

Perspectives+

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+ Bogotá + Buenos Aires + Caracas + Istanbul + London + Minneapolis + Moscow + New York + São Paulo + Singapore

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Multimercado Funds go global

New HF regulations in Brazil provide local funds with global access; LaCrosse introduces *LaCrosse450+* suite of services

Last year, the Comissão de Valores Mobiliários (CVM), Brazil's regulator of investment funds and capital markets, issued Instructions 450 and 456. The new regulations gave local fund managers long-awaited access to international financial instruments. CVM 450 and 456 allow multimercado funds (the local term used to describe onshore hedge funds) to place up to 20 percent of fund assets in investments abroad that are similar to those traded domestically by the fund. Trading in these securities, which was long delayed due to disputed language in the original legislation, is an important step forward for the Brazilian hedge fund market. The industry has benefited from a prolonged bull run in emerging markets, increased visibility of BRIC strategies and bigger allocations from global

managers. Brazilian managers see the approval of CVM 450 and 456 as an important step toward continued growth within the region. The regulations allow them to take advantage of increased interest among global investors in Latin American exposure.

The opportunity to invest abroad opens the door to attractive markets that can generate bigger returns and add an increased level of diversification to the funds. It allows managers to trade or hedge without having to attempt to replicate the trade locally. But the new regulations failed to establish the full access to global securities that managers desired because they came with a number of caveats. For example, in order for a fund to trade (*continued on page three*)

Moving up in Minnesota

LaCrosse expands facilities in the Minneapolis suburb of Edina

The second in a three part series profiling LaCrosse's expansion into new facilities, this piece examines our growing office in Minnesota.

This spring, the LaCrosse offices in Edina, a suburb of Minneapolis, will become one floor larger. To accommodate our growing staff, the fourth floor of our Centennial Lakes Office Park location was fully renovated and is ready for the move in. Thirty LaCrosse employees will now call the fourth floor home.

The third floor of the office building, which has been occupied by (*continued on page five*)



The Centennial Lakes Office Park in Edina. Photo courtesy of United Properties.

LaCrosse gets an online upgrade

www.lacrosseglobal.com re-launches with new look, updates and enhanced features

This March, LaCrosse Global Fund Services will get a new look in cyberspace. www.lacrosse-global.com will re-launch with a fresh look, enhanced features and more access to news and information about LaCrosse than ever before.

“The new lacrosseglobal.com will serve as a robust source of information about LaCrosse, our people and the services we offer,” said Brian Ward, marketing coordinator for LaCrosse. “The clean design and enhanced interface will provide clients and info-seekers around the globe with an elegant and effective tool that provides up-to-date news and information about our company.”

To help in the design of the new site, LaCrosse enlisted the creative services of Dan Raabe Design. Mr. Raabe, an award winning designer and the former senior art director for *The Wall Street Journal*, lent his expertise and creative guidance in developing the site. He has partnered with LaCrosse on a number of notable projects in the past, including the development of its corporate brochure.

In addition to the new look and feel, LaCrosse has updated and streamlined all information on its service offering, added links to its client questionnaire, capabilities brochure and client onboarding system, and further developed its news and events section. For more information on the latest enhancements, or if you have any questions or comments, send us an email at info@lacrosseglobal.com.



Screenshots of the new www.lacrosseglobal.com

Trade your briefcase for a toolbelt.

(no experience necessary)

What: **Hedge Funds for Habitat — NYC Build Day**

When: **Friday, March 21st, 8:30 am to 1:30 pm**

Where: **Ocean Hill-Brownsville, Brooklyn**

NE corner of Atlantic Avenue and Eastern Parkway to the NW corner of Atlantic Avenue and Sherlock Place,

Contact: Click [here](#) to download a volunteer form, or for more information, call 212-991-4000 x330 or email ssavage@habitatnyc.com



A minimum suggested donation of \$500 is asked of all participants

LaCrosse is proud to sponsor Hedge Funds for Habitat - NYC



...Brazil (continued from page 1)

an instrument abroad, it must already be trading a similar instrument in the Brazilian market. Yet CVM 450 and 456 did not explicitly define a "similar instrument." That became the biggest sticking point among managers and regulators and was the primary reason many firms were slow to take advantage of the rules.

On Feb. 20, the CVM issued clarification on the language in Instructions 450 and 456. Nonetheless, fund managers face yet another roadblock in the form of taxation requirements imposed on investments abroad by the Receita Federal (the Brazilian IRS). The tax implications on investments abroad, specifically on OTC derivatives are significant. The Receita Federal has taken the stance that all money invested by funds in OTC derivatives offshore should be taxed – even if the particular investment results in a loss. Should an offshore swap, for example, lose money, the loss is still taxed as if it were a capital gain. Given local tax rates can top 40 percent, this can have serious implications

"Our experience and local knowledge gives us the ability to provide Brazilian funds that wish to trade abroad with the operational support they need from day one,"

Roberto D'Avila
LaCrosse Global Fund Services

Another issue addressed by the CVM in its Feb. 20 communication was the 20 percent limit placed on fund managers. This is far below the level of access that local managers seek. In response, the CVM issued Instruction 465. It granted 100 percent access to offshore investments for those funds that accept investments from qualified investors only (qualified investors in Brazil are required to make investments greater than R\$1 million) and then only if such funds are clearly defined as "Investimento no Exterior" (Investment Abroad). Unlike the U.S., U.K. and



Roberto D'Avila, LaCrosse

The Brazilian Hedge Fund Market: Structure and Regulatory requirements

- + Historically, Multimercado ("multi-asset" or "multi-strategy") funds in Brazil, which accept investments from Brazilian residents, were restricted to investing in domestic securities only.
- + To gain access to foreign markets, many managers established offshore funds, domiciled in foreign markets, which trade with strategies similar to their onshore (Multimercado) funds. These funds are not regulated by the CVM (the Brazilian SEC).
- + Instructions 450 and 456, passed by the CVM in 2007, allow Multimercado funds to invest up to 20 percent of their assets abroad, provided:
 - + instruments being traded are similar to instruments already traded domestically
 - + the country in which the investment is made is a member of the IOSCO – International Organization of Securities Commissions (www.iosco.org).
 - + the instrument is registered with a stock exchange, registered clearing house or registered custodian that can prove the instruments existence
- + Instruction 465, passed in 2008, allows Multimercado funds that require qualified investments (defined as an investment greater than R\$1 million) to invest up to 100 percent of their assets abroad.

many other markets, high minimum investment requirements are less common in Brazil, leaving most managers without full access.

Operational Challenges

As a result of these regulatory changes, service providers have been forced to adapt in order to accommodate funds in Brazil. LaCrosse now serves the offshore portion of the local funds and is working with local administrators in Brazil in accepting information, combining the portfolio and publishing daily quotes as required by the CVM.

"LaCrosse has a strong presence in emerging markets around the globe, particularly in Latin America. Our experience and local knowledge

gives us the ability to provide Brazilian funds that wish to trade abroad with the operational support they need from day one," says Roberto D'Avila, who is responsible for Business Development and Client Relationships in Brazil. "We can act as administrator for all of a fund's offshore activities while also offering other services such as middle-office outsourcing that complement those of the local administrator. The fund can continue to use their local administrator the way they always have, LaCrosse will work with them in supporting the offshore structure."

LaCrosse450+

Creating a parallel onshore/offshore structure poses significant operational challenges. To address these (continued on the next page)

...Brazil (continued from previous page)

challenges, LaCrosse has introduced LaCrosse450+, a specialized suite of services available to fund managers in Brazil who wish to trade abroad. Working in conjunction with the local Brazilian administrator, LaCrosse can provide additional operational services and offshore expertise. With a long history serving emerging markets, LaCrosse is prepared to support local Brazilian administrators and provide operational services to Brazilian managers that trade in any part of the world.

Specific components of LaCrosse450+ include offshore administration and foreign accounting (e.g., U.S. GAAP NAV and foreign investor accounting) and full operations outsourcing. In addition, LaCrosse provides daily P&L and NAV estimates and reconciliation with both the trading desk P&L and local administrator statements.

With offices serving the region in Sao Paulo, Buenos Aires, Bogota and Caracas (as well as Istanbul, Moscow, Singapore, Minneapolis, New York and London), LaCrosse can provide each fund it serves and each local administrator it supports with a local client service desk with local market expertise. This helps avoid any issues related to language or time zone differences, while providing a central point of contact. LaCrosse can interface with all major prime brokers, local administrators, custodians and counterparties in the region, consolidate information and report to anyone appointed by the fund manager. It also offers start-up services and can provide expertise on local tax requirements and regulations.

“LaCrosse, working with the local administrator in Brazil, can quickly establish and support most onshore/offshore structures,” says Judith Garbi, who is responsible for Business Development and Client Relationships in Latin America outside of Brazil. “Once a fund has designated an administrator locally, we can provide the complementary services, local knowledge and global capabilities it requires.”

LaCrosse450+

A specialized suite of services available to fund managers in Brazil who wish to trade abroad.

- + No need for local fund managers to change their local fund administrator. LaCrosse will work in conjunction with the local administrator to provide additional operational services and offshore expertise.
- + LaCrosse can manage all necessary interactions with your local fund administrator.
- + Other services include:
 - + Daily NAV and P&L
 - + Reconciliation to trading desk P&L and local administrator statements
 - + LaCrosse can support all offshore trading activity
 - + LaCrosse can interface with all major prime brokers and custodians
 - + Local Client Service – helps avoid any issues related to time zone or language differences

“Once a fund has designated an administrator locally, we can provide the complementary services, local knowledge and global capabilities it requires.”

Judith Garbi
LaCrosse Global Fund Services

...facilities

(continued from page 1)

LaCrosse since it began offering operations, middle-office and administration services to the global hedge fund market, will continue to house client service, fund accounting and operations teams. The fourth floor will be the new home for the Investor Reporting, Financial Reporting, Tax, Law and Investor Services teams. It is being outfitted with private offices, conference rooms, 78 new workstations, and similar to that used on the third floor, state-of-the-art videoconferencing equipment. The addition of the fourth floor will add 14,297 square feet to LaCrosse's existing space.

About the Centennial Lakes Office Park

The Centennial Lakes Office Park is a 100-acre multiuse development, home to a 25-acre park and lake system surrounded by picnic areas and walking paths. The water views and park-like atmosphere provide employees with enjoyment year-round. Summer lunch breaks can be spent waterside while the winter freeze offers opportunities for ice skating. On-site facilities include additional meeting rooms and videoconferencing centers, a business lounge, secure underground parking and a variety of dining options.



The Centennial Lakes Office Park in Edina.
Photo courtesy of United Properties.

Calendar of Events

March 21 — Hedge Funds for Habitat Build Day Atlantic Avenue, Brooklyn, New York
Join LaCrosse and friends as they lend a helping hand at the Atlantic Avenue condominium complex.

March 31 - April 2 — GAIM Asia JW Marriot, Hong Kong
Visit the LaCrosse exhibition booth

April 14 - 16 — GAIM Cayman The Ritz Carlton, Cayman Islands
LaCrosse Co-CEO Christopher Kundro speaks on "Conducting Due Diligence on Emerging Market Fund Managers".

April 16 - 18 — Eurohedge Summit 2008 Paris, France
Visit the LaCrosse exhibition booth

LaCrosse in the News

A roundup of news stories and press coverage on LaCrosse Global Fund Services. Click on the links below to open the articles in your web browser.

- + [LaCrosse Global Fund Services announces appointment of Rob Helszajn as manager of sales and client relationships for United Kingdom](#)
- + ["Habitat for Humanity Pairs Up With Hedge Funds" - The New York Sun - February 21, 2008](#)
- + ["Why some risk will always lie ahead" - FT Adviser - February 14th, 2008](#)
Article includes quotes from LaCrosse co-CEO Stuart Feffer
- + [Hedge Fund Build Day to be held in Brooklyn, NY - March 21, 2008](#)
- + ["The Other Road to Hedge Fund STP: Outsourcing your Middle and Back Office" - Cayman Financial Review - Winter 2007/2008](#)
By Chris Kundro and Stuart Feffer, co-CEO's, LaCrosse (available in print only)
- + ["Independent Advent" - Global Custodian - Winter 2007/2008](#)
Article includes quotes from LaCrosse CFO Julie Getchell (subscription required)
- + ["Collateral Management in the Limelight" - Securities Industry News - Jan. 28](#)
Article includes quotes from Matt Waller, Senior Collateral Manager for LaCrosse (subscription required)

About LaCrosse Global Fund Services

LaCrosse Global Fund Services is a provider of operations, middle-office and administration services to managers of complex hedge funds globally. The firm has more than 300 employees in 10 global office locations: Bogota, Buenos Aires, Caracas, Istanbul, London, Minneapolis, Moscow, New York, Sao Paulo and Singapore.

Current assets under administration and supported operationally are in excess of USD \$14 billion, encompassing strategies traded by global portfolio managers who cover global equities, fixed income, commodities, currencies, emerging markets and related derivatives.

LaCrosse began as a spinout of the middle- and back-office operations that had supported Black River Asset Management and, prior to that, Cargill Global Capital Markets. Today it is an independently managed subsidiary of Cargill providing services to the alternative investment industry. For more information, visit LaCrosse at www.lacrosseglobal.com.

To see a complete list of asset classes supported by LaCrosse Global Fund Services, please click [here](#).

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