

Hedge Fund Standards: Consultation Paper Published by Hedge Fund Working Group

As recipients of this *Dechert OnPoint* will be aware, the Hedge Fund Working Group ("HFWG") published its Consultation Paper on Hedge Fund Standards in October of last year and invited feedback from the industry.

The Consultation Paper contains proposed best practice standards to be adopted by hedge fund managers and is of relevance to all hedge fund managers, particularly those regulated in the United Kingdom by the FSA.

HFWG is not the only group developing best practice standards for hedge funds and hedge fund managers. In February 2007, the President's Working Group on Financial Markets issued a set of principles and guidelines regarding private pools of capital. Those principles and guidelines were directed at managers, investors, fiduciaries and counterparties and had a particular emphasis on investor protection and systemic risk.

In September 2007, the President's Working Group announced that it had formed two private sector groups to develop best practices using the principles and guidelines the President's Working Group had released in February 2007. These best practices are expected to be released for public comment in the first quarter of 2008.

This firm has submitted oral and written comments on the Consultation Paper issued by HFWG and is advising clients as to the implications of HFWG's proposals and the President's Working Group's principles and guidelines for their businesses on both sides of the Atlantic. A revised paper is to be issued shortly by HFWG. We would encourage clients and contacts to ensure that the HFWG Standards are fully considered and approved by the leading figures involved (including

their general counsel and compliance officers) before formal release and adoption to ensure the best possible chance for the new standards to have wide acceptance and a key role in raising industry standards.

In due course, all alternative investment managers and their legal and compliance departments will need to be conversant with the contents of the HFWG Standards, which are expected to be released by the HFWG later this month, since those standards will have important implications for their businesses. Those managers with US-based operations, or which are regulated by the SEC, should also keep up-to-speed with the progress of the development of best practice standards by the President's Working Group.

Dechert will continue to monitor developments in this area, and we are happy to advise you regarding the implications for your business of the best practice standards proposed and/or adopted.



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