In 2011, it remained an essential task of MFA to engage and educate all those who have policy and regulatory responsibilities. We followed closely the regulatory developments in the EU and Asia as a number of Directives and Regulations continued to move forward, as well as the Dodd-Frank implementation and policy progressions in the US.

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A
ter a year of game-changing financial regulatory reform – with still more to come in the year ahead – it is largely thanks to the dedication and work of MFA members and staff that our organization continues to be a valued resource and partner of regulators and policy makers. MFA played a vital role representing our industry during the crafting of landmark reforms, and we will continue to engage vigorously as those reforms are implemented.

At the time I was elected Chairman in September, I said that MFA is committed to promoting policies aimed at maintaining efficient, transparent, and stable markets. We remain committed to those ideals, and we will continue working with regulators and policy makers to ensure that our voice is heard throughout the process.

The passage in 2010 of landmark financial legislation mandated that regulators promulgate almost 300 new implementing rules in the U.S. alone – with global regulators operating at a similar pace. Whether working with the SEC, CFTC, FSOC, or in the European Union and Asia, MFA maintained active and constructive dialogues with regulators and policy makers, aiming for smarter regulation which would not impair market functionality. To that end, MFA had countless meetings, conferences and calls with legislators and regulators alike, resulting in the filing of 96 formal comment letters on specific proposals.

Of the many issues that MFA tackled in the past year, taxation was at or near the top of the list. Taxation continues to be a significant issue for the industry – whether they be proposals which would impose a discriminatory tax on the sale of a hedge fund business (enterprise value), the elimination of carried interest or the imposition of incremental taxes on financial transactions (the “Tobin Tax”), MFA remains committed to presenting policy rationales for equitable treatment and outcomes for our businesses.

Of course, OTC derivatives issues were also an important topic that MFA tackled this year and we will continue to engage with regulators to ensure buy-side investors are protected as the marketplace for such products is reengineered. In addition, we remain focused on the evolving rules determining what firms and funds are “systemically important” and how that designation might impact their businesses.

Internationally, we worked with regulators and policy makers in Asia and the EU on structural reforms such as implementation of the Alternative Investment Fund Manager Directive and the European Market Infrastructure Regulation. MFA also engaged legislators and policy makers on measures to ban or restrict short selling and CDS trading.

These issues and many more will continue to be at the core of MFA’s global advocacy. Looking ahead, the challenges that 2012 presents afford the MFA unique opportunities to engage and work with regulators on myriad issues that are critical to the industry. I encourage your active engagement and collaboration through MFA’s many committees, forums, conferences and educational events. Together, we will continue to be a strong voice for the hedge fund and managed futures industry as we aim for even greater successes in the future.

Sincerely,
William R. Goodell
MFA Chair
This past year marked the 20th Anniversary of MFA. It is truly incredible to look at the evolution of this industry over the past two decades. In many ways, the growth and development of our association mirrors the changes in the industry. As the industry has grown, so too has MFA; as the regulatory landscape shifted, MFA took on a greater advocacy role on behalf of members; and, as the industry went global, MFA followed.

To provide some perspective on how much the Association has changed consider the following: MFA was founded in 1991 as the “Managed Futures Association” – a merger between the National Association of Futures Trading Advisors and the Managed Futures Trade Association. The resulting organization had 300 members – Hedge Fund Research data estimates only 821 hedge funds and managed futures funds existed in 1991. Fast forward to 2011, and Managed Funds Association, which was renamed in 1994, claims more than 3,000 global members out of a global universe of 9,000-plus hedge funds and managed futures funds.

MFA continued to grow and develop a broad base of industry stakeholders to be a strong voice for professional standards of conduct this year. New additions to the Board of Directors representing European funds and the investor community allowed MFA to forge new connections with those important constituencies and enable the Association to expand its EU and investor-focused outreach. These developments show an industry that knows the importance of establishing an understanding among policy makers and investors of our role in and benefit to markets.

In 2011, it remained an essential task of MFA to engage and educate all those who have policy and regulatory responsibilities. We followed closely the regulatory developments in the EU and Asia as a number of Directives and Regulations continued to move forward, as well as the Dodd-Frank implementation and policy progressions in the US.

The Association also made great strides this year in its educational role. MFA’s conferences were great successes, including a newly conceived conference solely dedicated to compliance issues. One of the highlights of the year was the introduction of MFA’s new website. From this platform we are now able to be constructively active in many of the conversations taking place about the industry, via social media, like Twitter, and through our own blog. MFA has also made its site easier to use and more accessible for those looking for our views, via comment letters, talking points, or our weekly legislative, regulatory, and international updates. As it continues to develop, we believe the website will become a vital informational hub for members, policy makers, regulators, and their respective staff, media, and the general public.

This year ended a successful two decades for MFA, but with members and staff working diligently to maintain our momentum, we can all look forward to beginning work on the challenges of the next 20 years.

Sincerely,
Richard H. Baker
MFA President and CEO
The political dynamics on Capitol Hill and the legislative priorities of policy makers changed considerably over the past year. The 112th Congress was divided between a new House Republican Majority, led by its historically large freshman class, and a Senate Democratic Majority. The partisan division resulted in increased gridlock, including numerous policy clashes over government funding and Federal deficits/debt, a near shutdown of the Federal government, and the creation of the unprecedented Joint Select Committee on Deficit Reduction (the “Super Committee”). Regulators at the SEC, CFTC, and other agencies also spent time on non-Dodd-Frank Act priorities, including market structure and position limit policy. MFA staff and its members engaged in hundreds of meetings with key policy makers and Congressional staff, including meetings with Members of the House and Senate leadership, Members of the “Super Committee,” the Chairmen and Ranking Members of the Committees of jurisdiction, and the Committees’ Rank-and-File Members. MFA and its members also engaged with agency commissioners and staff throughout the year. Some of the most significant issues MFA focused on in 2011 included:

**TAX POLICY**

Concern about the U.S. budget deficit, identifying potential spending cuts and offsetting revenue increases, the need to increase the U.S. debt limit, and discussions about the need for comprehensive tax reform all combined in 2011 for another active year of tax policy debate in Washington. MFA government relations staff was actively engaged with policy makers and other key regulators on a number of tax issues important to member firms and alternative investment industry investors.

**MFA staff and its members engaged in hundreds of meetings including meetings with Members of the House and Senate leadership, Members of the “Super Committee,” the Chairmen and Ranking Members of the Committees of jurisdiction...**

- **Enterprise Value and Carried Interest Tax** - On September 12, President Obama unveiled the American Jobs Act, which included an “enterprise value” and “carried interest” tax proposal among other revenue raisers to pay for the package. The enterprise value tax proposal would selectively change the tax treatment for a sale of a business – from a capital gains rate to the ordinary income rate – when the stake in the business belongs to an investment adviser. MFA urged policy makers to oppose this tax, arguing that an entrepreneur who builds a business is entitled to the same tax treatment as anyone else when selling that business. MFA also urged policy makers to maintain the current tax treatment of the investment returns to advisers to private pools of capital, rather than adopting proposals that would tax a partner’s carried interest in a partnership (or LLC) as ordinary income.

- **Financial Transaction Tax** - Legislation that would impose a tax on financial transactions was introduced in both the House and Senate in 2011. MFA urged policy makers to oppose such legislative proposals that would significantly increase the cost of capital and reduce the availability of credit in the United States. A financial transaction tax would put U.S. businesses at
Among the issues MFA engaged on were: 

- Financial Crisis Responsibility Fee (Bank Tax) - Several proposals, including provisions included in President Obama’s proposed FY2012 budgets and legislation introduced by House Financial Services Committee Ranking Member Barney Frank (D-MA) would impose a financial crisis “responsibility fee” on financial institutions. Although the President’s proposal would levy a fee on the debts of financial firms with more than $50 billion in consolidated assets, Ranking Member Frank’s legislation would impose a similar tax but set a separate threshold for hedge funds with assets over $10 billion. MFA reminded policy makers that hedge funds did not cause the recent financial crisis and a “responsibility fee” should be borne by those institutions responsible. If a tax were to be applied to all financial institutions, however, MFA believes risk should be a key determinant of the premium any individual firm would have to pay.

- Foreign Account Tax Compliance (FATCA) – MFA encouraged Treasury and the Internal Revenue Service (IRS) to provide investment funds that are deemed foreign financial institutions (FFIs) under FATCA flexibility in how they calculate amounts that are subject to withholding as pass-thru payments and to consider narrowing the scope of pass-thru payments to mitigate potential unintended consequences such as discouraging foreign investment in the U.S. MFA also asked for clarification that non-U.S. natural persons and U.S. tax exempt entities are permissible investors for deemed-compliant investment funds, and that funds be allowed to rely on certifications in determining whether entity investors are participating FFIs or deemed-compliant FFIs. Finally, MFA asked for clarification on whether investment funds can designate the person or entity responsible for fulfilling the funds FATCA compliance functions and that funds with a common manager can elect to centralize their compliance obligations under a single agreement.

- “Safe Harbor” (864(b) Guidance) – MFA asked the IRS and Treasury to provide additional guidance under Section 864(b) of the Tax Code, which provides a safe harbor for proprietary trading in stock, securities, and commodities by passive non-U.S. investors. MFA expressed that the absence of guidance with respect to certain types of investments, including distressed debt, creates uncertainty regarding tax risks for market participants and that this uncertainty results in economically desirable transactions not being consummated.

### Market Regulation

MFA continued to provide meaningful input to the SEC, CFTC in their review of market structure and market regulation as part of our advocacy efforts for fair, efficient, liquid and reliable markets. Among the issues MFA engaged on were:

- **Flash Crash** – MFA provided an investor perspective in responding to the Joint CFTC-SEC Advisory Committee on Emerging Regulatory Issues’ recommendations on regulatory responses to the market events of May 6, 2010. MFA addressed: market maker obligations; circuit breakers and limit up/limit down process; pre-trade risk controls; disruptive trading with respect to extremely large orders or strategies; and liquidity and order cancellations.

- **Limit Up-Limit Down Mechanism** – MFA supported the SEC’s Limit Up-Limit Down rule and provided technical responses to assist with the smooth implementation of a limit up-limit down mechanism for all market participants.

- **SEC Short Sale Study** – MFA met with SEC staff and submitted comments to assist the SEC in conducting its legislatively mandated study on structural changes to short selling.

- **CFTC Antidisruptive Practices Authority** – MFA urged the CFTC to provide clear guidance in an Order as to activities or behavior that would constitute a disruptive practice to market participants to avoid having a chilling effect on legitimate market conduct.

### Position Limits

MFA has been a strong advocate in the U.S. and Europe against the implementation of unnecessary, inappropriate and potentially harmful position limits in the commodities markets. MFA provided extensive comments and met on numerous occasions with the CFTC on its proposal for position limits for futures and swaps. MFA was concerned that the CFTC’s proposal was not empirically driven and that it would place a greater burden on interstate commerce by hindering the ability of futures markets to perform their fundamental price discovery, risk transfer, and risk management functions. MFA was especially concerned that the proposal would result in unnecessary aggregation of independently controlled accounts, burden investors and investment managers, and potentially reduce liquidity in U.S. futures markets by diverting from the CFTC and exchanges the longstanding policy of disaggregating accounts based upon independence for purposes of determining positions. MFA also submitted comments and met with European policy makers to discuss concerns with respect to unnecessary position limits.

In October, the CFTC adopted a final rule on position limits for futures and swaps. The final rule retains and modifies the exemption from aggregating positions for independent account controllers and, in this respect, is a significant improvement over the proposed rule. Nevertheless, the modification raises other concerns and MFA will continue to advocate and seek guidance on behalf of its members.
U.S. FINANCIAL REGULATORY POLICY: IMPLEMENTING THE DODD-FRANK ACT

As Congress completed its work on the Dodd-Frank Act, the focus of attention in Washington shifted from Capitol Hill to the regulatory agencies that Congress charged with implementing the legislation. Agencies such as the Securities and Exchange Commission (SEC) and Commodity Futures Trading Commission (CFTC) proposed or adopted many rules to give effect to the new statute. MFA actively engaged with regulators by commenting on proposals, meeting with Commissioners and agency staffs, and seeking guidance on new rules to address compliance concerns. The Congressional Committees of jurisdiction – the House Financial Services Committee, the Senate Banking Committee, and both the House and Senate Agriculture Committees – remained active, however, and held multiple oversight hearings on various Titles of the Dodd-Frank Act. In addition, policy makers introduced and considered various legislative proposals to amend the Dodd-Frank Act. Member firm representatives and MFA staff engaged with key Members of the House and Senate throughout the year, providing Congressional testimony and constructively engaging with Members where appropriate. On both the legislative and regulatory fronts, MFA worked to give

MFA worked to give voice to its global membership as these important reforms were considered and implemented.

Adviser Registration / Regulation

MFA reiterated its support for the registration requirement – contained in the Dodd-Frank Act under the Advisers Act – of all unregistered advisers to all private funds, with an exemption from registration only for advisers with a de minimis amount of assets under management. In June, the SEC published final rules implementing the amendments to the Investment Advisers Act, and setting out a process for managers to register. MFA submitted extensive comments that addressed many of the aspects of the SEC’s proposed implementation rules for private fund managers, for example recommending that certain sensitive information about a private fund and its manager be provided only to the SEC. The SEC’s final rules reflect thoughtful consideration of
MFA supports the SEC’s continued oversight of hedge fund managers.

the comments that MFA and others submitted. MFA worked with Congress and regulators to ensure that the new mandatory registration requirement was implemented in a manner consistent with “intelligent” reform. The new registration requirement is expected to be implemented in March of 2012. In 2011, MFA was focused on:

• Self-Regulatory Organization (SRO) for Investment Advisers – In January, the SEC published a report required by the Dodd-Frank Act regarding the need for enhanced resources for investment adviser examinations and enforcement. In the report, the SEC recommended that Congress consider authorizing the SEC to impose user fees on SEC-registered investment advisers to fund their examinations by OCIE, authorizing one or more SROs to examine all SEC-registered investment advisers, or authorizing FINRA to examine dual registrants for compliance with the Advisers Act. MFA submitted comments to the SEC supporting its continued oversight of hedge fund managers, explaining that the regulatory regime as enhanced by the Dodd-Frank Act applies to all areas of a fund manager’s business.

• Confidentiality – MFA continued to support strong confidentiality protections for proprietary information reported to the SEC, as included in the Dodd-Frank Act.

• Dual Registration of Commodity Trading Advisors (“CTAs”) – MFA encouraged the SEC to adopt rules implementing the Dodd-Frank Act provisions that were intended to limit the scope of entities that would be subject to dual registration with the SEC and the CFTC.

• Private Pool Exemptions from CPO Registration (Rule 4.13) – In taking a holistic approach to regulation, MFA urged the CFTC to reconsider its proposal to rescind sections 4.13(a)(3) and (a)(4), exemptions from registration as a commodity pool operator (CPO). MFA submitted written comments, met with Commissioners and other policy makers, and participated in a CFTC staff roundtable to raise our concerns: the wholesale rescission of the Private Pool exemptions would require many investment advisers to dually register as CPOs and require unnecessary, duplicative, and burdensome regulation.

• Incentive Compensation – Title IX of the Dodd-Frank Act sets a $1 billion asset threshold to determine which advisers will be subject to incentive compensation rules. MFA advocated that the SEC clarify that assets under management will not be counted toward this threshold, and that the SEC should exclude assets set aside for deferred compensation of adviser employees and assets invested in funds managed by the adviser as these mechanisms act to promote sound risk management and alignment of interests with investors. MFA noted that the structure of the hedge fund industry and the compensation structure of the industry are well designed to achieve the underlying goals of the proposed rules.

LEGISLATIVE ACTION:

On September 8, House Financial Services Committee Chairman Spencer Bachus (R-AL) released a legislative discussion draft that would require investment advisers to retail clients to become members of a SRO focused on investment advisers. MFA believes strongly that, as Congress considers establishing an SRO for retail investment advisers, the existing framework of SEC regulation of non-retail private fund managers, as enhanced in a number of respects by the Dodd-Frank Act and regulatory implementation of the Act, is effective in fulfilling the SEC’s mission to protect investors, maintain fair, orderly and efficient markets, and facilitate capital formation. MFA continues to engage policy makers as Congress considers the framework for oversight of investment advisers.

• “Bad Actor” Disqualification – MFA urged the SEC to modify its proposed rule disqualifying certain bad actors from relying on Rule 506 of Regulation D when conducting private offerings, as mandated by Title IX of the Dodd-Frank Act, to avoid unfair retroactive application of the rule, particularly with respect to persons who previously entered into negotiated settlements with regulators and to focus relevant provisions of the final rule regarding the scope of disqualifying orders on scienter-based violations, consistent with Congress’s intent.
**Systemic Risk Regulation**

Throughout the year, MFA continued to hold the view that no hedge fund is systemically important at this time, and that regulators should measure systemic relevance by quantitative metrics including account size, concentration, and leverage on a fund-by-fund basis. MFA weighed in on the following systemic risk implementation developments in 2011:

- **Designating Systemically Significant Entities** – MFA advocated to the Financial Stability Oversight Council (FSOC) that, in light of the six categories of criteria proposed by the Council, we believe it is unlikely that any hedge fund is systemically significant and we urged the Council to publish for public review and comment the metrics and weightings it will use to analyze the statutory criteria, which the Council did in a revised rule proposal and related guidance. MFA will continue to advocate for greater clarity in the metrics.

- **CFTC Systemic Risk Reporting (Forms CPO-PQR and CTA-PR)** – The CFTC proposed companion systemic risk reporting requirements for CTAs and CPOs. MFA submitted comments to the CFTC on its proposed amendments to CPO and commodity trading advisor (CTA) compliance obligations, urging the SEC and CFTC to coordinate their data collection efforts, eliminate duplicative position information for dual registrants and allow affiliated entities to file a consolidated form, among other issues.

- **OTC Derivatives**

MFA actively engaged with SEC and CFTC Commissioners and Staff regarding key OTC derivatives rulemakings related to Title VII of the Dodd-Frank Act, as well as House and Senate Members who were overseeing implementation on Title VII. MFA communicated its views through a number of comment letters, testimony, meetings and other educational outreach initiatives with the goal of encouraging regulators and policy makers to take a thoughtful and logical approach on a variety of derivatives issues, including:

- **Definition of Major Swap Participant** – MFA urged regulators to limit the scope of the definition of “major swap participant” (MSP), and expressed that the MSP designation should capture non-dealer market participants whose swap positions may adversely affect market stability. On February 22, MFA submitted a comment letter in support of the SEC’s and CFTC’s general approach to the MSP definition, in which we asked for clarity around the tests related to the MSP definition. MFA also submitted five additional comment letters in response to the CFTC’s and SEC’s related registration requirements and business conduct standards that would apply to MSPs.

- **Segregation of Collateral** – MFA supported segregation of customer collateral for both cleared and uncleared swaps in order to ensure adequate protection and portability of

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**We believe it is unlikely that any hedge fund is systematically significant.**

-Richard H. Baker, MFA President and CEO

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**MFA recommendations on Form PF:**

- regulators should increase the threshold for additional reporting
- provide sufficient time for managers to submit the Form, adjust the frequency of reporting
- ensure that information is maintained confidentially
- include a certification that is consistent with other filings.

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**MFA submitted four comment letters to the CFTC related to segregation of collateral**

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**Information Sharing and Confidentiality Protections** – MFA requested that FSOC should facilitate information sharing among agencies, noting the importance of information sharing to avoid multiple regulators imposing unnecessarily duplicative or inconsistent regulations to get direct access to information that already is being reported to regulators. MFA also encouraged the Council to work with member agencies to develop robust confidentiality protections and a consistent approach to the treatment of information shared by the Council with member agencies.

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**SEC Systemic Risk Reporting (Form PF)** – Throughout the year, MFA staff engaged with regulators as they considered the appropriate scope and form of information to be collected on the new Form PF, the systemic risk reporting form for private fund managers. In April, MFA submitted a detailed comment letter to the SEC and CFTC in response to the proposed Form PF, making a number of recommendations, including that regulators increase the threshold for additional reporting, provide sufficient time for managers to submit the Form, adjust the frequency of reporting, ensure that information is maintained confidentially and include a certification that is consistent with other filings. The final Form PF incorporates a number of changes suggested by MFA that are designed to enhance the usefulness of the Form for regulators and reduce the compliance burden for managers.
customer assets and positions. Therefore, in 2011, MFA submitted four comment letters to the CFTC related to segregation of collateral in response to an advanced notice of proposed rulemaking as well as two actual proposed rules. As a result of the events surrounding the bankruptcy of, and alleged misplacement of segregated customer assets by MF Global, Inc., MFA submitted a letter to the CFTC on December 2 that supplemented our prior comment letter on the proposed segregation rules and provided some additional thoughts on customer protection in the swaps and futures markets to assist the CFTC in its consideration of the lessons learned from the MF Global situation.

• Central Clearing Requirements – MFA supported policymakers’ efforts to reduce systemic risk by transitioning eligible markets to central clearing and by enhancing transparency. As a result, one of MFA’s key goals during 2011 was to encourage regulators to expedite the move of OTC derivatives to central clearing and to adopt rules that would facilitate “good” clearing (i.e., clearing with objective, risk-based standards for participation and real-time trade acceptance). In that vein, MFA submitted six comment letters in 2011 (four to the CFTC and two to the SEC) in response to proposed rulemakings addressing various aspects of clearing (e.g., governance of clearinghouses, customer clearing documentation and real-time acceptance for clearing). MFA was particularly successful with respect to encouraging good central clearing in that the CFTC issued proposed rules on customer clearing documentation, which directly responded to concerns raised by MFA in a comment letter submitted to the CFTC on April 11, 2011 in response to its proposed rules on “Requirements for Processing, Clearing, and Transfer of Customer Position” as well as in subsequent meetings with CFTC Commissioners and staff on May 17, 2011.

• Capital and Margin Requirements – Because any adopted margin requirements would affect our members’ trading in OTC derivatives, MFA urged regulators to issue margin requirements that promote a fair and stable market for uncleared swaps and to coordinate their margin rules with the margin rules of other regulators. MFA submitted comment letters in response to both the prudential regulators’ and the CFTC’s proposed capital and margin rules. MFA particularly focused on ensuring that the final rules required the bilateral exchange

Dodd-Frank Implementation by the Numbers

159 rulemaking requirements have not yet been proposed

86 rulemaking requirements have been finalized

155 rulemaking requirements have been proposed

39.75%

38.75%

21.5%

78.5% of Dodd-Frank regulations have yet to be implemented
On February 14, MFA legal staff and members of MFA’s OTC Derivatives Regulatory Subcommittee held a conference call with SEC and CFTC staff to discuss their joint proposed rule on the definition of “major swap participant” as well as their other entity definitions related to Title VII of the Dodd-Frank Act. SEC and CFTC staff contacted MFA specifically to discuss the following components of the MSP definition: (i) the definition of “substantial position”; (ii) the de minimis exception; and (iii) the commercial risk exemption.

On February 15, Stuart Kaswell, MFA Executive Vice President and Managing Director, General Counsel, testified before the Subcommittee on General Farm Commodities and Risk Management of the House Agriculture Committee in its hearing “To Review the Implementation of Title VII of the Dodd-Frank Wall Street Reform and Consumer Protection Act, Part II”. In his statement, Kaswell discussed: (1) protecting the integrity of the regulatory process; (2) central clearing and access to clearing significant entities; (3) segregation of customer collateral; (4) the “major swap participant” definition; (5) capital and margin requirements; (6) position limits; and (7) swap execution facilities.

On March 9, MFA and members of MFA’s OTC Derivatives Regulatory Subcommittee had meetings with CFTC Chairman Gensler, CFTC Commissioner Sommers, CFTC Commissioner Chilton’s staff, and staff from the CFTC Division of Clearing and Intermediary Oversight. In addition, MFA members and staff had meetings with SEC Chairman Schapiro’s staff, SEC Commissioner Casey, SEC Commissioner Walter’s staff, and staff from the SEC Division of Trading and Markets. During the meetings, we discussed our views with respect to the recommended timeline for adopting and implementing final rules related to Title VII of the Dodd-Frank Act as well as our concerns with dealers’ views on this subject and dealers’ efforts through various industry initiatives to delay the move to central clearing.

On June 3, members of MFA’s OTC Derivatives Regulatory Subcommittee and MFA’s CFTC Regulatory Affairs Subcommittee participated in a CFTC staff-led roundtable related to the CFTC’s proposed rules on segregation of collateral for cleared swaps. During the roundtable, MFAs supported the CFTC’s proposed full legal segregation model and disputed arguments of other participants that were advocating for lesser forms of protection for customer assets.

On June 15, Adam Cooper from Citadel LLC testified on behalf of MFA before the Senate Committee on Agriculture, Nutrition and Forestry in its hearing “One Year Later - The Wall Street Reform and Consumer Protection Act - Implementation of Title VII”. In his statement, he discussed: (1) the timeline for implementation of final rules related to Title VII of the Dodd-Frank Act; (2) central clearing and access to clearing significant entities; (3) capital and margin requirements; (4) segregation of customer collateral; (5) the “major swap participant” definition; (6) swap execution facilities, (7) position limits; and (8) international harmonization.

SEC Chairman Mary Schapiro and CFTC Chairman Gary Gensler testify before the U.S. House Committee on Agriculture about the Treasury Department’s proposal for regulating over-the-counter derivatives markets.

IMPLEMENTING THE DODD-FRANK ACT: OTC DERIVATIVES

Orderly Liquidation Authority (“OLA”) MFA urged the Federal Deposit Insurance Corporation (FDIC) to harmonize the OLA rules with existing rules and case law under the Bankruptcy Code, as required in the Dodd-Frank Act, to promote certainty and market confidence in the OLA process. MFA also encouraged the FDIC to develop robust processes to promote transparency, participation in the OLA process by interested market participants (for example, unsecured creditors’ committees), and a review and appeals process for market participants affected by decisions made during the implementation of the OLA.

Implementing the Dodd-Frank Act: OTC Derivatives

- variation margin, facilitated robust netting arrangements across different assets and exposures and provided for transparent and replicable initial margin models.

SEC Chairman Mary Schapiro and CFTC Chairman Gary Gensler testify before the U.S. House Committee on Agriculture about the Treasury Department’s proposal for regulating over-the-counter derivatives markets.

10 | MANAGED FUNDS ASSOCIATION
Although the hedge fund industry is primarily regulated at the federal level, MFA is involved in a number of state-specific initiatives, working closely with state legislatures, attorneys general and regulatory agencies that propose legislation or regulation. In 2011, MFA was focused on several legislative and regulatory state issues in Massachusetts, Virginia, and New York.

**Massachusetts**
MFA continued its active engagement with the Massachusetts Department of Revenue by responding to the Department’s draft directive on the factors to determine whether a professionally managed fund is engaged in the trade or business of trading securities. MFA expressed its concerns regarding the draft directive on a June conference call with Department staff and at a September in-person meeting with Department staff. MFA also filed two comment letters with the Department, encouraging the Department to amend its draft directive to focus on relevant legal principles from case law and on the facts and circumstances that are more relevant to professionally managed funds compared to individual investors. MFA also suggested an alternative safe harbor that we believe meets the Department’s goal of having administrable standards for its audit staff and establishes reasonable thresholds that many trader funds would be able to meet, but which investor funds would not be likely to meet.

**New York**
On March 3, New York State Senator John Bonacic introduced legislation, New York bill S. 3767, that would amend the general obligation law of New York with respect to contracts governing the debt obligations of foreign states. The statute provided that contractual terms that are in favor of debt holders and are not directly addressed in a final judgment in favor of a debt holder will not be merged into the final judgment. The stated purpose of the bill is to provide clarity to the common law merger doctrine, as applied to foreign states.

On June 21, the legislation was considered and adopted by the Senate and then referred to the New York State Assembly’s Ways and Means Committee. Following the referral, there have been no further developments. MFA has continued to monitor this legislation.

**Virginia**
Virginia is one of several states with exemptions from registration for investment advisers that directly reference Advisers Act exemptions. With the passage of the Dodd-Frank Act, since July 21, most hedge fund advisers were no longer exempt under Section 203(b)(3) of the Advisers Act.

On June 22, the SEC adopted transitional rule 203-1, which permits advisers that were permitted to rely on the exemption from registration in Section 203(b)(3) of the Advisers Act prior to the passage of the Dodd-Frank Act to delay registration until March 30, 2012. As a result, most hedge fund advisers with a place of business or at least 6 clients (meaning funds, not investors) in Virginia that elected not to register with the SEC by July 21, no longer had a valid exemption from registration with the state of Virginia, until such time as the adviser registers with the SEC.

MFA government relations and legal staff engaged Congressional Members, the North American Securities Administrators Association (NASAA), and the Virginia State Securities Division on this issue.
MFA Global Engagement: 2011

In 2011, international policy makers continued their quest for reform of the financial system. MFA continued its advocacy and educational efforts outside of the U.S. as a uniform global regulatory framework continued to evolve. MFA’s efforts included nine trips to Europe for meetings with regulators, including the recently established European Securities and Markets Authority (ESMA), and relevant European Union Member State Competent Regulators. MFA also met with Members of European Parliament, Financial Services and Fiscal Attachés from various European Union Member States, and technicians from the European Commission. The meetings ensured that European policy makers were aware of MFA’s legislative and regulatory priorities, and that MFA established itself as a reliable resource for European officials on U.S. issues.

Alternative Investment Fund Managers Directive (AIFMD)

After passing the AIFMD, setting in motion the regulatory framework on the hedge fund industry in Europe, the European Commission asked the newly established European markets regulator, ESMA, to provide advice on Level 2 implementing measures. Over the course of 2011, MFA submitted four comment letters on ESMA’s Level 2 consultations on issues including scope, European domestic issues, and of particular importance to MFA members, third country issues. MFA followed up on its letters with visits to relevant regulators, including ESMA, to reiterate its concerns. ESMA released its Level 2 advice in November, and it covers most every aspect of the AIFMD, including third country issues dealing with delegation, depositary, supervision, and member state of reference, as well as other aspects such as disclosure of remuneration policies and reporting. Consistent with the recommendations of MFA, ESMA deleted its proposed requirement of regulatory “equivalence,” expanded the criteria to be taken into account when determining a fund manager’s “member state of reference,” to provide greater certainty and consistency to fund managers, and reduced the number of times smaller AIFs must report to a competent regulator.

MFA’s efforts included nine trips to Europe for meetings with regulators, including the recently established ESMA, and relevant European Union Member State Competent Regulators, Members of European Parliament, Financial Services and Fiscal Attachés from various European Union Member States, and technicians from the European Commission.

MFA Engagement:

On September 26, Stuart Kaswell, MFA’s Executive Vice President and Managing Director, General Counsel, participated at the Open Hearing of ESMA’s draft technical advice to the European Commission on possible implementing measures on the AIFMD in relation to supervision and third countries. The open hearing allowed MFA to voice its concerns with ESMA officials directly involved in drafting the advice which was eventually presented to the European Commission.
Market Structure and Market Abuse Reform

MFA has been actively following the European Commission’s recently released legislation, Markets in Financial Instruments Directive (MiFID II). MFA was especially concerned with legislative measures that would impose additional regulatory requirements on market participants in the equities, commodities and OTC derivatives markets, and reform initiatives targeting algorithmic and high frequency trading. To that effect, in February, MFA submitted an extensive comment letter in response to the European Commission’s MiFID consultation. In subsequent meetings with EU policy makers, including the technicians drafting the proposal, MFA has discussed its concerns with MiFID, especially relating to high frequency trading, position limits, and OTC derivatives. MFA’s latest efforts on MiFID II include responding to a second consultation questionnaire issued by the European Parliament, which will be submitted shortly after the New Year.

MFA has also been actively tracking the Market Abuse Directive (MAD), legislation that would impose criminal liability on activities that the directive defines as insider trading or market manipulation. MFA has developed talking points on key areas of concern with the current text, especially as they relate to MAD’s imposition of criminal liability on an increased scope of activities. MFA has addressed its concerns to EU policy makers, and will continue to develop advocacy plans for 2012.

MFA Engagement:

On February 2, MFA submitted comments to the European Commission in response to its Consultation Paper, “Review of the Markets in Financial Instruments Directive (MiFID).” In our letter, we provided views on organized trading facilities, automated/high frequency trading, pre- and post-trade transparency, data consolidation, commodity derivatives market measures, transaction reporting, investor protection and provision of investment services, access of third country firms to EU markets, and supervisory powers to ban a product, practice, or operation. We also emphasized the importance of maintaining confidentiality of proprietary information and conducting inquiries in a judicious manner so as to ensure privacy and manage the costs of compliance.

Short Selling and CDS Reform

Throughout the year, the European Parliament and Council of the European Union negotiated a final text on the European Commission’s Proposal on the Regulation of Short Selling and Certain aspects of Credit Default Swaps. After months of debate, on October 19, lead negotiators announced an agreement on a number of financial regulatory reform measures, including individualized public disclosure of short positions, requirements to locate shares prior to a short sale, and restrictions on naked sovereign CDS. During the negotiation process, MFA engaged European policy makers on these issues, advocating for anonymized disclosure of short positions, a more workable locate provision, and more flexible language on the restrictions on sovereign CDS. Consistent with MFA’s recommendations on locate, the final text requires a share to be located with reasonable expectation that settlement can be effected when it is due; on sovereign CDS, the regulation allows a portfolio of assets that are correlated with the value of the sovereign debt to be included in the calculation of the net position. ESMA is expected to provide advice on Level 2 implementation and MFA will develop its discussion points with the assistance of members and outside counsel.

European Short Selling Bans

In August, a number of European Union Member States, including Belgium, France, Greece, Italy, and Spain, announced unilateral, temporary bans on the short selling of financial stocks. MFA immediately submitted letters to policy makers requesting reconsideration of the bans and seeking guidance from the individual state regulators if the bans were to be maintained. Letters were sent to ESMA, each of the respective countries’ competent regulators and finance ministries, the European Central Bank, the EU Council and to relevant European Commissioners. MFA sought clarifications from relevant competent regulators to assist member firms with their compliance efforts. Also, MFA urged ESMA to coordinate guidance among the competent authorities implementing the ban. The states with short sale bans have extended their respective bans into the first quarter of 2012 and MFA continues to engage individual competent regulators on short selling bans.

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EMIR (OTC Derivatives) Reform
The European Union continued its development of its European Markets Infrastructure Regulation (EMIR), which seeks to establish tighter restrictions on the trading of OTC derivatives. During negotiations, the European Parliament and Council of the European Union agreed on many points contained in EMIR; the language concerning third country access, however, has remained contentious. As this was MFA’s biggest concern, MFA actively discussed its views on third country access views with U.S. and EU policy makers, and continues to engage with policy makers in preparation for Level 2 implementation. MFA has also focused on issues surrounding real-time clearing, segregation of collateral at the central counterparty (CCP), and the governance of CCP boards and risk committees.

Financial Transaction Tax (FTT)
European policy makers, led primarily by the French and German governments, continued to discuss the future of an FTT in Europe. A report by the European Parliament on innovative financing in early 2011 laid the groundwork for the discussion, and garnered enough support to persuade the European Commission to release a formal proposal in September.

The Commission proposed such a tax “to ensure that the financial sector makes a fair contribution at a time of fiscal consolidation in the Member States” and to allow for a “coordinated framework at the EU level to strengthen the EU single market.” The revenues of the tax would be shared between the EU and the Member States, and part of the tax would be used as an EU “own resource,” which would reduce national contributions to the EU budget. Member States would be able to decide to increase their part of the revenues by taxing financial transactions at a higher rate. MFA submitted a comment letter to the European Commission in April citing the potential for market and capital dislocations and other adverse consequences if in an EU-level transaction tax were enacted.

Shadow Banking
European Policy Makers have begun discussions on regulating the “shadow banking” industry. In May, in response to the Financial Stability Board’s (FSB) background note entitled “Shadow Banking: Scoping the Issues,” MFA explained to the FSB the role of hedge funds in the financial system, noting that they generally are not part of the shadow banking system as defined by the FSB and that hedge funds currently do not pose a systemic risk. Although the European Commission does not expect to address shadow banking until late 2012, MFA addressed its concerns to European Commission staff, and the issue will remain a priority in future meetings with European policy makers and staff.

OTC Derivatives Reform in Asia
Hong Kong commenced its OTC Derivatives reform in keeping with G-20 agreements calling for the placement of OTC Derivatives rules by the end of 2012. The Hong Kong Monetary Authority (HKMA) and the Hong Kong Securities and Futures Commission (HKSCFC) consulted on a new OTC Derivatives regime in November, and MFA submitted a letter requesting that the HKMA and HKSCFC require mandatory access to clearing for all eligible market participants that desire to clear on a voluntary basis, among other issues. MFA will continue to follow the issue as it develops.
MFA ensured the views of its global membership were well represented to policy makers, regulators, opinion elite, investors, and the general public in 2011 through a broad domestic and international communications program. MFA was active in a number of high profile press stories covering Dodd-Frank Act implementation, European financial regulatory reform efforts, tax issues, and other significant global policy developments. Richard Baker, MFA President and CEO, was featured by influential publications and authored a variety of opinion-editorial pieces and letters to the editor for various regional newspapers in Virginia, West Virginia, Michigan, and California.

**MFA’s Communications Highlights for 2011 Included:**

- **MFA Whitepaper Series: “The Changing Role of Hedge Funds in the Global Economy”**
  - MFA has collaborated with a number of noted academics to develop a series of whitepapers designed to draw attention to important global policy and industry challenges. “The Changing Role of Hedge Funds in the Global Economy,” which was rolled out on September 13 was the first in this series. The paper used an asset allocation model to explore how hedge funds align their interests with those of their investors, serve as a stabilizing force in the capital markets, and maintain independence from government guarantees and assistance. The paper was covered by Dow Jones Newswires and received positive attention from industry trade publications in the U.S and Europe. The paper has been viewed over 500 times and downloaded by nearly 200 people on the independent research site where it is posted.

- **“Hedge Funds 101”** – MFA produced a short slide deck that provides basic information on how hedge funds work, what strategies are available, who the investors are, and how the industry has performed. Information on leverage, size, and liquidity is presented in comparison to other financial services participants to frame a systemic risk argument. MFA inserted the presentation on flash drives and had it formatted into booklets for distribution to policy makers, Capitol Hill staff, media, and other stakeholders. Feedback on the presentation has been overwhelmingly positive and the presentation has become a cornerstone for MFA outreach to constituencies unfamiliar with the industry.

- **New MFA Website and Social Media Outreach** – On November 1, MFA launched its newly redesigned website. This improved tool has enhanced communication with MFA members, the media, Capitol Hill, relevant global regulators, and
the public and delivers issue and policy focused content to a
global audience in a more accessible manner. The site features
several new tools that can be used to provide timely, targeted
information. Since the website’s launch, there have been
encouraging signs that MFA is attracting a wider audience,
for longer periods of time, in order to view a wider variety of
pages. Website usage data indicates: **Increased Traffic:** Daily
site traffic has increased by 13% (projected to increase from
9,700 visits/month to 11,100 visits/month); **Deeper Engage-
ment:** The time each visitor spends on the site has increased
38% (from 2:56 minutes/visit to 4:15 minutes/visit); and,
**More Utility:** The number of pages each visitor views has
increased 30% (from 3.97 pages/visit to 5.65 pages/visit).

- **The MFA Blog:** This feature provides a live forum where key
  issues and developments in the hedge fund industry are discussed
  and commented on by those using MFA’s website. The blog
directs readers to the newest and most relevant information about
a featured topic or regulatory development. The space – which is
featured prominently on the homepage – also serves as a snapshot
for MFA events and policy and regulatory developments, includ-
ing the most recent comment letters and MFA press statements.

- **Industry Research Library:** One area of focus for the
  new website was to create a “one stop shop” for relevant
research reports and data about the industry. Most of MFA’s
Strategic Partners pitched in to provide key industry re-
search reports, and the number of organizations contribut-
ing content is only expected to grow. This portion of the site
also features a live-feed of Hedge Fund Research’s “Hedge
Fund Indices,” allowing visitors to the site to check the latest
performance of a cross-section of the industry’s strategies.
This will be a focus for growth in 2012.

- **MFA Policy Brief Newsletter:** Launched on November
16, the Policy Brief monthly newsletter offers an
important synopsis of information and updates on
MFA legislative and regulatory outreach and develop-
ments. The Policy Brief allows MFA to extend
its outreach to a broader audience, including policy
elites, members of the media, over 4,000 investors,
and the general public.

- **MFA on Twitter:** MFA also joined Twitter affording
those interested in the industry and the activities of MFA
a simple way to follow developments on the go. MFA’s
Twitter page features updates with relevant news stories,
new MFA blog posts, and other important information
that can be found on the website. In less than three
weeks, MFA had over 100 followers, including reporters,
politicians, academics, business schools, and opinion
influencers from the U.S., Europe, and Asia. Notable
Twitter followers include: Sen. Charles Schumer, Sen. Pat
Toomey, Dee Dee Myers, Politico’s Ben White (Morning
Money), the Dean of Georgetown’s McDonough School of
Business, WSJ Columnist Matthew Lynn, Arizona State
University’s Carey School of Business, Dow Jones SEC
reporter Andrew Ackerman, Bloomberg News reporter
Sabrina Willner, WNYC Business Editor Charles Herman,
Financial Times correspondent Sam Jones, and many more.
MEMBER COMMUNICATIONS INITIATIVES

- **MFA Communications Forum** – The Communications Forum continued to meet each quarter to share perspectives on messaging, current issues and trends, media strategy, and media intelligence. The Forum is attended by in-house communications professionals as well as member firms’ outside communications counsel. In 2011 the Communications Forum discussed Dodd-Frank Act implementation messaging, European regulatory reform messaging, tax issues, investor engagement, the U.S. pension funding crisis, and developed ideas for MFA communications initiatives – specifically the whitepaper series and content generation efforts.

- **Targeted Media Outreach** – MFA was represented in all the main print publications in 2011, commenting on Dodd-Frank Act implementation, tax issues, and hedge fund industry trends and controversies. MFA’s views were represented in The New York Times, The Wall Street Journal, The Financial Times, The Economist, Politico’s “Morning Money,” as well as a number of significant trade publications such as Pensions & Investments, Institutional Investor, Absolute Return, HFMc-Week, and Hedge Fund Alert, among others.

- **Breaking News alerts** – timely summaries and analysis of events relevant to the industry, including legislative and regulatory actions where MFA members may desire to become involved.

- **Our Industry in the News** – daily news clips providing members with an easily digestible run-down of the industry-relevant media stories that will drive the day’s conversation.

- **Inside the Beltway** – a weekly schedule of events in Washington, D.C. that are of interest to members.

- **The Week in Review** – a weekly summary of policy developments, events, and news that influence the industry or its issues.

- **MFA Policy Brief** – a monthly newsletter highlighting the four or five most significant actions taken by MFA or events/news that have unique relevance to the industry and members.

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**THE WALL STREET JOURNAL.**

**MAY 27TH WALL STREET JOURNAL STORY,**

“PENSIONS LEAP BACK TO HEDGE FUNDS.”

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**The New York Times**

**FEBRUARY 4TH, THE NEW YORK TIMES**

“In Europe, an Effort to Shed Light on Short-Selling”

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**Richmond Times-Dispatch**

**RICHARD BAKER OP-ED IN THE RICHMOND TIMES DISPATCH (6/5).**

“Hedge funds help Virginia pensions deliver results”

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**Bloomberg**

**MAY 23RD BLOOMBERG STORY EXAMINING FINANCIAL STABILITY OVERSIGHT COUNCIL:**

“BERNANKE MAY RESIST ‘NOAH’S ARK’ APPROACH ON SYSTEMIC RISK.”

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**The Economist**

**THE ECONOMIST ON THE RISE OF THE HEDGE FUND INDUSTRY IN TEXAS ON JULY 30TH,**

“HEdge FUNDS IN TEXAS – STETSONS AND SPREADSHEETS.”

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**The Gazette**

**RICHARD BAKER LETTER TO THE EDITOR IN THE CHARLESTON GAZETTE (6/14),**

“Hedge funds are smart, proven choice”
Membership Growth

With new and expanding regulatory frameworks being put in place across the globe and continued market uncertainty throughout the past year, MFA was again the place where the hedge fund industry joined together in advocacy. MFA now represents over 3,300 association members, and 2011 saw yet another increase in membership – which means membership has now grown over 50% in the past five years.

MFA currently represents nearly 78% of the assets managed by the largest 100 firms in the global hedge fund and managed funds industry. These members, which constitute MFA’s Founders Council and Sustaining membership, played a vital role in the conception and execution of MFA policy related to the various legislative and regulatory reform discussions across the globe. MFA’s Basic and Capital members also continued to play a pivotal role in the association’s continued success.

In cementing its reputation as the global voice of the alternative investment industry, MFA continued to expand its membership roster with a focus on international additions. As international financial regulatory reform continues over the next few years, a broad geographical membership base will be indispensable for MFA to speak credibly on global issues.
Institutional Investor Outreach

In 2011 MFA continued to build on the momentum of last year’s investor engagement successes, with a particular focus on identifying areas where collaboration between MFA and institutional investors could prove mutually beneficial.

• Institutional Investor Advisory Council (IIAC) – The council continued to expand during 2011 as invitations to participate were accepted by a number of CIO’s from public and corporate pension plans and foundations and endowments. MFA conducted a number of calls with Council members over the course of the year in which Council members suggested ideas to engender better transparency and compliance best practices in the industry. MFA also provided Council members with regulatory and legislative updates on issues mutually significant. Ongoing engagement with the Council will continue in 2012, with plans to expand the group to more CIOs.

• Strategic Partner Institutional Investor Webinar Series – On May 26, MFA hosted its second Strategic Partner institutional investor webinar – Why Invest with Hedge Funds? Speakers included: Orla Nallen, Bank of New York Mellon; George Evans, GlobeOp Financial Services; and Chris Golio, Morgan Stanley. The program provided participants with an overview of the hedge fund industry. Topics discussed included a comparison of hedge funds versus mutual funds and traditional asset managers, 2011 performance outlook, and the potential impact of regulation on the alternative industry, among others. These calls and webinars help smaller institutional investors become educated about the alternatives universe and have given MFA better exposure with this constituency.

• Institutional Investor Network – MFA has created an in-house distribution platform of top institutional investor contacts. The list currently includes approximately 4,000 contacts, including senior-level investment professionals at public and corporate pensions, foundations and endowments, family offices, and sovereign wealth funds.

MFA has created a network of over 4,000 contacts including senior-level investment professionals at public and corporate pensions, foundations and endowments, family offices, and sovereign wealth funds.

• Investor Relations and Business Development Forum – As part of its rich membership benefits program, MFA continued bringing together member firm representatives periodically throughout the year at Investor Relations and Business Development fora. Members met to discuss trends in due diligence and transparency, fund flows, marketing strategies, and efforts to partner with investors.
MFA’s 2011 conferences and events built on the success of previous years, delivering high quality educational and networking events for members and other industry participants. MFA’s conferences and events grew in overall attendance, bringing together members to network with investors, regulators, policy makers, thought-leaders, and service providers. This year, MFA premiered a new conference, Compliance, featuring unparalleled participation by industry regulators who provided their unique perspectives on enhanced regulation and compliance best practices for hedge fund advisers.

Network 2011 was by far MFA’s largest event, featuring a compelling educational agenda, ample networking and meeting opportunities and a large exhibition hall of products and services designed to enhance operational efficiencies, Network 2011 drew the largest delegation in MFA’s history. The program agenda focused on the needs of investors in the wake of the financial crisis and the changing regulatory landscape impacting industry participants. Network 2011 highlights included:

- **Ash Williams**, Executive Director and Chief Investment Officer, Florida State Board “Through the Lens of a Pension Fiduciary: What Investors Need Now from the Alternative Investment Industry”
- **James Dinan**, Founder, Chairman, CEO, York Capital Management “The Times – They are a-changin”
- **“Raising the Bar in Due Diligence Excellence”**
  - **Kristina Alimard**, Chief Operating Officer, University of Virginia Investment Management Company
  - **Kevin T. Britton**, Director, Absolute Return, Cornell University

Forum 2011 was well-attended by professionals in hedge funds, funds of funds, managed futures, service providers and investors. Forum stands out from MFA’s other conferences because it features top-notch programming designed specifically with the world of Global Macro/Managed Futures in mind. Based annually in Chicago, Forum 2011 featured a wide array of speakers focusing on challenges facing our industry and several leadership addresses from notable speakers. Forum 2011 highlights included:

- **Dr. Philippa Malmgren**, President and Founder, Principalis Asset Management “Politics is not a Black Swan: Managing Unquantifiable Risks”
- **Martin Lueck**, Co-Founder and Director of Research, Aspect Capital Limited “Managed Futures: Still Alternative?”
- **“Trading Legends: Forty Years of Timeless Wisdom”**
  - **Ed Seykota**, Founder, The Trading Tribe
  - **Larry Hite**, Director of Investment Strategy, ISAM
- **Dec Dee Myers**, Managing Director, The Glover Park Group “On the Road to 2012: The Policy, the Politics and the Players”

Outlook 2011 was MFA’s hedge fund leadership conference – designed for the industry and by the industry. In its third year, Outlook 2011 featured a prominent speaking faculty of policy makers and industry thought leaders. As the industry’s premiere hedge fund conference, Outlook fostered a meaningful dialogue among delegates on industry-wide challenges, opportunities and the outlook for the future. Program highlights included:

- **James J. Dunn**, Vice President and Chief Investment Officer, Wake Forest University
Compliance 2011 was MFA’s inaugural regulatory compliance conference featuring a pre-eminent roster of speakers to discuss the current regulatory environment and best practices for compliance. Panel presentations featured leading MFA members and U.S. regulators, who provided insights and perspectives on a range of compliance topics. The distinguished speaking faculty included:

- **David Blass**, Chief Counsel, Division of Trading and Markets, Securities and Exchange Commission
- **Carlo V. di Florio**, Director, Office of Compliance Inspections and Examinations, Securities and Exchange Commission
- **Robert Kaplan**, Co-Chief, Asset Management Unit, Division of Enforcement, Securities and Exchange Commission
- **Tram N. Nguyen**, Branch Chief, Division of Investment Management, Securities and Exchange Commission

**Seminars, Symposia, and Webinars**

MFA produced a wide range of seminars and symposiums, highlighting key information updates for members featuring quality speakers and industry partners. The focus remained on the new financial regulatory reform measures’ impact on member businesses. MFA seminars, symposiums, and webinars provide unparalleled insight on the most relevant industry issues. Highlights of 2011’s lineup included:

- MFA Symposium with the Federal Reserve Bank of New York
- LBIE Administration Update: The Consensual Approach and Trust Asset Return
- U.S. Perspective on the Impact of European Regulatory Reform
- New Regulatory Reforms: The Impact on Your Business
- The Impact of Tax Reform on Financial Management of Hedge Funds
- Eurex: GPU-accelerated Stochastic Volatility Models
- Gaining Clarity on Dodd-Frank’s Impact On Hedge Funds
- Webinar on the UK Bribery Act 2010
- New Hedge Fund Compliance Obligations, Treasury International Capital System Form SLT
- Dodd-Frank’s Title VII: Putting the New OTC Derivatives Rules into Practice
- Lehman Brothers Inc. Trustee Update to MFA Members
- Webinar on State Lobbying Rules and Pay-to-Play Rules for Hedge Fund Advisers
- Hedge Fund Manager M&A
- Institutionalizing Your Business into the Future
MFA-PAC: BUILDING A STRONGER, MORE STABLE VOICE FOR POLITICAL ACTIVISM

In 2011, MFA President and CEO Richard Baker set out on an ambitious program intended to rebuild, renew and revitalize MFA-PAC toward the goal of maximizing the PAC’s ability to complement the ongoing advocacy and outreach efforts of MFA’s government affairs and legal teams, in addition to ensuring the long-term financial stability and solvency of the Association’s political action arm. The “MFA-PAC Renewal and Revitalization” plan, which began in August, included a host of operational, governance and financial changes to MFA-PAC as well as changes to the culture of individual firm participation in MFA-PAC, which includes engagement from firms populating each category of MFA membership.

Many of the changes have already been implemented and the results speak for themselves – the initial response to MFA-PAC’s “R&R” initiative has been overwhelmingly positive – to date:

- MFA-PAC has taken in more contributions this calendar year than in any other single year since its inception.
- MFA-PAC is on track to raise more this year alone than we did in the entire last (’09-’10) cycle and will raise more money this cycle than in any cycle in our PAC’s history.
- MFA-PAC has had more first-time PAC contributors at the Board of Directors and Founders Council level than ever before.

Because of the contributions from MFA Members and their commitment to building a stronger Association, MFA-PAC has made a good leap forward – but we are not done yet. Political activism is essential for responsible trade association representation and the plan MFA has developed is non-partisan and focuses on those who have demonstrated awareness of our industry and expressed a balanced view on important issues.

THE MISSION OF MFA-PAC

- To build the visibility and to strengthen the outreach of the alternative investment industry to policy makers on Capitol Hill and throughout Washington, D.C.
- To contribute in a nonpartisan way to candidates who understand the hedge fund industry’s views on key issues.
- To meet the challenges facing the hedge fund industry by supporting candidates who serve on the key Congressional committees that focus on issues related to the hedge fund industry, such as the U.S. Senate Banking, Finance, and Agriculture Committees, and the U.S. House of Representatives Financial Services, Ways and Means, and Agriculture Committees.
## MFA Leadership | Board of Directors

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<thead>
<tr>
<th>Name</th>
<th>Title and Affiliation</th>
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<tbody>
<tr>
<td>William R. Goodell</td>
<td>MFA Chair, Chief Operating Officer, Maverick Capital, Ltd.</td>
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<td>Putnam Coes</td>
<td>MFA Vice-Chair, Chief Operating Officer, Paulson &amp; Co., Inc.</td>
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<td>Howard Altman</td>
<td>MFA Treasurer, Co-CEO and Co-Managing Principal, Rothstein Kass</td>
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<td>Scott M. Lawin</td>
<td>MFA Secretary, Chief Operating Officer, Moore Capital Management, LP</td>
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<td>Gerald A. Beeson</td>
<td>Chief Operating Officer, Citadel LLC</td>
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<tr>
<td>Scott B. Bernstein</td>
<td>Senior Vice President and General Counsel, Caxton Associates, LP</td>
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<td>Darcy Bradbury</td>
<td>Managing Director, the D. E. Shaw group</td>
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<tr>
<td>Todd Bulione</td>
<td>President and COO, Highbridge Capital Management, LLC</td>
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<tr>
<td>John M. Damgard</td>
<td>President, Futures Industry Association</td>
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<tr>
<td>Sonia E. Gardner</td>
<td>President, Managing Partner, and Co-Founder, Avenue Capital Group</td>
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<td>Peter M. Gilbert</td>
<td>Chief Investment Officer, Lehigh University</td>
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<td>Michael Gismondi</td>
<td>Chief Financial Officer, TPG-Axon Capital Management, LP</td>
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<td>David Harding</td>
<td>Founder, Chairman, and Head of Research, Winton Capital Management Ltd.</td>
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<tr>
<td>Keith L. Horn</td>
<td>Chief Operating Officer, Elliott Management Corporation</td>
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<td>Mark Horowitz</td>
<td>Chief Operating Officer and General Counsel, Glenview Capital Management</td>
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<td>Michael J. Inserra</td>
<td>Partner, Ernst &amp; Young, LLP</td>
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<tr>
<td>Nagi Kawkabani</td>
<td>Founding Partner, Senior Trader, Brevan Howard, Inc</td>
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<td>Henry Kenner</td>
<td>Chief Executive Officer, Arrowgrass Capital Partners LLP</td>
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<td>Jack Klinck</td>
<td>Executive Vice President, State Street Corporation</td>
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<td>John G. Macfarlane, III</td>
<td>Chairman, Zafferano Capital LLC</td>
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<tr>
<td>Mark Madden</td>
<td>Chief Operating Officer and Founding Partner, Tyrus Capital LLP</td>
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<tr>
<td>Tracy V. Maitland</td>
<td>President and Chief Investment Officer, Advent Capital Management, LLC</td>
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<td>Michael Mendelson</td>
<td>Principal, AQR Capital Management, LLC</td>
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<td>Joseph D. O’Brien, III</td>
<td>Partner, Chief Operating Officer, Highside Capital Management, LP</td>
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<td>Gumersindo Oliveros</td>
<td>Chief Executive Officer and Chief Investment Officer, KAUST Investment Management Company</td>
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<td>Kenneth Raisler</td>
<td>Partner, Sullivan &amp; Cromwell LLP</td>
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<td>Paul N. Roth</td>
<td>Founding Partner, Schulte Roth &amp; Zabel LLP</td>
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<td>James Rowen</td>
<td>Chief Operating Officer, Renaissance Technologies LLC</td>
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<td>Erik R. Sirri</td>
<td>Professor, Babson College</td>
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<td>Philip S. Vasan</td>
<td>Managing Director, Head of Prime Services, Credit Suisse</td>
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<td>Jeffrey A. Weber</td>
<td>President, York Capital Management</td>
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<tr>
<td>Ash Williams</td>
<td>Executive Director and Chief Investment Officer, Florida State Board of Administration</td>
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<td>Richard H. Baker</td>
<td>President and Chief Executive Officer</td>
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<td>Marc Charon</td>
<td>Executive Vice President and Managing Director, Chief Operating Officer</td>
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<td>John G. Gaine</td>
<td>President Emeritus</td>
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<tr>
<td>D. Brooke Harlow</td>
<td>Executive Vice President and Managing Director, Development, Communications and Marketing</td>
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<tr>
<td>Roger Hollingsworth</td>
<td>Executive Vice President and Managing Director, Government Relations</td>
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<tr>
<td>Stuart J. Kaswell</td>
<td>Executive Vice President and Managing Director, General Counsel</td>
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<tr>
<td>Benjamin Allensworth</td>
<td>Associate General Counsel</td>
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<tr>
<td>Tasha Ashby</td>
<td>Executive Assistant, Legal</td>
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<tr>
<td>Roscoe Butler</td>
<td>Coordinator, Member Services</td>
</tr>
<tr>
<td>Louis Costantino, Jr.</td>
<td>Vice President, Government Relations</td>
</tr>
<tr>
<td>Meredith Friday</td>
<td>Coordinator, Conferences and Events</td>
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<tr>
<td>Randee Lee Ganter</td>
<td>Executive Assistant and Events Coordinator, Development, Communications and Marketing</td>
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<tr>
<td>Joanne Glufling</td>
<td>Executive Assistant and Accounts Payable Clerk, Operations</td>
</tr>
<tr>
<td>Brice Hadden</td>
<td>Manager, Accounting</td>
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<td>Vicki Hall</td>
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<tr>
<td>Jennifer Wu Han</td>
<td>Associate General Counsel</td>
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<tr>
<td>Laura Harper</td>
<td>Assistant General Counsel</td>
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<tr>
<td>Steve Hinkson</td>
<td>Director, Communications</td>
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<tr>
<td>Stacy Hudson</td>
<td>Manager, Conferences and Events</td>
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<tr>
<td>Carlotta King</td>
<td>Associate General Counsel</td>
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<tr>
<td>Lynn Kirk</td>
<td>Executive Assistant, President and CEO</td>
</tr>
<tr>
<td>David M. Landers</td>
<td>Vice President, Government Relations</td>
</tr>
<tr>
<td>Maurice Maloney</td>
<td>Research Coordinator, International Affairs</td>
</tr>
<tr>
<td>Scott McDonald</td>
<td>Manager, Online Communications</td>
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<tr>
<td>Sarah Morgan</td>
<td>Director, Government Relations</td>
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<tr>
<td>Matthew Newell</td>
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<tr>
<td>Annette Ott-Barnett</td>
<td>Director, Conferences and Events</td>
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<tr>
<td>Richard Policastro</td>
<td>Research Associate, Government Relations</td>
</tr>
<tr>
<td>Cathy Rosen</td>
<td>Executive Assistant, Government Relations</td>
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<tr>
<td>Jake Stratton</td>
<td>Manager, Information Technology</td>
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</tbody>
</table>

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