

Corporate & Financial Weekly Digest

July 29, 2011 by [Edward Black](#)

Latest FSA Hedge Fund Surveys Published

On July 27, the Financial Services Authority produced its latest biannual report *Assessing Possible Sources of Systemic Risk from Hedge Funds*. This report sets out the results of the FSA's two regular hedge fund surveys – the Hedge Funds As Counterparties Survey (HFACS) and the Hedge Funds Survey (HFS). These were conducted in March and April 2011. The FSA conducts these surveys every six months to assist it in understanding potential sources of systemic risk in the hedge fund sector. (See *Corporate and Financial Weekly Digests* of [March 4, 2011](#), and [August 13, 2010](#), for articles on previous HFS and HFACS.)

The July 2011 report's findings include the following:

- The "footprint" of surveyed hedge funds remains largely unchanged – modest within most markets. The FSA considers that risks to financial stability through the hedge fund market channel remained limited at the time of the latest surveys.
- Counterparties have increased margin requirements and tightened other conditions on their exposures to hedge funds thereby increasing their resilience to hedge fund defaults.
- Counterparty credit exposures to hedge funds remain concentrated among a small number of counterparty banks.
- Leverage, measured in aggregate, has not changed significantly relative to previous surveys.

The FSA stated that it intends to repeat the HFS and HFACS in September/October 2011. It also intends to work closely with the International Organization of Securities Commissions and other national regulators with a view to achieving a consistent and proportionate global approach to systemic risk data collection from hedge funds.

Click [here](#) to read the latest biannual FSA report.