

SEC Comments Regarding Current Hedge Fund Priorities

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On September 12, 2013, the SEC published a recent speech by Norm Champ, Director of the SEC's Division of Investment Management, in which he notes his views as to current priorities for the SEC in its regulation of hedge fund managers. While the views expressed are specifically noted as those of Director Champ and not the SEC, managers to hedge funds and other private funds may find these comments of interest regarding what they may expect in the way of regulation over the coming year.

Among the issues discussed, Director Champ notes the SEC's focus on (i) ensuring a robust culture of compliance among hedge fund managers, in particular in the area of insider trading (citing several recent enforcement actions by the Commission to underscore the point), (ii) ensuring appropriate investor protections in light of recently adopted Rule 506(c) (allowing general solicitation and advertising in connection with Rule 506 private placements, as mandated by the JOBS Act), and (iii) generally reviewing the need for additional modernization of rules under the Advisers Act in light of current market practices.

With respect to Rule 506(c), Director Champ reiterated the SEC's solicitation for public comment on several recently proposed investor protection rules (prescribed disclaimers, filing of general solicitation materials with the Commission, disqualification from using Rule 506 for failure to meet Form D requirements), as well as noting that existing anti-fraud rules under the Advisers Act will apply to (and be enforced with respect to) any general solicitation materials used by private fund advisers. In addition to the above, he notes that the SEC has received and is considering several requests for interpretive guidance in relation to the recently adopted "bad boy" disqualification from Rule 506 as a result of specified triggering events (certain criminal violations, regulatory sanctions and or court orders with respect to related persons of the issuer).

The full text of the speech is available [here](#).

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