



Goldstein Floats Idea for Hedge Fund Advocate

By Jacob Bunge, Financial Correspondent
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SADDLE BROOK, N.J. (HedgeWorld.com)—The hedge fund industry ought to have its own version of the American Civil Liberties Union or the Washington Legal Foundation to fight bad laws and unfair regulations, Bulldog Investors LLC Principal Phillip Goldstein said.

Such a group, according to Mr. Goldstein, could pursue legal action against federal and state governments on behalf of the hedge fund industry, so hedge fund firms don't have to go it alone when they run up against a law that no longer works as it was first intended, or is far past its expiration date.

"There are a lot of bad regulations out there, a lot of dumb ones that are either unconstitutional or they make no sense," said Mr. Goldstein. "It's a way for people to have influence without putting their neck on the line, or without having the negative publicity of taking on a regulator."

Mr. Goldstein ought to know—he himself has taken on regulators multiple times, and has been targeted by them as well. His firm's lawsuit was responsible for overturning the Securities and Exchange Commission's rule requiring hedge fund firms to register as investment advisers with the regulator, and he has since lobbied the SEC in a bid to overturn its requirement that investors disclose certain equity holdings Previous HedgeWorld Story.

In early 2007 Mr. Goldstein and his firm drew legal action in Massachusetts, when Secretary of the Commonwealth William Galvin sued Bulldog and its principals for illegally soliciting unaccredited investors through the hedge fund's web site Previous HedgeWorld Story. In response, Mr. Goldstein has threatened to sue the SEC to overturn what he sees as a gag order on hedge funds discussing strategy and performance Previous HedgeWorld Story.

Last week, Mr. Goldstein said at a conference in San Francisco that he would back a legal advocacy group dedicated to the hedge fund industry, and suggested a name: the Rational Regulatory Policy Institute. In an interview on Friday [April. 25], Mr. Goldstein described the suggestion as "floating a trial balloon," and said that some in the hedge fund industry had expressed support for the idea.

However, Mr. Goldstein stressed that he had no plans to head up such an organization himself. "I'm too busy with the hedge fund," he said, adding that he would be willing to help set up the organization and provide financial support.

While he acknowledged the role of trade groups like the Managed Funds Association in representing the hedge fund industry in Washington, D.C., Mr. Goldstein said there is a place for a separate group that would take legal action on behalf of the industry. And although groups like the ACLU, the WLF and the U.S. Chamber of Commerce have been effective legal champions of other industries, such as mutual funds and pharmaceutical companies, Mr. Goldstein said that the laws and issues concerning the hedge fund industry are complex enough to warrant the industry's own advocate. Some laws, such as the rules governing the solicitation of hedge fund investors, Mr. Goldstein said should be thrown out; others ought to have sunset provisions, rendering them ineffective unless they are renewed after a set number of years.

"The MFA and so fourth use lobbying ... but what do you do if that fails? You have to do what we did, which is sue, but nobody wants to sue because it's confrontational. Nobody joined us in the [hedge fund registration] lawsuit because they're afraid of retribution," said Mr. Goldstein. "It's unfortunate that people feel like they're on their own. [An advocacy group] would be a good way for people to have influence without putting their neck on the line, and without having the negative publicity of taking on a regulator."

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