

Index

- A**
- Accounting Standards Board (ASB) 188
 - Act of insolvency, definition of 109
 - Active market 194
 - Additional termination event, provisions of ISDA schedule 118
 - Advisers Act 5
 - Rule 206(4)-2 under 36
 - Section 206(3) of 48
 - Advisory agreement, provisions of 153
 - Alternative investment management association (AIMA) 96
 - AML and KYC obligations 82, 88
 - Anti-money laundering (AML) 18
 - Assets, definition of 109
 - Assets under management (AUM) 123
 - Auto-borrow features 125
- B**
- Beacon Hill* 11, 26
 - Bid/ask pricing 194
 - Broker agreements, executing 117
- C**
- Cash
 - treatment of 77
 - use of excess 111
 - Cayman islands monetary authority (CIMA) 3
 - Cayman Mutual Fund Laws 22
 - Central management and control (CM&C) 160
 - “Check-the-Box” election 171
 - Codes of ethics 152
 - Collateral and security 76
 - Collateralised bond obligations (CBO) 24
 - Collateralised debt obligations (CDO) 24
 - Collateralised loan obligations (CLO) 24
 - Contracts for differences (CFD) 24
 - Controlled foreign corporations (CFC) 174
 - Corporate governance
 - as afterthought 146
 - for hedge funds 137–55
 - Counterparties, multiple, use of 133
 - Credit default swaps (CDS) 24
 - Credit support agreement (CSA) 106
 - Cross default provisions of ISDA schedule 118
 - “Cross-margining” and “cross-netting” systems 40
 - Cross netting and cross default 115
 - Custodian or sub-custodian 90–91
 - Custody, as investment advisers 36
- D**
- Default and close-out, events of 75

HEDGE FUNDS AND PRIME BROKERS

- Depository trust company (DTC) 56
 Designated examining authority (DEA) 46
 Directors, independent 148
- E**
- Electronic trading platforms 127–8
 Employer identification number (EIN) 177
 EU issues 185
 European fund and asset management association (EFAMA) 198
 Event of default, definition of 110
 Exchange Act
 16 conditions on 46
 Regulation 13D-G under 140
 Rule 15c3-1 under 45
 SEC's schedule 13D under 141
 Section 7 of 41
 Section 11(d)(1) of 43
 Section 14 of 141
 Section 15(b)(1) of 36
 Exchange traded funds (ETF) 24
 Exchanges 92–3
 Executing broker 89–90
 Expense, calculation of 86
- F**
- Fair value
 measurement of 194
 profit or loss 191
 Federal reserve system (FRB) 41
 Fiduciary duties, on hedge fund clients 111
 Financial services authority (FSA) 6, 127
 Fixed income prime brokerage 126
 "Form 1120-F" 174
 "Form 5471" 175
 "Form 8621" 179
 Form 8832 171
 "Form SS4" 177
 FRS 25/26 and IAS 32/39, effect of 199
- FSA Handbook 94
 Fund manager 79
 Funds, regulatory regime for 90
- G**
- Glass-Steagall Act 14
 Global master securities lending agreement (GMSLA) 115
 Goldman Sachs Asset Management (GSAM) 49
 Gramm-Leach-Bliley Act 14
- H**
- Hedge fund
 as corporate activists 138
 as counterparties 94
 default jurisdiction for 184
 definition of 7
 governance within 146
 level of systemic risk 52
 leverage on 23
 and prime brokers 33–54
 and prime relationship brokerage 13–17
 regulating 18–22
 SEC definition on 5
 UK corporate tax impacting 159
 Hedge fund and "long only" fund 2
 Hedge fund corporate activism
 growth in 139
 law underlying 139
 works of 144
 Hedge fund governance, sides of 138
 Hedge fund–prime broker 99
 from industry perspective 59–64
 legal relationship between 99
 HM customs & excise (HMR&C) 127, 160
 Hypothecation, on assets 111
- I**
- IAS 7 cash flow statements 198
 IFRS and UK GAAP, differences between 187

INDEX

- IFRS, application of, introduction 187–99
- IFRS *versus* UK GAAP 197
- Initial public offerings (IPO) 66
- Insider, becoming 142
- Institutional investors 148
demands of 147
- Interest rate, effective 195
- Interest rate risk, disclosing 190
- Intermediation, introduction of 132–3
- International accounting standards board (IASB) 187
- International financial reporting standards (IFRS) 187
- International organization of securities commissions (IOSCO) 5
- “Internet Bubble” 1
- Investment management agreement (IMA) 13
provisions of 21
- Investments
classification of 191
historical passivity in 138
- Investors, taxation of 165
- Irish stock exchange (ISE) 2
- ISDAs 117
and CSAs 104
provisions of 118
- J**
- Jersey financial services commission 22
- K**
- Key tax and accounting issues 159–99
- Know your client (KYC) obligations 78–9
- L**
- Liability, limitations of 112
- Limitations, on use of side pockets 149
- LLC model 99
- LLP model 99
- Loans and receivables 193
- London stock exchange (LSE) 97
- M**
- Margin, definition of 110
- Margin financing method 62
- “Margin substitution” 60
- Mark-to-market election 179
- Master–feeder structure
one feeder fund 10
two feeder funds 9
- “Minus tick” 44
- Money laundering reporting officer (MLRO) 11
- Mutual funds or collective investment schemes 53
- N**
- NASD members, Rule 2790 on 37
- National association of securities dealers (NASD) 37
- NAV calculation and reporting 72, 83–4, 87
- NAV decline triggers 114
- Net asset value per share (NAV per share) 2
- New York stock exchange (NYSE) 34
- Non-UK resident fund, UK tax position of 162
- Non-US hedge funds 159
- O**
- Offset, criteria for 189
- Offshore funds 159
- Offshore manager and PE risks 169
- Original issue discount (OID) 183
- OTC options 63
- Over the counter (OTC) market 5
- “Overpriced” securities 64
- P**
- Partnerships, as conduit entities 172
- Passive foreign company (PFIC) 8
- Passive foreign investment company (PFIC) 177

HEDGE FUNDS AND PRIME BROKERS

- PBA document, a hedge fund
 director signs 100
- Poison pill provisions 143
- Prime broker
 advantage of using 132
 and board of directors,
 relationship between 73–9
 challenges for 50–54
 and clearing broker liability,
 scope of 50
 as custodian 62
 function of 62
 manager view on 80
 pressures on 53
 responsibility of 47
 role of 35–8, 61–8
 selecting 100–104
- Prime broker committee (PBC)
 34
- Prime broker relationship, 1994
 letter on 34
- Prime brokerage agreement 108
- Prime brokerage costs 131–3
- Prime brokerage, outside US 38–9
- Prime brokerage services,
 differences between 124
- Private equity funds *versus* hedge
 funds 4
- Profits *versus* service 124
- Proxy voting 154
- Q**
- Qualified electing fund (QEF)
 8, 178
- R**
- Regulation SHO
 Rule 203 of 49
 SEC on 49
- Regulation T
 conditions on 46
 margin rule 41
- Regulator 93
- Regulatory trends, emerging 95
- Rehypothecation 130
- Relationship
 of trading and economic factors
 123–4
- trading and economic factors
 driving 123–35
- Request for proposal (RFP) 104–8,
 124
- “Restricted persons” 37
- RFP process 100
 factors on 106–7
 meaningful 107
- Rights on default/execution
 provisions 114
- Risk manager 91–2
- S**
- Safe harbours, for trading
 stocks, securities and
 commodities 176
- SEC v Beacon Hill* 11
- Security interest 113
- Self-custody, Advisers Act rule
 related 152
- Service level agreements (SLA)
 82, 116
- Services, definition of 74
- Side letters 119
 limitations on 149
 “Side pockets” 149
- Single entity funds and feeder
 funds 7
- Single vs multiple prime brokers
 131
- Special civil investigations office
 (SCI) 168
- Special purpose vehicles (SPV) 24
- Sub-custodians, appointment of
 76
- Subpart F income 180
- T**
- Tax efficient structures 129
- Threshold amount, provisions of
 ISDA schedule 118
- Trades and investment strategies,
 facilitation of 80–81
- Trading and market rules 142
- Trading equities *versus* CFDs
 126–7
- Trading *versus* investment
 162

INDEX

Transactions
 as incremental costs 195
 principal 153
 types of 84

U

UK manager
 structure 166
 transfer pricing 166
Unrelated business tax income
 (UBTI) 9, 99, 171, 180-1
US Patriot Act 52
US tax system, structure 170

V

Valuation of investments,
 provisions on 148-9
Value-at-risk (VAR) model 81

W

*Wood and another v Holden (HM
 Inspector of Taxes)* 161

Z

"Zero-minus tick" 44