

## Castle Not Satisfied with Transparency in Hedge Fund Industry -- March 13, 2007

WASHINGTON, D.C. -- Delaware Congressman Mike Castle today expressed his frustration over the lack of transparency with regards to the \$1.4 trillion hedge fund industry, saying average investors may be at risk. Castle has been pushing to increase hedge fund disclosure requirements for the industry which has grown more than 400 percent since 1999.

"With pension funds placing more of their money in hedge funds, workers, retirees, and other average investors may unknowingly be exposed to hedge fund loss. In fact institutional investors, like pension funds, constitute more than half of all investments in hedge funds. And if hedge funds are currently not required to disclose information regarding the fund's risk management how are investors able to make informed decisions," Castle asked.

In a statement he submitted for the record, Castle expressed the following concerns regarding transparency and hedge funds:

- Because hedge funds are not required to disclose information, managers of a pension fund (for example) cannot fulfill their fiduciary duty to assess the risk of their investment.
- Lack of transparency poses systemic risk to the financial markets. Castle said the Long-Term Capital Management incident shows how overexposure of counterparties has the potential to cause system wide damage to financial markets.
- Despite previous recommendations in 1999 by the President's Working Group that very large hedge funds be required to disclose information about their financial activities, including meaningful and comprehensive measures of market risk, the Working Group now concludes that NO government agency needs any information about hedge fund activities.

During the last Congress, Castle authored and passed legislation requesting a study on this evolving industry coupled with recommendations for disclosure. Castle said he will continue to following developments in Committee and in the industry to determine how to move forward in this Congress with respect to legislation.

###