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Swiss Lawmakers to Debate Tougher Rules for Hedge-Fund Managers

By Giles Broom, Klaus Wille and Jim Brunsden - Apr 16, 2012

Swiss lawmakers are considering proposals to tighten regulations on [hedge funds](#) and other asset managers that will align the Alpine nation with draft European union rules.

The amendment to an act on collective investments will be debated by both chambers of the parliament in the summer and autumn sessions“ and take effect in 2013, said Nadia Batzig, a spokeswoman for the Swiss Finance Ministry in Bern.

While the rules would allow Swiss-based investment managers to distribute their products in the EU, they will have to meet more stringent risk, compliance and auditing standards, making it more cumbersome and expensive,“ said Frederique Bensahel, a partner at the law firm FBT who advises hedge funds that have moved to Geneva. About 500 more Swiss asset managers would be regulated by the [Swiss Financial Market Supervisory Authority](#) compared with the current total of 91, she said.

It's a huge change because all hedge-fund managers will have to be regulated and getting authorization is quite difficult,“ said Bensahel. Some might leave [Switzerland](#) or there may be a consolidation among hedge-fund managers.“

Swiss laws on investor protection are relatively underdeveloped“ compared with international standards and need adapting for investment managers to gain access to the EU from next year, the regulator known as Finma said in its [annual report](#) last month.

Beyond Requirements

New rules may deplete the range of funds on offer in Switzerland and cause managers to cut jobs or leave the country, the Basel-based [Swiss Funds Association](#) said on March 26. The Swiss proposals go beyond what is required for EU compatibility, the association said.

The global hedge fund industry this month criticized draft EU rules, saying they would be extremely problematic“ for asset managers. The legislation, known as the Alternative Investment Fund Managers directive, requires fund managers to register with regulators and disclose information on their trading strategies in return for being allowed to operate throughout the 27-nation region.

The measures also set curbs on investment managers' bonuses and on funds' use of debt, while

toughening liability rules for banks that hold fund assets.

[Michel Barnier](#), the EU's financial-services chief, said he won't be "intimidated" by what he described as "rearguard lobbying" against the law.

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