Panel 2: Hedge Funds – How Far is it Necessary to Regulate?

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Chairman
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8 June 2006
Hedge Funds – Boon or Bane?

- European Central Bank - HFs a “major risk” to global financial stability

- US Federal Reserve - no need for more regulation
Global Arena

- Thriving $1 trillion HF industry with over 8000 HFs

- Regulators are now focusing on HFs:
  - FSA paper on HF risks
  - IOSCO report 2006: “The regulatory environment of hedge funds”
Hong Kong Market

- SFC license & supervise all HF managers operated in HK (about 80)
- HK has 148 HFs of AUM USD 17b
- HK is among the first to allow HFs to be offered to the public (13 authorized HFs of AUM USD 1.15b) since 2002
Key Issues

- Market Stability
- Role of vocal HF's as shareholders
- Operational / disclosure issues