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Fitel founder Graciela Chichilnisky

Carol Bernson

Her partner "killed the goose that laid the golden egg."

Unwelcome recruit

A year ago the future couldn't have looked more promising to Graciela Chichilnisky, a professor of mathematics and economics at Columbia University. She had just sold 12% of her fast-growing firm to Japan's Recruit Co., a wealthy information services firm, for \$3 million. In Recruit, Chichilnisky thought she was getting a financially solid partner that could help market her products in Japan. By year-end, however, Recruit had squeezed her out. Recruit also became the focus of Japan's largest postwar stock market scandal, which last month toppled Prime Minister Noboru Takeshita, indirectly tainting Chichilnisky's firm.

Founded by Chichilnisky in 1985, Financial Telecommunications Inc. (Fitel) was a pioneer in electronic processing of international stock transactions. Until Fitel came along, increased American trading of stocks in London, Milan, Hong Kong and other foreign cities had been swamping Wall Street clerks in a sea of unfamiliar paperwork. Basically, Fitel provided a central computer in London with special software that assisted 25 firms, including Merrill Lynch, Salomon Brothers, Security Pacific and Citibank to process the clearing and settlement of their international stock trades. By 1988 Fitel's revenues had gone from nil to \$2.5 million.

In May 1988, seeking capital to expand and looking for a toehold in the huge Japanese market, Chichilnisky brought in Recruit. The Japanese firm, which wasn't yet implicated in scandal, pledged to market Fitel's computer system in Japan. But once on board, Recruit seemed to want to

run Fitel, and in December forced out Chichilnisky by teaming up with Dutch investor Reinout Baron Sloet Tot Everlo, who owns 44% of Fitel.

"Sloet and Recruit have killed the goose that laid the golden egg," says Chichilnisky. Many of Fitel's clients, including Salomon, Merrill Lynch and Security Pacific, have voted with their feet since the trouble began, taking their business elsewhere.

Chichilnisky, 42, has two Ph.D.s from Berkeley, one in mathematics, one in economics. The granddaughter of a Ukrainian cantor and the daughter of a minister of public health in the Argentine government, she worked for the U.N., the World Bank and OPEC before joining the Arts and Sciences faculty at Columbia.

Despite her bad experience with Recruit, Chichilnisky still harbors an entrepreneurial spark. She is now trying to patent a new computerized settlement system that will allow securities firms to communicate with their banks and trading partners individually through a network of mini-computers. That, not Fitel's central-computer system, is the future, she says. This time around, Chichilnisky adds, she is picking her partners more carefully.—J.Z.

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