



Hedge Fund Regulation 2009

THE CHANGING REGULATORY LANDSCAPE

30 September 2009

Speaker Slides

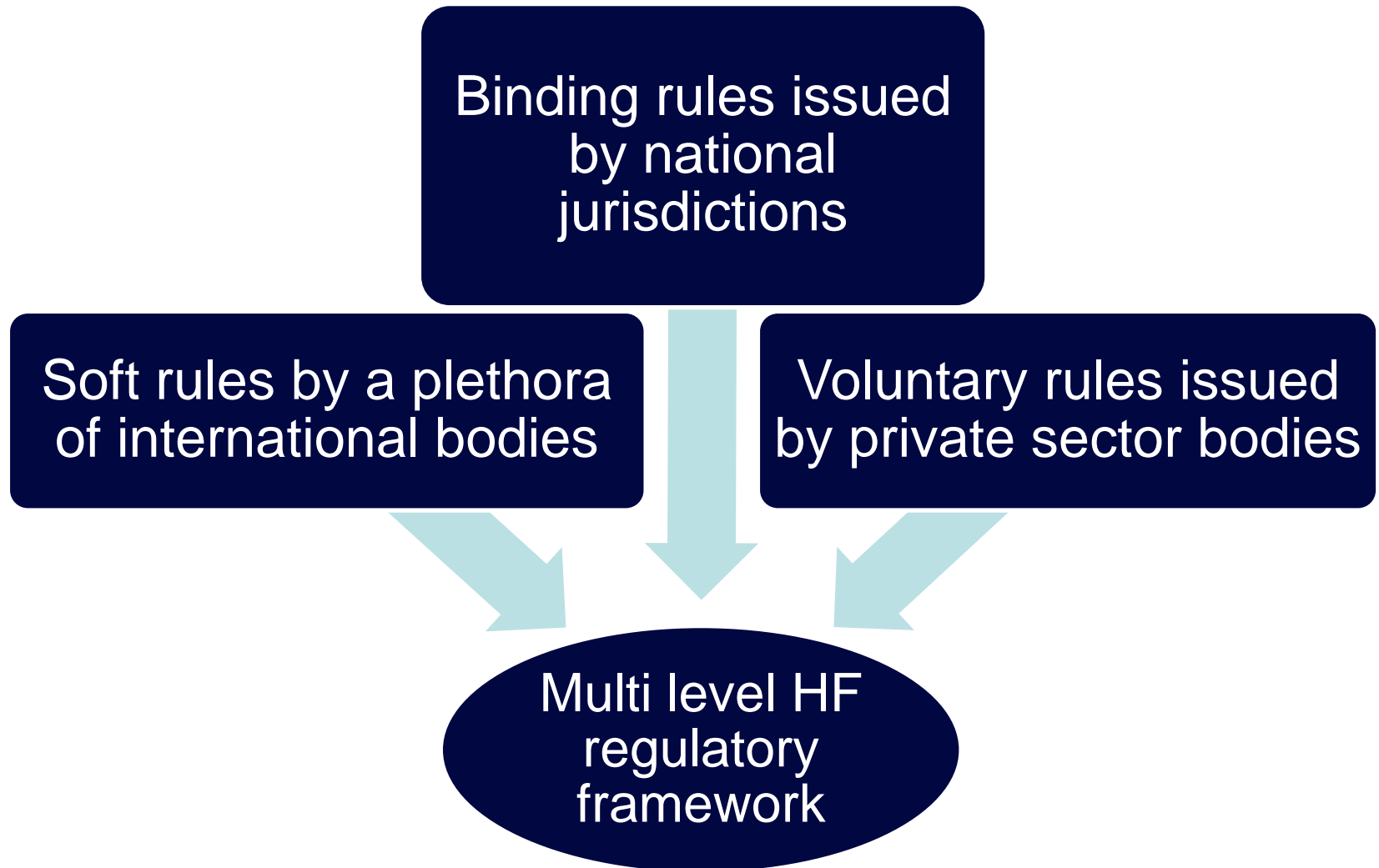


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Overview

- Current HF regulatory landscape
- The changing HF regulatory landscape
- EU regulatory reform – the AIFM directive
- Next steps
- Concluding remarks

Current HF Regulatory Landscape



The Changing HF Regulatory Landscape

RATIONALE / POLICY

- Avoid systemic risk & global macroeconomic imbalances
- Foster international cooperation
- Renew market discipline
- Ensure financial stability

APPROACH

- More intrusive approach
- Direct v. indirect regulation
- Macro-prudential regulation
- Micro-prudential regulation
- Enhanced supervision & data

TIDES
OF
CHANGE

GOALS

- Enhance disclosure & transparency
- Regulate controlling positions & leverage in the system
- Enhance investor protection & operating conditions

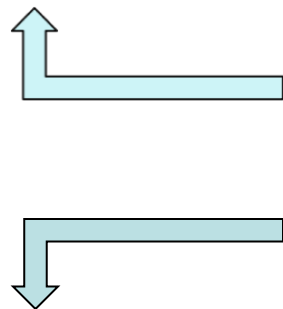
LEGISLATION

- EU AIFM directive
- US proposals
- Enforcement
- Minimise regulatory arbitrage
- Global harmonisation

EU AIFM Directive

- AUM = or > €100m
- AUM = or > €500m (unleveraged & 5yr lock up)

- Restrictions on EU Managers
- Restrictions on non-EU managers
- Protectionism / reduced competition

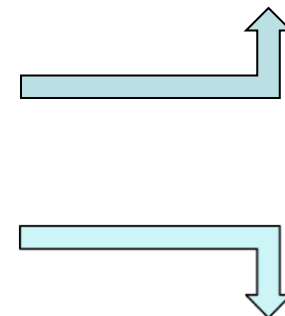


**Authorisation
& De Minimus
Thresholds**

**Reporting,
Disclosure &
Capital**

**Third Country
Restrictions**

**Valuation,
Depositories &
Delegation**



- To investors
- To regulators
- To unlisted co & SHs if > 30% stake

Capital reserves: AUM = €125,000
& +0.02% if AUM > €250m

- Independent valuator for AIF
- EU credit institution depository
- Strict liability = higher costs for end investor
- No sub-delegation of administrative functions

Next Steps

What Happens Next?

- There will be a Directive
- Further clarification on the Commission's blank cheque is needed
- Precise content is currently subject to intense political discussion, with no consensus yet on whether certain proposals should be watered down or toughened up

Timing (tentative & very ambitious)

- 2009/2010: Directive negotiated/finalised by European Parliament & Council
- Jan 2011: Member state legislation likely to come into effect
- Jan 2012: Existing AIF & AIFMs must be in compliance
- Jan 2014: 3rd country AIFMs can start to access EU investors



Concluding remarks

Global crisis calls for an effective global approach

- A balanced yet effective co-ordinated and complementary package of measures is needed when shifting from light touch regulation to direct intrusive regulation
- SEC / FSA information sharing arrangement = step in right direction


Shape of future HF regulation v. Protectionist dimension

- Greater regulation is a given so HFs should be prepared to adapt to some regulatory changes regarding their current practices and processes
- Better regulation should be balanced - aiming for stronger, more resilient yet also competitive and open capital markets (ambitious goal)

ANY FORM OF REGULATION SHOULD NOT GO BEYOND WHAT IS NECESSARY IN ORDER TO ACHIEVE THE OBJECTIVES PURSUED



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Further information may be found at: www.icffr.org.



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