

Appendix F

DFSA Prime Broker due diligence requirements

Guidance 9, CIR 13.6.3

Evaluation of prime brokers

A Hedge Fund Operator should understand the role of the prime broker and should consider the following factors in evaluating a prime broker and its documentation:

- (a) the services the prospective prime broker will provide, including value added services and how the prime broker will deliver those services.
 - (b) the extent to which processes of delivery between the Investment Manager and the prime broker are automated;
 - (c) interest rate and fee structure;
 - (d) the cost, financing and securities lending structure;
 - (e) material provisions of the prime brokerage documentation such as margin calls, synthetic products trading, segregation of assets and events of default;
 - (f) the prime broker's familiarity with and appropriate internal resources to service the investment strategy;
 - (g) the amount of leverage the prime broker is prepared to provide and the basis on which this is provided, e.g. the use of a risk based system;
 - (h) the extent of segregation and ownership of assets; and
 - (i) the credit worthiness of the prime broker.
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