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Grassley renews effort to register hedge funds
Senator says Congress needs to bring about transparency

WASHINGTON — Senator Chuck Grassley said today he will reintroduce his legislation to require hedge funds to register with the Securities and Exchange Commission.

“This initiative is one step in helping to make our financial markets more transparent. Openness is the fundamental to the strength and stability of those markets,” he said. “What’s more, a lot of pension holders have been left in the dark about their exposure to hedge fund losses because transparency is nonexistent. It’s not about fat-cat investors who can afford to lose. It’s about regular workers and their retirement savings.”

This morning, the House Committee on Oversight and Government Reform had a hearing on hedge funds and the financial markets.

Grassley said the bill he will file when the new Congress begins in 2009 will be modeled after S.1402, the *Hedge Fund Registration Act* that he introduced in May 2007. That legislation was referred to the Senate Committee on Banking but never brought up for consideration.

The Grassley initiative responds to action in 2006 by the D.C. Circuit Court of Appeals which overturned a regulation imposed by the Securities and Exchange Commission requiring hedge funds to register. The federal courts said the Securities and Exchange Commission was going beyond its statutory authority.

“It’s up to Congress to take action and clear the way for the Securities and Exchange Commission to achieve transparency with hedge funds,” Grassley said.

Grassley has been making the case for greater transparency requirements for hedge funds since passage of the Pension Protection Act of 2006, for which he was a principal author as Chairman of the Senate Committee on Finance. “I worked very hard for passage of strong new pension protections and the secrecy of hedge funds is a threat to those protections,” he said. “During work on the pension protection bill, no one knew who operated hedge funds and how extensive they were, despite the increasingly large public pension fund investments in hedge funds.”

In October 2006, Grassley surveyed federal agencies about hedge fund transparency. He also joined other members of Congress in seeking the August 2008 assessment of the Government Accountability Office of the scope of public and private pension plan investments in hedge funds and private equity. In March 2007, Grassley filed legislation similar to S.1402 as an amendment to S.4, the 9-11 homeland security legislation. The amendment was not considered by the Senate during debate on the homeland security bill.

Grassley also issued a report in August 2007 about how the Securities and Exchange Commission mishandled allegations of misconduct by agency regulators investigating a hedge fund. An Inspector General review of the same case validated Grassley's findings in a report issued in September 2008.