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Hedge funds on the rebound

Hedge fund assets increased by \$21 billion during August 2009 after net outflows between October 2008 and June 2009 according to *Eurekahedge*. Scottish fund firm, *Martin Currie*, sees signs of investors returning to the hedge fund industry, as investors put money in at a faster rate than before the credit crisis, and at levels seen last when the industry was at its peak. Appetite has been rejuvenated by recent returns, with the trend appearing towards more control and visibility via managed accounts. – **Eurekahedge, Hedgeworld / Reuters, September 2009**

EU rules may drive UK hedge funds to go offshore

A survey based on 121 managers responsible for \$384 billion of assets - the bulk of the European industry - has shown that nearly 50% of the UK's hedge funds are likely to move abroad if new European Union regulations are passed. The EU directive is under the spotlight for being unrealistic and "heavy-handed".

A "hotly" contested area of the draft legislation is the plan to ban non-EU managers from marketing products in the region, unless their countries had equivalent rules. This would in effect, limit investment choices and upset portfolio balances for institutional investors. The *Securities Exchange Commission* (SEC) claim US managers would effectively be excluded from the EU market if the regulations were passed. – **FT.com, Hedgeworld / Reuters, September 2009**

Shift in hedge fund customer base

High net worth individuals have been the largest

investor group to exit the hedge fund industry during the financial crisis. Whilst many hedge funds believe high net worth individuals will be the quickest to return, they are planning for a longer-term shift in their customer base and are increasingly focusing on attracting and maintaining investment from institutional investors.

According to research by *Bank of New York Mellon* and US consultancy, *Casey Quirk*, institutional allocations are set to rise and will change the current landscape of the hedge fund industry. Hedge funds are facing demands for greater transparency and more stringent due diligence from institutional investors. And hedge funds are discovering that it is increasingly client, and not just asset management that matters. – **FT.com, September 2009**

FSA to share hedge fund data with SEC

Cooperation between UK and US regulators took a step forward as the *Financial Services Authority* (FSA) and *Securities Exchange Commission* (SEC) announced plans to seek a common set of data reports to collect from hedge fund managers. Although not supervision, the information sharing is part of a larger effort to co-ordinate regulation and enforcement, through which it wishes to reduce the compliance burden on companies and reduce regulatory arbitrage.

The FSA has also reached an agreement with the *Commodity Futures Trading Commission* to work together in supervising cross-border clearing houses. – **FT.com, Hedgeworld / Reuters, September 2009**