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Commission fédérale des banques
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Media release

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Hedge funds: market development, risks and regulation

10 September 2007 – **In a background report published today, the Swiss Federal Banking Commission (SFBC) turns the spotlight on key aspects of the hedge fund business relating to systemic stability, market integrity, investor protection and business location. The report also deals with the regulatory and tax environment in Switzerland.**

Hedge funds have long been the subject of national and international debate, and the SFBC has dealt with the issue repeatedly in recent years. It is summarising its work on hedge funds in a report, which describes the nature of the sector, its development and risks, as well as the regulatory and supervisory approach of the SFBC.

The current financial market turmoil, with illiquidity in some markets, illustrates how important it is for financial stability that international investment banks keep a very close eye on counterparty risk in their dealings with hedge funds. The SFBC accords great importance to a constant monitoring of globally active Swiss banks.

From an international perspective, Switzerland is a major market for the placement of hedge fund products. Conversely, it has to date been far less significant as a location for hedge fund managers and as a domicile for hedge funds themselves. The SFBC supports efforts to create incentives for hedge funds managers to base themselves in Switzerland by improving their operating environment.