



## Alternative Investment Management Association

The Board of Governors of the Federal Reserve System  
20th Street and Constitution Avenue N.W.  
Washington, D.C. 20551

*Submitted electronically*

30 April 2012

Dear Sirs,

The Alternative Investment Management Association (“AIMA”)<sup>1</sup> welcomes the opportunity to submit its comments on the Enhanced Prudential Standards and Early Remediation Requirements for Covered Companies.

AIMA has previously submitted comments to the consultations by the Financial Stability Oversight Council on the criteria by which it will determine which non-bank financial companies are systemically important and as a result should be subject to regulation by the Board of Governors of the Federal Reserve System. In our response letter, dated 5 November 2012, we commented that it is our belief that, today no hedge fund manager, based or operating in the US or outside the US, poses a risk to financial stability or should be deemed a systemically important institution based on the considerations in the Dodd-Frank Act, which defines “systemic importance” in terms of the potential to threaten the financial stability of the US. This is because, in our view, no single hedge fund is today sufficiently large, leveraged, complex or interconnected that its failure or financial stress would cause a market disruption severe enough to destabilise the US financial system. Further, hedge funds collectively represent a relatively small grouping of uncorrelated traders and even their collective positions and exposures are not such that their failure poses a risk to financial stability. In addition, there is no lack of substitutes within the hedge fund community and across the broader asset management industry.

Overall, AIMA finds it very difficult to comment on the proposed rules at this point in time. Although the Financial Stability Oversight Council has published final rules and guidance on the authority to require regulation and supervision of certain non-bank financial companies, it is still not possible to predict with any certainty whether any hedge funds or hedge fund managers are likely to be subject to the proposed rules. It is unclear whether proposed rules are likely to be applicable to the funds themselves or to fund managers or both. Although we agree with the policy objectives that underpin the proposed rules, we have concerns that the rules as currently proposed will not be workable or useful when applied to the asset management structure. For example, it is difficult to understand why and how risk-based capital requirements should apply to the asset management industry and what risk such a measure would be attempting to mitigate. Therefore, AIMA believes that further tailoring to the specifics of the asset management structure is necessary.

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<sup>1</sup> AIMA is the trade body for the hedge fund industry globally; our membership represents all constituencies within the sector - including hedge fund managers, fund of hedge funds managers, prime brokers, fund administrators, accountants and lawyers. Our membership comprises over 1,300 corporate bodies in over 40 countries.

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Yours sincerely,

A handwritten signature in blue ink, appearing to read "Jiří Król".

Jiří Król  
Director of Government and Regulatory Affairs