



General Assembly  
January Session, 2009

***Raised Bill No. 953***

LCO No. 3702

\*03702\_\_\_\_\_BA\_\*

Referred to Committee on Banks

Introduced by:

(BA)

***AN ACT CONCERNING HEDGE FUNDS.***

Be it enacted by the Senate and House of Representatives in General Assembly convened:

Section 1. (NEW) (*Effective October 1, 2009*) (a) As used in this section:

(1) "Hedge fund" means any investment company, as defined in Section 3(a)(1) of the Investment Company Act of 1940, located in this state (A) that claims an exemption under Section 3(c)(1) or Section 3(c)(7) of the Investment Company Act of 1940; (B) whose offering of securities is exempt under the private offering safe harbor criteria in Rule 506 of Regulation D of the Securities Act; and (C) that meets any other criteria as may be established by the Banking Commissioner in regulations adopted under subsection (f) of this section. A hedge fund is located in this state if such fund has an office in Connecticut where employees regularly conduct business on behalf of the hedge fund;

(2) "Institutional investor" means an investor other than an individual investor including, but not limited to, a bank, savings and loan association, registered broker, dealer, investment company, licensed small business investment company, corporation or any other legal entity;

(3) "Investment assets" includes any security, real estate held for investment purposes, bank deposits, cash and cash equivalents, commodity interests held for investment purposes and such other forms of investment assets as may be established by the Banking Commissioner in regulations adopted under subsection (f) of this section;

(4) "Investor" means any holder of record of a class of equity security in a hedge fund;

(5) "Major litigation" means any legal proceeding in which the hedge fund is a party which if decided adversely against the hedge fund would require such fund to make material future expenditures or have a material adverse impact on the hedge fund's financial position;

(6) "Manager" means an individual located in this state who has direct and personal responsibility for the operation and management of a hedge fund; and

(7) "Material" means, with respect to future expenditures or adverse impact on the hedge fund's financial position, more than one per cent of the assets of the hedge fund.

(b) On or after January 1, 2011, no hedge fund shall consist of individual investors who, individually or jointly with a spouse, have less than two million five hundred thousand dollars in investment assets or institutional investors that have less than five million dollars in assets.

(c) The manager shall disclose to each investor or prospective investor in a hedge fund, not later than thirty days before any investment in the hedge fund, any financial or other interests the manager may have that conflict with or are likely to impair, the manager's duties and responsibilities to the fund or its investors.

(d) The manager shall disclose, in writing, to each investor in a hedge fund (1) any material change in the investment strategy and philosophy of the fund and the departure of any individual employed by such fund who exercises significant control over the investment strategy or operation of the fund, (2) the existence of any side letters provided to investors in the fund, and (3) any major litigation involving the fund or governmental investigation of the fund.

(e) On January 1, 2010, and annually thereafter, the manager shall disclose, in writing, to each investor in a hedge fund (1) the fee schedule to be paid by the hedge fund including, but not limited to, management fees, brokerage fees and trading fees, and (2) a financial statement indicating the investor's capital balance that has been audited by an independent auditing firm.

(f) The Banking Commissioner may adopt regulations, in accordance with chapter 54 of the general statutes, to implement the provisions of this section.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>October 1, 2009</i>	New section

**Statement of Purpose:**

To specify reasonable regulations for all funds in the state.

***[Proposed deletions are enclosed in brackets. Proposed additions are indicated by underline, except that when the entire text of a bill or resolution or a section of a bill or resolution is new, it is not underlined.]***