

OnPoint

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Financial Services Quarterly Report

Second Quarter 2013



UK: New Regulators; New Powers

The UK Financial Services Authority was abolished on 1 April 2013 and replaced by three new regulators. The Financial Services Act 2012 introduced the Financial Conduct Authority, the Prudential Regulatory Authority and the Financial Policy Committee. This new regime not only provides a clearer division of responsibilities between regulators, but new enhanced investigation and enforcement powers show a clear commitment by regulators to investigate and take enforcement action.

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So You Want to be a U.S. Mutual Fund Manager

So you are an investment adviser registered with the Securities and Exchange Commission under the Investment Advisers Act of 1940. You currently manage separate accounts and, perhaps, one or more private funds, but you are interested in getting into the registered fund business. As an SEC registered adviser, you have already adopted compliance policies and procedures pursuant to Rule 206(4)-7 of the Advisers Act and you are certainly eligible to advise a registered investment company. So you're good to go? . . . Not so fast.

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The New German Rules on High Frequency Trading

The German Federal Parliament adopted a bill on February 28, 2013, setting forth detailed rules and provisions dealing with so-called "high frequency trading." Rather than being enacted on a stand-alone basis, the high frequency trading rules will be integrated into, and amend, existing statutes, such as the German Securities Trading Act, the German Banking Act, and the German Stock Exchange Act and will supplement existing provisions regulating (i) trading with financial instruments, (ii) the operation and functioning of stock exchanges and other trading venues, and (iii) the provision of services related to the trading in financial instruments. The high frequency

trading rules came into force on May 14, 2013.

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Marketing and Distributing Your Fund in the Middle East: Recent Developments

Since the first Quarterly Report of 2013, there have been several interesting developments relevant to the establishment, marketing and distribution of funds and related services in the Middle East. These include: amendments to the UAE Investment Funds Regulations allowing for limited exemptions from the registration and local promoter requirements when promoting foreign fund products in the UAE; the announcement of a new financial free zone in Abu Dhabi; and the publication by the Saudi Capital Markets Authority of a new draft of the Saudi Investment Fund Regulations, for comment by industry participants.

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The U.S. Federal Reserve Board Charts an Independent Course in the Supervision of Foreign Banking Organizations

The Board of Governors of the Federal Reserve System in December 2012 issued a proposed rule under the Dodd-Frank Act for the enhanced supervision of foreign banking organizations and any foreign nonbanking financial companies that may be designated as systematically important financial institutions. The proposal is a marked departure from how the Board has supervised the U.S. operations of foreign banking organizations in the past.

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Developments in the Luxembourg Financial Sector

The Luxembourg bill transposing the EU Alternative Investment Fund Managers Directive (AIFMD) into Luxembourg law is now close to being adopted by the Luxembourg parliament. The bill goes beyond the mere implementation of the AIFMD into Luxembourg law, in particular by reforming the regime of Luxembourg limited partnerships. The Luxembourg supervisory authority has also recently taken steps to ensure the smooth transposition of the AIFMD into Luxembourg law. In another development, Luxembourg enacted a new law on dematerialised securities on 6 April 2013. Henceforth, Luxembourg companies and Luxembourg investment funds (including SICAVs, SICAFs, SICARs and FCPs) will be able to issue equity or debt securities in dematerialised form.

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AIFMD Resources: Cutting Through the Noise

Dechert has established a new [web page](#) that provides tools for navigating the EU Alternative Investment Fund Managers Directive (AIFMD), including reference guides, legal updates and video briefings. AIFMD is the most significant EU regulation of the alternative investment funds industry in recent times. AIFMD will affect a wide range of asset managers, not just traditional hedge and private equity managers, whether they are based within or outside the EU.

[Go to the AIFMD Site »](#)

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