for the legacy practice of post-trade name disclosure (or "give-up") to continue on registered swap execution facilities (SEFs) that offer anonymous execution of cleared swaps.
- Post-trade name disclosure is a legacy feature of uncleared, inter-dealer markets that perpetuates a bifurcated, two-tier swaps market within the SEF landscape.

- Eliminating post-trade name disclosure will increase the diversity, breadth, and depth of liquidity on SEFs and thereby reduce the potential for market volatility and disruptions. Other financial markets that have undergone a similar transition, such as the U.S. Treasuries market, have realized these benefits.
- Post-trade name disclosure is inconsistent with the letter and intent of the Dodd-Frank Act's swaps market reforms and CFTC rules, and the CFTC has ample authority to prohibit this practice.

MFA's Position Paper on Improving Swaps Markets, Ending Post-Trade Name Disclosure

MFA Responds to FSOC on Asset Management

MFA submitted comments to the **Financial Stability Oversight Council (FSOC)** about the role asset managers play in our financial markets. In its letter, MFA states that any risks associated with asset management that could pose threats to the system are **best addressed on a structural, market-wide basis**, not by narrow targeting of individual funds or activities that do not pose systemic threats.

The relatively small size, moderate leverage, careful management of redemptions and financing provisions make the hedge fund industry and its individual members **improbable sources of systemic instability** in the U.S. financial system. MFA's comments specifically address several topics of importance to FSOC's analysis, including leverage ratios, borrowing, regulatory oversight, transparency and liquidity.

Many of these reasons led then Federal Reserve Chairman Ben Bernanke to testify in 2009 before Congress that he did not believe, "any hedge fund or private equity fund would become a systemically critical firm individually." In its response to the FSOC, MFA builds on that statement and proves the same could be said of the entire global hedge fund industry.

MFA's Letter to FSOC on Asset Management
MFA's Fact Sheet on Hedge Funds' Role in the U.S. Financial System

MFA Submits Comments to the CFTC on Position Limits

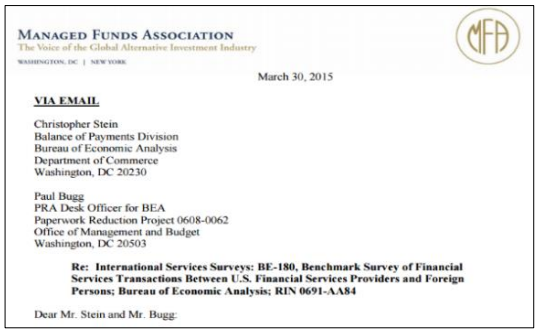
MFA submitted comments to the CFTC in response to proposed position limits for derivatives. In the letter, MFA raised concerns that CFTC's data and methodology used for setting position limits may be incomplete. MFA believes the Commission should conduct further analysis to **ensure that such limits are necessary, appropriate, and if implemented would not disrupt markets** and the ability of market participants to hedge commercial risk.

MFA recommended the Commission adopt position limits through a **two-phase approach** to decrease the risk of market disruption and urged the Commission to consider the benefits of implementing position accountability levels instead of position limits outside of the spot month.

MFA's Position Limits Letter

MFA Submits Comments to BEA on Form BE-180

MFA submitted a letter to the **Bureau of Economic Analysis (BEA)** in response to its proposed rulemaking on Form BE-180. The letter recommends that the BEA **maintain the current filing requirements** for the form, whereby only entities that are contacted individually by the BEA are required to submit the form, and entities not contacted by the BEA have no reporting responsibilities. The letter also explains that information hedge fund managers would report to the BEA would be of limited usefulness **relative to the burden to obtain and submit the information**.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March 30, 2015

VIA EMAIL

Christopher Stein
Balance of Payments Division
Bureau of Economic Analysis
Department of Commerce
Washington, DC 20230

Paul Bugg
PRA Desk Officer for BEA
Paperwork Reduction Project 0608-0062
Office of Management and Budget
Washington, DC 20503

Re: International Services Surveys: BE-180, Benchmark Survey of Financial Services Transactions Between U.S. Financial Services Providers and Foreign Persons; Bureau of Economic Analysis; RIN 0691-AA84

Dear Mr. Stein and Mr. Bugg:

Hedge fund managers would need to track and report the requested transactional information with respect to foreign banks, prime brokers and certain other counterparties. Managers, however, generally do not compile this information in the manner required to be reported in the normal course of their business activities.

At a minimum, regardless of the BEA's determination of the reporting requirements for Form BE-180, the letter recommends that the BEA not extend the reporting requirements of other BEA forms to entities not contacted by the BEA.

MFA's BEA Form BE-180 Comment Letter

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