Report on the third IOSCO Hedge Fund Survey

Final Report

OICU-IOSCO

The Board

OF THE

INTERNATIONAL ORGANIZATION OF SECURITIES COMMISSIONS

FR27/2015	**December 2015**

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Chapter 1 – Introduction

In November 2008 IOSCO established the Task Force on Unregulated Financial Entities ("Task Force"), which was meant to support G-20 initiatives to reduce risks associated with unregulated entities and develop an appropriate regulatory approach where needed.

The Task Force initially focused on hedge funds, reflecting the G-20's particular concerns at the time, which resulted in a report on Hedge Funds Oversight in June 2009. This report made six recommendations ("principles") for the regulation of hedge funds and/or hedge fund managers[1] to ensure global consistency in the approach to the regulation of hedge funds and/or hedge fund managers. Principle 4 in particular, recommended that hedge fund managers/advisers are required to provide regular information to their relevant regulator for systemic risk purposes. The Task Force subsequently developed the IOSCO Hedge Fund Survey to help achieve a globally consistent collection and sharing of such data on hedge fund activities and their risks. The IOSCO Hedge Fund Survey ("Survey") remains the only such exercise on a global level.

The first iteration of the Survey collected data as of 30th September 2010. At the time, a number of IOSCO members faced legal constraints relating to sharing data. Consequently, strong conclusions could not be drawn on the systemic importance of the global hedge fund industry and its risks. The second IOSCO Survey, collecting data as of 30th September 2012, managed to overcome some of these constraints. Participation in the exercise increased and included a contribution from the US, where the majority of hedge funds are managed. Data also became more comparable and therefore more meaningful due to better explanations and guidance in relation to the definitions used in the questionnaire. Since then the IOSCO Survey has become an integral part of the work of the IOSCO Committee on Investment Management (Committee 5), the aim being to conduct the Survey as a regular exercise.

The third and present iteration of the IOSCO survey collected data as of 30th September 2014. The Survey benefited from the participation of the following nine authorities: ASIC (Australia), AMF (France), BaFin (Germany), CONSOB (Italy), FCA (United Kingdom), FSA (Japan), SEC (United

1 Hedge Funds Oversight, Final Report, June 2009, available at: http://www.iosco.org/library/pubdocs/pdf/IOSCOPD293.pdf

States of America), SFC (Hong Kong), MAS (Singapore). SEBI (India) also provided input on regulatory developments affecting hedge funds over the past two years. As a result of the questionnaire being broadly the same as in the 2013 Survey, it allows for the tracking of developments in the hedge fund sector between September 2012 and September 2014[2].

This report summarises the findings of the September 2014 data, and attempts an analysis of some of the key developments in the global hedge fund sector.

The report follows the same broad layout as the previous IOSCO Hedge Fund Survey (2013). Chapter 2 presents an overview, outlining the Survey's objectives and methodology and the main improvements of this exercise. Chapter 3 considers new regulatory developments relevant to hedge funds across a number of jurisdictions over the last two years. Chapter 4 presents the findings of the Survey. It splits into two sections: the first section presents findings that are based on data submissions by all participants, whereas the second section only benefited from partial data submissions, due to data availability issues and/or confidentiality concerns.

1.1. Highlights of this Survey

The findings of the 2015 Survey, which captures a significant share of the global hedge fund industry, can be highlighted as follows:

- The Survey suggests that assets under hedge fund management appear to be growing at an impressive pace of 34% since the last Survey. Some of this growth may reflect more widespread and accurate reporting across all jurisdictions, in addition to asset value changes and net inflows, and structural changes such as the consolidation of smaller funds.
- The hedge fund industry is largely concentrated in the US, whilst the Cayman Islands continue to be the tax domicile of choice, boasting a larger number of new funds.
- Hedge funds remain mostly US Dollar based and – as of September 2014 – predominantly invested in North American assets. Although the use of multiple strategies is becoming increasingly popular, most of these appear to be equity-based.
- Financial leverage is used by hedge funds across all jurisdictions, except in Japan; comparisons of synthetic and gross leverage are only indicative due to different leverage metrics used by the jurisdictions.

[2] However in some jurisdictions, the samples may not be directly comparable given that the survey is based on voluntary submissions by qualifying funds. Also, data may not be comparable across a time series, as some jurisdictions that participated in the second IOSCO Survey did not participate in this third survey.

- There does not appear to be a significant liquidity mismatch in hedge funds against the backdrop of the September 2014 “normal” market conditions based on reported data. Hedge funds seem aware of the market liquidity of their portfolio positions, and they generally can make use of suspensions and gating to manage investor redemptions.

Other highlights, based on a subset of the data[3], are as follows:

- Performance of surveyed hedge funds has been overall positive between September 2013 and September 2014, where the average net investment return across the sample was 10.89%. No hedge fund lost more than 15%, whereas 18% of funds achieved more than 15% in net investment returns.
- Two-thirds of the surveyed hedge funds use Value at Risk as a risk management tool, reporting mean VaR values ranging between 4% and 21% across jurisdictions.
- Institutional investors account for a significant proportion (31%) of direct investments in hedge funds, with the remaining share dominated by fund of funds.
- Actual re-hypothecation of collateral posted and received by hedge funds remains significantly under the potential level of re-hypothecation.

[3] SEC data was not available with regard to these areas.

Chapter 2 – Overview of the third IOSCO Hedge Fund Survey

2.1. Objectives of the IOSCO Hedge Fund Survey

The IOSCO hedge fund survey is an international data exercise which assembles information from regulatory returns on hedge fund activities for the purpose of sharing data. The survey enables the collection and sharing of information on the scope of hedge fund activities, the markets that they operate and invest in, and their leverage and funding.

The aim of collecting such data enables IOSCO to:

- gain a better insight into the global hedge fund industry;
- enable global cooperation on possible risks in this sector; and
- provide a forum for the discussion of potential regulatory options if required.

Given the lack of public and global data on hedge fund activities IOSCO believes that the regular collection and analysis of this hedge fund data by regulators remains an important building block to monitor trends in the hedge fund sector and understand better any potential systemic risks that hedge funds may pose to the financial system. The report also summarises key changes in the regulation of hedge funds since the last report in 2013 to better understand the global environment in which hedge funds operate.

2.2. Improvements to the Survey

The global nature of hedge funds leads them to operate across numerous markets and jurisdictions, and – whilst being domiciled offshore – to be registered with and reporting to several regulators. Therefore, a key challenge in a global exercise of this kind is to eliminate duplication.

In this latest iteration participating members have increased their efforts to remove hedge fund data that may have been reported to another regulator by checking with each other bilaterally. This makes the third IOSCO Survey considerably more accurate than its predecessor in terms of the reporting sample. However, because duplicate funds were generally attributed to the US sample, that sample resulted in reporting the largest proportion of the global hedge fund market. For the same reason, the UK's sample fell from 97 funds to just 15 funds. Additional information provided by the US on how many hedge funds in its sample are managed by advisors outside of the US has therefore been helpful and included in this report. In order to facilitate comparisons with the 2013 Survey, the report has also included reference data of the September 2014 FCA Hedge Fund Survey (based on 132 funds[4]). In the 2013 IOSCO Survey, the same FCA Hedge Fund Survey data had made up the UK sample.

Given that this is now the second iteration covering broadly the same questions, this report also enables for the first time to track changes in the responses by hedge funds between 2012 and 2014[5].

As hedge fund managers become more familiar with the Survey's questions, definitions and calculation methods, there will also be improvements in data quality.

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4 FCA HFS reports on 132 funds (see http://www.fca.org.uk/static/documents/hedge-fund-survey.pdf). The addition of one fund originally reported to Hong Kong; however as all of the hedge fund's assets related to the UK it has been included in UK sample (15 funds). See Figure 2 for further clarification.

5 The first iteration of the survey did not contain US data due to confidentiality issues and concerns around the quality of Form PF data. As the US make up the majority of the sample it would not be meaningful to use the first survey's data to build a time series.

Chapter 3 – Regulatory developments in the hedge fund sector

3.1. Introduction

This chapter provides an overview of some of the key changes in the regulatory regimes affecting hedge funds over the past two years in the USA, Europe, and Asia/Pacific. It is based on contributions provided by participating members of the Survey.

3.2. Regulatory developments in the USA

The Jumpstart Our Business Start-ups Act (JOBS Act) and General Solicitation

On July 10, 2013, the Securities and Exchange Commission adopted amendments to Rule 506 of Regulation D and Rule 144A under the Securities Act of 1933 (Securities Act) to implement Section 201(a) of the Jumpstart Our Business Startups Act.[6] In particular, prior to these amendments, issuers (including hedge funds) who sought to rely on Rule 506 to privately place securities could not engage in general solicitation or general advertising (i.e. make a "public" offer but a "private" sale). The amendment to Rule 506 permits an issuer to engage in general solicitation or general advertising in offering and selling securities pursuant to Rule 506(c), provided that all purchasers of the securities are accredited investors and the issuer takes reasonable steps to verify that such purchasers are accredited investors. New Rule 506(c) also includes a non-exclusive list of methods that issuers may use to satisfy the verification requirement for purchasers who are natural persons. As part of this rulemaking, Form D was revised to require issuers to indicate whether they are relying on new Rule 506(c).

Simultaneously with the adoption of these amendments, the Commission also issued a proposal designed to enable the Commission to evaluate how general solicitation impacts investors in the private placement market. The proposed measures include, among other things, expanding the information that issuers must include on Form D; requiring issuers to file the Form D before a general solicitation begins and when an offering is completed; requiring certain legends and other disclosures in written general solicitation materials; and requiring the submission, on a temporary

[6] Eliminating the Prohibition Against General Solicitation and General Advertising in Rule 506 and Rule 144A Offerings, Release No. 33-9415 (July 10, 2013), available at http://www.sec.gov/rules/final/2013/33-9415.pdf

basis, of written general solicitation materials to the Commission.[7] As of the date of this report, the Commission has not taken final action regarding this proposal.

Although many issuers, including hedge funds, are permitted to rely on new Rule 506(c) of Regulation D of the Securities Act, to date, according to one published report, it seems that relatively few hedge fund managers are taking advantage of the new rules.[8]

3.3. Regulatory developments in the EU

AIFMD Third Country Passporting

The Alternative Investment Fund Managers Directive (AIFMD) aims to create a harmonised comprehensive and effective regulatory and supervisory framework for alternative investment fund managers ("AIFMs") within the EU. The Directive required European Member States to transpose the AIFMD into national law by 22nd July 2013. It covers a broad range of funds including hedge funds, private equity and real estate funds.

The AIFMD introduces mandatory authorisation/registration and ongoing regulatory requirements for the AIFMs, including regular reporting obligations to its regulator for each alternative investment fund ("AIF"). Managers which have obtained authorisation by their national competent authority can market their funds to institutional investors throughout the European Union (European passport). A Member State may also allow funds domiciled outside the EU, but managed by an EU fund manager, to be marketed in that Member State. However, the fund cannot be marketed across the EU. Along similar lines, Member States can also allow non-European managers to market their funds within their territory. In this case, the non-EU manager must comply with certain provisions of the Directive including those on reporting. Both these options are also referred to as "national private placement regimes".

In addition, the AIFMD opens the door for the passporting process to apply to non-EU managers and non-EU funds. Once such a passport is in place the fund and the manager are able to market freely within the EU; however they would have to fully comply with all the requirements of the Directive. This "non EU passport" is not yet in place; it is subject to approval by the European Commission, the European Parliament and the European Council, following advice from the European Securities and Market Authority (ESMA) on what non-EU jurisdiction should benefit from it. This work is

[7] Amendments to Regulation D, Form D and Rule 156, Release No. 33-9416 (July 10, 2013), available at http://www.sec.gov/rules/proposed/2013/33-9416.pdf

[8] Irwin M. Latner, Setting The Record Straight: JOBS Act Marketing Opportunities For Smaller Hedge Fund Managers (Sept. 14, 2015), available at http://hedgeconnection.com/blog/?p=3418

currently in progress. If European institutions decide in favour of opening the non-EU passport, the AIFMD requires, three years from the application of the non-EU passport, a review of the existence of the national private placement regime.

AIFMD transparency reporting

In August 2014 the European Securities Market Authority issued further clarifications on the details of the reporting obligations under AIFMD.[9] The specific transparency information that each AIFM and AIF are required to report is dependent on its AIFM and AIF type (based on size of assets under management as defined under AIFMD, jurisdiction and leverage). Annex IV transparency information is reported quarterly, semi-annually, and annually, and national regulators forward the data to ESMA, which will then aggregate and analyse the data.

The full reporting requirements took effect in January 2015, whereby AIFMs needed to report information on the portfolio composition, leverage, use of securities financing transactions or other elements impacting the risk profile of their AIFs. This AIFMD data will be used among other to monitor the systemic risks of alternative investment funds and to conduct peer-group analysis and identify outliers, serving as a useful tool for the monitoring of hedge funds.

With three reporting periods now completed, there has been ongoing work by regulators to assess the quality of the transparency information received from firms, and to identify corrective actions and ways in which they can help improve the quality of future submissions.

A number of European regulators have therefore been educating firms through communications on common reporting errors. Regulators have also provided feedback to ESMA to improve the quality and consistency of data submitted, by clarifying the definitions and methodology of key metrics. ESMA has issued further guidance with its regularly updated AIFMD Q&As.

3.4. Regulatory developments in Asia

Monetary Authority of Singapore (MAS)

Since August 2012, fund management companies (FMCs) are required to be licensed or registered for fund management in Singapore. All FMCs have to meet admission criteria including capital and competency requirements, as well as comply with business conduct requirements, which include

9 *Guidelines on reporting obligations under Articles 3(3)(d) and 24(1), (2) and (4) of the AIFMD*, ESMA, November 2013.
http://www.esma.europa.eu/system/files/2013-1339_final_report_on_esma_guidelines_on_aifmd_reporting_for_publication_revised.pdf

independent custody of assets, independent valuation and reporting to investors. An exemption regime which had operated prior to August 2012 was discontinued.

In April 2013, MAS revised the capital requirements for capital markets services licensees, which include licensed fund management companies (FMCs). The changes enhanced the risk-sensitivity of the risk-based capital (RBC) framework and strengthened the quality of capital of licensed FMCs. Licensed FMCs are required to maintain adequate financial resources that commensurate with their activities and risks.

Authorised hedge funds which are constituted in Singapore must comply with the Code on Collective Investment Schemes (CIS Code) which was last revised in August 2014. Under the Code, authorised hedge funds are subject to minimum subscription amount, manager's competency requirement, borrowings and dealing requirements. Hedge fund managers are required to have in place proper risk management, monitoring procedures and internal controls, and are required to provide annual certification to MAS that their procedures and controls for monitoring the management and the risk of the fund are as set out in the prospectus. The Code also sets out the diversification requirements for fund of hedge funds, disclosure requirements in the prospectus, and the content and frequency of reporting to investors.

In July 2014, MAS introduced a reporting regime for OTC derivatives. The reporting regime is being implemented in phases. As at July 2014, trade information relating to interest rate derivatives contracts and credit derivatives contracts booked in Singapore are to be reported to a trade repository. MAS has consulted on a phased approach for the reporting of trade information relating to OTC derivatives contracts in foreign exchange, equities and commodities.

MAS will be regulating intermediaries dealing in OTC derivatives. In June 2015, MAS issued a consultation paper on the proposed regulatory framework for OTC derivatives intermediaries. Under the proposed framework, intermediaries dealing in OTC derivatives will have to meet prescribed capital and business conduct requirements. This includes putting in place risk management policies and controls to safeguard customers' assets. MAS also proposed to introduce a set of risk mitigation requirements for intermediaries that deal in non-centrally cleared OTC derivatives. The requirements, which include trade confirmation and portfolio reconciliation, will enhance legal certainty over the terms of non-centrally cleared OTC derivatives transactions, foster effective management of counterparty credit risk, and facilitate timely dispute resolution.

Australian Securities and Investments Commission (ASIC)

ASIC Class Order [CO 12/749]

The objective of this class order is to exclude multi-funds, superannuation platforms and hedge funds from the shorter Product Disclosure Statement regime. The *Corporations Amendment Regulations 2010 (No 5)* established a new shorter Product Disclosure Statement (PDS) regime for superannuation products and for simple managed investment schemes[10]. This class order defines a "hedge fund" as a registered managed investment scheme that is promoted as a "hedge fund" or is covered by two or more defined characteristics which include a fund's use of leverage, derivatives or performance fees.

Regulatory Guide 240 - Hedge funds: Improving disclosure (latest version October 2013) (RG 240)

RG 240 is a regulatory guide for those involved in the issue and sale of hedge funds. It sets out ASIC's guidance for disclosure to investors to help them understand and assess these products. RG 240 sets out two benchmarks and nine disclosure principles which address the key issues that ASIC considers should be highlighted in disclosure documents relating to hedge funds and which should be discussed in a manner that allows prospective retail investors to make an informed decision about whether to invest.

Registered managed investment schemes

There have been various regulatory changes relating to registered managed investment schemes over the past two years. The following paragraphs outline key examples of such regulatory developments.

RG 134 Managed investments: Constitutions (re-issued February 2014) is a guide for operators of managed investment schemes seeking to register a scheme and their advisers. It sets out ASIC's updated guidance on the requirements for scheme constitutions in s601GA and 601GB of the *Corporations Act 2001*.

The constitution of a scheme must make adequate provision for the consideration that is to be paid to acquire an interest in the scheme. What constitutes 'adequate provision' will depend on the circumstances of the scheme. To minimise uncertainty, ASIC has given relief under Class Order [CO 13/655] P*rovisions about the amount of consideration to acquire interests and withdrawal amounts*

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10 Division 4 of Part 7.9 of the *Corporations Regulations 2001*

not covered by [CO 05/26] to allow the responsible entity to set the amount of the consideration to acquire an interest in the scheme.

ASIC has also given additional specific exemptions and modifications under Class Order [CO 13/656] *Equality of treatment impacting on the acquisition of interests*; and Class Order [CO 13/657] *Discretions affecting the amount of consideration to acquire interests and withdrawal amounts*.

ASIC issued revised guidance in Regulatory Guide 133, renamed *Managed investments and custodial or depository services: Holding assets*, and class orders. This updates existing measures to:

- apply minimum standards to asset holders for managed investment schemes and holders of financial products, and affects responsible entities, licensed custodians, platform operators and managed discretionary account operators;
- ensure agreements with asset holders have certain minimum terms; and
- require primary production scheme responsible entities to safeguard the land on which the scheme operates.

Following a review of fee disclosure practices, ASIC issued a class order [CO 14/1252] clarifying key fee and cost disclosure requirements for Product Disclosure Statements and periodic statements for superannuation and managed investment products. The new class order addresses the disclosure of costs of investing in interposed vehicles; disclosure of indirect costs; removal of doubt that double counting of some costs for superannuation products is not required; and the appropriate application of the consumer advisory warning.

ASIC has facilitated the use of innovative digital disclosures by proving a range of relief including giving relief in *ASIC Corporations (Removing Barriers to Electronic Disclosure) Instrument 2015 (15-649)* for the innovative use of digital media for Product Disclosure Statements, Financial Services Guides and Statements of Advice and providing additional guidance in Regulatory Guide 221 *Facilitating digital financial services disclosure* to help ensure that clients continue to receive clear, concise and effective information when disclosures are delivered digitally and that consumer protections are retained in the digital environment.

Regulatory developments in India

Securities and Exchange Board of India (SEBI), the market regulator of India notified Regulations for Alternative Investment Funds ("AIFs") i.e. SEBI (Alternative Investment Funds) Regulations, 2012 (“AIF Regulations”) on May 21, 2012. The Regulations provided for registration and regulation of Alternative Investment Funds in India fall into three different categories:

- Category I AIFs which include those funds which are socially/economically desirable and which may be given concessions/benefits such as Venture Capital Funds, Social Venture Funds, Infrastructure Funds, etc.
- Category II AIFs which include Private Equity Funds, Debt Funds, etc.
- Category III AIFs which include hedge funds, etc.

Pursuant to the AIF Regulations, more than 20 hedge funds have registered with SEBI under these Regulations with an AUM of around $250 million as of date.

The AIF Regulations provide various requirements to be complied by Category III AIFs (which include hedge funds):

- The funds shall raise funds only through private placement from sophisticated investors *(A minimum investment threshold has been prescribed for the investors).*

- The manager/sponsor of the AIF needs to have a continuing interest of a 5% of the corpus of the fund or rupees 10 crore (~$1.67 million), whichever is lower to ensure *skin-in-the-game* resulting in alignment of interest with the investors.

- Since the investors are sophisticated, flexibility for investment has been provided to the funds except for certain conditions on diversification requirements, restrictions on leverage, etc. The investment, however, shall be in accordance with the investment strategy as specified in the placement memorandum to the investors.

- Leverage that may be undertaken by such funds cannot exceed two times the AUM of such funds.

- The funds are permitted to be both close-ended and open-ended. Close-ended funds are also permitted to be listed on the stock exchange.

- The Regulations are largely disclosure-based and require both initial and continuous disclosures to be made to the investors and to SEBI from time to time:

    - The initial disclosures include disclosures in the placement memorandum to the investors which include material information about the AIF, the Manager, background of key investment team of the Manager, targeted investors, fees, tenure, conditions or limits on redemption, investment strategy, risk management tools and parameters employed, key service providers, conflict of interest and procedures to identify and address them, disciplinary history, the terms and conditions on which the Manager offers investment services, its affiliations with other intermediaries, manner of winding up of the fund and such other information as may be necessary for the investor to take an informed decision on whether to invest in the AIF.

    - The continuous disclosures include both periodic as well as event-based disclosures. These include disclosures with respect to conflict of interest, legal actions, risks, valuation, etc.
    - Category III AIFs are also required to send periodic reports to SEBI on their activities. Category III AIFs which undertake leverage are required to report to SEBI on a monthly basis, whereas Category III AIFs which do not undertake leverage are required to report to SEBI on a quarterly basis.

- Category III AIFs are also required to appoint a custodian registered with SEBI for the safekeeping of securities.

Chapter 4 – Global Hedge Fund Industry Analysis

4.1. Methodology

The 2015 iteration of the IOSCO Survey was conducted following the same methodology and same template as in 2013, initiating the first steps of a time series of global data on hedge funds. In recent years, changes in the regulatory environment have led to an increasing harmonisation of data collection across hedge funds across different reporting streams, such as for example between Form PF and AIFMD.

For most of the jurisdictions, the firms and funds captured in the Survey meet the following conditions: They must:

- qualify as a hedge fund, as identified by their firms either based on criteria defined in its local jurisdiction, based on its own declaration to its regulator or based on a combination of criteria, such as the use of leverage, the complexity of strategies, and the application of performance fees;
- be at least partially managed by a regulated entity within their jurisdiction or marketed in that jurisdiction[11];
- be managed by a single manager, i.e. fund of funds (or multimanager funds) are excluded; and
- be able to demonstrate that it manages at least USD 500 million of total global net assets (net AUM or NAV). This includes the sum of all accounts managed under the same strategy (for example including pooled funds and separately managed accounts), to ensure the product is fully captured.

4.2. Structure of the Survey

The third version of the survey is made up of 45 questions over two sections. Section 1 is based on information collected at the *firm* level and Section 2 comprises of information at the *fund* level. The latter forms the majority of the questionnaire, as more granular data on hedge fund risks and activities is identified at this level. Details of what is included in each section of the questionnaire are outlined in the following table.

[11] In many cases, the funds are not domiciled (and sometimes not marketed) in the reporting jurisdictions. The information is then provided by the manager of the given hedge fund.

Section 1	**Management company information** This section includes general questions about the regulated entity and the group/parent it relates to. Additionally, it includes questions on the assets under management for the group/global entity, and assets under management for the local entity, broken down into total group net AUM and total group net hedge fund AUM. This section is used to provide a context for the fund level data.
Section 2	**Qualifying fund information** This section needs be completed for each qualifying hedge fund that the firm manages. It includes detailed questions about qualifying funds, limiting all data provided to the vehicle in question, whilst considering a fund in its entirety, embedding all structures (master and feeders) and share classes. The section includes fund information; individual fund exposures and turnover (per asset class); important concentrations in instruments and portfolios; risk profile of the fund (including value at risk, counterparty risk, leverage details, collateral details and liquidity risk) and historical performance of the fund.

The main difference in the templates of the 2015 and 2013 iterations of the Survey are additional questions about monthly subscriptions and redemptions figures of hedge fund firms as a percentage of NAV; however the results were not shared between regulators due to confidentiality reasons.

The following sections provide a summary of the 2015 Survey results[12]. These are split into two sections: 4.3, which reflect findings based on all participating members providing data, and 4.4, which contains findings based only on partial data submission, either due to data incompatibilities or confidentiality concerns. Where data was nevertheless meaningful even on the basis of a reduced sample, the findings have been included, supplemented by the FCA Hedge Fund Survey data to increase the breadth of the sample.

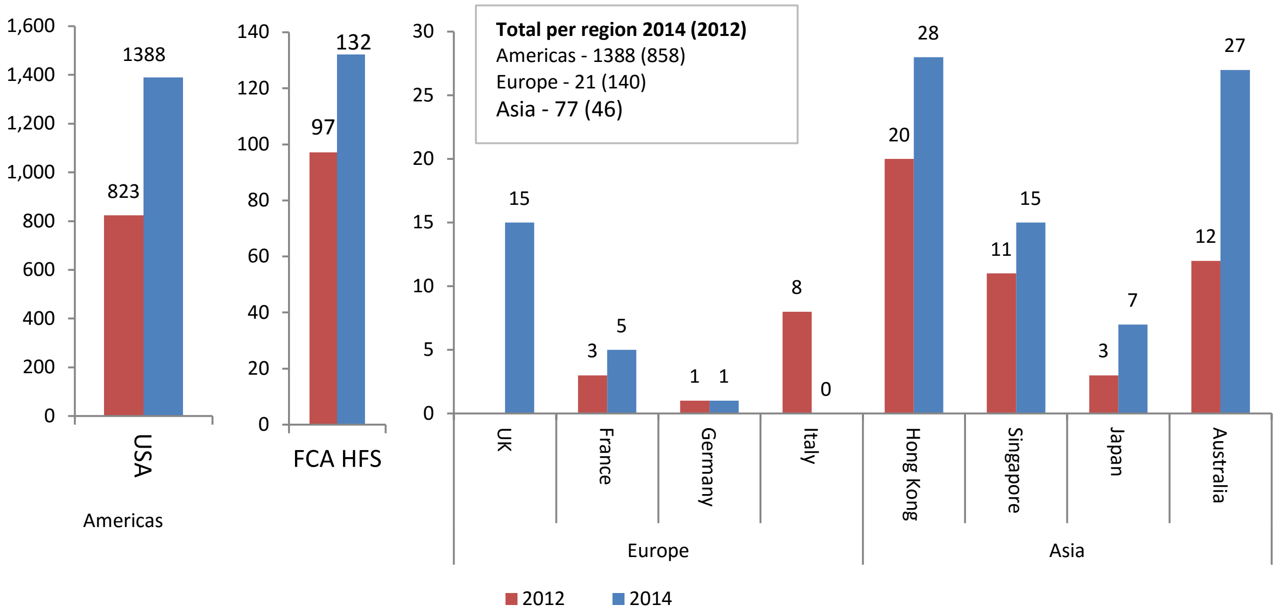
[12] The SEC recently published its 4th quarter 2014 Form PF data on October 16, 2015, which can be found at http://www.sec.gov/divisions/investment/private-funds-statistics/private-funds-statistics-2014-q4.pdf. They recently changed their methodology for grouping filings by quarter, which resulted in slight differences in the numbers reported herein. For additional information on this change please refer to page 37 of the SEC's Private Fund Statistics for Fourth Calendar Quarter 2014.

Qualifying funds

The Survey captured data from 1,486 qualifying funds, to be compared with 1,044 funds collected in September 2012 (i.e. an increase in participation in the survey of 42% of reporting funds). This 42% increase may reflect more widespread reporting to regulators in the 2015 Survey. However, this increase can be even larger, given that the 2013 Survey may have suffered from some duplication. Additionally, the increase in the number of funds captured by the survey may be as a result of consolidation of smaller funds into larger funds. In this way it may be the case that more pre-existing hedge fund AUM is captured by the survey (i.e. within the threshold of USD 500 million) rather than growth in the hedge fund industry.

A regional distribution of these funds across geographic regions has been provided for both, the 2015 and 2013 Survey (see Figure 1 below)[13 14].

Fig. 1 - Number of Qualifying Funds per Jurisdiction



Source: IOSCO Hedge Fund Survey, September 2014 and September 2012 data

According to the chart, Asian jurisdictions have reported the largest increase in the number of qualifying funds. The US reported funds remain the largest sample, although some of its growth in the number of qualifying funds is the result of the Survey's attempt to remove duplicated reporting.

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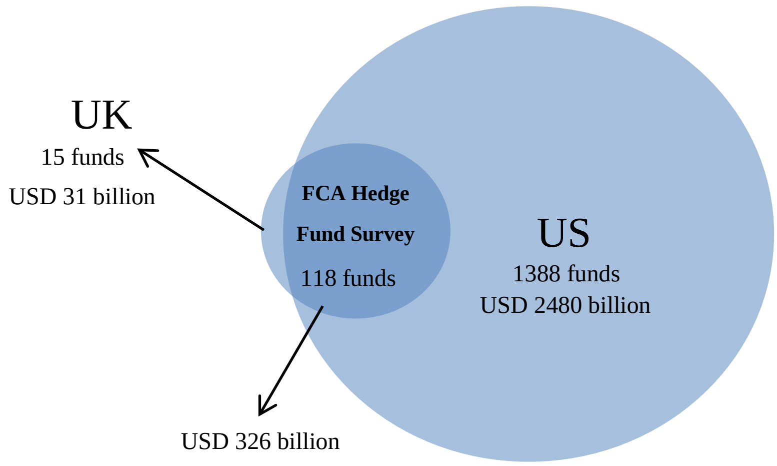
13 It is recalled that in many cases, the funds are not domiciled (and sometimes not marketed) in the reporting jurisdictions. The information is then provided by the manager of the given hedge fund.

14 Please note that the 2012 data for "Americas" includes data from Canada and Brazil.

Italy did not submit any qualifying funds in this round, whereas in the 2013 Survey it reported USD 26.3 billion of qualifying hedge fund assets belonging to 8 funds. Luxembourg did not participate in this Survey iteration whereas, similar to the 2013 survey, Germany collected data on one qualifying fund which they are unable to share due to confidentiality agreements.

The UK's sample, in turn, fell from 97 to 15 funds as the result of greater efforts to remove data duplication (as explained in 2.2). Throughout this chapter the UK data has therefore been supplemented with FCA Hedge Fund Survey (FCA HFS) data of the same date, as an additional reference. The diagram in Figure 2 below shows the overlap in the number of funds and assets reporting in the US and the UK.

Fig. 2 - Number of Qualifying Funds in US and UK



While the US may have ended up with the largest sample of qualifying funds, the SEC provided additional, helpful information on how many of funds in their sample actually have a non-US investment advisor location, which is presented in the subsequent table[15].

[15] The difference in the US reported number of funds for the US Investment advisor country location (1438) and the number of qualifying funds (1388) is as a result of a revised methodology for grouping filings by quarter, which resulted in slight differences in the numbers reported.

US Investment Advisor Country Location	Number of funds
United States	1287
United Kingdom	106
Hong Kong	10
Guernsey	8
Brazil	6
Australia	6
Canada	4
Jersey	2
France	2
Bermuda	1
Switzerland	1
Cayman Islands	1
United Arab Emirates	1
Isle Of Man	1
Netherlands	1
Bahamas	1

According to this information, 89% of the funds in the US sample are actually managed by US firms, followed by 7% of funds that are being managed in the UK. In addition, some funds in the US sample are partly advised or sub-managed in other jurisdictions including Asia and Europe.

4.3. Global overview of the hedge fund industry as of September 2014

Assets under management (AUM)

The funds in the Survey cover USD 2.6 trillion of total net assets under management (NAV/AUM), an increase of 34% from the last Survey figure of USD 1.94 trillion[16]. This accounts for a significant portion of global hedge fund AUM. According to industry estimates the Survey's assets would represent approximately 84% to 88% of global assets estimated at between USD 2.95 trillion and USD 3.1 trillion[17]; however the overall hedge fund market has seen growth since September 2014[18]. As indicated before, some of this growth may reflect the fact that smaller funds have been consolidated and are now within the survey's threshold of USD 500 million.

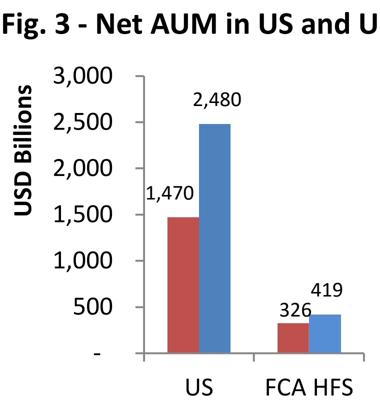
16 This impressive growth in AUM is likely to have been even higher given that the sample in 2013 included duplicate submissions (as explained in 2.2). This 2015 Survey counted fewer participants than in 2013: Luxembourg, Canada and Brazil were absent, which previously accounted for a total of USD 56.5 billion assets.

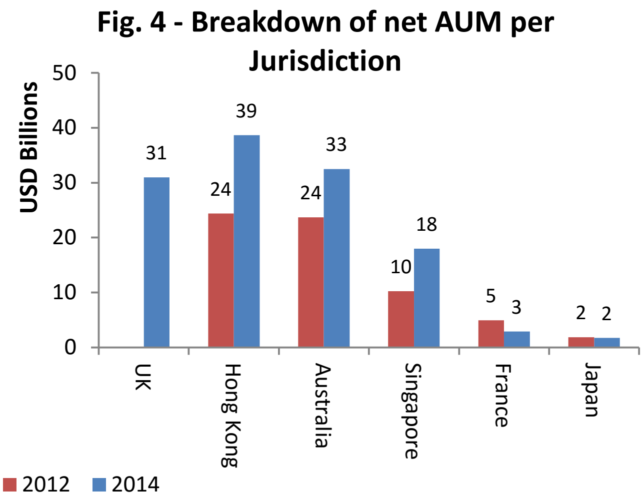
17 Based on figures from Hedge Fund Intelligence, Prequin, and Hedge Fund Research 2014 for offshore hedge fund assets; data includes UCITS compliant hedge fund assets.

18 According to the latest US figures, hedge funds (including smaller hedge funds i.e. NAV below USD 500 million not considered in this survey) in the US amounted to USD 3.4 trillion as of Q4 2014. Source: http://www.sec.gov/divisions/investment/private-funds-statistics/private-funds-statistics-2014-q4.pdf

The 34% growth rate in the Survey's assets contrasts with public sources which estimated annual growth in hedge fund AUM of about 12%. The contrast might be partially due to the increased fund coverage in the survey. The FCA Hedge Fund Survey of September 2012 and September 2014 also shows that assets of the same 67 funds only grew by 12.41%. The aggregate AUM of separately managed accounts[19] is USD 559.9 billion (25% of NAV). In the last survey this was reported as USD 275 billion (14% of NAV).

Figures 3 and 4 below provide a breakdown of the net AUM per jurisdiction for 2012 and 2014[20].





Source: IOSCO Hedge Fund Survey September 2014 and September 2012 data. FCA HFS for 2014 based on 132 funds represented in the UK data. FCA HFS for 2012 based on 97 funds represented in the UK data.

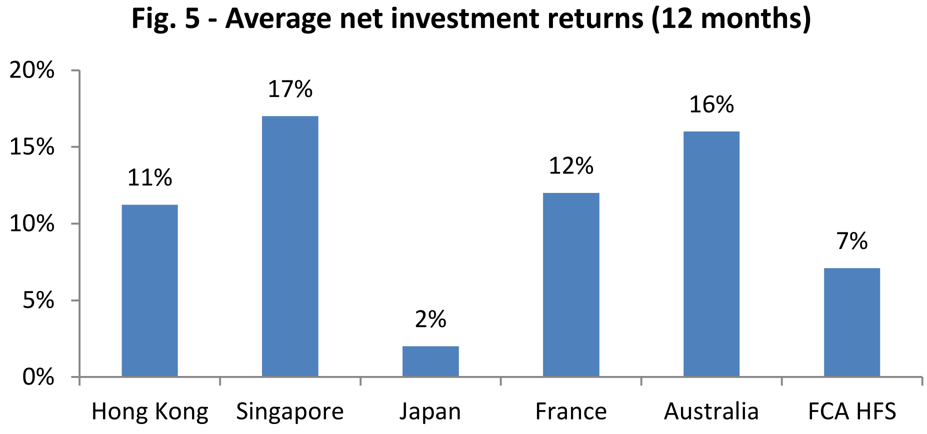
<u>Net investment returns and change in NAV</u>

Because growth in aggregate AUM can reflect net inflows of new investor funds, but also a positive performance of the funds' assets themselves, the net investment returns (% increase / decrease of value net of management and performance fees[21]) can provide additional colour. Although returns were only reported over the last 12 months and not two years, these are consistent with previous observations: Funds reporting in Asian jurisdictions, in particular experienced strong performances, with funds reporting in Singapore achieving the highest average returns, closely followed by those reporting in Australia.

19 The US define parallel managed accounts as per Form PF as any managed account or other pool of assets that you advise and that pursues substantially the same investment objective and strategy and invests in side by side in substantially the same positions as the identified private fund

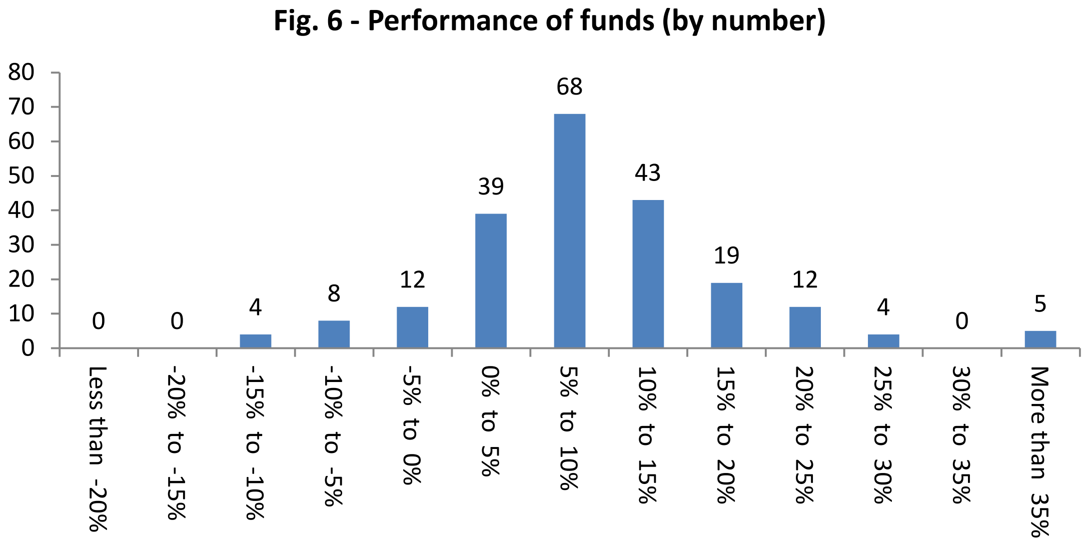
20 Note that the sample of funds reported by France is not identical to those reporting in the context of the latest survey.

21 No US data has been included here and the FCA Hedge Fund Survey data was substituted.



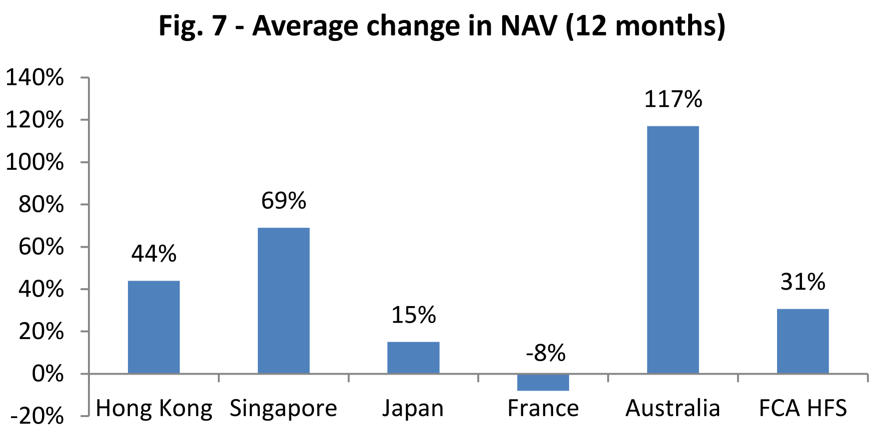
Source: IOSCO Hedge Fund Survey September 2014 data. FCA HFS based on 132 funds represented in the UK data.

Figure 6 represented the number of funds per performance bucket of investment returns. The vast majority of funds (191 out of 215) have delivered positive returns over the past 12 months, with only 11% achieving negative returns.



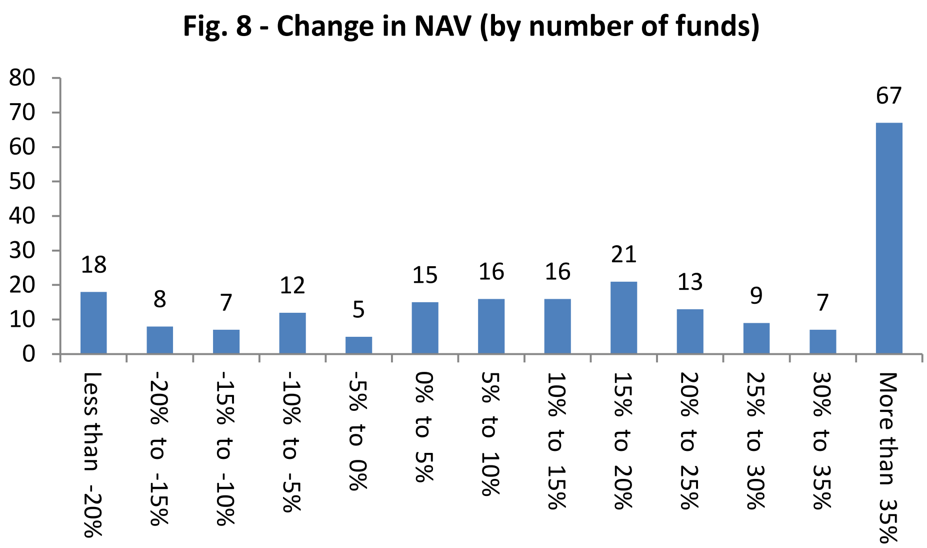
Source: IOSCO Hedge Fund Survey September 2014 data. FCA HFS included based on 132 funds represented in the UK data.

The average changes in NAV[22] (for the 12 months to the survey reporting date) for each jurisdiction are provided in Figure 7[23]. As previously explained, a proportion of this growth may be attributed to smaller funds having been consolidated which now within the survey's threshold.



Source: IOSCO Hedge Fund Survey September 2014 data. FCA HFS included based on 132 funds represented in the UK data.

Figure 8 displays the number of funds by their change in NAV across a number of performance buckets. The results show that a significant number of funds have grown their assets by more than 35% of their NAV from 30th September 2013 compared to 30th September 2014.



Source: IOSCO Hedge Fund Survey September 2014 data. FCA HFS included based on 132 funds represented in the UK data.

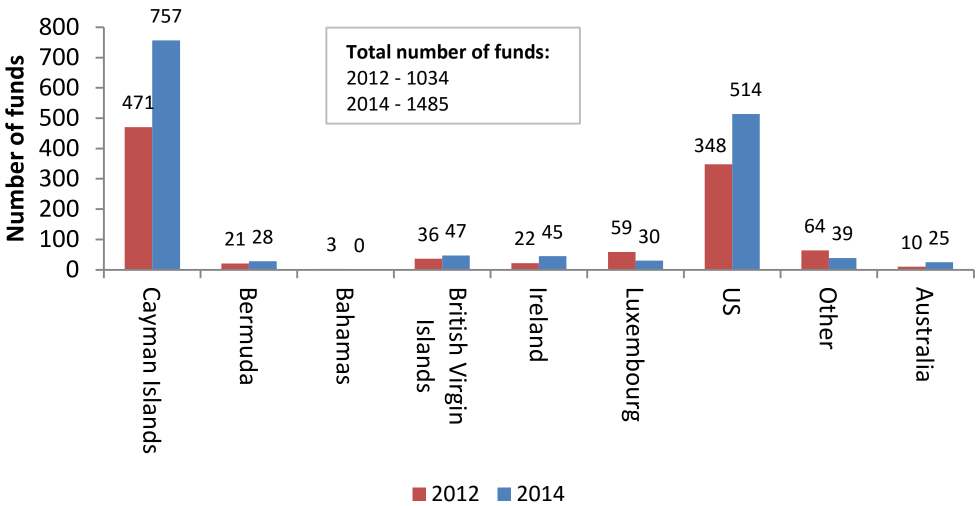
22 Funds reported the change in NAV as the monthly change in NAV (% increase/decrease), net of fees and including the impact of subscriptions and redemptions. They reported this for the 12 months to the survey reporting date which was then annualised.

23 The average figure reported by France was materially affected by the data of one surveyed fund which experienced significant redemptions over the period despite positive performance.

Fund domiciles

Hedge funds are typically domiciled offshore to take advantage of favourable tax and regulatory structures. The top destination for hedge funds still remains the Cayman Islands, which is evidenced both by the number of funds domiciled (Figure 9)[24], as well as by the aggregate NAV (Figure 10). While this has been consistently the case since the 2010 IOSCO Survey, the growth of funds domiciled in the Cayman Islands since 2012 is noticeable, increasing 62% by number from 2012 to 2014. The US also observes a significant increase of 48% in the number of funds reporting to be domiciled there between these two periods.

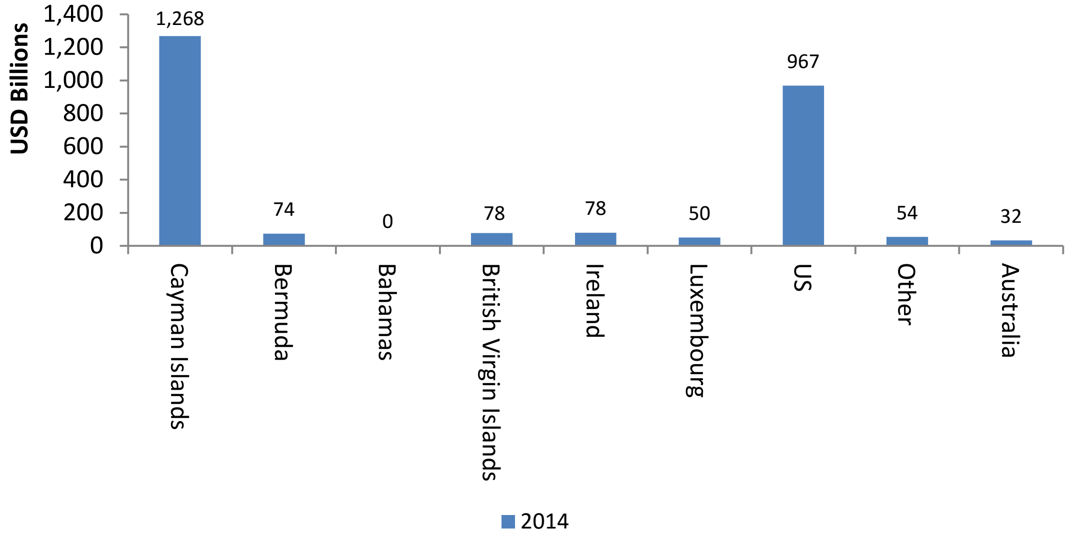
Fig. 9 - Fund domicile by number of funds



Source: IOSCO Hedge Fund Survey September 2014 and September 2012 data.

24 The differences observed for the aggregate number of funds for 2014 are accounted by the 1 German fund for which data cannot be shared. The 2013 survey numbers do not add up to 1,044 as reported in the previous Survey, due to 10 funds which were excluded from the breakdown as this particular data was unavailable.

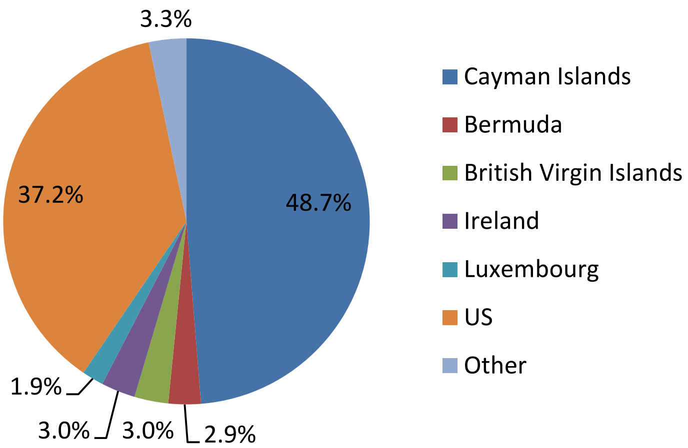
Fig. 10 - Fund domicile by NAV



Source: IOSCO Hedge Fund Survey September 2014

The aggregate breakdown of domicile by NAV is shown in Figure 11 below, where the Cayman Islands makes up 48.7% of the global sample, broadly consistent with the percentage of funds domiciled there.

Fig. 11 - Domicile by NAV



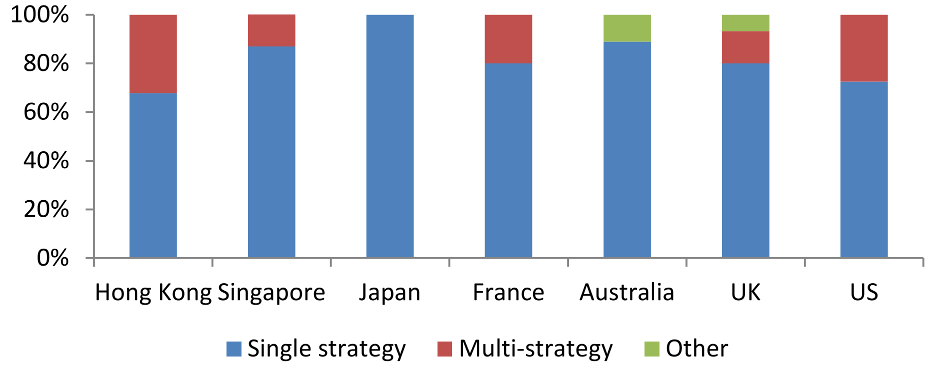
Source: IOSCO Hedge Fund Survey September 2014 data.

Investment Strategies

Given that the hedge fund industry is heterogeneous, categorising hedge fund investment strategies can be a challenging task. Moreover, there seems to be a trend towards funds reporting themselves as multi-strategy investors, or outside the traditional hedge fund investment categories, i.e. as "Other"[25]. This report has therefore tried to provide more information on whether funds are following single or a combination of multiple strategies, and broken this strategy information further down to the underlying asset classes the funds are invested in.

The following chart (Figure 12) presents this distribution per jurisdiction, by number of funds, where the large majority of funds classify themselves as being devoted to a single investment strategy.

Fig. 12 - Distribution of funds by single vs. multi-strategy (by number)



Source: IOSCO Hedge Fund Survey September 2014 data. UK based on 15 funds represented in the UK data.

The "Other" category is made up of funds which classified themselves as neither following a particular strategy, nor as a multi-strategy fund. This only reflects non-US funds, since in Form PF investment funds must classify themselves as either "single" or "multi-strategy".

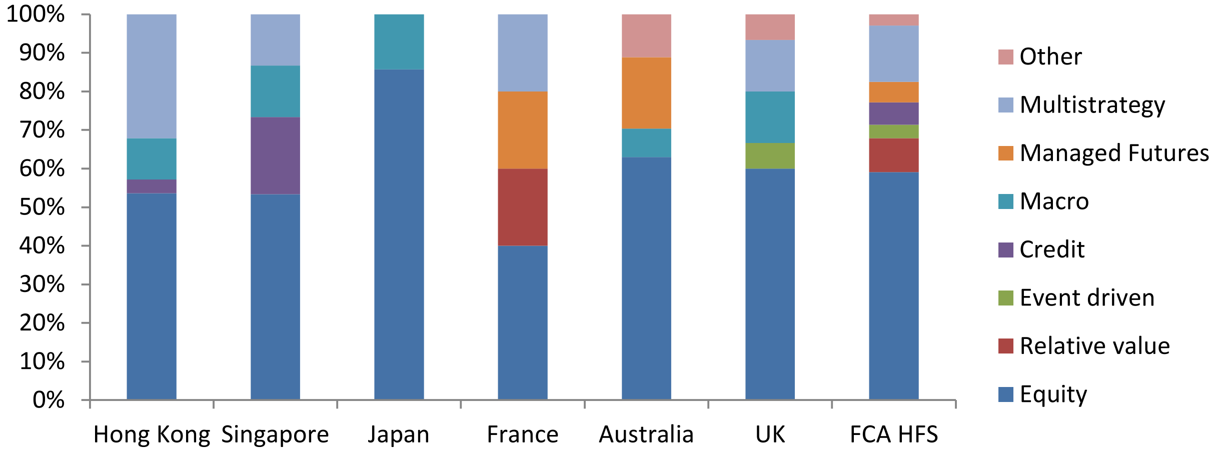
The following graph presents a more detailed breakdown of the actual types of strategies used in each jurisdiction[26], whereby hedge funds were asked to indicate their predominant investment strategy from a range of strategies[27]. Figure 13 illustrates the distribution, by number of funds, for each predominant strategy.

25 This seems to have been confirmed in recent AIFMD data.

26 US data has not been provided in relation to individual strategies.

27 The investment strategy options included: Equity Hedge (long bias, long/short, market neutral or short bias), Relative Value (convertible bond arbitrage or volatility arbitrage), Event Driven (distressed/restructuring or equity special solutions), Event driven: risk arbitrage/merger acquisition, Credit (asset based lending or long/short), Macro (global macro, active trading, commodity or currency), Managed Futures/CTA (fundamental or quantitative), Multi-strategy and Other.

Fig. 13 - Distribution of funds by predominant strategy (by number)

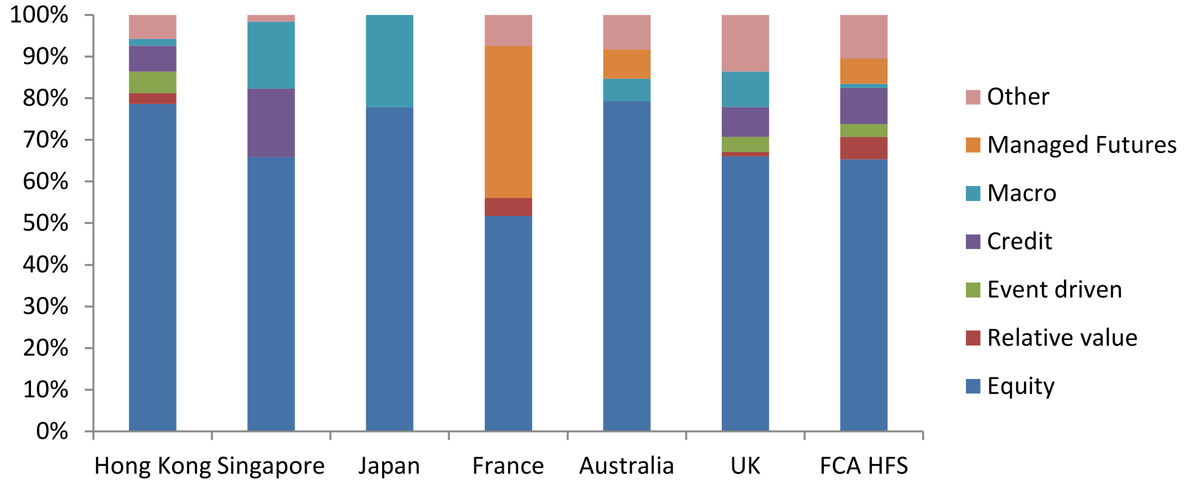


Source: IOSCO Hedge Fund Survey September 2014 data. UK based on 15 funds represented in the UK data and FCA HFS based on 132 funds represented in the FCA sample.

Figure 14 provides a further breakdown of all the individual strategies by NAV, including those that are reported as multi-strategy. The latter are broken further to individual strategies. For example, multi-strategy fund(s) reporting in France and Australia allocate a larger proportion of their assets to a Managed Future strategy.

It is clear from Figures 13 and 14 that equity strategies continue to be the most popular strategy, where the predominant sub-strategy is Equity Hedge Long/Short. The less widespread strategies by aggregate NAV include Credit and Event driven.

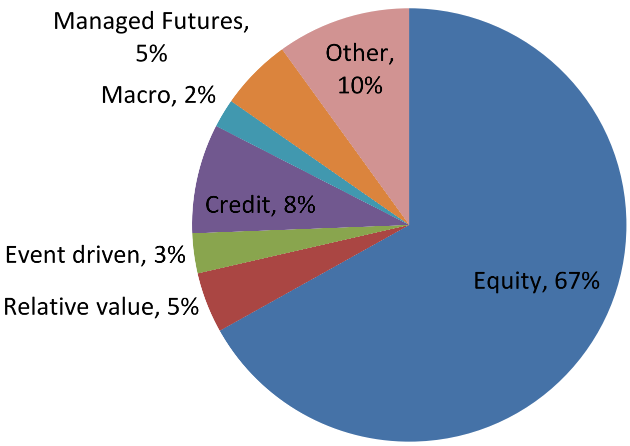
Fig. 14 - Distribution of funds by individual strategy (by NAV)



Source: IOSCO Hedge Fund Survey September 2014 data. UK based on 15 funds represented in the UK data and FCA HFS based on 132 funds represented in the FCA sample.

Figure 15 displays the global breakdown of individual strategies by NAV on an aggregated basis. The proportions are still dominated by equity strategies.

Fig. 15 - Aggregate breakdown of funds by individual strategies (by NAV)



Source: IOSCO Hedge Fund Survey September 2014 data. Includes FCA HFS data on 132 funds represented in the FCA sample to proxy the US data.

Leverage

One of the key indicators of systemic risk arising from hedge fund activities is leverage, which regulators aim to better understand and capture through the IOSCO Survey. In simple terms, leverage is the process, whereby a fund achieves an exposure larger than the capital it has to invest. The Survey explores leverage achieved through two methods: financial leverage and synthetic leverage.

Hedge funds obtain this leverage either by borrowing money or securities directly from counterparties, such as prime brokers (financial leverage), or indirectly by using derivative instruments such as options, futures and swaps (synthetic leverage).

The survey collected data on the exposures of hedge funds by asset class, which was aggregated per jurisdiction to calculate overall gross notional exposure (GNE). The gross leverage ratio was then calculated by dividing the GNE by the aggregate NAV of each jurisdiction. We calculated the financial leverage as the reported aggregate value of borrowings of cash and securities in each jurisdiction as a multiple of NAV, also reported by each jurisdiction. Similarly, we computed synthetic leverage as the exposure to derivatives reported in the Survey as a multiple of NAV per jurisdiction.

Gross leverage:

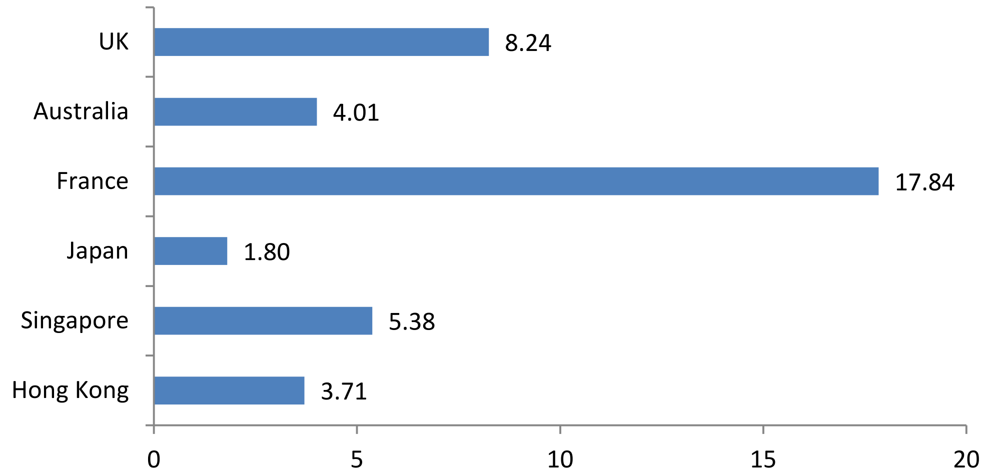
Gross notional exposure (GNE) is the absolute sum of all long and short positions, including gross notional value (delta-adjusted where applicable) for derivatives. Despite some limitations of this metric[28], such as the fact that it is heavily skewed by positions in interest rate derivatives, it provides a complete appreciation of the leverage employed by a fund to gain market exposure, incorporating both financial leverage and synthetic leverage. GNE does not directly represent an amount of money (or value) that is at risk in a fund. Instead, it is a conservative measure of the economic or market exposure of the fund positions by looking through to the underlying assets.

The gross leverage ratio is presented here as the proportion of GNE to NAV. Figures 16 and 17 below illustrate the national variation in the use of gross leverage. However, a more meaningful comparison across participants, particularly with the US, is not possible given the different metrics

[28] As highlighted in the FSB/IOSCO Consultation on the Assessment Methodologies for Identifying Non-Bank Non-Insurer Global Systemically Important Financial Institutions, http://www.financialstabilityboard.org/wp-content/uploads/2nd-Con-Doc-on-NBNI-G-SIFI-methodologies.pdf

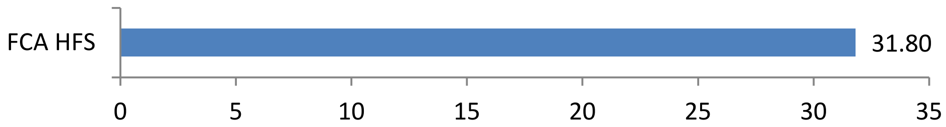
used. Figure 16 shows that the FCA HFS sample stands out for its gross leverage ratio, which predominantly consists of synthetic leverage from exposure to interest rate derivatives.

Fig. 16 - Gross leverage ratio per jurisdiction (x NAV)



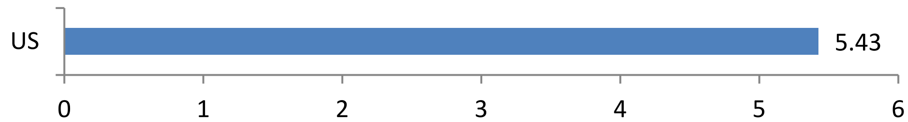
Source: IOSCO Hedge Fund Survey September 2014 data. Data computed on a GNE basis.

Gross Leverage ratio (x NAV)



Source: FCA Hedge Fund Survey September 2014 data (mean leverage ratio of 132 funds). Data computed on a GNE basis.

Fig. 17 - RAUM/NAV for US



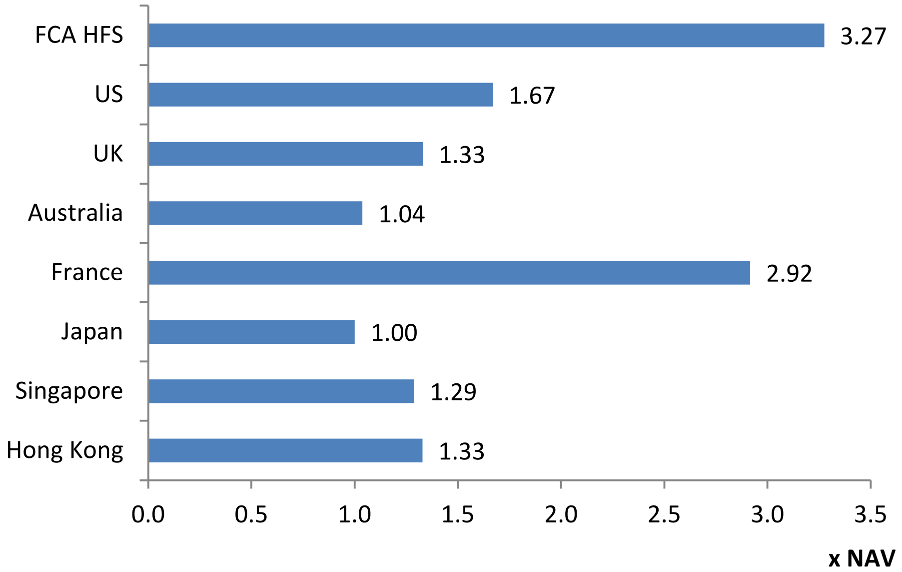
Source: IOSCO Hedge Fund Survey September 2014 data. US data for RAUM based on Form ADV RAUM (item 5.F.2(c)).

Financial leverage

Individual regulators collected data in relation to the financial leverage and the results are provided in this section.

Financial borrowings are equal to the aggregate value of borrowings of cash and securities across the qualifying funds, represented by collateralised/securitised borrowing via prime broker lending, repo transactions or unsecured lending. Figure 18 shows the aggregate financial leverage for data transmitted by each jurisdiction[29].

Fig. 18 - Financial leverage (x NAV)



Source: IOSCO Hedge Fund Survey September 2014 data. UK based on 15 funds represented in the UK data and FCA HFS based on 132 funds represented in the FCA sample. This has been calculated using the sum of aggregate financial borrowings and NAV as a proportion of NAV. Please note that a leverage ratio of 1 signifies no leverage.

The financial leverage looks modest, except in the case of the FCA HFS and France samples[30]. It is noteworthy that Japan's funds have no cash and securities borrowings at all (as was the case in the 2013 Survey).

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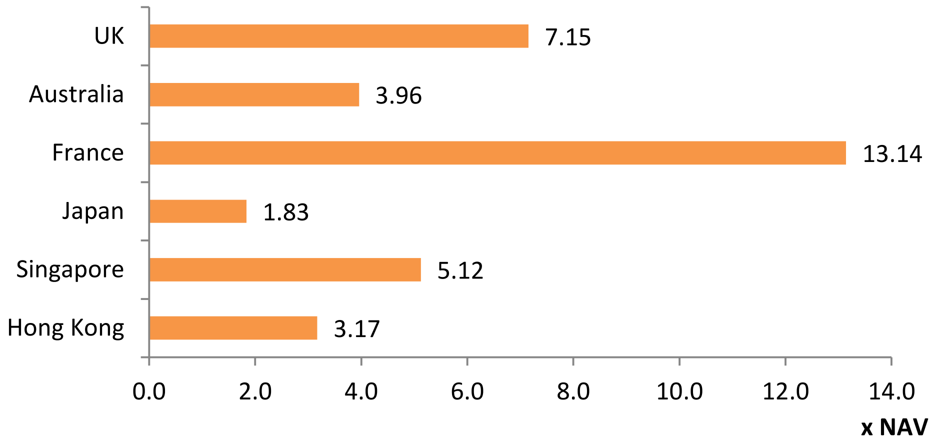
29 Although information would still be comparable, borrowings may be measured/ defined in different ways across jurisdictions. For example, Form PF in the US generally defines borrowings as obligations for borrowed money in respect of which the borrower has posted collateral or other credit support and obligations for borrowed money in respect of which the borrower has not posted collateral or other credit support. Reverse repos are borrowings. SEC staff has provided clarification that borrowings reported on Form PF should include secured borrowings, unsecured borrowings, as well as synthetic borrowings, The types of borrowing that would be reported include, but are not limited to: (i) selling securities short, (ii) securities lending transactions, (iii) reverse repurchase agreements, (iv) transactions in which variation margin is owed, but as a result of not reaching a certain set threshold, has not been paid by a fund, or (v) transactions involving synthetic borrowings.

30 In relation to the data reported by France, the average of the small sample (of 5 five funds) was significantly impacted by the amount of financial leverage reported by one fund. Similarly, for the FCA HFS sample (of 132 funds) financial leverage varied between 1 x NAV and 11 x NAV, excluding one large outlier fund.

Synthetic leverage:

Given that hedge funds tend to make extensive use of derivatives, the synthetic leverage makes up the larger share of the overall leverage (See Figure 19 below). Figures appear relatively dispersed with data reported by the surveyed funds managed in France and the UK standing out.

Fig. 19 - Synthetic Leverage ratio (x NAV)



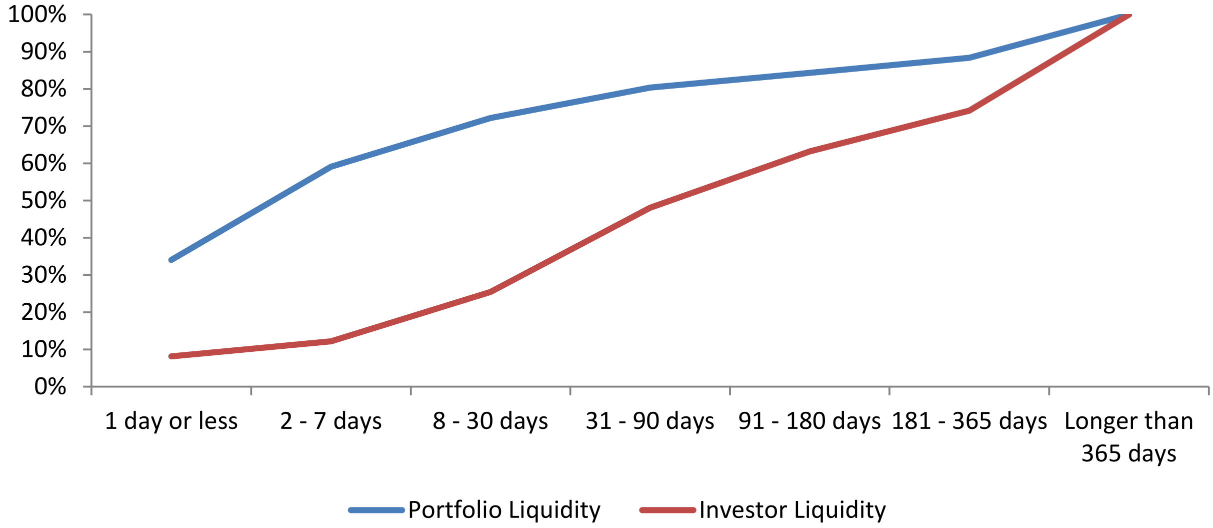
Source: IOSCO Hedge Fund Survey September 2014 data. This has been calculated using the sum of aggregate derivatives exposure and NAV as a proportion of NAV. Please note that a leverage ratio of 1 signifies no leverage.

In relation to the data reported by France, the average of the small sample was significantly impacted by the amount of synthetic leverage reported by one fund reflecting its substantial use of interest rate derivatives. With respect to the UK sample, the synthetic leverage was similarly skewed by two particular funds in relation to their use of interest rate derivatives. This advises caution when comparing aggregate leverage statistics across jurisdictions since these may be skewed by a few single funds.

Liquidity

The IOSCO Survey asks firms to estimate their aggregate value across qualifying funds of portfolio that can be liquidated within a number of different time periods (portfolio liquidity), as well as the aggregate value of qualifying fund assets that are "locked in" for the same time frames (investor liquidity). In the diagram below, the area between the two curves is the liquidity buffer. For an individual fund, if investor liquidity were to exceed portfolio liquidity at any time, it would indicate the presence of a liquidity mismatch, putting the fund at risk of not being able to meet investor redemption obligations. Figure 20 below demonstrates that in aggregate, the hedge funds in the sample run relatively liquid portfolios and offer terms of redemption to investors that allow sufficient time for orderly liquidation of assets to meet such redemption demands. This was also the case in the last IOSCO report. However, these estimates of liquidity, and in particular of portfolio liquidity, are based on funds' self-reported measures and generally assume "normal" market conditions. Therefore, they need to be viewed with some caution.

Fig. 20 - Average liquidity profile per fund



Source: IOSCO Hedge Fund Survey September 2014 data.

<u>Restrictions to Investor Liquidity</u>

Many funds are able to impose restrictions on investors' redemption rights, which usually come in form of suspensions of investor withdrawals or some form of gating. Suspensions defer investors' ability to withdraw assets from a fund whilst gates put limits on withdrawals that are allowed from a fund for a specific time period. For the aggregate sample (excluding US) 93% of qualifying funds report that they retain the right to temporarily suspend the investor redemption rights (by number).

For the US sample, 21% of funds (by number) retain the right to prevent withdrawals/redemptions in normal market conditions (the ordinary course)[31]. Additionally, the percentage of hedge funds' aggregate NAV which may be subject to a suspension of investor withdrawal/redemptions, by an advisor or fund governing body, is 70%. 45% of NAV may be subject to material restrictions on investor withdrawal/redemptions (e.g. gates).

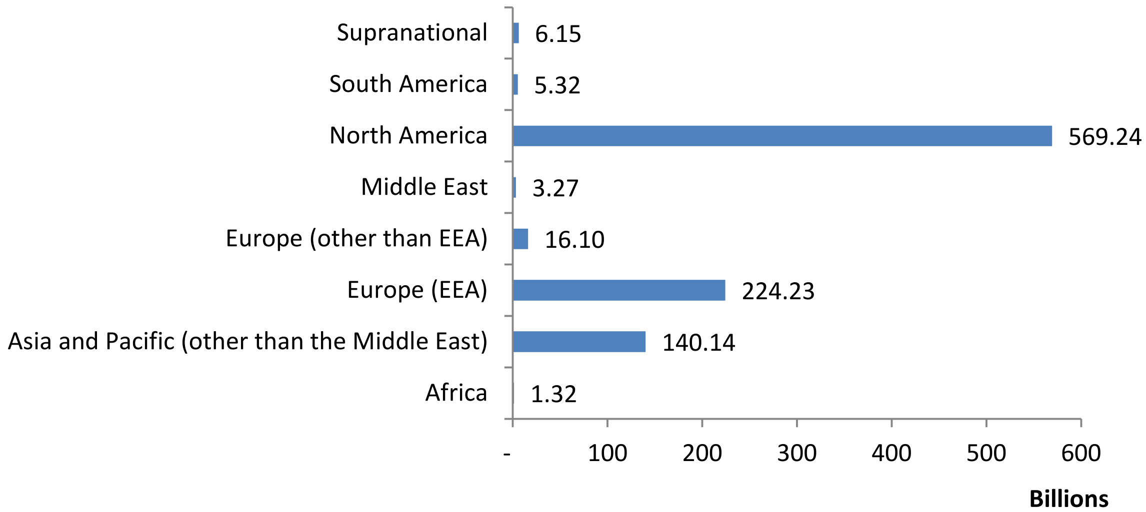
31 Please note that ordinary course is not defined by Form PF.

4.4. Additional Survey data

This section includes analysis on a number of the survey questions, excluding the US responses, where data could not be shared either due to not having the equivalent data within Form PF or for confidentiality reasons. As a result, this section is based on the submissions of 214 hedge funds, including the full FCA Hedge Fund Survey sample of 132 funds, in order to capture a more "global" sample. Please note that for future iterations of the IOSCO Survey, some additional data points may be available from the US SEC Staff, as it has now made publically available some aggregated data collected from Form PF and Form ADV filings[32].

Aggregate geographical investment focus

Fig. 21 - Aggregate geographic investment focus



Source: IOSCO Hedge Fund Survey September 2014 data. FCA HFS based on 132 funds represented in the UK sample.

Funds reported the geographical breakdown of the investments held by the fund, where they selected the regional classification that best describes the geographical focus of investments in the qualifying fund. As a general rule, funds were asked to consider the underlying asset when determining the region. For cash, that would mean to consider the actual currency in which it is held even if the bank account is with a bank from another region. Figure 21 shows that North America and Europe (EEA) have been the most popular regions for investments, where approximately 59% of aggregate NAV has been invested in North America and 23% in the Europe.

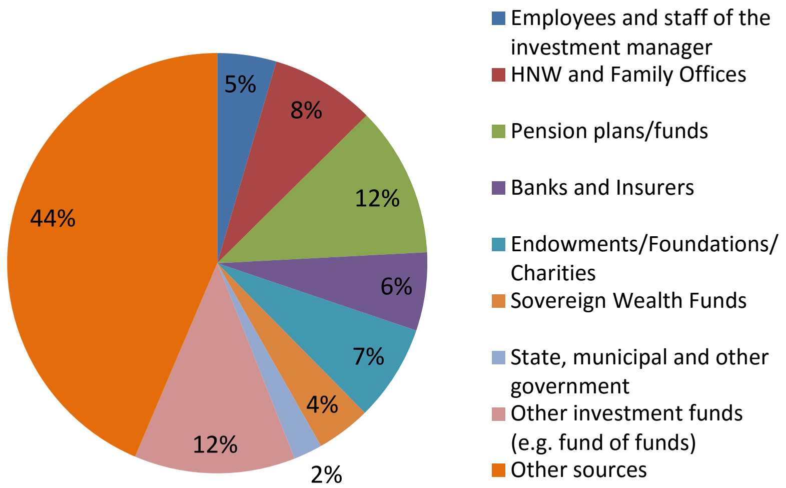
32 Private Funds Statistics Staff report, Fourth Calendar Quarter 2014 http://www.sec.gov/divisions/investment/private-funds-statistics.shtml. Form PF information provided in this report is aggregated, rounded and/or masked to avoid potential disclosure of proprietary information of individual Form PF filers.

The dominant share of North America is not surprising: many hedge funds use the US Dollar as base currency, and they also tend to run larger cash positions to cover margin calls, and these are also often denominated in US Dollar. North America and EEA are followed by the Asia and Pacific region, where 15% of aggregate NAV is invested. These trends are also consistent with information in the public domain on the global location of hedge fund assets[33].

The US Dollar is the most frequently used currency within the sample, since 67% (144 funds) reported that they use it as their base currency. Aggregating long and short positions in different currencies, the survey shows that the hedge funds had a net positive (long) exposure to the following currencies: USD, AUD, CHF, EUR and GBP. On the other hand, hedge funds had a net negative (short) exposure to CAD, HKD and JPY. Aggregate exposures in currencies other than these eight (USD, AUD, CHF, EUR, GBP, CAD, HKD and JPY) were also net long.

Aggregate NAV by investor group

Fig. 22 - Aggregate NAV by Investor Type



Source: IOSCO Hedge Fund Survey September 2014 data. FCA HFS based on 132 funds represented in the UK sample.

Institutional investors account for approximately 31% of direct investments into hedge funds[34]. Interestingly, "other sources" account for a large share (44%) of assets, where 65% of this originates from the UK sample and the remainder from the Australian sample. For the FCA HFS sample "other

33 Hedge Fund Intelligence Global Review (Spring 2015) – Global hedge fund assets by region at the end of 2014

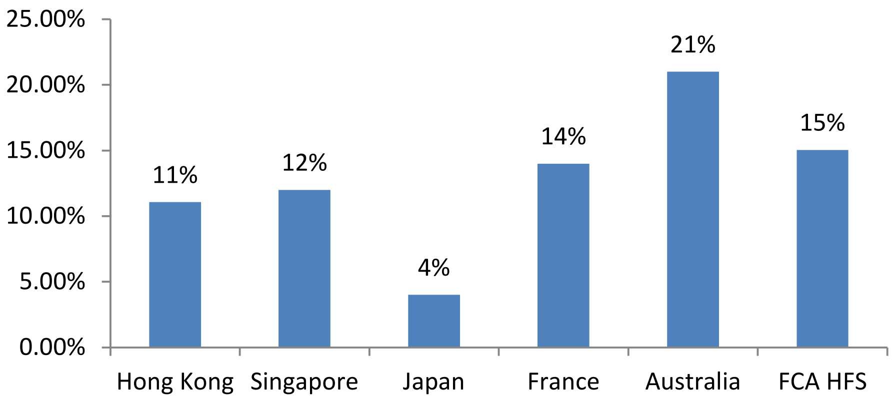
34 Institutional investors are considered as being pension plans/funds, banks and insurers, endowments/foundations and charitable organisations, sovereign wealth funds and state, municipal and other government entities.

sources" makes up 10% of UK NAV, largely due to reporting by fund of funds where the investor base is unknown. For Australia "other sources" makes up 70% of their NAV, since managers typically used this category where the investor group was unknown or unavailable.

Value at Risk (VaR)

Value at Risk is a key metric for calculating the risk of potential loss in a hedge fund. Approximately 66% of funds reported that they calculate VaR, with all of the Japanese and French funds reporting that they calculate VaR. In the FCA HFS sample, 76% of funds (101 out of 132 funds) reported that they regularly calculate the VaR of the fund. Figure 23 below presents the mean VaR metric (as a percentage of fund NAV) for each jurisdiction[35]. All VaR figures were reported using a 99% confidence interval and then annualised in order to compare across the sample.

Fig. 23 - Mean VaR per jurisdiction



Source: IOSCO Hedge Fund Survey September 2014 data. FCA HFS based on 132 funds represented in the UK sample.

Collateral and other credit support posted to counterparties

The Survey shows that approximately 31% of aggregate NAV is held as collateral and other credit support posted to counterparties. Of this 39% is in the form of cash and cash equivalents, 59% in form of securities, and 2% in the form of other collateral and credit support posted (including the face amount of letters of credit and similar third party credit support).

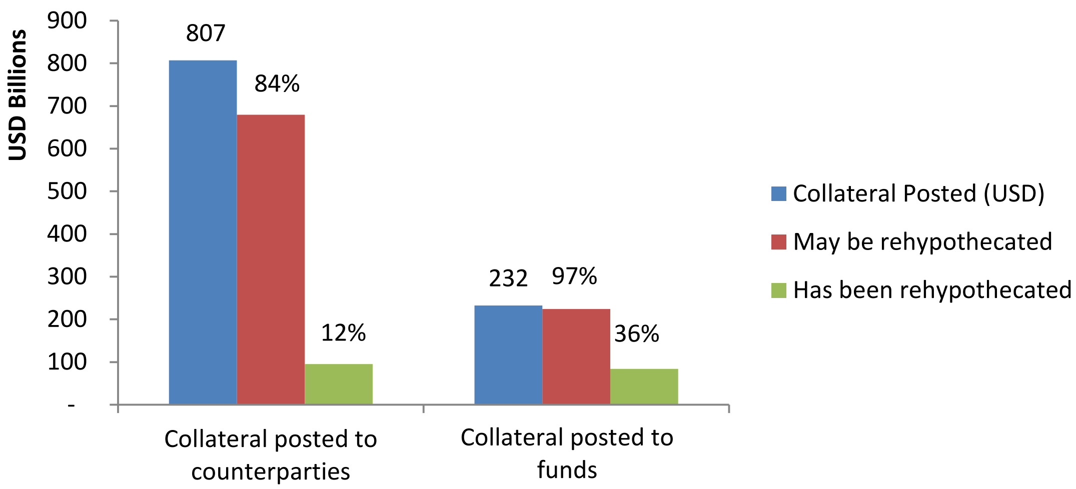
Re-hypothecation

Funds posted out a significant amount (USD 807 billion) of collateral to counterparties, as well as receiving collateral, both of which may be re-hypothecated. Re-hypothecation is the process whereby

35 It is worth noting that some managers reporting to Australia appear to have misunderstood what was required for the questions relating to VaR so 21% should be interpreted with caution.

collateral can be re-used for an additional level of secured borrowing from a third party. From Figure 24 we can see that funds may re-hypothecate almost all (97%) of the collateral that they receive, whilst banks can re-hypothecate up to 84% of collateral posted to them. Interestingly, in reality counterparties only re-hypothecated 12% of the collateral posted to them, compared to the qualifying hedge funds, which re-hypothecated 36% of their collateral in September 2014. The FCA HFS sample observed the largest amounts of both collateral and credit support posted to counterparties by funds (USD 662 billion), and collateral posted to the funds by counterparties (USD 230 billion).

Fig. 24 - Rehypothecation of collateral



Source: IOSCO Hedge Fund Survey September 2014 data. FCA HFS based on 132 funds represented in the UK sample.

4.5. Future developments

The IOSCO Hedge Fund Survey remains the only global view on hedge funds from a regulatory perspective and is therefore of key interest to the wider global debate on related issues.

The Committee C5 on Investment Management will continue to discuss how the survey can contribute to regulators' understanding of hedge fund activities and their risks. It will in particular consider the consistency and appropriateness of the data and metric definitions used for the elaboration of this survey, taking into account the evolution of regulatory regimes within the Committee and the type of information available.