



MFA Submits Supplemental Letter to the SEC on Tri-Party Segregation Terms:

Last month, MFA submitted a supplemental letter to the SEC that proposes both required and permitted contractual terms for tri-party segregation arrangements that will be protective of the security-based swap dealer, the pledger, and the structure generally so as to render unnecessary the imposition of a capital charge on security-based swap dealers when their financial end-user counterparties elect to segregate initial margin for uncleared security-based swaps.

[Read the letter on tri-party segregation terms that MFA submitted to the SEC.](#)

MFA Submits Comments to UK FCA Responding to Consultation on Use of Dealing Commissions:

MFA submitted comments to the UK Financial Conduct Authority (FCA) in response to its consultation on the use of dealing commission rules. In the letter, MFA recommended that the FCA provide an exception to its dealing commission rules that allow hedge fund managers (or any other investment managers) who advise funds with sophisticated investors to rely on their contractually negotiated terms in determining the allocation of expenses, including the allocation of execution, research and other expenses.

In addition, MFA encouraged the FCA to: (i) retain the “reasonable grounds” standard under the current dealing commission rules, or, at a minimum, provide further guidance on the criteria for permitted research and execution services, (ii) reconsider the scope of the proposed definition of corporate access service, and (iii) require sell-side firms to provide much-needed information about the nature of research or services provided to investment managers.

[Read MFA’s comment letter to the FCA here.](#)

House Ways and Means Committee Chairman Camp Releases Comprehensive Tax Reform Discussion Draft:

As reported on Wednesday, February 26, House Ways and Means Committee Chairman Dave Camp (R-MI) released the Tax Reform Act of 2014 ([legislative text](#) and [section-by-section detailed summary](#)), a comprehensive tax reform discussion draft, which, among other things, proposes changes to the treatment of carried interest, capital gains, and derivative instruments.

[Read the legislative text.](#)

MFA Submits Comments to IRS on Proposed 871(m) Rules:

On March 5, MFA submitted comments to the IRS regarding the proposed 871(m) rules, which would apply withholding taxes on non-U.S. investors that receive dividend equivalent payments from U.S. sources. In the letter, MFA encouraged the IRS and Treasury to amend the proposed rules to, among other things: (i) set a delta threshold of .90, which would better capture instruments that have substantially similar economic exposure as directly owning the relevant underlying U.S. security while avoiding the adoption of an overly broad scope that could adversely affect capital markets; (ii) remove the requirement that taxpayers combine multiple transactions for purposes of determining whether a transaction is subject to withholding, given the uncertainty about how to apply an “in connection standard” or, to the extent the IRS does not remove that requirement, to permit taxpayers to combine all transactions entered into in connection with each other, whether long or short; (iii) exclude convertible securities from the rule, given their importance as a financing mechanism for many U.S. companies and the low risk of these instruments being used for tax abuse or, to the extent they are not excluded entirely, to limit the impact on convertible securities by measuring the delta only at issuance; (iv) broaden the qualified index definition to include indices widely used for investment and hedging purposes and which do not present a significant risk of tax abuse; and (v) eliminate provisions in the proposed rule that would have the effect of imposing withholding taxes on phantom dividend equivalent payments that are never actually received by the investor.

[Read the full letter submitted by MFA to the IRS on proposed 871\(m\) rules.](#)

MFA Co-Sponsors 12th Annual European Financial Services Conference:

On Thursday, February 20, Managed Funds Association co-sponsored the 12th Annual European Financial Services Conference in Brussels, marking the third year in a row that we have done so. The annual event is one of the leading financial regulatory conferences in Europe, and this year it attracted over 400 high-level financial service policy makers, professionals, and regulators.

Roger Hollingsworth, Executive Vice President and Managing Director, Government Relations represented MFA at the conference and spoke on the luncheon panel titled “International Financial Markets and the Transatlantic Opportunity.”

Joining Roger on the panel were:

- Verena Ross, Executive Director, European Securities and Markets Authority (ESMA);
- Wolf Klinz, Member, European Parliament; and,
- Chris Brummer, Professor of Law, Georgetown University Law Center; C. Boyden Gray Fellow, Global Business and Economics, Atlantic Council.

The panelists examined, among other topics: ways to harmonize financial regulations across U.S. and EU jurisdictions; the impact of the Transatlantic Trade and Investment Partnership (TTIP) negotiations between the EU the U.S.; and, the challenges facing TTIP, while noting the sense of optimism shared by EU and U.S. officials regarding ongoing regulatory cooperation.

Earlier in the day, EU Commissioner for Internal Market and Services, Michel Barnier, delivered the conference’s opening keynote address, stating that despite the progress made in the financial sector over the last four years, much work remains to be done, including: completing the stabilization of the European financial sector; completing the consolidation of the Euro Area; and, boosting competitiveness and growth of the European Union. Specifically, regarding the stabilization of the European financial sector, Commissioner Barnier noted it will only occur if the new regulations are

applied across the board to all market participants, and if similar rules are adopted by key jurisdictions.

Other notable speakers at the conference included Elisa Ferreira, Member, European Parliament; Vítor Constâncio, Vice-President, European Central Bank; and, Edouard Fernandez-Bollo, Secretary General, French Autorité de contrôle prudentiel, Banque de France.

[Read more about the conference online here.](#)

MFA Launches Hedge Fund Glossary:

MFA launched a comprehensive online hedge fund glossary in collaboration with Latham & Watkins LLP through its Book of Jargon® – Hedge Funds. This new resource provides users with a complete set of key terms, phrases, and definitions specific to all aspects of the global hedge fund industry.

The new hedge fund glossary on MFA's website offers users access to an interactive library of more than 900 terms, including acronyms regularly used to describe key industry terms, as well as jargon adopted by professionals in the hedge fund industry. The Book of Jargon® – Hedge Funds is also available as a free app that allows users to access the information on Apple's iPhone and iPad devices.

The hedge fund glossary is a meaningful addition to MFA's full complement of educational offerings for the public, investor, and fund manager communities. "The launch of the hedge fund glossary further exemplifies MFA's commitment to educational offerings for hedge fund professionals and serves as another helpful resource for those looking to learn more about how our industry functions," said Richard Baker, MFA President and CEO of the Managed Funds Association. "These global businesses can be complex, but we believe our glossary allows those who are curious and interested in hedge funds to gain clarity on the basic elements, strategies, and terms that govern the day-to-day operations of the industry," Baker said.

Glossary content will be regularly updated by Latham & Watkins to reflect changes in legislation, terminology, and definitions that are relevant to the global hedge fund community.

[View the full hedge fund glossary online.](#)

[Access the free Book of Jargon® – Hedge Funds app from the iTunes App Store.](#)

[Read MFA's press release announcing the hedge fund glossary.](#)

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