

Corporate & Financial Weekly Digest

Posted at 12:46 PM on August 13, 2010 by [Edward Black](#)

FSA Cracks Down on Sales of Private Funds

The UK Financial Services Authority (FSA) has recently publicized widespread failings in the marketing of “unregulated collective investment schemes”—a category of fund products which includes almost all private funds including all hedge funds other than those established within the Undertakings for Collective Investment in Transferable Securities (UCITS) framework. This does not mean that such funds cannot be sold in or from the UK but it emphasizes the need for great attention to the details of the relevant regulations before, and while, doing so.

The FSA announced that it had just completed a project examining the promotion and sale of unregulated collective investment schemes to retail customers by financial advisors. The FSA stated that it had uncovered widespread failings by financial advisor firms in understanding the regulatory requirements for the promotion of these funds, a lack of understanding of the market within which these schemes operated and of the risks of investment in these funds. This has resulted in firms marketing and selling these funds to customers who were not eligible to purchase them. The FSA is bringing enforcement proceedings against a number of regulated firms.

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Katten Muchin Rosenman LLP
Charlotte Chicago Irving London Los Angeles New York Washington, DC