

Contents

Preface	xi
CHAPTER 1	
Introduction to Hedge Fund Compliance	1
Introduction	1
Differences in Hedge Fund and Other Alternative Fund Compliance	1
Hedge Fund Compliance Is Not Specific to One Country	4
Do Alternative Investments Merit Special Compliance Considerations?	5
Understanding the Hedge Fund Compliance Framework	9
Introduction to the Hedge Fund Compliance Function	10
Distinguishing the Legal and Compliance Departments	11
Key Players in Compliance	12
Standard Areas Covered by a Hedge Fund Compliance Function	14
Compliance Function Roles and Authority	16
Chapter Summary	17
Notes	17
CHAPTER 2	
Introduction to Hedge Fund Regulation and Examination	18
Introduction	18
Different Types of Regulation for Different Financial Entities	18
Why Regulation Is Needed	20
Where Do Compliance Rules Come From?	22
National and Global Jurisdiction	23
Common Regulatory Interaction with Hedge Funds	24
Regulatory Examinations	25
Chapter Summary	28
Notes	28

CHAPTER 3	
The Chief Compliance Officer and Regulatory Reporting	30
Introduction	30
Introducing the Chief Compliance Officer	30
Regulatory Reporting	34
Regulatory Reporting in Multiple Jurisdictions	34
Common Regulatory Reporting Questions	35
A Multistep Process	35
Chapter Summary	40
Notes	41
CHAPTER 4	
In-House Compliance Professionals and Hedge Fund Committees	42
Introduction	42
Common Compliance Function Tasks	43
Firm Committees as Compliance Mechanisms	49
Chapter Summary	53
Note	54
CHAPTER 5	
Hedge Fund Compliance Technology	55
Introduction	55
Understanding the Hedge Fund Information Technology Function	55
Primary Compliance Uses of Technology	58
Compliance Considerations for Use of Electronic Data	59
Compliance Oversight of Nonelectronic Data	64
Business Continuity and Disaster Recovery Planning	64
Chapter Summary	65
Notes	66
CHAPTER 6	
Compliance Consultants and Other Compliance-Related Service Providers	67
Service Provider Compliance	67
Classification of Compliance Service Providers	67
Service Provider Compliance Work	68
Hedge Fund Compliance Consultants	69
Chapter Summary	82
Note	82

CHAPTER 7	
Understanding Key Compliance Documentation	83
Reasons for Documenting Compliance Policies and Procedures	83
Understanding the Goals of Compliance Documentation	84
Jurisdictional Differences in Compliance Documentation	85
Understanding Boilerplate Documentation	85
Core Compliance Documentation	88
Chapter Summary	97
Note	98
CHAPTER 8	
Investor Evaluation of Hedge Fund Compliance Functions	99
Introduction	99
Compliance Evaluations in Investor Due Diligence	99
Initial and Ongoing Compliance Analysis	101
Evaluating Best Practice Compliance	104
Key Compliance Analysis Areas	109
Chapter Summary	118
Note	118
CHAPTER 9	
Case Studies and Example Scenarios in Hedge Fund Compliance	119
Introduction	119
Compliance Scenario 1	119
Compliance Scenario 2	122
Case Studies	123
Chapter Summary	129
Notes	129
CHAPTER 10	
Common Compliance Pitfalls and How to Avoid Them	131
Introduction	131
Pitfall 1: Small Firms Build Large Firm Compliance Infrastructures	131
Pitfall 2: Underspending on Compliance	133
Pitfall 3: Lack of Independent Compliance Reporting	134
Pitfall 4: Outsourcing All Compliance	135
Pitfall 5: Relying on Technology and Compliance Automation	136

Pitfall 6: Letting Investor Opinion Drive Compliance	
Priorities	137
Chapter Summary	138
Notes	139
CHAPTER 11	
Interviews with Compliance Service Providers	140
Introduction	140
Interview with Kent Wegrzyn (ACA Compliance Group)	140
Interview with Vinod Paul (Eze Castle Integration)	160
Chapter Summary	171
CHAPTER 12	
Trends and Future Developments	172
Introduction	172
Chief Compliance Officers Personal Liability Concerns	172
Increased Senior Manager Regulatory Accountability	174
Compliance-Related Insurance	175
Increasingly Coordinated Hedge Fund Regulation in Europe	176
Chapter Summary	177
Notes	178
About the Author	181
About the Companion Website	183
Index	185