

## HELPING TO ENSURE COMPLIANCE FOR ASIA'S HEDGE FUNDS

Regulators and investors are increasingly requiring that hedge funds dedicate resources to their compliance function.

Unfortunately it is unusual for small to medium size hedge funds to have the resources to employ a full time compliance officer, leaving managers to struggle with understanding the local regulatory environment, the specific trading rules applicable to the fund's strategy, anti-money laundering requirements, training for staff and monitoring and recording compliance with these obligations.

In response to this challenge the international hedge fund industry body, *The Alternative Investment Managers Association (AIMA)*, has recommended that where internal compliance resources are insufficient hedge fund managers “*should consider having an arrangement with appropriate professional compliance advisors*”. Adding weight to the importance of appropriate compliance monitoring in hedge funds, AIMA goes on to recommend that, in addition to the important role of a compliance function, the “*chief executive must be involved in key compliance issues and should ensure that they provide an appropriate compliance culture*”.

### Start Up Services

In response to this challenge ComplianceAsia has developed an outsourced compliance service tailored specifically to meet the needs of Asia's hedge fund managers.

During the start up phase, ComplianceAsia will:

- Provide unbiased and independent advice on the appointment of service providers
- Coordinate introductions to service providers and assist with the negotiation of terms with them
- Advise on the structure of the fund and organization of management and advisory entities
- Coordinate with counsel and advisors in relation to the establishment of the fund
- Advise on the information memorandum/private placement memorandum and other marketing materials of the fund
- Arrange for licensing applications (or exemption filings) to regulators
- Advise on best practice compliance arrangements

# ComplianceAsia

*Financial Industry Compliance in Asia Pacific*

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## Documentation Services

ComplianceAsia assists hedge funds by

- Develop anti-money laundering programmes designed specifically for hedge funds taking into account the trading strategy, staff levels and the governing on-and-offshore regulatory regimes
- Prepare compliance, trading and investment policies and procedures manuals specifically for hedge funds taking into account the complexities of dealing with multiple funds, strategies and accounts
- Prepare compliance registers and compliance monitoring plans

## Ongoing Services

ComplianceAsia acts as compliance provider for a number of managers, advisors and funds in Asia. ComplianceAsia's ongoing compliance services are adapted to suit the specific requirements of each manager and the expectations of potential investors.

## Compliance Healthchecks

ComplianceAsia undertakes compliance healthchecks of the overall operations of a manager and advisor on a quarterly or semi annual basis during which its consultants will amongst other things:-

- Review adherence to company compliance policies and procedures;;
- Review adherence to the terms of the PPM of the Fund
- Review of the use of and service level from counterparties and other service providers
- Review regulatory filings to check the accuracy and timeliness of filing
- Review marketing materials (including website) to ensure information is accurate and up to date
- Review the type of clients to whom information has been sent
- Review record keeping
- Walk through the key operational processes.

At the end of each review a report will be produced which can be provided to the Board of Directors or investors in the fund.

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## Background Checking, Due Diligence and Commercial Intelligence Gathering

In the case of individuals, past behaviour can be a guide to future performance. Financial institutions are beginning to realise the need to select the right partners. Without background checking, an investment can sour into a costly liability.

ComplianceAsia conducts discreet background checks for the financial industry. We frequently research the backgrounds of individuals based in Hong Kong, Singapore, Japan, South Korea, China, India, Malaysia, Indonesia, Australia, Thailand, the Philippines and Pakistan. All research is conducted in accordance with local laws. ComplianceAsia also assists investors, principals and partners assess the suitability of individuals they employ or deal with in the financial industry.

ComplianceAsia assists hedge funds and assets allocators by

- Undertaking specialised background checking in relation to key individuals
  - Conducting searches of a wide range of public sources and partially public sources including regulatory databases, English and local language media, company searches and industry journals
  - Confirming educational qualifications, former employment and licensing details
  - Obtaining Certificates of No Criminal Conviction in certain countries if the subject of the inquiry requests it. These applications can be processed if a client has obtained sign off from the individual they are inquiring into
  - Conducting covert investigations into the background and reputations of key individuals through non-public sources including gathering intelligence from industry sources
  - Assessing the suitability of existing and potential hedge fund managers
  - Assessing the suitability of take-over targets, joint ventures or strategic partners
  - Assessing the suitability of a direct investment target
  - Verifying representations made to potential investors and venture capitalists
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## CONTACTS:

If you are interested in meeting us to discuss how we can be of assistance, please contact us.

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