

Neil Robson Talks Personal Account Dealing Policies for London Hedge Fund Managers

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Financial Markets and Funds partner Neil Robson spoke with *HFM* Global on the Financial Conduct Authority's (FCA) recent pressure on London hedge fund managers to more strictly address personal account dealing (PAD) policies. Neil notes that while FCA comments were largely focused on the wholesale broking industry, "the commentary is just as relevant for the buy-side and the FCA's findings can very easily be read within the context of a hedge fund manager."

With the guidance largely focused on preventing market abuse rather than providing detailed policy instructions, Neil adds that firms are responsible for determining best practices. "The FCA rules on PAD state that firms must have 'appropriate' rules to ensure that PAD meets conflicts of interest requirements and does not result in market abuse — firms must make sure any PAD is not to the detriment of clients or the fund's investors. For example, if a portfolio manager has taken a personal and opposing position to that which he has recommended for the fund, then there's going to be a significant problem."

Multinational firms can eliminate complexity by taking cues from the jurisdiction with the tightest regulations. He stated, "In the United States, the SEC rules are a lot more stringent and managers there have to put a lot more thought into their code of ethics. Most US firms therefore do not allow PA-dealing in any form as a result of this. For UK funds with US operations, the common approach is for the UK manager to take the stricter US approach." Hedge fund managers should anticipate cultural issues when determining best practices. "If a UK hedge fund manager has PM's from the US, they could very well be used to doing their own trading, so the compliance officer could come up against some cultural issues." ("[Dealing on your own account](#)," January 27, 2020)

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