THE HISTORY OF *Hedge Fund* REGULATION IN THE U.S.

HEDGE FUNDS ARE PART OF THE WELL-REGULATED FINANCIAL MAINSTREAM. IN THE U.S., EUROPE AND BEYOND, REGULATORS NOW HAVE EXTENSIVE OVERSIGHT OF HEDGE FUND MANAGERS AND A WEALTH OF INFORMATION ABOUT THEIR ACTIVITIES. IN THE U.S., LARGE MANAGERS REGISTER WITH *the Securities and Exchange Commission and the Commodity Futures Trading Commission.* THEY MUST ALSO FILE EXTENSIVE REPORTS ABOUT THEIR PORTFOLIOS AND COUNTERPARTY EXPOSURES WITH THOSE AGENCIES.

SMALL FUND MANAGERS ARE SUBJECT TO *state registration, examination and reporting requirements.* THE MARKET ACTIVITIES OF EVERY U.S.-BASED HEDGE FUND ARE SUBJECT TO U.S. SECURITIES AND COMMODITIES LAWS. IN ADDITION, HEDGE FUNDS EXECUTE TRADES AND OBTAIN OTHER SERVICES FROM PRIME BROKERS (BANKS), WHICH ARE ALSO SUBJECT TO EXTENSIVE REGULATION THAT INDIRECTLY AFFECTS HEDGE FUND ACTIVITIES.

BELOW ARE SOME OF THE LANDMARK LAWS THAT HAVE SHAPED HOW THE INDUSTRY IS REGULATED TODAY.

1930s

Securities Act *of* 1933

Provides the legal parameters defining who can invest in private offerings, such as hedge funds

Securities Exchange Act *of* 1934

Establishes the Securities and Exchange Commission (SEC), enhances investor protections and regulates exchanges where securities are traded

Commodities Exchange Act *of* 1936

The Commodity Exchange Act (CEA) regulates the trading of commodity futures in the United States and establishes the statutory framework under which the CFTC would later operate

1940s

Investment Advisers Act *of* 1940

Requires persons and firms receiving compensation for providing advice about securities to register with the SEC

Investment Company Act *of* 1940

Imposes strict disclosure requirements and limits on the investment strategies and holdings of registered investment companies (RICs)

The first Hedge Fund *in* 1949

Sir Alfred Winslow Jones creates the first hedge fund

1970s

Commodity Futures Trading Commission Act *of* 1974

Establishes the Commodity Futures Trading Commission (CFTC) overseeing trading of commodities such as wheat, gold, oil and financial products - among others.

2010s

Dodd Frank Wall Street Reform and Consumer Protection Act *of* 2010

Changes the regulatory structure of the financial services industry

Hedge funds with +$150 million in assets required to **register with SEC**

Creates Financial Stability Oversight Council (FSOC) **to monitor systemic risk** in the marketplace

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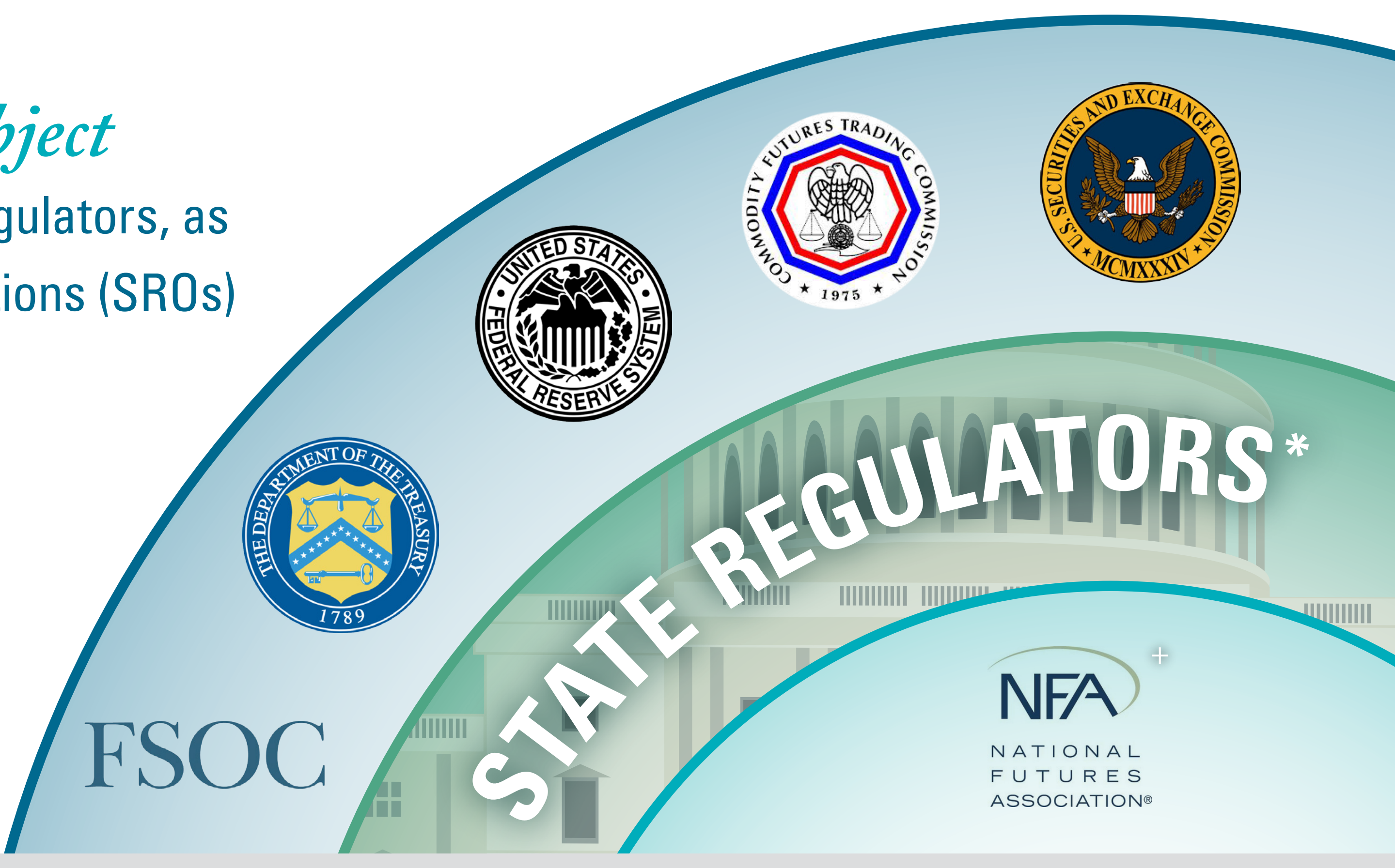
Most Commodity Pool Operators and Commodity Trading Advisers **must register with CFTC**

Today hedge funds are subject to regulation by federal and state regulators, as well as by Self-Regulatory Organizations (SROs)

Federal   State   SRO



For more information please visit, *HEDGEfundamentals.org*

* Regulators and regulations vary by state
+ The NFA is the industry wide SRO developing rules, programs and services for the U.S. futures industry

HEDGE*fundamentals.org*