

Crack down on hedge funds

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The [FT has reported](#):

France on Friday will press for tighter controls on hedge funds, urging other big industrialised nations to strengthen regulation of the industry and compel banks that lend them money to hold more capital.

Paris wants the European Union, and eventually all leading economies, to beef up indirect regulation of hedge funds via their prime brokers, the banks which provide them with loans and other services.

Quite right to.

But as part of this process let's stop the hedge fund sham that they're managed in Cayman: where up to 80% claim to be domiciled. They're not there. A few nominee directors might be. And another might fly in once in a while for some snorkeling and to sign some pre-agreed minutes. But the reality is that these people are in London, New York, Paris and Frankfurt. It's time to say so. It's time to stop the obvious charade. It's time to regulate them where they are.

It's time to stop the stupidity that an acquaintance of mine who advised hedge funds described to me as "advice to London, bill to Cayman". Even he found it annoying that this avoided the VAT charge.

Enough is enough: we can call a halt to this by changing the rules on residence of companies to ensure that a company is resident not where a few nominee directors meet, but where its real management (people, doing the job) are. This would transform this industry for good.

Come on OECD: why not take this on board now and announce the change?