

## **CLIENT ALERT**

### **Hedge Funds and Antitrust Compliance: Antitrust Division Investigates Hedge Funds Shorting Euro**

**March 5, 2010**

When is sharing of investment strategies collusion? This question seems to be at the center of an inquiry by the Antitrust Division of the Department of Justice in connection with investment strategies shorting the value of the Euro. Recent press reports indicate that the Department of Justice has sent requests to several hedge funds in connection with their trades relating to the Euro. These requests were sent the same day the Wall Street Journal reported that portfolio managers of several large hedge funds attended an exclusive "idea dinner," where they predicted that the Euro's value - which already fell from \$1.51 in December to \$1.35 in late February - will likely reach parity with the dollar. The dinner was one of several informal dinners that New York-based research and brokerage firm Monness, Crespi, Hardt & Co. holds from time to time to allow managers to network and discuss trading ideas. While the Euro was only one among more than 20 topics reportedly discussed at the dinner, news of the meeting, including reports that a portfolio manager encouraged other traders to join his firm in shorting the Euro, drew immediate attention from regulators.

While shorting strategies have long raised SEC regulatory scrutiny, this inquiry demonstrates that the Department of Justice will also look closely at potential anticompetitive behavior in the financial services industry. Over the past few years, the SEC and the Antitrust Division have worked closely on an investigation of potential bid-rigging in the municipal bond industry. While compliance programs at financial services firms and investment advisors are generally focused on SEC and SRO regulation, this new development highlights the role of preventative antitrust compliance as the Obama administration has vowed to reinvigorate antitrust enforcement.

For more information, please contact the professional(s) listed below, or your regular Crowell & Moring contact.

**Daniel L. Zelenko**

Partner – New York

Phone: +1.212.895.4266

Email: [dzelenko@crowell.com](mailto:dzelenko@crowell.com)

**Olivier N. Antoine**

Partner – New York

Phone: +1.212.803.4022

Email: [oantoine@crowell.com](mailto:oantoine@crowell.com)