

HEDGE FUND ADVERTISING



While hedge funds initially solicit individuals on a one-on-one basis behind the scenes, there is a possibility that this may change at some point in the near future. Hedge funds may now start conducting large marketing campaigns without having to deal with any restrictions put in place as there has been a new proposal brought up today. The United States Securities and Exchange Commission has come up with the new proposal and the commissioners voted 4-1 on enabling the public to comment on an ideal proposal that would help put a stop to the limits that have been placed on investors because of private funds. The reason the proposal was first thought of was because of a law that was put in place to repeal an original ban that was set on pitching certain investments to only specific investors, which would include those who are used to putting a whole lot of money into hedge funds in the first place. The Chairman of the SEC, Mary Schapiro, said, "I recognize that there are very real concerns about the potential impact of lifting the ban on general solicitation," She also said, "While I believe it will be incredibly important for the commission to take a thorough look at the private placement market in the future, I think at this point it is appropriate that we undertake this more narrow mandate that Congress placed upon us." A recent act, the Jumpstart Our Business Startups Act, was signed by the President Barack Obama several months ago and basically brought an end to the band as a way of helping expand the options of funding for a number of companies. Some investors criticized such a move, stating that by reversing the ban, some investors may be exposed to advertisements that are misleading and even possibly false. For quite a while now, because of the laws put in place, firms were only able to market to specific investors, mainly investors that they already happened to have a relationship with and are typically considered wealthy. While some believe that this is a good idea, the director of investor protection at the Consumer Federation of America, Barbara Roper, did not feel the same. In fact, she believes that the proposal is a major disappointment. Roper has said, "It appears that none of the investor protections that we or others have advocated are included in this proposal." In the meantime, the one commissioner for the SEC who voted differently than all the rest, Luis Aguilar, has said, "The proposal would permit solicitation and advertisements via billboards, TV, the Internet, radio, and telemarketer calls, among other avenues." He also said, "Allowing such broad marketing activities under an exemption designed for 'private' offerings is a significant change in the securities framework that greatly increases the vulnerability of investors."