

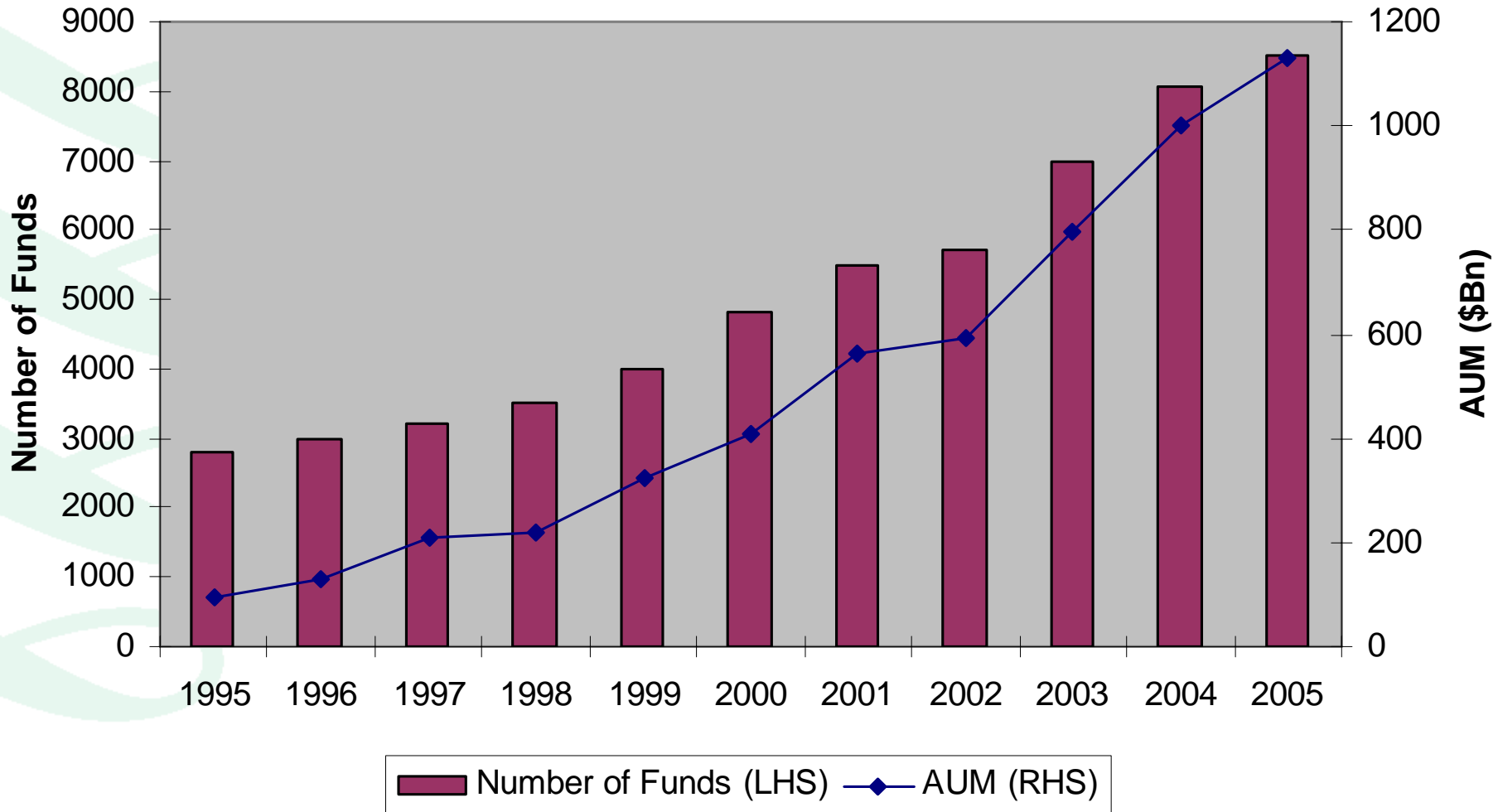
## **SUERF LECTURE**

# **Hedge funds: what should be the regulatory response?**

**Thursday 7 December 2006**

**Callum McCarthy**  
**Chairman, The Financial Services Authority**

# Slide 1 - Global Hedge Fund Industry



Source: Hennessee, IFSL Estimates – March 2006

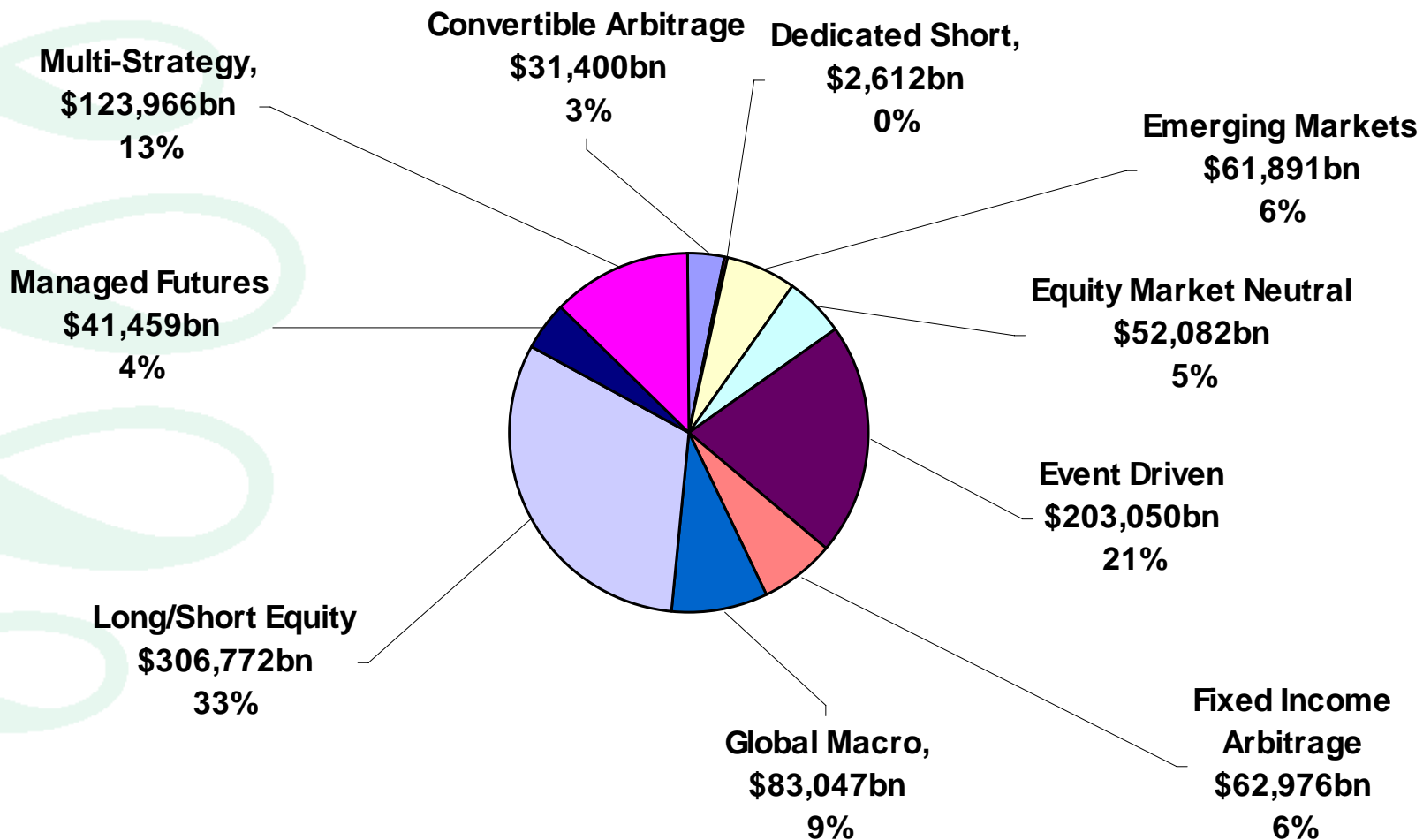
# Slide 2 – European hedge funds June 2006



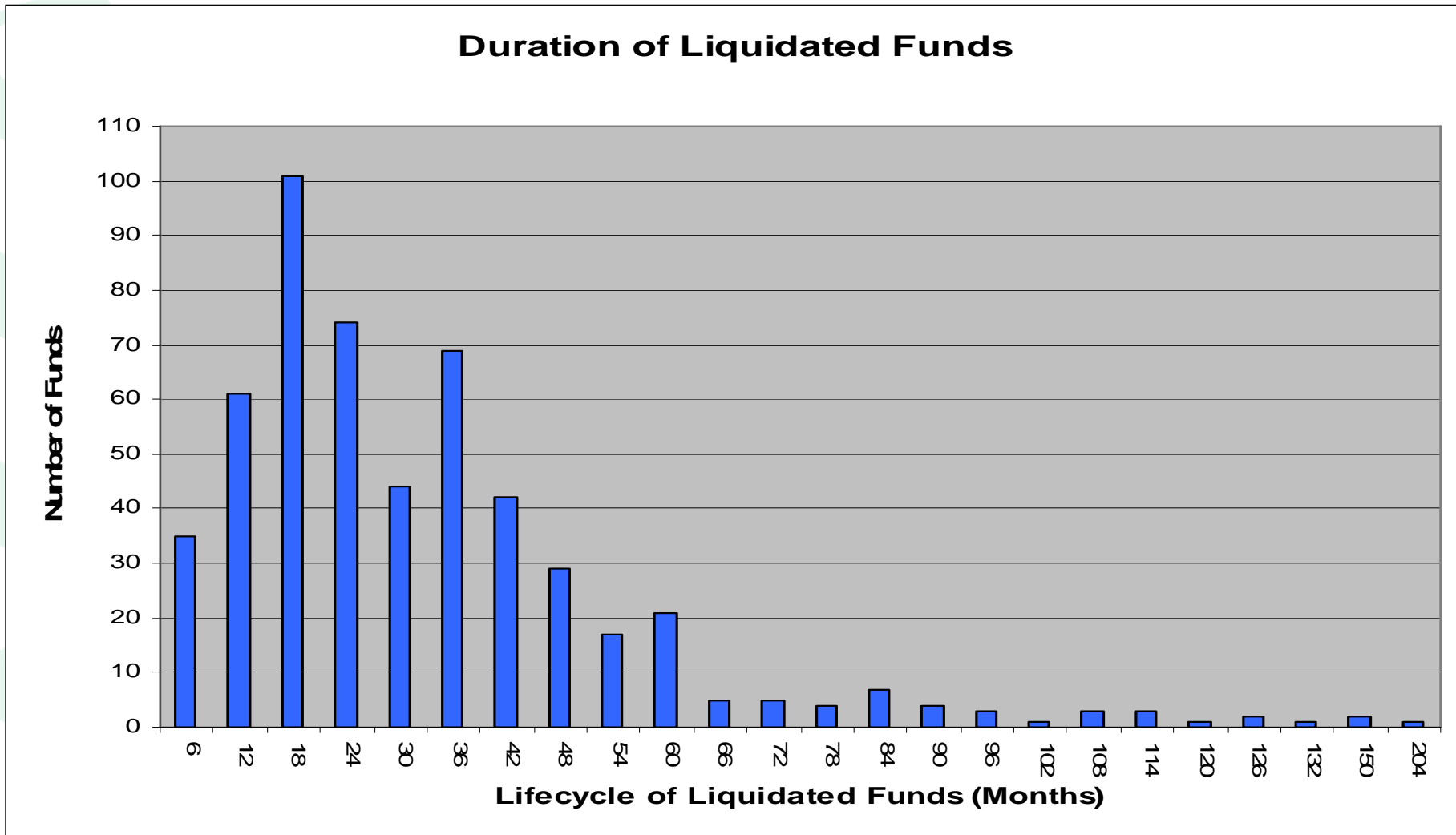
<b>Country</b>	<b>Assets Under Management (\$bn)</b>	<b>Number of Funds</b>	<b>per cent of AUM</b>
UK	317	856	79
France	20	94	5
Sweden	12	42	3
Switzerland	9	102	2
Spain	6	22	2
Russia	6	14	1
Netherlands	5	15	1
Norway	3	30	1
Germany	2	19	1
Others	16	94	4
<b>Total</b>	<b>401</b>	<b>1,332</b>	<b>100</b>

Source: Eurohedge – June 2006

# Slide 3 – Global distribution of hedge fund strategies



# Slide 4 – Lifecycle of liquidated funds



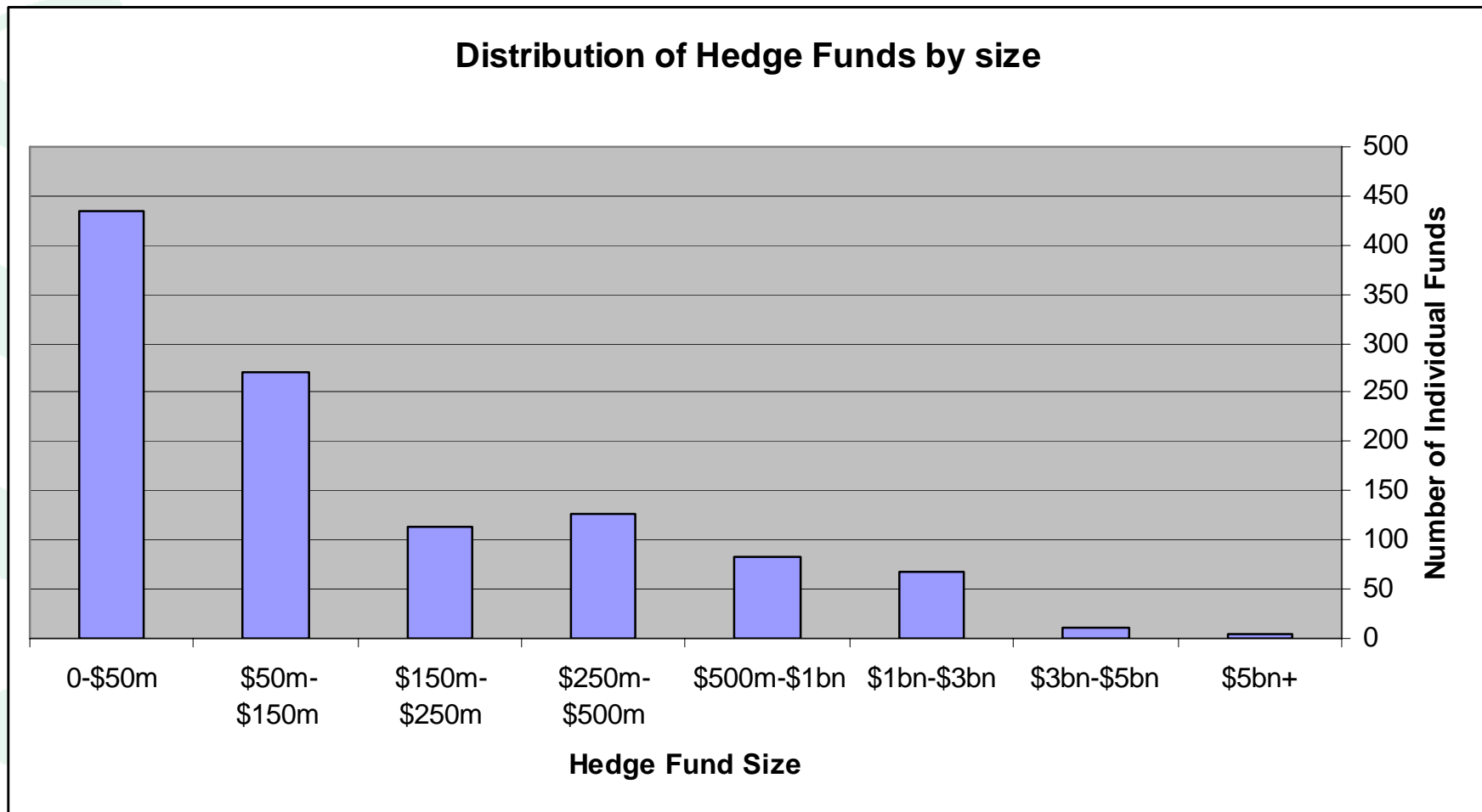
Source: Eurohedge, November 2006

# Slide 5 - FSA Prime Broker survey April 2006



- **Assets under management US\$ 494 bn, a 29 % increase;**
- **Aggregate leverage 2.4x versus 2.25x in October 2005;**
- **Average excess collateral increased very slightly from 100 to 102 %;**
- **Only 21 out of 152 hedge funds had more than one prime broker;**
- **13 of 192 individual exposures were on margin call, representing 0.3% of total individual exposures.**

# Slide 6 – Distribution of European hedge fund by size



Source: Eurohedge, August 2006