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**CONTACT**

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**Asia Pacific**

+852.2846.3500

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**Canada**

+1.416.874.0900

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**EMEA**

+44.20.7670.4000

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**United States**

+1.212.588.4000

info@itg.com

www.itg.com

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## ITG Hedge Fund CFO Survey Results Evolving Regulations, European Research Unbundling Are in Focus

The following are the results from a survey of Chief Financial Officers at leading US hedge funds. The poll addressed some of the key business challenges hedge fund CFOs face in the evolving capital markets landscape. Among the key findings:

- Changing financial rules and regulations are the most pressing issue on these CFOs minds, according to 47% of respondents, followed by the need to streamline compliance processes (37%).
- European moves to unbundle research payments from equity trading commissions are a clear concern, with 49% of hedge fund CFOs very or somewhat concerned.
- If Europe moves towards a “hard unbundling” of research payments from commissions, 65% of the CFOs surveyed said they would likely segregate the accounts of their European clients in order to continue using Commission Sharing Agreements (CSAs) for the non-European clients, while 35% said they would consider ending the use of CSAs altogether.
- Some 51% of the hedge fund CFOs surveyed already pay for at least some of their research using hard dollars (i.e. dollars from the fund’s management fees, not funds generated through trading commissions).
- Hedge fund CFOs rely on their peers to keep abreast of changes in the marketplace: 45% cited conversations with their fellow finance and compliance professionals as their main source of updates, followed by content from their brokers or vendors (31%) and content from business or trade publications (24%).

The survey polled more than 40 attendees of ITG’s CFO dinner in New York in late June, from funds ranging from \$50 million to \$14 billion in assets under management, representing a collective total of more than \$115 billion in AUM.



## ITG Hedge Fund CFO Survey Results

Response rates listed in parentheses.

1. Which of the following is the most pressing issue for you?
  - a. Reducing the cost of compliance (11%)
  - b. Streamlining the compliance process (37%)
  - c. Generating updates/performance reports for investors (5%)
  - d. Keeping up with regulatory and rule shifts (47%)
  
2. Which of the following is the most important in keeping up with the changing market?
  - a. Hedge fund trader press (HFAlert, HFMWeek) (12%)
  - b. Business press (FT, Wall Street Journal) (12%)
  - c. Content from your brokers and/or vendors (31%)
  - d. Conversations with fellow compliance/finance professionals (45%)
  
3. Do you use CSA arrangements?
  - a. Yes (67%)
  - b. No (33%)
  
4. Do you currently pay for research with hard dollars?
  - a. Yes (51%)
  - b. No (49%)
  
5. Do you use corporate access?
  - a. Frequently (38%)
  - b. Occasionally (43%)
  - c. Not at all (19%)
  
6. Are you concerned about European regulators' moves to fully unbundle research from execution?
  - a. Very concerned (8%)
  - b. Somewhat concerned (41%)
  - c. Neutral/unaffected (46%)
  - d. Not at all concerned (5%)
  
7. If Europe moves to full hard unbundling (i.e. payment of research with only hard dollars), will it change your methods of paying for research and commissions?
  - a. Yes (45%)
  - b. No (55%)
  
8. If Europe goes towards full hard unbundling are you more inclined to:
  - a. Segregate out your non-US clients and continue to use CSAs for US customers (65%)
  - b. Stop using CSAs globally (35%)
  
9. Do you currently use a Portfolio Management or Order Management System?
  - a. Yes (90%)
  - b. No (10%)
  
10. If you do not currently use a PMS/OMS, will you be implementing one in the next 12 months?
  - a. Yes (55%)
  - b. No (45%)



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