

## Razor Alert

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## US Proposes Regulation of Hedge Funds for Systemic Risk Purposes

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The US Treasury has proposed legislation to help protect investors and provide the information necessary to assess whether risks in the aggregate or risks in any particular fund pose a threat to our overall financial stability.

### **Monitor Hedge Funds For Potential Systemic Risk.**

Under the Treasury's proposed legislation, the regulatory requirements would include confidential reporting of amount of assets under management, borrowings, off-balance sheet exposures, counterparty credit risk exposures, trading and investment positions, and other important information relevant to determining potential systemic risk and potential threats to our overall financial stability. The legislation would require the SEC to conduct regular examinations of such funds to monitor compliance with these requirements and assess potential risk. In addition, the SEC would share the disclosure reports received from funds with the Federal Reserve and the Financial Services Oversight Council. This information would help determine whether systemic risk is building up among hedge funds and other private pools of capital, and could be used if any of the funds or fund families are so large, highly leveraged, and interconnected that they pose a threat to our overall financial stability and should therefore be supervised and regulated as Tier 1 Financial Holding Companies.

### **Links**

[TG-214, US Treasury FACT SHEET: Administration's Regulatory Reform Agenda Moves Forward: Legislation for the Registration of Hedge Funds Delivered to Capitol Hill](#)