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Buying their way out of regulation: the 'Alternative Investment' sector's donations to the Conservative party and Mayor Boris Johnson

The following piece of research reveals that the current lobbying drive by the UK Conservative party and Boris Johnson against European regulation of hedge funds and private equity funds coincides with a **recent surge of massive donations** from the industry. **Individual donations to the Tories** from hedge fund and private equity fund managers **have boomed over the last 6 months: 45% of the money given by fund managers to the Tories since 2001 was given in the first 6 months of 2009. 77% of Johnson's 2008 campaign budget was funded by hedge funds and private equity firms and by their managers.**

The financial crisis highlighted the dangers for financial stability and the real economy posed by the operation of hedge funds and private equity funds, which mirrored banking in causing massive overleveraging. In March 2008, the collapse of two Bear Stearns affiliated hedge funds sent shockwaves throughout the financial system. Even before the crisis began, several governments, central banks and international institutions had raised concerns about the operation of alternative investment vehicles, notably hedge funds and private equity funds, including: overleveraging, asset-stripping, "herd" behaviour, aggressive naked short-selling, stealth acquisitions and empty voting behaviour.

In September 2008, a legislative report, championed by PES President Poul Nyrup Rasmussen was adopted by a large majority in the European Parliament – including the conservative, socialist, liberal and green groups – on hedge and private equity funds, calling for the European Commission to legislate on this unregulated segment of the financial markets.¹ The European presented its draft directive on alternative investment fund managers, including hedge funds and private equity fund managers in April.

The G20 reached consensus at the London summit in April 2009 on the need for regulation and oversight of all financial actors and instruments. Since then, the US and other G20 countries have moved to regulate alternative investment vehicles, including hedge funds and private equity.

The vast majority of hedge fund and private equity vehicles are incorporated in offshore jurisdictions, with the Cayman Islands being the most popular. The UK notably manages 80% of European hedge fund assets.

¹ This follows years of work by Mr Rasmussen, notably a 2007 report: "Hedge Funds and Private Equity - a critical analysis"

1. Hedge-Fund and Private equity have massively donated to the Tories in 2009²

- **Individual donations to the Tories** from hedge funds and private equity fund managers **have boomed over the last 6 months: 45% of the money given by fund managers to the Tories since 2001 was given in the first 6 months of 2009.**
- In the first six months of 2009, the conservative party received £3,260,852.19 in donations from hedge-funds and private equity firm managers. This represents **46% of all individual donations** to the conservative party in the period. In addition to that, the party received £382,500 from the hedge-funds and the private equity firms themselves. In total this amounts to **£3.64 million or more than a quarter of the Conservative's funding (27%) in 2009.**

2. Boris Johnson was elected Mayor of London with the hedge-funds/private equity money³

- On top of donations to the Conservatives' central office or local branches, the Mayor of London **Boris Johnson**, a keen opponent to regulation on alternative investment, also benefited largely from the generosity of the sector: **77% of his 2008 campaign budget was funded by hedge funds and private equity firms and by their managers.**⁴

² UK Electoral Commission data

³ UK Electoral Commission data

⁴ From September 2007 (when he was endorsed as candidate by the party) to March 2008 (when the campaign officially started), Boris Johnson received **£324,000** of hedge funds and private equity funds and their managers – that's 77% of his maximum campaign spending, as permitted by electoral law.

Annex: Hedge fund and private equity donors to the UK Conservative Party and Boris Johnson

Donations to the Conservative Party in the first six months of 2009

1. Individual fund managers and individuals employed by firms operating hedge funds and private equity funds

David Rowland (Blackfish capital): £1,036,050
Stanley Fink (International Standard Asset Management): £1,082,500
Michael Farmer (Red Kite): £402,000
Hani Farsi (Corniche Partners): £110,968.46
Michael Hintze (CQS management): £106,500
George Robinson (Sloane Robinson): £75,000
Paul Ruddock (Lansdowne investment): £58,500
Dominic Shorthouse (Englefield Capital): £58,500
Jonathan C. Chenevix-Trench (ex. Morgan Stanley): £58,000
John Lionel Beckwith (London and Edinburgh Trust, Pacific Investments): £52,500
Ramez F. Sousou (TowerBrook capital partners): £50,000
David Royds (Matrix Securities): gave £50,000 in 2009
John Tilney (Armajaro Asset Management): £25,000
Hugh Sloane (Sloane Robinson): £25,000
James Lupton (Greenhill): £25,000
Stephen Morant (Moran Wright Management): £13,000
Ryan Robson (Sovereign Capital): £11,133.73
Alan E. Howard (Brewan Howard): £10,000
Emmanuel Roman (GLG Partner): £8,500
Nigel McNair-Scott (Helical Bar): £2,700

2. Donations by hedge funds and private equity firms

IPGL Ltd: £ 262,500
Clerville Investment Management LLP: £50,000
Fidelity Investment Management: £25,000
Harris Venture Ltd: £25,000
Private Investor Capital Lts: £15,000
Christofferson, Robb & Co (UK) LLP: £5000

Donations to Boris Johnson's Mayoral Campaign (September 2008 – March 2009)

1. Individual fund managers and individuals employed by firms operating hedge funds and private equity funds

John Lionel Beckwith (London and Edinburgh Trust, Pacific Investments): £50,000

Lord Jonathan Marland (Clareville Capital): £42,000

Edwina Herrmann (Lobbyist and wife of Jeremy, from Ferox Capital): £27,000

Edmund Lazarus (Englefield Capital): £22,500

Stanley Fink (International Standard Asset Management): £20,000

Michael Slade (Helical Bar): £20,000

Nigel McNair-Scott (Helical Bar): £14,000

Michael Spencer (IPGL Ltd.): £10,000

John Tilney (Armajaro Asset Management): £10,000

Oliver Hemsley (Numis Corporation): £5,000

Michael Hintze (CQS management): £5,000

Mr and Mrs Qais Zakaria (Sleep, Zakaria & CO): £5,000

Martyn Arbib (founder of Perpetual): £5,000

George Robinson (Sloane Robinson): £5,000

Hugh Sloane (Sloane Robinson): £5000.

David R Reuben (Reuben Brother): £4,000

Hani Farsi (Corniche Partners)£3,000

Simon Keswick (Fleming Mercantile Investment Trust): £2,500

Stephen Morant (Moran Wright Management): £1,500

2. Donations by hedge funds and private equity firms

Harris Venture Ltd: £50,000

Dawney Day International Ltd: £10,000

Elliott Advisers (UK) Limited: £5,000

Cavendish Corporate Finance LLP: £2,500