

Press release

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Financial Stability Forum chairman welcomes hedge fund manager initiative on best practice standards

FSF Chairman Mario Draghi made the following statement in response to the release today of the Hedge Fund Working Group's report on Best Practice Standards and their Future Development:

"As FSF chair, I welcome the issuance today of the Hedge Fund Working Group's best practice standards. The report represents an important step towards improved disclosure practices and market discipline in this sector. As such, the standards can play a role in helping to enhance resilience and mitigate systemic risk.

This initiative, together with the parallel work to develop best practices by a committee established by the US President's Working Group on Financial Markets, takes forward one of the recommendations that the FSF made in its Update on Highly Leveraged Institutions in May 2007, namely that the global hedge fund industry should review and enhance existing sound practice benchmarks for hedge fund managers in the light of expectations for improved practices set out by the official and private sectors.

I welcome in particular the HFWG's recognition that setting the standards needs to be the beginning, rather than the end, of a process. The "comply or explain" expectation on hedge fund managers, the planned establishment of a Hedge Fund Standards Board to maintain the standards and report on conformity by the industry, and the recommendation that this Board should consider areas of convergence with the parallel initiative of the US President's Working Group, are all useful further steps that can help to ensure that the issuance of standards will translate into enhanced practices globally."

Notes to editors:

The Financial Stability Forum (FSF) issued a report on 19 May 2007 recommending action by financial authorities, counterparties, investors and hedge fund managers to strengthen protection against potential systemic risks relating to hedge funds and other highly leveraged institutions (HLIs). The press release announcing that report is available at http://www.fsforum.org/press/PressRelease-FSF_HLI_Update-final19May07-2.pdf and the report itself is available at http://www.fsforum.org/publications/publication_21_82.html.

The FSF released on 15 October 2007 a progress report on the implementation of the recommendations, available at http://www.fsforum.org/publications/publication_21_87.html.

The FSF brings together national authorities responsible for financial stability in significant international financial centres, international financial institutions, sector-specific international groupings of regulators and supervisors, and committees of central bank experts. It was

established by the G7 finance ministers and central bank governors in 1999 to promote international financial stability through enhanced information exchange and international cooperation in financial market supervision and surveillance. The FSF is chaired by Mario Draghi, Governor of the Bank of Italy. The FSF's Secretariat is based at the Bank for International Settlements in Basel, Switzerland.

For further information on the FSF, its membership and other publications, visit the FSF website at www.fsforum.org.

The Hedge Fund Working Group's report, "Best Practice Standards and their Future Development", is available at http://www.sbai.org/wp-content/uploads/2016/04/final_report.pdf.