

## Hedge Fund Registration is Likely to be Required by the End of 2009 – How to Prepare Your Fund

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(New York, NY) – There are currently several proposals on the floor of Congress that would affect the future of hedge fund regulatory requirements. The proposals call for increased transparency and accountability of hedge funds in a governmental mission to minimize systemic risk. The following proposals are currently being considered:

- Consumer Financial Protection Agency Act of 2009
- Private Fund Transparency Act of 2009
- Hedge Fund Advisor’s Registration Act
- Private Fund Investment Advisers Registration Act of 2009
- Hedge Fund Transparency Act of 2009

All of the aforementioned proposals would eliminate the private advisor exemption that currently excludes hedge funds under 15 clients from having to register with the SEC. Though it’s uncertain which of the proposals will pass, it is apparent that hedge funds can expect registration and development of a compliance program to be a requirement in their near futures – likely to pass by the end of the year with a 6 month implementation schedule.

By eliminating the hedge fund registration exemption, all of these bills would require hedge funds to register with the SEC, have compliance policies and procedures and a code of ethics, develop business continuity plans, and implement an anti-money laundering program. What’s more, as SEC regulated firms, Hedge Funds can also expect to be subject to an annual audit by FINRA or another examination body that will be examining the compliance program with increased scrutiny to avoid another messy scandal.

To this point, Rick Nummi a former senior attorney at the SEC who helped to write the Hedge Fund Examination module and currently serves as an Executive Consultant at Accounting & Compliance International suggests that regulations and examinations are just going to get more focused. Nummi says “FINRA Management will have “game changing” directives to their exam staff to avoid another Madoff/Stanford/Bluestein. The primary driver will be/currently is, ‘If you (the FINRA Exam Staff) don’t find it (while you are onboard a firm examining) and it happens (another embarrassing fraudster) on my (Senior FINRA Staff) watch, you (the examiner) will be castrated (fired)’. It doesn’t matter what the priorities are, there will be no quarter given to lax compliance staff.”

[Hedge Fund Perspective Quote]

To cope with the looming registration requirement, it is advisable to register your hedge fund sooner rather than later and to appoint your firm’s Chief-Compliance Officer before these

experience compliance professionals become a precious and expensive commodity. Compliance firm's such as Nummi's Accounting & Compliance International can spearhead the registration process for your firm and develop a customized compliance manual to help you create a strong compliance infrastructure.

If you're not ready to register, you should run your firm as if you are registered and follow compliance best practices for Investment Advisors (under SEC Rule 206), which include appointment of a CCO, development of a compliance manual, and an annual review of your program. A strong compliance infrastructure will inspire investor confidence and benefit your firm.

You should also be sure to maintain for review accurate books and records that might be required for inspection. For a comprehensive list of documentation that your firm should keep on file review **Books and Records to be maintained by Hedge Funds**.

The regulatory landscape is changing for Hedge Funds and keeping up with those changes is imperative for your firm to remain competitive, compliance, and successful.

If you would like to inquire into Hedge Fund Registration or Compliance for your firm, contact Accounting & Compliance International (ACI) and request a complimentary consultation with one of our representatives: Email: [info@acisecure.com](mailto:info@acisecure.com) or Phone: 212-668-8700. Website: [www.acisecure.com](http://www.acisecure.com).