

**MEMO# 10916**

April 20, 1999

## **INSTITUTE LETTER REGARDING HEDGE FUND DISCLOSURE**

[10916] April 20, 1999 TO: BOARD OF GOVERNORS No. 31-99 SEC RULES COMMITTEE No. 30-99 RE: INSTITUTE LETTER REGARDING HEDGE FUND DISCLOSURE

\_\_\_\_\_ The Institute recently sent the attached letter regarding disclosure of hedge fund holdings and leverage to the President's Working Group on Financial Markets. The letter expresses the Institute's concern about the lack of transparency of hedge fund holdings, and requests that the Working Group seriously consider requiring a hedge fund periodically to disclose its holdings and leverage. The letter states that such disclosure would provide investors with information about potential risks to the market and enable them to tailor their own holdings accordingly. The letter notes that it has been suggested that the growth of the hedge fund industry since the adoption of section 3(c)(7) of the Investment Company Act of 1940 has increased the ability of hedge funds to affect volatility in the markets. The letter therefore recommends that the Working Group consider undertaking a comprehensive study on the recent growth of hedge funds, including the impact of the 1996 legislation, and their effects on the public markets. Matthew P. Fink President Attachment

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