



MFA Submits Comments to the SEC on Amendments to FINRA Rule 5123 That Would Expand Reporting Obligations:

MFA submitted comments to the SEC in response to its notice of the Financial Industry Regulatory Authority's ("FINRA") amendments to Rule 5123. The amendments would require broker-dealers to provide additional information about an issuer to FINRA, along with a Private Placement Memorandum (PPM) or other disclosure document, in connection with certain private placements conflicts.

In the letter, MFA requests that FINRA respond to our previous comments about the scope of the amendments and Rule 5123, the authority of FINRA in implementing the Rule, and the expedited approval process, which did not include a formal notice and comment period prior to adoption of the amendments. MFA continues believing that these issues merit careful consideration by both FINRA and the SEC, and MFA asks that FINRA provide a response to these comments and other similar concerns that market participants have raised.

[Read MFA's letter to the SEC on FINRA Rule 5123 here.](#)

Large Institutional Investors Account for 9% of Limited Partner Stakes:

Recent data compiled by Preqin and *Hedge Fund Alert* show that, "of the thousands of hedge fund investors, a mere 20 – led by the sovereign wealth funds of Abu Dhabi and China – account for about 9% of all limited partner stakes." Those investors account for a combined \$223 billion allocated to fund operators. Currently, there is \$2.51 trillion invested in hedge funds.

According to Preqin's rankings, sovereign wealth funds hold three of the top five spots and four of the top 10. Twelve of the top 20 spots are public or corporate pension plans, which show the large institutionalization of the hedge fund investor landscape. According to Preqin, 66% of global hedge fund assets come from institutional investors.

The largest investor on the list was the Abu Dhabi Investment Authority, the sovereign wealth fund. The fund invests a total of \$47 billion in hedge funds out of its \$627 billion in assets. Its hedge fund investments account for more than 20% of all hedge fund assets held by the 20 institutions on Preqin's list.

The minimum total of assets for institutions to reach the top 20 list increased to \$5.2 billion in hedge fund investments.

MFA Submits Comment Letter on "Made Available-to-Trade" (MAT) to

CFTC:

MFA submitted a supplemental comment letter to the Commodity Futures Trading Commission (CFTC) in response to the amended Made Available-to-Trade (MAT) determinations of Javelin SEF, LLC and TW SEF LLC for certain interest rate swap products.

MFA's supplemental letter welcomes the revisions made by Javelin SEF and TW SEF in their amended MAT determinations. With respect to outright swaps, the amended MAT determinations' focus on spot-starting benchmark swaps is closely aligned with the scope that MFA recommended in its previous comment letter to the CFTC for Day 1 SEF trading under the phase-in approach.

With respect to compound or package transactions, MFA generally supports the revisions and the statements made by TW SEF and Javelin SEF that their MAT determinations (i) do not apply to package transactions and (ii) do not apply to swaps that are executed as legs of package transactions. MFA continues to believe that its phase-in approach will strike the appropriate balance by bringing the benefits of SEF trading to the most liquid products while ensuring that the migration to SEF trading does not inadvertently disrupt markets. MFA notes that the SEFs themselves may well implement such a phase-in approach via a series of staggered MAT determinations.

[Read MFA's entire comment letter submitted to the CFTC here.](#)

PricewaterhouseCoopers Report Details Drawbacks of Proposed European Union Financial Transaction Tax:

A recent report from PricewaterhouseCoopers LLP (PwC) notes that the planned European financial transaction tax (FTT) "may fail to reduce market risks and could increase household costs," according to a *Bloomberg* article detailing the report. The PwC report shows that the proposed FTT could reduce gross domestic product growth by 0.3% to 2.4%.

The report is a literature review of studies that have examined the proposed FTT. It was commissioned by 27 trade groups. PwC's report further indicates that the proposal could fail to address the interconnectedness of global financial bodies, a large source of potential systemic risk.

"To think the proposal for a FTT will raise the revenue expected is unreal," Anthony Belchambers, chief executive officer of the Futures & Options Association (one of the groups that commissioned the report), said during an interview. "To imagine there will not be a serious loss of trading volumes depending on the market is unreal, and to suggest that this is a cost only to banks is unreal."

[Access the entire PwC report online here.](#)

[Read the full *Bloomberg* article detailing the PwC report here.](#)

Video of U.S. Attorney Preet Bharara Speaking at MFA's *Compliance 2013*:

U.S. Attorney Preet Bharara recently appeared at the *Compliance 2013* conference in New York. Bharara, the U.S. Attorney for the Southern District of New York, delivered remarks and then sat down for an armchair chat with Michael Neus, Managing Partner and General Counsel, Perry Capital, LLC.

U.S. Attorney Bharara's remarks mainly focused on the importance of culture at corporate institutions, as well as the significance of integrating compliance and ethics within the entire company.

"I meant to say this before and I hope it is implicit: investment is great, and most people and people sometimes in this office don't like to make this point because it is much more sensational and great to talk about all the prosecutions that we bring and, you know, it's a lot, 75, but there are thousands and thousands of people in the industry, and most people at most places are honorable and ethical and

want to do the right thing, and just to amplify my answer to the question you asked me before, and also to congratulate you on thinking about these things and having conferences like this because you care about it, and you want to make the industry better,” said Bharara.

[Watch the video of U.S. Attorney Bharara’s remarks here.](#)
[See all of MFA’s educational videos on our YouTube Channel.](#)

Register Now for *Network 2014*, Featuring Speakers from CalPERS, Teacher Retirement System of Texas, and United Auto Workers Retiree Medical Benefits Trust:

Early registration for MFA’s *Network 2014* conference is open and available online. The conference has relocated to an expanded space at the InterContinental Hotel in Miami and will be held January 27-29, 2014.

Announcing the early registration, Richard H. Baker, MFA’s President and CEO, said, “By hosting the largest gathering of asset managers and allocators, our *Network* conference has established itself as the premier platform for business development and industry expansion.”

The conference program provides a number of forums for investors to interact. Opportunities consist of top-tier investor panels featuring leading allocators – including fund of funds, consultants and private wealth managers; small investor roundtables; business development sessions that offer managers a chance to review and enhance their marketing and communications materials; a developing and emerging managers forum; and, several large-group networking events.

Conference registrants will also be provided a powerful new networking tool: *MFAConnect*, an electronic scheduling platform that serves as a mechanism for allocators, fund managers, counterparties and service providers to arrange one-on-one appointments at the conference.

[Visit the *Network 2014* website to learn more.](#) [Read the full press release announcing *Network* registration here.](#)

**Twitter is a great way to stay on top of the latest news from MFA and the hedge fund industry.
Follow MFA on Twitter @MFAUpdates.**