

Treasury Secretary Geithner Calls for Hedge Fund Registration and Regulatory Oversight of Credit Default Swaps Market

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written by [Jeffrey D. Collins](#), [Meredith A. Haviland](#)

On March 26, 2009 Treasury Secretary [Timothy Geithner testified](#) (.pdf) before the House Financial Services Committee (the "Committee") outlining a "comprehensive framework for regulatory reform" of the U.S. financial system. Geithner's testimony focused on four key areas, including reducing systemic risk.

Among the key elements noted by Geithner in the plan to reduce systemic risk was a recommendation that advisers to private investment funds (including hedge funds, private equity funds and venture capital funds) with assets over a certain amount be required to register with the Securities and Exchange Commission (the "SEC"). The threshold amount that would trigger the registration requirement has not yet been proposed. In addition, Geithner proposed imposing reporting requirements such that all funds managed by an SEC registered adviser would be required to submit reports, on a confidential basis, that would allow the SEC to assess whether the size of the fund or the amount of leverage utilized by the fund pose a threat to the financial stability of the economy.

Geithner also proposed the regulation of credit default swaps and other over-the-counter ("OTC") derivatives. Specifically, Geithner called for federal regulation and oversight of the credit default swap and over-the-counter derivatives markets, including a requirement that OTC derivative contracts be cleared through a central counterparty that would be subject to supervision and oversight by federal regulators. In addition, all market participants would have to comply with recordkeeping and reporting requirements established by the federal government.