

New Rule Could Force Hedge Funds to Snitch

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Hedge funds could soon be faced with additional reporting obligations. The Financial Crimes Enforcement Network (FinCEN) will reportedly propose a new rule that would require hedge funds to file formal reports upon detecting suspicious trading by staff or outside third parties.

Compliance with the new rule would likely require additional policies and procedures for hedge fund managers.

Many other securities firms, such as broker-dealers, are already required to file suspicious activity reports with FinCEN. According to FinCen, more than 110,000 of these reports were filed since 2003.

While most of them involved money laundering or unusually large transactions, 3,500 related to potential insider trading, reflecting an upward trend. Given the federal government's recent focus on insider trading by hedge fund managers, the new rule does not come as a surprise.

Source: [Reuters](#)

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