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Hedge fund chief backs transaction tax plans

By Sam Jones in London



The founder of one of London's biggest hedge funds has given qualified support for a European tax on financial transactions, breaking ranks with many of his peers fiercely opposed to such a measure.

David Harding, the chief executive of the \$26bn Winton Capital, said he did not object to moves by European Union politicians to levy the tax – dubbed by UK chancellor George Osborne a

“bullet aimed at the heart of London” earlier this month.

“I would be in favour of a low [financial transaction tax],” Mr Harding said, “if part of it was used to finance more supranational regulation of markets.”

Mr Harding added in an interview with the Financial Times that the European Securities and Markets Authority, the EU's controversial new market regulator was a “step in the right direction”.

London-based Winton is the largest hedge fund in the world that pursues investment based on quantitative analysis of market trends, executing thousands of trades every week ordered by its entirely automated computerised trading models.

With an estimated fortune of more than £500m (\$771m), Mr Harding is one of the UK's wealthiest financiers and a major donor to the Conservative party.

His tentative support for the FTT – a proposal originally mooted by economist James Tobin in the 1970s but much maligned by other hedge fund managers – puts him at loggerheads with the UK government's staunch opposition to it.

David Cameron, the UK prime minister, made the government's opposition to the tax a key element of talks with the German chancellor Angela Merkel earlier this month.

“I am surprised to the degree to which the Treasury and the FSA [Financial Services Authority] act as lobbying organisations for the financial services industry,” Mr Harding said.

“There is too great a tendency to see everything as a plot against the British. Everyone in

the financial services industry is a big eurosceptic.”

Mr Harding believes an FTT would impact banks and exchanges hardest, but was unlikely to have a disproportionate impact on hedge funds, even Winton.

He also said he rejected notions that many European politicians and regulators seemed to have of hedge fund managers: “We are not a saintly force for good in the world, but we’re not red braces-wearing hedge fund managers trying to break up the euro either. We are professional market operators in the 21st century making money for our clients.”

Unlike its peers in the \$2,000bn hedge fund industry, Winton has delivered positive returns this year. Its flagship fund is up 5 per cent, compared with a loss of 3.3 per cent for the average hedge fund, according to Hedge Fund Research.

Mr Harding began his career in finance by creating AHL – a computer-driven hedge fund that has gone on to become the flagship vehicle of the FTSE 100 listed Man Group, the world’s second-largest hedge fund manager.

Mr Harding left Man to set up Winton in 1997, overtaking it to become the world’s biggest quant fund earlier this year.

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