

# Hedge funds to be regulated next year

by [Phakamisa Ndzamela](#), 24 October 2012, 21:05



The Reserve Bank in Pretoria. Picture: FINANCIAL MAIL

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LEGISLATION covering the regulation of hedge funds is expected to be in place by early next year, Lesetja Kganyago, Reserve Bank deputy governor, said on Wednesday.

The legislation is aimed at protecting entities investing in hedge funds such as pension funds, long-term insurers. Hedge funds have largely been unregulated but following the global financial crisis, there has been calls to regulate. The hedge funds which are seen to be high risk also attract a lot of high-net worth individuals.

In South Africa the industry is small, estimated to be around R31bn compared to compared to \$2-trillion globally.

Mr Kganyago said the Financial Services Board (FSB) would regulate the hedge funds by amending the Collective Investment Schemes Act of 2002.

The FSB is proposing that hedge funds be treated as restricted or retail hedge funds. Restricted hedge funds will be aimed at the sophisticated investor and will be subject to less rigorous regulation and the retail hedge funds will be regulated more closely as they will be open to

inexperienced retail investors, the Reserve Bank said in its Financial Stability Review on Wednesday.

"Hedge funds that are registered as restricted hedge funds will have to comply with disclosure requirements, including disclosing the number and names of clients, details of counterparties and submitting annual financial returns," the Bank said.

"Conversely, retail hedge funds will be subject to more intensive oversight, including restrictions on minimum investment amounts, asset portfolios and limits on leverage."

The public has been given until November 15 to comment on the hedge fund discussion documents that have been released.

Outside the proposal to regulate hedge funds there is also the Financial Markets Bill which will regulate among other things over the counter derivative instruments.

The Reserve Bank said in the Financial Stability Review that the Financial Market Bill was undergoing parliamentary processes and it was hoped that it would be adopted before the end of this year.