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International Organization of Securities Commissions
Organisation internationale des commissions de valeurs
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IOSCO Publishes a Report on the Second IOSCO Hedge Fund Survey

The International Organization of Securities Commissions published today the [*Report on the Second IOSCO Hedge Fund Survey*](#), which describes the comprehensive and global effort by relevant regulators to better understand the hedge fund industry and its salient features.

The aim of the IOSCO survey is to gather data from hedge fund managers and advisers about the markets in which they operate, their trading activities, leverage, funding and counterparty information. It forms part of IOSCO's efforts to support the G 20 initiative to mitigate risk associated with hedge fund trading and traditional opacity.

Despite some limitations, the survey has proven to be a useful tool for examining this segment of the market, particularly considering the limited amount of publicly available hedge fund data. As hedge funds tend to operate across multiple jurisdictions, this initiative offers a unique perspective on the global nature of these funds.

The report explains the results of the second IOSCO survey and provides an overview of the hedge fund industry as of September 2012. It covers the following areas:

- *Qualifying funds*: The hedge survey gathered data on 1,044 qualifying funds. The United States and the United Kingdom are the two predominant regions where hedge fund managers/advisers are located.
- *Assets under management*: The funds captured in the survey represented US \$1.94 trillion in total net assets under management.

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- *Fund domiciliation:* These funds are usually domiciled in offshore jurisdictions in order to benefit from more favorable tax and regulatory regimes. The Cayman Islands have been the predominant domicile for these funds.
- *Investment Strategy:* The report indicates that the single most represented strategy among active funds is equity oriented. Macro-oriented and multi-strategy funds are also significant.
- *Use of leverage and market exposure:* The report shows how financial leverage is used by firms to increase their market exposure. This data is at the core of the systemic risk analysis that regulators aim to better understand and capture.
- *Liquidity risk:* This is a key measure by which regulators try to gauge a fund's propensity to experience financial distress. The survey indicated that under current market conditions few funds actually need to restrict investor liquidity.

The survey also seeks to facilitate the exchange of consistent and comparable data among relevant regulators for the purpose of:

- facilitating international cooperation regarding possible systemic risks in this sector;
- providing a forum for the discussion of potential regulatory options if these are required; and
- gaining a better insight into the global hedge fund industry.

The Secretary General of IOSCO, David Wright, said: *This work is an essential building block to develop a more transparent and open global financial system. It is essential that regulators have the full picture of all parts of the market from which to make appropriate policy judgments.*

The report also acknowledges the limitations involved in this data collection exercise, which prevented definitive conclusions to be reached on the risk to the financial system. Going forward, IOSCO will continue to promote the collection of comparable hedge fund data among regulators with the aim of fostering an internationally consistent approach to measuring risks and improving data quality and reliability.

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IOSCO expects to conduct its next survey with a data collection as of September 2014.

NOTES FOR EDITORS

1. IOSCO is the leading international policy forum for securities regulators and is recognized as the global standard setter for securities regulation. The organization's membership regulates more than 95% of the world's securities markets in more than 115 jurisdictions and it continues to expand.
2. The IOSCO Board is the governing and standard-setting body of the International Organization of Securities Commissions (IOSCO), and is made up of 32 securities regulators. Mr Greg Medcraft, chairman of the Australian Securities and Investments Commission, is the chair of the IOSCO Board. The members of the IOSCO Board are the securities regulatory authorities of Argentina, Australia, Belgium, Brazil, Chile, China, France, Germany, Hong Kong, India, Italy, Japan, Korea, Malaysia, Mexico, Morocco, the Netherlands, Nigeria, Ontario, Pakistan, Portugal, Quebec, Romania, Saudi Arabia, Singapore, South Africa, Spain, Switzerland, Trinidad and Tobago, United Kingdom and the United States.
3. The Growth and Emerging Markets Committee is the largest Committee within IOSCO, representing 75 per cent of the IOSCO membership. Mr. Ranjit Ajit Singh, Chairman, Securities Commission, Malaysia, and Vice Chair of the IOSCO Board, is the Chair of the GEM. The Committee endeavors to promote the development and greater efficiency of emerging securities and futures markets by establishing principles and minimum standards, providing training programs and technical assistance for members and facilitating the exchange of information and transfer of technology and expertise.
4. IOSCO aims through its permanent structures:
 - to cooperate in developing, implementing and promoting adherence to internationally recognized and consistent standards of regulation, oversight and enforcement in order to protect investors, maintain fair, efficient and transparent markets, and seek to address systemic risks;
 - to enhance investor protection and promote investor confidence in the integrity of securities markets, through strengthened information exchange and cooperation in enforcement against misconduct and in supervision of markets and market intermediaries; and
 - to exchange information at both global and regional levels on their respective experiences in order to assist the development of markets, strengthen market infrastructure and implement appropriate regulation.

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