

Hedge Fund ALERT

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'Cap Intro' Enters the Electronic Age

Interactive Brokers is rolling out an automated capital-introduction service that uses a secure website to link hedge fund clients with wealthy investors.

The idea is to create an electronic version of what is traditionally a costly prime-brokerage service, typically involving multiple staffers who organize conferences and cocktail parties where fund managers and investors can meet. Interactive's prime-brokerage unit, which caters to about 1,000 mostly smaller hedge fund shops, is now focused on signing up existing clients for the cap-intro program. The firm's wealth-management team, meanwhile, is recruiting prospective hedge fund investors.

The service is offered free-of-charge to fund operators that meet certain minimum requirements, including at least \$3 million under management. Firms also have to use Interactive exclusively for prime-brokerage services, employ a third-party administrator and provide investors with audited financial results.

At a password-protected section of Interactive's website, fund operators will be able to post information about their funds, management operations and key personnel, as well as offering memoranda and subscription documents. Should an investor choose to subscribe to a fund, Interactive will handle the transfer of funds from the investor's account to the manager's account. The brokerage also will process redemption requests.

Interactive is a publicly traded discount brokerage founded in 1977 by **Thomas Peterffy**, a former computer programmer. The Greenwich, Conn., firm started a prime-brokerage business four years ago. ❖

