

President's Working Group Issues Best Practices Reports for Hedge Funds

On April 15, 2008, the private sector committees of the President's Working Group in Financial Markets ("PWG") released two separate reports that recommend best practices and assess the accountability of the hedge fund industry. The Investors' Committee and Asset Managers' Committee were created to determine best practices so that market participants may enhance investor protection and systematic safeguards consistent with the PWG's principles and guidelines.

The committees were created in 2007 following the PWG's release of principles-based guidelines to address the rapid growth of private pools of capital, including hedge funds. The Investors' Committee is comprised of representatives from labor organizations, endowments, foundations, corporate and public pension funds, investment consultants, and non-U.S. investors. The Asset Managers' Committee includes representatives from a diverse group of hedge fund managers representing many different strategies.

The best practices report for investors includes a Fiduciary's Guide and an Investor's Guide. The Fiduciary's Guide provides recommendations to individuals charged with evaluating the appropriateness of hedge funds as a component of an investment portfolio. The Investor's Guide provides recommendations to those charged with executing and administering a hedge fund program once a hedge fund has been added to the investment portfolio.

The best practices report for the asset managers calls on hedge funds to adopt comprehensive best practices in all aspects of their business, including the critical areas of disclosure, valuation of assets, risk management, business operations, compliance and conflicts of interest.

The PWG recommendations are intended to complement each other by encouraging market participants to hold other participants more accountable. Given the global nature of the financial markets, the best practices were designed to be consistent with the recent work in the United Kingdom to improve hedge fund oversight.

Below are links to the committee reports of the PWG. Please feel free to contact us regarding any of the recommendations of the reports.

Asset Managers' Committee Report

<http://www.managedfunds.org/downloads/Asset%20Managers'%20Committee%20Report%20April%2015%202008.pdf>

Asset Managers' Committee Report Fact Sheet

<http://www.managedfunds.org/downloads/Asset%20Managers'%20Committee%20Fact%20Sheet.pdf>

Investors' Committee Report

<http://www.managedfunds.org/downloads/Investors'%20Committee%20Report%20April%2015%202008.pdf>

Investors' Committee Report Fact Sheet

<http://www.managedfunds.org/downloads/Investors'%20Committee%20Fact%20Sheet.pdf>

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