

U.S. DEPARTMENT OF THE TREASURY

Press Center



PWG Private-Sector Committees Finalize Best Practices for Hedge Funds

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Washington-- The two private-sector committees established by the President's Working Group on Financial Markets (PWG) released their finalized sets of best practices for asset managers and hedge fund investors in an effort to increase accountability for participants in this industry.

The PWG originally tasked the committees, [selected in September 2007](#) and comprised of well-respected asset managers and investors, with collaborating on industry issues and developing best practices. The committees released their draft best practices in April 2008, and provided a public comment period.

The committees amended the reports in certain respects to further the fundamental goal of the best practices and to clarify parts of the report. The final best practices being released today may be viewed at the committees' website, www.amaicmte.org.

The final best practices for the asset managers call 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.

"Given all of the events of recent months, it is more important than ever for the hedge fund industry to stand behind a set of far-reaching best practices that will promote investor protection and reduce systemic risk, said Eric Mindich, CEO of Eton Park Capital Management, who chairs the Asset Managers' Committee.

The final best practices for investors include a Fiduciary's Guide, which provides recommendations to individuals charged with evaluating the appropriateness of hedge funds as a component of an investment portfolio, and an Investor's Guide, which provides recommendations to those charged with executing and administering a hedge fund program if one is added to the investment portfolio.

Gary Bruebaker, Chief Investment Officer of the Washington State Investment Board, said, "These final recommendations can provide an important tool to those who are doing the diligence necessary to assess and monitor investments in hedge funds."

The committees' work was based on the [PWG's Principles and Guidelines Regarding Private Pools of Capital issued in February 2007](#), which sought to enhance investor protections and systemic risk safeguards. The PWG includes the heads of the U.S. Treasury Department, the Federal Reserve Board, the Securities and Exchange Commission and the Commodity Futures Trading Commission.

The PWG Principles and Guidelines Regarding Private Pools of Capital issued in early 2007 provided a clear but flexible approach to address issues presented by the growth and dynamism of these investment vehicles. The PWG designed the principles to endure as financial markets evolved and identified four stakeholders who contribute to hedge fund vigilance: asset managers, creditors, investors and regulators.

Regulators moved to implement these principles and worked to encourage the industry to adopt the principles. Secretary Paulson in June 2007 announced that the PWG would call upon experienced industry participants who could lead the charge to raise standards for improving transparency and accountability. The group selected chairmen to lead two private-sector committees to develop the best practices.

The PWG and the committee chairmen sought a range of experience and leadership when considering committee members. The Asset Managers' Committee includes representatives from a diverse group of hedge fund managers representing many different investment strategies. The Investors' Committee includes representatives from labor organizations, endowments, foundations, corporate and public pension funds, investment consultants and non-U.S. investors.

The reports can be found at www.amaicmte.org.

