



EU-Regulation for Hedge Funds is overdue

EUCDW calls for more pressure on the inactive EU-Commission

Brussels, 07.11.2007

The EUCDW welcomes all initiatives of the European Parliament to conclude **framework regulations on financial instruments that are highly speculative**. Control mechanisms and minimum standards are particularly important when it comes to hedge funds. This would also be in accordance with the demands of the Joint Declaration of the G-7 Ministers of Finance, of February 2007, which has the objective of limiting possible risks connected to hedge funds and thus preventing worldwide financial crises and domino effects.

Although hedge funds can be subject to a duty of registration, they can usually act outside the monitoring systems of the Financial Market Inspectorate. With a view to tax advantages and fewer legal restrictions, hedge funds often establish their official headquarters in tax havens (according to estimates 75 percent have their headquarters on the Cayman Islands, followed by the British Virgin Islands, the Bermudas, the British Channel Islands and Gibraltar). One possible strategy of a hedge fund may be taking up borrowed capital in order to achieve higher rates of return on the stock market or exchange market.

On the one hand, the EUCDW intends to counteract the insecurity on European financial markets. It is about time to bring more transparency to the activities of institutional investors, especially to the activities of hedge funds. In case that many private investors should lose their money due to the collapse of hedge funds, the question of why the EU did not establish any stabilising European framework regulations will certainly arise. From the EUCDW point of view it would be a welcome improvement if the European Parliament would exert the necessary pressure on the so far inactive European Commission in this respect.

The Commission's hesitation is also incomprehensible when we think of the fact that these processes do have an effect on (international) **financial markets**, affecting credit terms for (small and medium-sized) enterprises as well as private consumers.

Further more, the company management of enterprises that are under the control of hedge funds can be forced to pursue the objective of short-term profit maximisation entailing the risk of negative consequences on employment and working conditions.

The European Union of Christian Democratic Workers (EUCDW) is the workers' organisation of the European People's Party (EPP) with 24 member organisations from 18 countries.

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