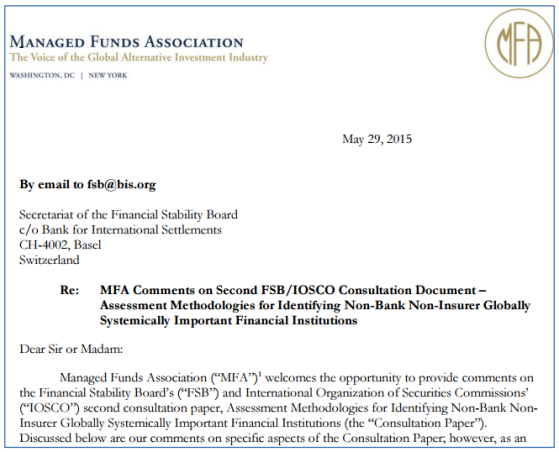
MFA Policy Brief

June 2015

MFA Helps Impact FSB/IOSCO's GSIFI Assessment Methodologies



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

May 29, 2015

By email to fsb@bis.org

Secretariat of the Financial Stability Board
c/o Bank for International Settlements
CH-4002, Basel
Switzerland

Re: MFA Comments on Second FSB/IOSCO Consultation Document – Assessment Methodologies for Identifying Non-Bank Non-Insurer Globally Systemically Important Financial Institutions

Dear Sir or Madam:

Managed Funds Association ("MFA")[1] welcomes the opportunity to provide comments on the Financial Stability Board's ("FSB") and International Organization of Securities Commissions' ("IOSCO") second consultation paper, Assessment Methodologies for Identifying Non-Bank Non-Insurer Globally Systemically Important Financial Institutions (the "Consultation Paper"). Discussed below are our comments on specific aspects of the Consultation Paper; however, as an

The **International Organization of Securities Commissions (IOSCO)** this week announced a new "Strategic Direction to 2020," which calls for a "full review of asset management activities and products in the broader global financial context…to identify potential systemic risks." IOSCO's Board stated that this review "should take precedence over further work on methodologies for the identification of systemically important financial institutions." **Martin Wheatley,** chief executive officer of the U.K. Financial Conduct Authority, an IOSCO member, explained at a press conference that **the course change had been influenced by industry responses.**

This decision from IOSCO **follows MFA's recent comment letter on the Financial Stability Board's (FSB) and IOSCO** in regards to their second consultation paper on the issue, "Assessment Methodologies for Identifying Non-Bank Non-Insurer Globally Systemically Important Financial Institutions."

MFA asserted it believes **systemic risk is best addressed holistically**, as opposed to by the designation of individual participants. MFA also relayed that before the FSB and IOSCO make any final determinations regarding designations or assessment methodologies, it believes **more analysis needs to be done** to provide a clear rationale for how identified risks may be systemic in nature and how the designation of individual firms would address those identified risks. MFA noted that such a process is currently being undertaken by the **Financial Stability Oversight Council (the "FSOC")** in the U.S. and that the FSB has announced a work plan to examine market-based activities and the role of asset management.

After Wednesday's announcement, MFA's President CEO Richard H. Baker said, "IOSCO's **decision to focus on understanding potential risks to the financial system on a structural, market-wide basis, instead of focusing on individual funds,** is consistent with the approach of other global regulators. While risks are intrinsic in the activities of the broader financial industry, the relatively small size of the hedge fund industry compared to other market participants, existing regulations, and built-in safeguards **all prevent the industry from posing systemic risk to the financial system.**"

IOSCO's Statement on Addressing System Risk in the New Financial World

MFA's Comment Letter on the Second FSB/IOSCO Consultation Paper on GSIFI Assessment Methodologies

MFA, Trade Groups Work to Improve Global Derivatives Trade Data Reporting

On June 11, MFA joined the **International Swaps and Derivatives Association (ISDA)** and a coalition of other financial trade associations to outline key principles that would harmonize derivatives trade reporting requirements.

June 11, 2015

Re: Key Principles to Improve Global Trade Reporting and Data Harmonization

The Australian Financial Market Association (AFMA), the Alternative Investment Management Association (AIMA), the British Bankers Association (BBA), the German Investment Funds Association (BVI), the European Fund and Asset Management Association (EFAMA), the Futures Industry Association (FIA Global), the Global

Taken together, these principles **will facilitate a global reporting framework that provides greater consistency and transparency.** This will make the global derivatives markets safer and more efficient for all market participants.

The letter also emphasized the need for the framework to contain **robust confidentiality safeguards** for the secure transmission and maintenance of trade data.

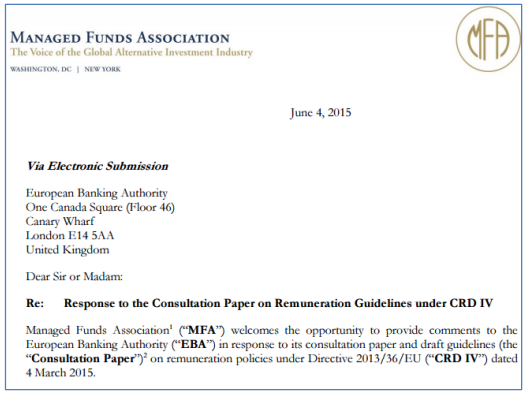
MFA's Comment Letter on Key Principles to Improve Global Trade Reporting and Data Harmonization

MFA Submits Comments on EBA Remuneration Guidelines

Earlier this month, MFA submitted a comment letter to the **European Banking Authority (EBA)** in response to the EBA's consultation paper on guidelines on remuneration under the **Capital Requirements Directive (CRD).**

MFA's letter addresses the importance of permitting so-called neutralization as part of the application of the proportionality principle and, as such, encourages the EBA to **revise its guidelines to permit neutralization of individual principles**, consistent with the text and recitals in CRD III and CRD IV.

MFA's letter also encourages the EBA not to interpret the legislation in a manner that would require stricter numerical standards for significant financial institutions than those set out in the legislation, which we believe is inconsistent with the proportionality principle.



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

June 4, 2015

Via Electronic Submission

European Banking Authority
One Canada Square (Floor 46)
Canary Wharf
London E14 5AA
United Kingdom

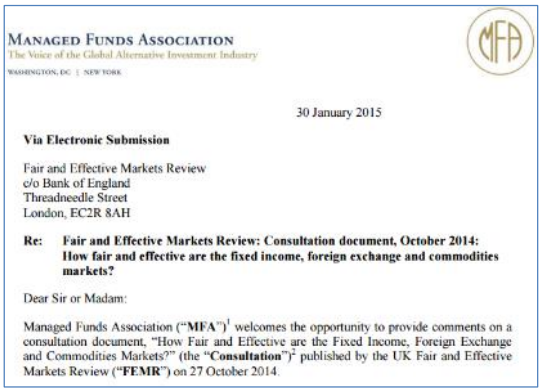
Dear Sir or Madam:

Re: Response to the Consultation Paper on Remuneration Guidelines under CRD IV

Managed Funds Association[1] ("**MFA**") welcomes the opportunity to provide comments to the European Banking Authority ("**EBA**") in response to its consultation paper and draft guidelines (the "**Consultation Paper**")[2] on remuneration policies under Directive 2013/36/EU ("**CRD IV**") dated 4 March 2015.

MFA's Comment Letter on EBA Remuneration Guidelines

MFA Comments on UK Fair and Effective Markets Review Issues Final Report



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

30 January 2015

Via Electronic Submission

Fair and Effective Markets Review
c/o Bank of England
Threadneedle Street
London, EC2R 8AH

Re: Fair and Effective Markets Review: Consultation document, October 2014: How fair and effective are the fixed income, foreign exchange and commodities markets?

Dear Sir or Madam:

Managed Funds Association ("**MFA**")[1] welcomes the opportunity to provide comments on a consultation document, "How Fair and Effective are the Fixed Income, Foreign Exchange and Commodities Markets?" (the "**Consultation**")[2] published by the UK Fair and Effective Markets Review ("**FEMR**") on 27 October 2014.

Last week, the **UK Fair Effective Markets Review (FEMR)** published its final report on actions to improve conduct standards in the wholesale **Fixed Income, Currency and Commodities (FICC)** markets and to influence the international debate on trading practices.

The final reports reflects and acknowledges a number of MFA's positions on **open and impartial access to FICC trading venues**, as set forth in MFA's comment letter in response to the FEMR consultation document.

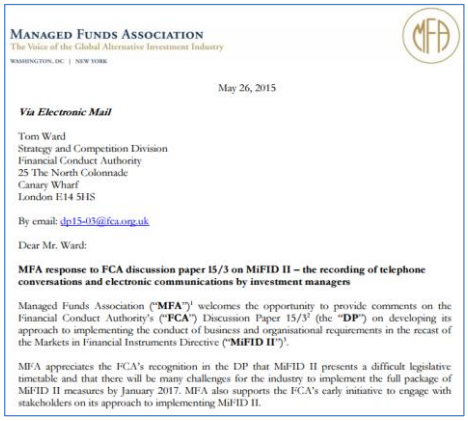
The Financial Stability Board (FSB) and the International Organisation of Securities Commissions (IOSCO) published the public responses to the March 2015 second consultative document on assessment methodologies for identifying non-bank non-insurer global systemically important financial institutions (NBNI-GSIFs), which were submitted on May 29.

MFA Submits Comments on UK Implementation of MiFID II

MFA recently submitted comments to the **UK Financial Conduct Authority (FCA)** on developing its approach to implementing the conduct of business and organizational requirements in the recast of MiFID II.

MFA's comments focused specifically on the **recording of telephone conversations and electronic communications by investment managers.** MFA expressed concern with the discussion paper's suggestion to remove the current recording exemptions for discretionary investment managers. The original policy rationale for the exemptions was to avoid duplication as the relevant conversations and communications would be captured through the **sell-side firm's taping obligation**.

MFA believes such rationale is still sound and raised concerns that the costs associated with extending the MiFID II taping requirements to discretionary managers would **far exceed any potential benefit which would be derived.** MFA urged the FCA, if it decides to consult on removing the recording exemptions, to conduct an impact assessment, as it did previously.



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

May 26, 2015

Via Electronic Mail

Tom Ward
Strategy and Competition Division
Financial Conduct Authority
25 The North Colonnade
Canary Wharf
London E14 5HS

By email: dp15-03@fca.org.uk

Dear Mr. Ward:

MFA response to FCA discussion paper 15/3 on MiFID II – the recording of telephone conversations and electronic communications by investment managers

Managed Funds Association ("**MFA**")[1] welcomes the opportunity to provide comments on the Financial Conduct Authority's ("**FCA**") Discussion Paper 15/3[2] (the "**DP**") on developing its approach to implementing the conduct of business and organisational requirements in the recast of the Markets in Financial Instruments Directive ("**MiFID II**")[3].

MFA appreciates the FCA's recognition in the DP that MiFID II presents a difficult legislative timetable and that there will be many challenges for the industry to implement the full package of MiFID II measures by January 2017. MFA also supports the FCA's early initiative to engage with stakeholders on its approach to implementing MiFID II.

MFA's Comment Letter to the UK FCA

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