SIFMA’s Anti-Money Laundering and Financial Crimes Committee Anti-Money Laundering Suggested Due Diligence Practices for Hedge Funds*

BACKGROUND

SIFMA’s1 Anti-Money Laundering and Financial Crimes Committee (the “AML Committee”),2 has, since 2001, worked with both the regulators and the securities industry to address anti-money laundering (“AML”) regulatory and legislative issues, as well as to foster a broker-dealer’s compliance with its AML responsibilities in a way that is both effective and efficient. As part of its focus, the AML Committee has undertaken a number of initiatives to assist its members in addressing their AML responsibilities. Its most recent effort is the issuance of this AML Suggested Due Diligence Practices for Hedge Funds (“Hedge Fund AML SDP”).

SIFMA and its member firms have long been strong supporters of AML efforts. Even prior to the passage of the USA PATRIOT Act of 2001 (“the PATRIOT Act”)3, SIFMA worked with its members to increase their level of AML compliance and many

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* The regulatory analysis and recommendations contained in this document reflect the views of SIFMA’s Anti-Money Laundering and Financial Crimes Committee. This document was prepared by a Subcommittee chaired by Meg Zucker of Morgan Stanley & Co., Inc., with the guidance of Alan Sorcher, formerly Managing Director and Associate General Counsel of SIFMA. Betty Santangelo of Schulte Roth & Zabel LLP, together with William Friedman, an associate of the firm, provided substantial assistance with respect to this Hedge Fund AML SDP. This document has not been endorsed by FinCEN, the SEC or FINRA. Firms must ensure that they are in full compliance with all applicable regulatory obligations.

1 The Securities Industry and Financial Markets Association (“SIFMA”) brings together the shared interests of more than 650 securities firms, banks and asset managers. SIFMA’s mission is to promote policies and practices that work to expand and perfect markets, foster the development of new products and services and create efficiencies for member firms, while preserving and enhancing the public’s trust and confidence in the markets and the industry. SIFMA works to represent its members’ interests locally and globally. It has offices in New York, Washington D.C., and London and its associated firm, the Asia Securities Industry and Financial Markets Association, is based in Hong Kong. SIFMA was formed in November 2006 through the merger of the Securities Industry Association and the Bond Market Association.

2 The AML Committee, which was formalized in 2001 prior to the formation of SIFMA under the auspices of the SIA, voices the securities industry’s concerns and comments regarding anti-money laundering and counter-terrorism regulatory and legislative proposals, focuses on compliance with U.S. sanctions programs, and works to improve the coordination between the industry, regulators and law enforcement to detect and deter financial crimes.

member firms endeavored to develop and implement policies and procedures to detect and deter money laundering and other illicit activities. Since its inception, the AML Committee has undertaken a number of initiatives to assist its members in addressing their AML responsibilities. One such effort was the issuance to its members in February of 2002, shortly after the passage of the PATRIOT Act, of Preliminary Guidance For Deterring Money Laundering Activity ("Preliminary Guidance") with respect to the procedures they should consider with respect to compliance with existing AML regulations. SIFMA also offers its members opportunities for AML education through conferences, seminars and regular email updates, and has submitted comment letters to regulators on various issues pertaining to the deterrence of financial crime.

As part of its AML efforts, the AML Committee has been focusing on products and clients where industry guidance might be of significant assistance to its members. As a result, in 2007, the AML Committee formed a Hedge Fund Subcommittee for the purpose of addressing common issues that securities firms share with respect to the treatment of Hedge Funds from an AML perspective. For example, the AML Committee worked with Managed Funds Association ("MFA") to develop a model "attestation" when dealing with certain intermediaries, such as investment advisors ("Investment Managers" or "Managers"). As discussed below, an attestation, such as the one developed with the MFA or other similar attestation, might be considered by various financial institutions, including securities firms, in assessing the scope of a Hedge Fund’s and/or its Manager’s AML practices.

PURPOSE

The issuance of guidance with respect to a firm’s relationships with a Hedge Fund was suggested by the AML Committee’s membership as an initiative that would be helpful to its members. Clearly, Hedge Funds have become a significant player in the securities industry, drawing an estimated amount of investment of over one trillion dollars. Further, Hedge Funds have become more and more a part of the

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4 That Preliminary Guidance was recently reissued as the 2008 Guidance For Deterring Money Laundering And Terrorist Financing Activity, and reflects the various AML developments that have been implemented since 2002 by the Financial Crimes Enforcement Network ("FinCEN"), the U.S. Securities and Exchange Commission ("SEC"), and the Financial Industry Regulatory Authority ("FINRA"). See http://www.sifma.org/regulatory/anti-money/pdf/AMLguidance.pdf. In addition, the AML Committee has issued other publications targeted to the securities industry, such as the Suggested Practices for Customer Identification Programs ("CIP Suggested Practices") http://www.sifma.org/regulatory/anti-money/pdf/CIP-suggested.pdf.

5 MFA is the trade association of the global alternative investment industry. Its members include professionals in hedge funds, funds of funds and managed futures funds.

6 The attestation was developed, in part, because Hedge Funds and Investment Managers are not subject to the AML program requirements under the PATRIOT Act. As a matter of best practice, many Hedge Funds and Investment Managers have adopted and implemented AML programs that are consistent with the MFA’s Sound Practices for Hedge Fund Managers that would enable them to sign such an attestation. See “Sound Practices for Hedge Fund Managers: Guidance for Hedge Funds and Hedge Fund Managers on Developing Anti-Money Laundering Programs” (Release No. 2) (Appendix IV), Managed Funds Association, available at http://www.managedfunds.org/downloads/Sound%20Practices%202007.pdf.
business of larger financial institutions, which have opened the door to investments in such funds to certain qualified private clients. Additionally, for various reasons, including credit and other non-AML related risks, Hedge Funds have been the focus of extensive reporting by the press, as well as scrutiny by Congress and the regulators. Therefore, the AML Committee believes it may be helpful to firms to set forth various considerations relevant to dealing with Hedge Fund clients and their Managers. Given that the AML rules do not currently apply to Hedge Funds and their Managers, these procedures should be particularly helpful.

For these reasons, the AML Committee has worked with its members to identify AML due diligence procedures that member firms find particularly valuable in evaluating a Hedge Fund customer, utilizing a risk-based approach. The purpose of the Hedge Fund AML SDP is to identify those practices that member firms can utilize, as they see fit, depending on the nature of their relationship with the Hedge Fund. Further, a member firm with a global presence may wish to consider applying aspects of this Hedge Fund AML SDP more broadly, rather than limiting its application only to its U.S. AML program.

As a starting point, the AML Committee recognizes that many member firms do not have the capability to readily define Hedge Funds or assign classifications for them in internal account systems since they often already fall under existing classifications for legal entities such as partnerships or LLC’s. Moreover, even where firms are able to identify their Hedge Fund clients, the nature of their relationship with the Hedge Fund may limit the firm’s ability to apply this Hedge Fund AML SDP. Essentially, these practices represent a “toolbox” of options that members may consider, to the extent additional due diligence steps for hedge fund clients are deemed appropriate based on a firm’s risk assessment. This assessment may take into account the characteristics of a Hedge Fund described below, the scope and type of relationship established with the firm, and the role other intermediaries or third parties may play on behalf of the Hedge Fund with the firm.

The Hedge Fund AML SDP is not intended to address a firm’s Customer Identification Program (“CIP”), or other global client identity requirements for Hedge Fund clients. We refer members to the CIP Suggested Practices for such guidance. Rather, it is intended to describe suggested practices for conducting AML due diligence on Hedge Funds that may act in the capacity of a customer or in another role.

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7 For example, the Investors’ Committee to the President’s Working Group on Financial Markets issued a report entitled “Principles and Best Practices for Hedge Fund Investors,” and the Asset Managers’ Committee to the President’s Working Group on Financial Markets issued a report entitled “Best Practices for the Hedge Fund Industry.” (January 15, 2009) These complementary reports examined industry procedures across the board and respectively set forth best practices for (1) investors in Hedge Funds and their fiduciaries who invest on their behalf, and (2) the Hedge Fund industry. See http://www.amaicmte.org/.

8 FinCEN issued proposed AML rules for Hedge Funds and Hedge Fund Managers on September 26, 2002 and May 5, 2003, respectively. Although the proposed AML rules for Hedge Funds and Hedge Fund Managers were withdrawn by FinCEN on October 30, 2008, the withdrawal of these proposed rules does not alter this guidance.

9 See note 4.
with a firm. Depending on the nature of the relationship a firm has with a Hedge Fund, firms should determine whether CIP is required, and the extent to which the Hedge Fund AML SDP might be appropriately applied. The Hedge Fund AML SDP should not be viewed as a directive to members requiring them to apply either “Simplified” or “Increased” AML Due Diligence, as described below.

I. CHARACTERISTICS OF A HEDGE FUND

As an initial matter, the members of the AML Committee recognized that there is a certain amount of ambiguity as to what constitutes a Hedge Fund, resulting from the fact that there is really no one universal definition of Hedge Funds, and leading to difficulties in identifying such funds. Moreover, firms interact with Hedge Funds in various ways. As a result, the AML Committee considered it appropriate to set forth the characteristics of a Hedge Fund so that firms could assess for themselves whether or not the entity with which it is dealing warrants application of the Hedge Fund AML SDP and what type of role it may be playing with a firm (e.g., client, counterparty, syndicate lender).

“Hedge Funds” are legal entities that are unregistered collective or “pooled” investment vehicles. Typically, they are privately offered to sophisticated investors pursuant to an offering memorandum or other disclosure document that may include, among other things, a description of a Fund’s investment objective and strategies, risk factors, conflicts of interest, tax treatment, management fees, redemption rights and other terms. Investors in Hedge Funds are required to submit a subscription agreement and make other representations in connection with their investment in the fund. Hedge Funds can vary substantially in terms of size, strategy and fund structure, and typically are created as limited partnerships or limited liability companies (which are used by some Hedge Funds formed under U.S. law), and corporations or, less commonly, trusts (which are used by some foreign-organized Hedge Funds).

A domestic fund is commonly controlled by a general partner (if a limited partnership) or a managing member (if a limited liability company), which are usually entities under common control with the Investment Manager. Offshore funds typically have a Board of Directors with one or more directors, all or a majority of which often are professional directors. Generally, Hedge Funds themselves do not have employees. A Hedge Fund’s Investment Manager has authority to manage a fund’s portfolio under an investment management agreement. Hedge Funds generally pay the Investment Manager a fixed asset based fee and/or performance based fee or allocation. In addition, Hedge Funds may use a fund administrator (“Fund Administrator”) to handle certain functions such as accounting, Know Your Customer and any other AML obligations.

Hedge Funds sponsored by a U.S. Investment Manager often consist of side-by-side domestic and offshore funds, each of which holds similar investment portfolios
(which may differ due to tax considerations), or a master-feeder structure in which side-by-side funds invest jointly in a “master” fund which, in turn holds the investment portfolio. In either structure, U.S. taxable investors typically invest in a U.S. Hedge Fund, which is a pass-through vehicle for U.S. tax purposes, and tax-exempt investors, (such as endowments, foundations, pension funds or Individual Retirement Accounts) and non-U.S. investors typically invest in a non-U.S. Hedge Fund, which is treated as a foreign corporation for U.S. tax purposes. Hedge Funds can also be organized as a fund of funds, an investment strategy that invests in numerous Hedge Funds, thereby enabling an investor to invest in a diverse portfolio of funds. For purposes of the Hedge Fund AML SDP, we treat the fund of funds like any other Hedge Fund.

While it is recognized that jurisdictional differences may exist, the following types of corporate entities are not generally considered and, for purposes of this guidance, are not treated as Hedge Funds: mutual funds or their offshore equivalents, private equity funds, venture capital funds, exchange traded funds, real estate funds, collective trust funds, family partnerships, trust funds established for estate planning purposes or other types of pension plans (e.g., ERISA), and personal investment vehicles. However, firms may wish to consider the toolbox of options in evaluating these other types of relationships.

II. POTENTIAL RELATIONSHIPS WITH HEDGE FUNDS AND INVESTMENT MANAGERS

The AML Committee recognizes that Hedge Funds may maintain various types of relationships with a firm, given that the businesses of broker-dealers vary greatly, and that some firms are complex financial institutions that offer various products and services to clients. In assessing the relationship between a Hedge Fund and a firm, the firm should take steps to determine whether a Hedge Fund is more likely to interact with the firm’s retail business, its institutional business (e.g., prime brokerage, stock loan, fixed income, or lending), or its high net worth side of the business (e.g., “private client” or “private wealth management” business). All of these are areas at a firm where Hedge Funds may establish a relationship. Of course, the firm’s business model, which may vary from firm to firm, can impact the way in which a firm may view or characterize a Hedge Fund within its risk assessment and the manner or ability of a Hedge Fund to engage with the firm. Developing a partnership among various areas of the firm, including the firm’s management, credit, operations and other key areas of the firm that directly engage with Hedge Funds, and AML Compliance, could be helpful to evaluate the firm’s business model.

The AML Committee has identified the following ways in which a Hedge Fund (or its Manager) may establish a relationship with a firm. It should be noted that some of the relationships in all three categories may more likely be found in the institutional context.
**Relationship A.** In this type of relationship, a Hedge Fund has the primary relationship with a firm. However, the Hedge Fund can act for itself, or through its Manager or other authorized signatory (e.g., a sub-advisor) or agent. The Manager, authorized signatory or agent, may be involved in the execution of trades on behalf of the Hedge Fund. A firm might record this account on its books solely in the name of the Hedge Fund or the Manager’s name may be part of the account title. Alternatively, the Manager could be treated by the firm as a separate relationship from that of the Hedge Fund. These types of relationships may occur at firms in a prime brokerage area or similar type of custody business.

**Relationship B.** A Hedge Fund may have a managed relationship with a firm. In this scenario, the Hedge Fund is introduced by a Manager that forms a relationship with a firm. As a result, the Manager’s name (not the Hedge Fund) is recorded on the books of a firm, making the Manager the firm’s primary client, while the Hedge Fund (or other clients) is either disclosed, partially disclosed or undisclosed. The firm may therefore not even know the Manager is acting on behalf of a Hedge Fund; the Manager is the firm’s client. This type of relationship is often found in an “execution” business relationship. Depending on the circumstances, it may also be considered an “omnibus” relationship. AML Due Diligence in this context may only be necessary with respect to the Manager.

**Relationship C.** A Hedge Fund may have an ancillary/tangential relationship with a firm where the Hedge Fund’s relationship with the firm is not necessarily a formal customer relationship. For example, as part of a syndicated loan, the firm acts as either an agent or arranger to the borrowers (the client) with respect to the structuring of loan facilities. Typically, in these circumstances, the Hedge Fund will become a member of the syndicate and will lend money to the borrower. Another less common example involves a stock loan transaction which usually takes place with a large financial institution. In this situation, a Hedge Fund might lend stock to a firm either as principal or through a Manager acting on behalf of the Hedge Fund. Depending on its assessment of the relationship, firms may wish to apply, where feasible, appropriate due diligence on Hedge Funds engaging with firms in this capacity.

**III. POTENTIAL APPLICATION OF AML DUE DILIGENCE**

This section considers the level of AML Due Diligence that is reasonable to apply to a Hedge Fund or its Manager and the factors (together with the firm’s own internal risk assessment) that may trigger the appropriate level of AML Due Diligence.

For the purposes of the Hedge Fund AML SDP, there are two levels of AML Due Diligence: “Simplified” and “Increased.” This terminology is merely suggestive, and alternate language can be considered as firms tailor their AML due diligence practices to their clients, including Hedge Funds and others deserving of the attention described. In addition, both levels of AML due diligence, particularly the “Increased”
level, envision a spectrum of approaches depending on the particular risks related to a particular fund relationship. Based upon its own internal model, a firm should consider whether due diligence is applied by its business area, risk management, AML compliance or a combination of these and other areas of the firm.

**Simplified AML Due Diligence**

A firm may choose to apply Simplified AML Due Diligence when the Manager or Hedge Fund is (1) organized in a jurisdiction *not* otherwise identified by a firm as high risk *and/or* (2) is either subject to or, as a result of a firm-wide or global policy, elects to apply an “equivalent” comprehensive and consolidated AML regime. 10 Other factors firms may wish to consider in determining whether Simplified AML Due Diligence is appropriate include: (1) information relating to the Manager introducing the Hedge Fund customer, which may be particularly critical to a firm’s assessment of the AML Due Diligence standards that may apply (*e.g.*, if the Manager is registered or regulated in an equivalent jurisdiction or is subject to a comprehensive AML regime); (2) the degree to which and length of time the key parties who are responsible for the management (*i.e.*, the “Principals”) of the Hedge Fund and Manager (if different) are known to the firm; and (3) whether a senior representative of the firm has met with them in person.

Similarly, the application of Simplified AML Due Diligence may also depend on certain other factors such as whether any third parties are associated with or acting on behalf of the Hedge Fund. Certain factors to be considered include the reputation of the Hedge Fund’s Administrator, its legal counsel and/or its auditor. For example, if a Fund Administrator is not widely known, an increased level of AML due diligence may be warranted. A similar approach would apply to the assessment of the Fund’s legal counsel and auditor.

Thus, if a Fund Administrator is acting on behalf of a Hedge Fund not currently subject to local AML requirements, the jurisdiction and responsibilities of the Fund Administrator can be a factor in the firm’s risk assessment of the Hedge Fund. For example, a Fund Administrator might subject a Hedge Fund customer *and* its investors to a significant level of due diligence. The Fund Administrator may adopt this approach because it is subject to such requirements as a result of the jurisdiction in which it is organized or in which it is located. The Fund Administrator may also *elect* to apply due diligence requirements to its customers and investors, even absent a regulatory obligation, in order to conform with local standards (*e.g.*, the PATRIOT Act) or its contractual commitment to its client. In those instances, it might

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10 “Equivalent” for these purposes means that, based on the firm’s risk evaluation of the jurisdiction, the due diligence measures conducted by or on behalf of the Hedge Fund are comparable to those required to be implemented by financial institutions under the PATRIOT Act. Firms operating in the global context might want to view the EU ML Directives, the UK ML Regulations, the Financial Action Task Force Recommendations, and the Wolfsberg AML Principles, as the standards by which other AML regimes might be judged.
be appropriate for the firm to apply Simplified AML Due Diligence, unless other factors about the Hedge Fund or its Manager emerge increasing the necessary level of AML Due Diligence.

**Increased AML Due Diligence**

Increased AML Due Diligence may be appropriate where the information available about the Hedge Fund does not fall within the Simplified AML Due Diligence as described above. For instance, Increased AML Due Diligence may be applied where the Hedge Fund is organized or domiciled in a high risk jurisdiction as determined by the firm’s own risk assessment, and there is no countervailing factor such as that the Manager or the Fund Administrator is registered or regulated in a jurisdiction satisfactory to the firm. Another countervailing factor may be whether the Hedge Fund has voluntarily subjected itself to an equivalent comprehensive and consolidated AML regime.

In addition, in the course of conducting Simplified AML Due Diligence, circumstances may arise which might prompt a firm to conduct Increased AML Due Diligence on the Hedge Fund and/or the Manager. Depending on a firm’s risk profile, some examples of situations that may lead to Increased AML Due Diligence include: a) where the Manager establishes a customer relationship with a firm on behalf of a Hedge Fund and the information received during the firm’s on-boarding process identifies potentially negative information about the Hedge Fund or the Principal; b) where AML Due Diligence, such as internet searches, reveals little or no information on the Principals where it is anticipated that such information would be available; c) where the Simplified AML Due Diligence reveals additional information about the Principal requiring further scrutiny (e.g., where the Principal is identified as a Senior Foreign Political Figure\textsuperscript{11} or Politically Exposed Person\textsuperscript{12} (“SFPF/PEP”)); or d) where the Hedge Fund utilizes a Fund Administrator, counsel or an auditor that is not well-known in the industry.

**IV. APPLICATION TO RELATIONSHIPS: “TOOLBOX OF CONSIDERATIONS”**

Once a firm has determined the nature of its relationship with the Hedge Fund, the extent to which any third party is engaged with the firm on its behalf, and specific factors that may increase or decrease the level of AML due diligence to apply, the firm may consider the following examples of “tools” when applying Simplified or Increased AML Due Diligence measures. It is recognized that, in some circumstances, the application of any suggested AML due diligence measures may not be appropriate or feasible. For example, in “Relationship C”, a formal customer relationship is not necessarily involved. Also, in certain jurisdictions outside the U.S.,

\textsuperscript{11} A “Senior Foreign Political Figure” is defined in the regulations promulgated under Section 312 of the PATRIOT Act by the U.S. Department of Treasury, at 31 C.F.R. § 103.175(r).

\textsuperscript{12} A “Politically Exposed Person” is defined by the Financial Action Task Force on Money Laundering, at http://www.fatf-gafi.org/glossary/0,3414,en_32250379_32236889_35433764_1_1_1_1,00.html#34285860.
the fact that the Manager (or other relevant service provider such as a Fund Administrator or transfer agent) is regulated in an “equivalent” jurisdiction may make it unnecessary to conduct further AML due diligence on the Hedge Fund.

Firms will need to evaluate their relationships, and based on their own internal assessment and recognition of applicable business models, apply the Hedge Fund AML SDP to their business as deemed reasonable. The approach to appropriate AML due diligence may vary from firm to firm. Regardless of the approach that is taken, firms should document their approach and record the steps that they take with respect to AML due diligence.

**Simplified AML Due Diligence**

In conducting Simplified AML Due Diligence, the following are possible measures to be considered, either in combination or separately, as a part of the firm’s AML program:

- Performing screening of, and establishing internal processes to review, the Hedge Fund’s/Manager’s name and Principals of the Hedge Fund/Manager. Examples of screening to be considered may include the following:
  - The U.S. Department of Treasury Office of Foreign Assets Control ("OFAC") sanctions programs, including its list of Specially Designated Nationals;
  - Other global watch or sanctions lists;
  - Internal watch lists developed by firms;
  - Lists of SFPF/PEPs;
  - Negative news databases for potential “risk relevant” information about the Hedge Fund, Manager, and related Principals;

- Considering whether an “attestation” from the Manager, or where appropriate, the Fund Administrator, regarding the applicable AML procedures is also appropriate.

**Increased AML Due Diligence**

In conducting Increased AML Due Diligence, the following are possible measures to be considered, either in combination or separately, as a part of the firm’s AML program:

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13 When performing the OFAC screening of Hedge Funds/Managers and their Principals, Firms should take into account the guidance on “Opening Securities and Futures Accounts from an OFAC Perspective” and “Risk Factors for OFAC Compliance in the Securities Industry,” which was issued by OFAC on November 5, 2008.

14 Other global watch or sanctions lists include applicable sanctions regimes promulgated or administered by the United Nations, the European Union, and/or any other local economic sanctions regime.

15 See note 6.
• Performing screening of, and establishing internal processes to review, the Hedge Fund’s/Manager’s name and Principals of the Hedge Fund/Manager. Examples of screening to be considered may include the following:

  o OFAC’s sanctions programs, including its list of Specially Designated Nationals;
  o Other global watch or sanctions lists16;
  o Internal watch lists developed by firms;
  o Lists of SFPF/PEPs;
  o Negative news databases for potential “risk relevant” information about the Hedge Fund, Manager, and related Principals;

• Evaluating whether the Hedge Fund, its Manager (or its Fund Administrator) has elected to apply “equivalent” AML standards, even if not required by local regulation;

• Evaluating any additional level of due diligence that may be appropriate, depending on the jurisdiction and level of risk of the Hedge Fund (e.g., where the firm learns either that the primary market of the Hedge Fund is high risk or that some of the Hedge Fund’s investors come from a “high risk” jurisdiction);

• Considering whether an “attestation,” a questionnaire or a client profile is appropriate. For example, one of these tools might be considered where a firm transacts with a Manager introducing a Hedge Fund that is unregulated or that is in a jurisdiction not deemed “equivalent” for the purposes of AML related standards;

• Considering the involvement of AML Compliance in evaluating “highest risk” funds;

• Requesting internal or other private investigatory reports on the Hedge Fund/Manager or its Principals, depending on the outcome of initial screenings performed;

• Following up between risk management and AML Compliance to better assess any available information about Principals of the Manager worthy of further discussion, evaluation or escalation;

• Obtaining references from other brokerage firms, other clients or senior management of the firm.

16 See note 12.
V. CONCLUSION

The AML Committee hopes that this document will allow member firms to better evaluate their own approach to Hedge Funds as part of their own internal risk assessment of all clients and other meaningful business relationships. While member firms are encouraged to utilize these suggestions if they deem it appropriate, considering their relationship with the Hedge Fund and their own business model, the Hedge Fund AML SDP is not intended to be utilized for client identification requirements. To the extent that member firms utilize this guidance, it should only be used as part of their evaluation of AML due diligence practices for Hedge Funds. The SIFMA AML Committee will update this guidance at such time as new rules or guidance are issued by the regulators.