



**Group of the Progressive Alliance of  
Socialists & Democrats  
in the European Parliament**

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**Hedge funds and Private equity**

**A safer market place - an end to lax regulation; an end to private gain financed by public pain**

The worldwide financial crisis has shed a crude light on the shortcomings of the existing financial regulation system, showing bluntly the loopholes created by negligence or by financial sector pressures. Socialist and Democrat members of the European Parliament were among the first to identify severe problems created, in particular, by hedge funds and private equity, stemming from their dramatic growth and negative impacts on the real economy.

The near-collapse of the financial sector in 2008 has hit Europe hard, unleashed a deep recession, thrown millions out of work and placed a huge debt burden on society. Ordinary people will be paying for decades for the excesses of the bankers, hedge funds and other financial operators - and for the failures of an over-relaxed regulatory system. The Socialist & Democrat Group says this must never happen again. But we face a tough fight to ensure that the lessons of this global crisis are fully learnt.

As the world slowly starts to recover from the financial crash, the brief consensus among governments and political parties in favour of radical reform has melted away. Banks are once again paying huge bonuses and pursuing the same high-risk business models that brought disaster in 2008, while their Conservative and Liberal political allies are back-peddalling on promises of change. Today, one of the biggest political battles, in Europe and world-wide, is between those who want to see fundamental reforms, to create a more stable, honest and transparent financial sector, restored to its historic function of providing finance to business and consumers, and those who would settle for cosmetic change.

The regulation of hedge funds and private equity is an important test case, since these actors were heavily involved in some of the riskiest financial practices in pursuit of ever higher profits, and were among the heaviest exploiters of tax and regulatory havens. The Socialist and Democrat Group insists on a genuinely universal approach to financial sector regulation, encompassing all actors, all products and all markets. We will fight for a safer financial system, not for the benefit of those who almost caused its collapse, but to protect the interests of our citizens, from mortgages to pensions, and of European industries and businesses..

Below are links to a recent policy document produced by the Socialist Group on hedge funds and private equity and press releases from MEPs since the beginning of the crisis, and before, with a special focus on the legislative process to adopt the Alternative Investment Fund Manager (AIFM) directive.

The Socialist and Democrat Group will be continuing our work in this area of policy over the next few months to secure a strong outcome. We are keen to hear your ideas on how to rebuild and reshape the banks and other financial bodies.

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- \* The AIFM Directive, as drafted by S&D Group, January 2010 [EN](#)
- \* Socialists & Democrats reject any cut-price agreement; November 2009 [EN](#); [FR](#)
- \* Position paper; November 2009 [EN](#); [FR](#)
- \* Regulation, transparency and supervision for all; November 2009 [EN](#); [FR](#)
- \* Assessment of AIFM Directive, May 2009 [EN](#), [FR](#), [DE](#), [ES](#)
- 📄 [Hedge funds and private equity - a critical analysis](#) , March 2007 [EN](#) | [FR](#) | [DE](#) | [ES](#)
- 📄 [Press release - tighter regulation of financial markets, 5 September 2007](#) [EN](#)
- 📄 [Press release - hedge funds warning, 11 July 2006](#) [EN](#)