



IOSCO Principles on Hedge Funds. March 2010.

On 22 June 2009, IOSCO published the document “Principles on the regulation of Hedge Funds”. IOSCO’s proposals are gathered in 6 principles. Most of them are included in the bill of the Alternative Investment Fund Managers Directive (AIFMSs), which is under discussion in the European Union, and in they are also included in the current Spanish regulation.

The first principle is the most important one: Hedge Funds, their managers or advisers should be subject to a compulsory registration. Furthermore, IOSCO proposes managers and advisers should undergo ongoing supervision of organisational and operational issues, conflict of interest and other conduct rules, the information given to their customers and the prudential regulation.

IOSCO’s document suggests prime brokers and banks, who provide Hedge Funds with funding, should also be subjected to compulsory registration, regulation and ongoing supervision of their relations with Hedge Funds.

There are two principles related to the control of possible systemic risk the Hedge funds could generate:

- a) Hedge Funds managers/advisers and the prime brokers should bring the regulators with the relevant information related to systemic risk (including the identification, analysis and measures to reduce systemic risk)
- b) Regulator should have the capacity to cooperate and share information among themselves, when appropriate.

The principles incorporate, as well, some recommendations on custodians. It is mentioned that there should be segregation and adequate protection of customers’ cash and securities through the use of independent custodians and depositaries, which assure customers’ deposits are protected.

Finally, in February 2010, IOSCO published a template which includes the minimum information that the Hedge Funds should report to regulators.

You can reach the relevant documents in the following links:

Elements of International Regulatory Standards on Funds of Hedge Funds Related Issues Based on Best Market Practices, Report of the Technical Committee of IOSCO 14 September 2009

<http://www.iosco.org/library/pubdocs/pdf/IOSCOPD305.pdf>

Hedge Funds Oversight 18 March 2009

<http://www.iosco.org/library/pubdocs/pdf/IOSCOPD288.pdf>

Hedge Funds Oversight, Report of the Technical Committee of IOSCO 22 June 2009

<http://www.iosco.org/library/pubdocs/pdf/IOSCOPD293.pdf>

International regulators publish systemic risk data requirements for hedge funds. 25 February 2010.

<http://www.iosco.org/news/pdf/IOSCONEWS179.pdf>