



At Press Time Lawyer Pans ICI Proposal

Adam Gale of Orrick, Herrington & Sutcliffe believes the white paper and the testimony Paul Schott Stevens, president and ceo of **Institutional Company Institute**, gave to the Senate Banking Committee earlier this week have some flaws. Stevens urged the creation of a new capital markets regulator and closing regulatory gaps in the areas of hedge funds, derivatives, municipal securities and investment advisers and broker-dealers.

One issue Gale has with ICI's proposals, as well as with other proposals currently in Congress, is that none distinguishes between hedge funds and private equity funds. Gale said this lack of distinction has been alarming to private equity fund managers, who were excluded in the 2004 **Securities and Exchange Commission** attempt to require hedge fund registration due to their lock-up features.

"The current legislation in Congress does not differentiate," Gale noted. "So, as currently drafted, it would affect real estate funds and other private investment funds as well as private equity funds." Gale also warned about lumping investment advisors and broker dealers together, as ICI does in its recommendations, since broker dealers are currently registered with the **Financial Industry Regulatory Authority** and must live up to more stringent requirements than investment advisors.

Gale said he is recommending his clients don't register with the SEC unless its investors demand that it do so. At least one New York-based hedge fund chief operating officer is not concerned. "You have all these guys with no idea how the financial system works trying to appease the masses," he told *AIN*. "It's a populist movement but once things stabilize it will blow over."

Inoks Chiefs Split

Founder **Pietro Cittadine** and CEO **Maximilian Tomei** have left **Inoks Capital** in Geneva. The pair was bought out by Partner **Nabil Marc Abdul-Massih** due to diverging opinions on what the firm's focus should be, Abdul-Massih told *AIN*. Cittadine and Tomei wanted to diversify into other strategies, while Abdul-Massih preferred to focus on Inok's sole fund, *Ancile*—a \$103 million trade financing fund that provides working capital to commodity producers mainly in Africa, Southeast Asia and Brazil.

The departures come as Inoks faces mass redemptions from *Ancile*, despite the strategy returning 9.2% last year. If all redemption calls are met, the \$103 million fund will have shrunk to \$5 million by December and only six of the 80 investors will remain with the strategy. Abdul-Massih is understandably disappointed with bailing funds of funds—"their panic has been destructive"—and the fund has suffered because it has been open to redemptions, he said.

Inoks plans to re-focus the firm's investor base on longer-term and stable investors, such as pension funds and insurance companies. It is likely to reduce its liquidity terms from a three-month notice period to a year notice period. This is realistic for a trade finance strategy that operates in the primary markets, and may come into effect once redemptions have been paid out on April 1, said Abdul-Massih.

Details of Cittadine's whereabouts or his future plans could not be ascertained at press time. Tomei, who is on gardening leave, said he is in talks with another Geneva asset manager. Aside from Abdul-Massih, the only other remaining partner in Inoks is a German individual. Abdul-Massih would not name the silent partner.

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