

New Hedge Fund Influx to Iceland, Following Capital Controls Lift

Stockholm (HedgeNordic) A throng of hedge funds has moved back into Iceland, acquiring a \$450 million (48.8 billion Icelandic kronur) stake in Arion Bank, following the lifting of capital controls in that country a week ago.

Arion's largest shareholder sold roughly 10% stakes to Attestor Capital and Taconic Capital Advisors UK. Other entities affiliated with Goldman Sachs and Och-Ziff Capital Management Group also bought lesser stakes. Arion was created from Kaupthing Bank's domestic assets after the 2008 financial crisis.

"This is a milestone in the settlement of the failed banks," Iceland's Prime Minister Bjarni Benediktsson told Bloomberg on Monday. "It shows that Iceland's economy enjoys trust when we have foreign investors putting money into the financial sector," though he added he had "no premise to evaluate" what plans the funds have for their stakes in the banks.

Iceland dismantled most of the remaining capital controls that had been implemented following Kaupthing's collapse in 2008 under a crushing \$85 billion debt. The purchase means the Icelandic Treasury will be repaid some of the 84 billion-krona bond, Prime Minister Benediktsson said, making it the "largest equity portfolio investment by foreign parties in Icelandic history," according to Paul Copely, CEO at Kaupthing.

The capital controls had lasted nearly a decade despite being an emergency measure, with financial authorities restructuring debts and attempting to diversify the economy since its previous drastic turn to international finance, with its known consequences. Because of the need to freeze assets following the crash, the government has long been locked in a dispute with international investors, something it hopes to resolve now.