

PRESIDENT OBAMA SIGNS WALL STREET REFORM BILL INTO LAW

On July 21, 2010, President Barack Obama signed into law the Dodd-Frank Wall Street Reform and Consumer Protection Act.

The law, which was passed by the House on June 30, 2010, and the Senate on July 15, 2010, represents a significant overhaul of the regulation of the financial markets.

The legislation will accomplish several directives that impact hedge funds and broker-dealers, including:

- **Amending the exemptions from registration under the Investment Advisers Act of 1940**, requiring investment managers to private funds with assets under management over a specified minimum to register with the Securities and Exchange Commission.
- **Imposing new recordkeeping requirements** for registered investment advisers to private funds.
- **Adjusting the computation** for the accredited investor net worth standard.
- **Adding an amendment to the Sarbanes-Oxley Act (SOX)** that will require auditors of all broker-dealers to register with the Public Companies Accounting Oversight Board (PCAOB) and give the PCAOB rulemaking power to require a program of inspection for those auditors. The law allows the PCAOB to differentiate broker-dealer classes and provide an exemption from inspection for auditors of broker-dealers that do not engage in clearing, carrying, or custody of client assets.

The law also includes:

- **The establishment of limits on financial institutions** to sponsor or invest in private funds.
- **A heightened focus on derivatives** whereby, to increase transparency, the law requires the clearing of most derivative contracts on exchanges. In addition, the law provides for certain reporting and disclosure requirements.
- **The legislation imposes new capital and leverage requirements** for financial institutions and establishes new regulatory authorities to dissolve and liquidate significant financial institutions that are collapsing.
- **The establishment of a Consumer Financial Protection Bureau inside the Federal Reserve.** This Bureau is expected to write new consumer protection rules which would regulate financial institutions that offer certain financial services such as mortgages and credit cards.

For more information on this and other key business issues, contact your J.H. Cohn Financial Services team at 877-704-3500.

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