



MANAGED FUNDS ASSOCIATION

News Release

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MANAGED FUNDS ASSOCIATION LEADERS CALL FOR IMPROVED SOUND PRACTICES BY HEDGE FUND MANAGERS

WASHINGTON, D.C., November 5, 2007 --- Managed Funds Association (MFA) today recommended the hedge fund industry adopt significantly heightened standards of excellence by adhering to its latest version of *Sound Practices for Hedge Fund Managers*. The call came as MFA released an updated version of *Sound Practices* and began distributing it to its members.

According to MFA Chairman Eric Vincent, the revised *Sound Practices* represent the hedge fund industry's response to the President's Working Group on Financial Markets' (PWG) call for improved market discipline and enhanced vigilance. "As hedge funds continue to be important liquidity providers and risk dispersers in the global capital markets, active industry self-oversight is crucial and will contribute to market soundness and investor protection," he said. "MFA recognizes its responsibility to advocate sound business practices and asks all industry participants to adopt the expanded policies and procedures set forth in these recommendations."

MFA is the leader in developing sound practices and policies for the hedge fund industry. Originally published in 2000, *Sound Practices* is in its fourth iteration. According to MFA President John G. Gaine, "The updated guidance is the cornerstone of the Association's initiative to collaborate with domestic and international organizations with the goal of establishing uniform global principles and guidance."

Sound Practices has been shared with the PWG's Private Sector Asset Management Committee, which is also developing industry best practices. The majority of participants on the Asset Management Committee are Sustaining Members of MFA.

Major Revisions

Sound Practices is a dynamic blueprint written by the industry, for the industry, to provide peer-to-peer recommendations to:

- Strengthen business practices of the hedge fund industry through a strong framework of internal policies and practices;
- Encourage individualized assessment and application of recommendations; and
- Enhance market discipline in the global financial marketplace.

The revised edition includes substantially updated and expanded guidance on valuation, risk management and responsibilities to investors. It also introduces MFA's first model due diligence questionnaire designed for use by all types of investors, including high net worth individuals, pension fund managers and nonprofit organizations. The combination of the questionnaire and the extensive recommendations in the document provide powerful tools for investors as they consider adding hedge funds to their portfolios.

Other key improvements and additions to *Sound Practices* are:

- Updated anti-money laundering guidance;
- Significantly expanded guidance on the determination of net asset value;
- Additional guidance on the financial statement close process;
- Improved guidance on risk monitoring, measurement and management;
- More robust recommendations on responsibilities to investors;
- New transactional practices section, including policies and procedures related to managing potential and actual conflicts of interest, safeguarding confidential information, establishing and managing counterparty relationships, and achieving best execution; and
- New format that permits MFA to update the materials more frequently as events warrant.

Global Collaboration

MFA revised *Sound Practices* in cooperation with international organizations that share the PWG and MFA's goal of providing market participants with a framework for establishing uniform principles and guidance for the global hedge fund industry. MFA has shared earlier drafts of its revised *Sound Practices* with the G-7 finance ministers and deputies, and has worked with the International Organization of Securities Commissions (IOSCO) in the development of international portfolio valuation principles and the identification of issues affecting funds of hedge funds.

For a copy of *Sound Practices* please visit: <http://www.managedfunds.org/educate.asp>

About Managed Funds Association

MFA is the voice of the global alternative investment industry. Its members include professionals in hedge funds, funds of funds and managed futures funds. Established in 1991, MFA is the primary source of information for policymakers and the media and the leading advocate for sound business practices and industry growth. MFA Members represent the vast majority of the largest hedge fund groups in the world who manage a substantial portion of the approximately \$2 trillion invested in absolute return strategies. MFA is headquartered in Washington, D.C., with an office in New York.

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