



Financial Regulatory Changes Will Require Detailed Reporting, More Efficient IT Systems in the Hedge Fund Sector

IMP Consulting Principal Jane Stabile Advises Hedge Funds to Draw on Techniques Developed by Large Asset Managers for SEC Compliance



Boston – September 18, 2009 – As hedge fund managers look forward to coping with expected tighter regulation and reporting requirements of the Obama Administration, they should be prepared to collect and extract much of the same client and investment data that traditional asset management firms now furnish to the Securities and Exchange Commission, according to Boston-based consultant [Jane M. Stabile](#).

Constant pressure to keep costs low while producing high-quality compliance reports has made large asset managers adept at data sourcing, storage and retrieval. Hedge fund managers would do well to develop similar skills and techniques, which should not be difficult or expensive if done systematically, maintains Stabile, principal of [IMP Consulting](#).

Large firms mine compliance-related data from several sources, including order management systems, custodians, portfolio/accounting systems, and the market. Their annual reviews ensure that they employ to full advantage the information and systems they already have, thereby avoiding duplication of effort and excessive data vendor fees.

Hedge fund managers tend to focus on gain/loss and profitability, but much of the same information they use for assessing funds and making trading decisions can be redeployed to produce the reports that the SEC will likely require under new laws such as the [Hedge Fund Transparency Act of 2009](#). Maintaining complete client records and protecting confidentiality will remain critical requirements as well.

Most of the systems already in place at hedge funds can be upgraded and augmented to meet these new demands satisfactorily, said Stabile in assessing the major points of the U.S. Treasury Department's recently published report, [Financial Regulatory Reform, A New Foundation](#). Hedge funds will soon have to register with the SEC and begin collecting, mining, and reporting on information in much the same way that larger firms have done for several years.

"One clear and recurring theme of The Treasury's report is the need for more complete and timely information," she said. "Hedge funds may not have the IT staff or compliance staff of an asset manager with \$100 billion under management, but they can still leverage many of the same technologies used by such firms to keep data quality high and costs low."

"Few financial services firms use their full IT capacities until the market or the government demands it. Hedge funds are going to need higher levels of performance from their systems

as the new regulatory regime takes shape. Fortunately, there's already a lot of available expertise within the industry to help them do it," concluded Stabile.

Additional examples of probable new regulatory strictures cited by Stabile include:

- Tighter regulation of Over-the-Counter derivatives, especially Credit Default Swaps (CDS), that will likely have to meet specific guidelines in order to settle
- The proposed Consumer Financial Protection Agency (CFPA) will likely tighten guidelines for "qualified investors" through stringent due diligence requirements for client identity, net worth, income level, and financial sophistication
- Requirement for demonstrating a "culture of compliance."

Stabile will present her data and systems recommendations for hedge funds in the new regulatory environment at the [Infovest21 Seminar: Obama Administration/Hedge Fund Regulation](#) on September 21 in New York. Other speakers are attorneys [Benjamin Haskin](#) of Willkie Farr & Gallagher; [Lance Friedler](#) of Sadis & Goldberg; and CPA Marty Lax of [McGladrey & Pullen](#).

IMP Consulting exhibited at Technology Solutions for Asset Management ([TSAM 2009](#)) in Jersey City, NJ on September 17th. The company's new white paper on Entity Risk is available on request by emailing info@impconsults.com.

About IMP Consulting

IMP Consulting is a boutique firm of investment industry experts – traders, portfolio managers, compliance officers, and operations and IT professionals – established in 2003 to enable asset management firms to derive maximum performance and full potential from investment systems. IMP's customized solutions include strategic advice; system selection, implementation, integration, and upgrades; order management and execution management systems audit; compliance; and accounting.

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