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British police have arrested 45-year-old Swedish fund manager Magnus Peterson, head of the collapsed Weavering Capital, a flagship London hedge fund.

The arrest is part of a formal investigation by the Serious Fraud Office (SFO) where administrators are pursuing Magnus Peterson for $475m (£313m), according to The Times.

The magnitude of the scheme was revealed after Magnus Peterson's home in Maidstone, Kent, was raided by the Serious Fraud Office. Also a 43-year-old senior trader at Weavering had his house raided.

The City of London police seized computers and documents. Both men were taken in for questioning but were soon released on bail.

The London based hedge fund collapsed in March after the discovery that the company's main asset fund was a $637m derivatives trade with an offshore company controlled by the fund's founder and chief executive Magnus Peterson, former head of trading at Swedish bank SEB.