
The International Who's Who of Private Funds Lawyers has brought together three of the leading practitioners in the world to discuss the key issues facing private funds lawyers today

EMERGING REGULATION

Who's Who Legal: *Recent legislative proposals in the US and the EU have gestured towards stricter private funds regulation, with greater emphasis on record-keeping and disclosure. If these regulations are adopted, what effect do you expect them to have on investment levels in these regions? How will this legislation affect the work of private funds lawyers?*

John Broadhurst: Our guess is that any new US regulation will require more investment managers to register with the SEC and impose new disclosure requirements specifically tailored to investment funds. New rules probably would be only an annoyance (and an additional expense item) for larger managers, but would cause more of a disruption for smaller managers that lack the personnel and systems needed to comply. These requirements will also increase start-up costs for new managers, which will put a chilling effect on this entrepreneurial segment of the industry. We believe this is regrettable. There are studies showing that the smaller, newer managers outperform larger managers because they are nimbler and a few good ideas can have more dramatic effect on the portfolios they manage. So our sense is that aggregate investment levels into hedge funds wouldn't change, but the proportion of investments going to larger managers will continue to increase as some smaller managers drop out and start-ups are stifled. Regulation obviously leads to more work for private funds lawyers, but we certainly don't enjoy helping clients deal with new compliance burdens that we believe add little value.

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