

Press Coverage | July 27, 2022

Hedge Funds Warned to Not Misjudge ‘Unprecedented’ Regulatory Wave

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Genna Garver

Genna Garver, a partner with Troutman Pepper, is quoted in *FundFire* article, [“Hedge Funds Warned to Not Misjudge ‘Unprecedented’ Regulatory Wave.”](#)

“There is a lot going on,” said Troutman Pepper partner Genna Garver, calling the flood of new and proposed SEC rules “unprecedented.” It’s all “putting a lot of strain on legal and compliance professionals,” she noted.

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Preparing for the new rules “does require time and attention,” Garver said. “Hedge fund managers can’t just assume that what they were doing previously will work going forward.”

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Hedge fund managers should pay particular attention to how they market using their track records, Garver said. They should “make sure they are making adequate disclosures under the new rules. Some advisors may find their current disclosures are generally sufficient, but most of them have some additional work to do,” she added.

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This set of rules isn’t likely to take effect before 2023, a longer timeframe that “gives me hope the comments will be thoroughly vetted, and that the staff will listen to industry participants’ concerns,” said Garver. But, she added: “For now, we don’t know what the final rule will look like, which makes it hard to plan, especially for budgets and resources next year. It could create a lot of additional internal administrative work, or work that will need to be outsourced.”

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Another area of concern is an SEC proposal to expand the definition of dealers. That will certainly impact the hedge fund space, although Garver noted, “This hasn’t gotten a lot of play. That’s what happens when so many rules come out at about the same time.”

And managers may yet face other new requirements. A new proposed regulation “that might have the biggest

impact in the hedge fund space,” as Garver noted, may come from the SEC later this year regarding digital engagement practices, such as the use of predictive data and other big-data efforts. “We know this is a hot area for the [SEC] staff, and it also has been a big part of many hedge fund strategies over the past few years,” she said.

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Managers also should make the effort to stay engaged on industry efforts to shape new rules, Garver said.

“There’s so much going on,” she said.. “The response [for hedge fund managers] cannot be to just drop out and not take part in the rule-making process.”

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