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Hong Kong

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

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# **Hedge Funds – How Far is it Necessary to Regulate?**

**Martin Wheatley**

**Chairman**

**Securities and Futures Commission**

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# 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 HFs as shareholders**
- **Operational / disclosure issues**