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# ***Financial Services Regulatory Practice***

How we can help advisers to real estate funds

**2013**

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# Contents

Section		Page
	Introduction	2
1	Regulatory and compliance challenges for real estate advisers	3
2	Top compliance risks	5
3	Regulatory themes	9
4	Services we provide	11
5	How PwC can meet your needs	12
6	Our approach	14
7	Our thought leadership	15
8	Our team	16
9	Contact us	27

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# *Introduction*

As a result of the Dodd-Frank Wall Street Reform and Consumer Protection Act, many advisers to private funds, including certain real estate and private equity funds, are required to be registered as investment advisers with the SEC. After being exempt from registration for over 70 years, these private fund advisers are now subject to the full scope of the Investment Advisers Act of 1940 (“Advisers Act”). This includes having a compliance program, making increased disclosure and reporting to investors and the SEC, and undergoing examinations by the SEC.

Being registered as an adviser poses challenges for these private fund advisers. They will need to identify conflicts that may cause them to render investment advice that is not disinterested in violation of their fiduciary duty to clients and investors. They will need to either eliminate or disclose and control such conflicts in a way that satisfies both investors – who are demanding ever-increasing levels of transparency – and the SEC. Regulators will also be less familiar with real estate funds and their operations. Potential conflicts involving fee arrangements, allocation of expenses, counterparties, co-investments, underwriters, appraisers, appraisal reviewers, property managers, portfolio companies, leverage providers, placement agents, etc. are vastly different from the staid world of registered mutual funds and institutional separate account managers where regulators have deep experience.

The SEC has increased its focus on alternative asset managers by ramping-up examinations and enforcement actions against managers of private funds. Private fund advisers will need to ensure that they are prepared for this increased scrutiny and show a compliance-focused approach. The consequences of non-compliance with regulatory requirements and expectations are regularly in the news, while key stakeholders (investors, boards of directors, portfolio companies, counterparties, etc.) increasingly question the effectiveness of existing compliance and governance programs.

Advisers to real estate funds should seize this opportunity to assess their operations, policies and procedures in light of the Advisers Act requirements and the regulators' increasingly aggressive approach. They should ensure that their governance and control frameworks are designed and operated to prevent significant breaches of their fiduciary duty and assure meaningful disclosure to investors and sound compliance practices. Careful attention to compliance and governance issues will be a distinguishing factor of leaders in the real estate field in the current challenging market, regulatory and fund-raising environment.

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## ***Key challenges for real estate advisers***

### ***Regulatory and compliance challenges for real estate advisers***

#### **Implementation or enhancement of compliance program and control environment**

- Appointment of a chief compliance officer.
- Adoption and implementation of policies and procedures.
- Required annual review of internal policies and procedures.
- Designing a compliance program and control environment that is consistent with what has been represented to investors in regulatory filings, offering memos, DDQ's, pitch books, etc.

#### **Valuation**

- Use of third party valuation agents.
- Refining valuation models based on new inputs and acid testing (actual sale price versus last valuation).
- Documenting the rationale and process around valuation decisions.
- Use of valuation estimates for unrealized investments to derive performance data to market new funds.

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## ***Key challenges for real estate advisers***

### ***Regulatory and compliance challenges for real estate advisers***

#### **Elimination or mitigation of institutional conflicts**

- Policing use of affiliated and unaffiliated property management, appraisers, or other service providers to ensure arms-length transactions.
- Allocating real estate investment opportunities among eligible funds and/or co-investment vehicles.
- Disclosing ownership interests of the adviser or its affiliates/principals in target properties.
- Co-investments by principals of the adviser with the fund(s).
- Receipt of material nonpublic information in connection with making an investment in a property.
- Joint venture operating partners.
- Disclosure of track records and performance.

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## Top compliance risk areas

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### Top compliance risks

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<b>Compliance program</b>	<ul style="list-style-type: none"><li>• Does your firm have a tailored compliance program to identify and assess risks specific to a real estate setting?</li><li>• Do you periodically monitor your compliance with the Advisers Act as well as evaluate your overall control environment so that it is operating effectively? Can the level of such monitoring be demonstrated to regulators and investors?</li><li>• Is your compliance program and control environment designed to ensure that all aspects of the business are operating in a manner that is consistent with what has been represented to investors?</li></ul>
<b>Safeguarding investor assets</b>	<ul style="list-style-type: none"><li>• Does your firm maintain custody of your privately-held securities in accordance with the SEC's revised custody rules?</li><li>• Are management fees becoming more of a profit center rather than a means to cover normal operating costs? Should fees be charged if the fund is not doing any new deals?</li><li>• As carried interest declines or is delayed, are controls in place to ensure that legitimate management-company expenses are not charged to the fund?</li><li>• Are assets from subsequent fund series being used to support investment positions in previous series ?</li><li>• Are related diligence fees charged only to funds/accounts that ultimately participate in new deals, including all co-investors?</li></ul>
<b>Valuation</b>	<ul style="list-style-type: none"><li>• Has the firm adopted formal, written pricing and fair valuation policies and procedures? How are these administered and enforced?</li><li>• How does your firm gain comfort that internally modelled illiquid securities are valued appropriately?</li><li>• Does your firm utilize a third party valuation agent to value your illiquid positions?</li><li>• How active is secondary trading in limited partnership interests of the fund, and what implications does this have for the firm's pricing policy?</li><li>• When determining performance track records for purposes of marketing a subsequent fund, how are remaining positions in the previous fund(s) valued?</li></ul>

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## *Top compliance risk areas*

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### *Top compliance risks*

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|--------------------------------|---|
| <b>Institutional conflicts</b> | <ul style="list-style-type: none"><li>• How are all potential and real institutional conflicts with limited partners, affiliates, counterparties, and other service providers identified and controlled?</li><li>• Does your firm have formal, documented procedures for allocating scarce real estate opportunities amongst all the firm's funds and eligible clients? How do the procedures ensure that funds with significant ownership by management are not advantaged?</li><li>• If the fund participates-in or offers co-investments on real estate deals, how are all of the potential conflicts identified and controlled?</li><li>• Does your firm have any pressure to invest committed capital before a deadline? If so, how do you ensure that full, quality due diligence is performed on each investment made near the deadline?</li></ul>   |
| <b>Personal conflicts</b>      | <ul style="list-style-type: none"><li>• Does your firm have a written Code of Ethics that addresses personal investments, surveillance procedures, gifts and entertainment, proper email usage, nepotism, and other risk areas?</li><li>• Do your principals or your employees have direct ownership in the investments owned by your funds? Can employees who make investment recommendations co-invest along-side funds? Do they personally receive any management or consulting fees? Do they personally invest in fund-of funds that invest-in or co-invest with the adviser's funds?</li><li>• Can employees invest in real estate deals that are considered but ultimately not purchased by the adviser's funds or accounts? How is this conflict resolved?</li><li>• Has your firm surveyed its officers and employees to ensure that there are no business dealings or market transactions between the adviser, the funds, and any close family member?</li></ul> |
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## *Top compliance risk areas*

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### *Top compliance risks*

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#### **Insider trading**

- Has your firm adopted an insider trading policy?
- Has your firm thought “out of the box” to identify all possible sources of material non-public information (“MNPI”) related to a real estate setting?
- Has your firm implemented procedures to prevent and detect possible insider trading? Are employees fully trained to know “where the lines are” regarding MNPI?
- Do any of your investment professionals have ties to other asset advisers, either financially or personally? How much contact is there between the adviser’s front-office personnel and other asset management firms?
- What consideration has been given to individual limited partners in the adviser’s funds who, as officers and directors of public companies, could be potential sources of MNPI?
- Does your firm have a well-controlled policy for the approval and use of outside consulting firms that offer research and diligence services?
- What types of controls does your firm have around information walls, restricted lists and watch lists? How are they monitored and enforced?

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#### **Investment guidelines and restrictions**

- Does your firm’s strategy and investment process follow representations made in the offering documents and marketing materials?
  - How do you ensure that investments are made in accordance with guidelines and restrictions (e.g., style drift, industry, issuer or geography concentration limits, risk measures, leverage limits, etc)?
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## *Top compliance risk areas*

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### *Top compliance risks*

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#### **Marketing practices**

- Does your firm clearly and accurately represent its performance metrics to current and prospective investors?
- Does your firm maintain all the required supporting documentation for historical performance disclosures?
- Have you fully vetted all conflicts associated with the use of outside solicitors or third-party marketers?
- Do you have solid “pay-to-play” policies and procedures around soliciting state/municipal investors that meet the SEC’s new rules in this area?

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#### **Regulatory reporting**

- Does your firm delegate responsibilities of regulatory filings and is that firm or employee aware of their responsibilities?
- Is there a set of procedures in place to ensure accuracy and consistency of disclosures in your regulatory filings, including Form ADV, Form PF and other regulatory filings?

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#### **Risk disclosures**

- Are appropriate disclosures made to the investors regarding the types of risk that may be present in a real estate strategy?
  - Does your firm have a disclosure committee or other group that monitors offering documents, prospectuses, and marketing materials for accuracy, completeness, and consistency?
  - Does your risk management process address investment, market, and counterparty risks as well as other risks relevant to the real estate space?
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## *Regulatory themes*

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### *Regulatory themes*

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<b>Regulatory interfaces</b>	<ul style="list-style-type: none"><li>• Examinations: “presence,” routine, cause, sweep</li><li>• Regulatory filings: e.g., Forms ADV, Form PF, Regulation SHO, Section 13</li></ul>
<b>Enforcement: civil and criminal</b>	<ul style="list-style-type: none"><li>• SEC</li><li>• Financial Crimes Enforcement Network (FinCEN), US Department of Treasury</li><li>• Department of Labor</li><li>• IRS</li><li>• Department of Justice</li><li>• State Attorneys General</li><li>• State securities authorities</li></ul>
<b>Transparency with advisory clients and fund investors</b>	<ul style="list-style-type: none"><li>• Disclosure</li><li>• Investment strategies/risk guidelines and demonstrated adherence to them</li><li>• Custody of funds</li><li>• Conflicts of interest</li></ul>
<b>Governance and compliance</b>	<ul style="list-style-type: none"><li>• Board and senior management review and approvals</li><li>• Committees</li><li>• Policies and procedures</li><li>• Training</li><li>• Controls</li><li>• Documentation</li><li>• Surveillance, testing and follow-up</li></ul>

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## *Regulatory themes*

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### *Regulatory themes*

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#### **Organizational complexities**

- Interaction with affiliates
- Mergers and acquisitions
- New products, locations and strategies
- Resource changes

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#### **Globalization**

- Interaction with the Securities and Futures Commission (SFC) – Hong Kong
- Interaction with Financial Services Authority (FSA) – London
- Interaction with China Securities Regulatory Commission (CSRC) – China

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#### **Integration and intersection of investment adviser and broker-dealer industries**

- Joint registrants
- Custody of assets
- Conflicts of interest
- Distribution and capital raising
- Information barriers
- Valuation
- Operational support
- Counterparty exposure

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#### **New enforcement and inspection approaches**

- Resources
  - Training/expertise
  - Technology
  - Data analysis
  - New protocols
  - Specialization:
    - Investment management – including advisers to real estate funds
    - Market abuses – insider trading and market manipulation
    - Municipal securities – pay to play
    - Foreign Corrupt Practices Act
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## ***PwC's team provides a range of services to help you gain confidence that your compliance program is effective, meeting industry best practices and regulatory expectations***

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### ***Services we provide***

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#### **Compliance program diagnostic**

- We provide a high-level assessment of the structure, breadth, reporting and resources of the compliance program
- Assists management and boards of directors in having confidence that the funds' compliance program is reasonably designed relative to peers and regulatory expectations
- Focus on key components of compliance programs including formal policies, risk identification and mitigation, oversight committees, monitoring, testing and reporting

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#### **Forensic testing**

- We provide assistance to CCOs in performing the annual compliance review
- Analyze complete information sets over time in order to identify unusual patterns that routine compliance spot-checking may not find. Forensic tests attempt to answer skeptical questions such as "what if" or "how do we know"
- Forensic tests performed could include, e.g., trade execution quality, comparative account performance, email reviews, etc.
- Other forensic tests based on the particular risk issues identified by the fund/adviser

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#### **Regulatory reporting**

- We assist firms preparing for regulatory filings, including the SEC's Forms ADV and PF, and the CFTC's Form CPO-PQR
- Assist the adviser in analyzing how the regulatory reporting requirement applies, understanding the requirements, performing a gap analysis around the data required, and drafting policies and procedures and assumptions

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#### **Mock SEC exam**

- Simulates full-scope SEC compliance examination
- We provide a realistic test of what to expect in an examination, and allows the firm to identify and address gaps or weaknesses in the compliance program, interview skills, and its ability to respond quickly to numerous document requests
- Includes testing in specific areas, such as adherence to prospectus guidelines and Investment Company Act rules, trade execution, personal trading, and distribution plans to validate compliance program's effectiveness
- Includes interviews of key personnel likely to be interviewed in an exam

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#### **Focused review**

- We perform a review of a specific area of risk or concern to identify practices, make recommendations for improvement
- Focus on areas chosen by management based on the wide variety of business models, operational structures, product profiles, affiliations and risks that exist among asset managers
- Focus areas could include, e.g., insider trading, valuation, fund expenses, use of brokerage and soft dollars, marketing practices, etc.

## ***A trusted adviser in compliance matters***

Helping you to develop and maintain a strong, up-to-date compliance program

### ***How PwC can meet your needs***

<b>Your firm's situation</b>	<b>PwC's solution</b>
New registrant (without a compliance program)	<ul style="list-style-type: none"><li>• Assistance with assessing your firm-wide compliance risks</li><li>• Drafting and assisting in implementing compliance policies and procedures</li><li>• Designing and implementing books-and-records readiness program</li><li>• Help firm migrate from an unregistered operating environment to a registered operating environment</li><li>• Firm-wide and/or senior management training concerning compliance awareness</li></ul>
New registrant (some compliance infrastructure)	<ul style="list-style-type: none"><li>• Analysis of existing policies and procedures for regulatory gaps</li><li>• Identifying enhancements based on leading practices</li><li>• Drafting and/or review of SEC filings and board or investor disclosures</li><li>• Preparation for SEC exam</li></ul>
Seasoned registrant	<ul style="list-style-type: none"><li>• Review existing compliance program against industry leading practices and regulatory "hot topics"</li><li>• Mock SEC exam covering critical compliance areas<ul style="list-style-type: none"><li>- Review documents, including compliance policies and procedures and investor disclosure documents (i.e., offering documents, investor letters)</li><li>- Perform sample testing of the procedures performed</li><li>- Recommend improvements to controls, policies and procedures based on our assessment and provide information on leading industry practices</li><li>- Highlight SEC "red flags"</li></ul></li><li>• Mock regulator interviews of key personnel</li><li>• Tailored, focused review on a particular area of concern, e.g., controls over MNPI, valuation processes, controls around pay-to-play, etc.</li><li>• Assistance with design of surveillance, monitoring and forensic testing</li><li>• Review of targeted hot topic areas, such as regulatory reporting and insider trading</li></ul>

## ***A trusted adviser in compliance matters***

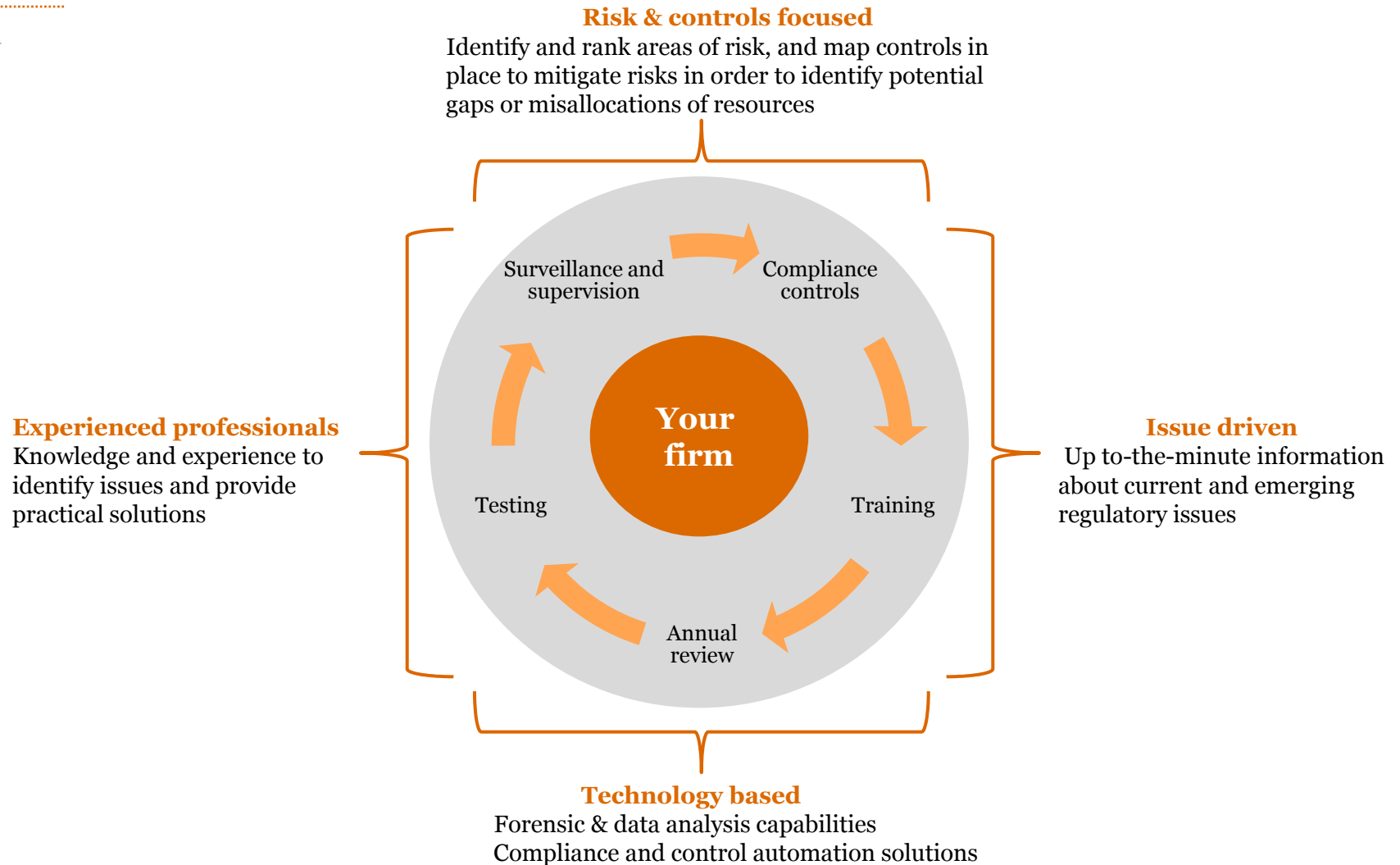
Helping you to develop and maintain a strong, up-to-date compliance program

### ***How PwC can meet your needs***

<b>Your firm's situation</b>	<b>PwC's solution</b>
Adviser with imminent SEC exam	<ul style="list-style-type: none"><li>• Advise on how to prepare for and manage the SEC exam</li><li>• Advise concerning response to SEC document request, prepare key personnel for SEC interviews</li><li>• Assist with remediation efforts</li></ul>
Global adviser with multi-jurisdiction regulatory needs	<ul style="list-style-type: none"><li>• Coordination of global regulatory network of PwC member firms in key foreign financial centers</li><li>• Assistance developing global compliance control framework and reporting mechanism to coordinate compliance in satellite offices</li></ul>
Adviser with possible compliance issue needing investigation	<ul style="list-style-type: none"><li>• Perform a special review of the potential issue or violation</li><li>• Assistance developing an integrated control solution addressing the root causes of the problem</li></ul>
Adviser contemplating acquisition	<ul style="list-style-type: none"><li>• Compliance due diligence of target adviser or portfolio company</li></ul>
Adviser with training needs	<ul style="list-style-type: none"><li>• Perform periodic training of individuals or groups on current hot topics or recurring nuts and bolts of compliance work</li></ul>
Fund Board or Audit Committee seeking assistance in its oversight function	<ul style="list-style-type: none"><li>• Assess governance framework</li><li>• Perform annual testing in select high-risk areas</li><li>• Recommend appropriate and practical improvements</li></ul>
Adviser requiring an independent compliance consultant as part of a remediation program	<ul style="list-style-type: none"><li>• Fulfill the requirements of the independent compliance consultant</li><li>• Assist with implementing a remediation program</li><li>• Assist the client in drafting and submitting any required assessment report to SEC or other regulatory authority</li></ul>
Adviser would like to measure their compliance program against those of their peers	<ul style="list-style-type: none"><li>• Conduct benchmarking exercises, gap analyses, and peer surveys of similarly situated advisers' compliance programs</li></ul>

## *Experienced professionals identify gaps and weaknesses – and bring up-to-the-minute solutions*

### *Our approach*



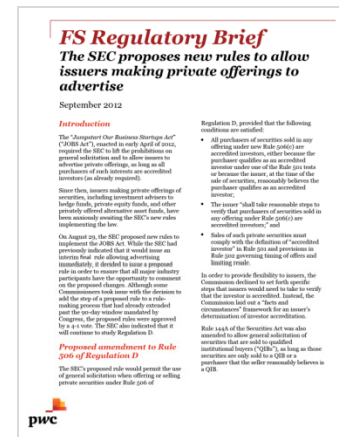
# PwC's regulatory professionals take great pride in being recognized as “thought leaders” in the industry

Some of our recent, noteworthy regulatory publications include:

Our thought leadership

**OCIE sends new advisers a letter describing “presence exams”**

**The SEC proposes new rules to allow issuers making private offerings to advertise**



On October 9, 2012, the SEC's OCIE posted an open letter to new adviser registrants on its website, and its regional offices sent the same letter to new registrants in the region. The OCIE letter describes what it terms its "Presence Exams initiative" for these advisers.

The "Jumpstart Our Business Startups Act" ("JOBS Act") required the SEC to lift the prohibitions on general solicitation and to allow issuers to advertise private offerings, as long as all purchasers of such interests are accredited investors (as already required).

[www.pwcregulatory.com](http://www.pwcregulatory.com)



## ***Our team includes staff members with a variety of experience and skill-sets***

### ***Our team***

The combination of experience and skill-sets helps us provide valuable insights and services to our clients.

We bring up-to-the minute perspective and a strong baseline knowledge of current industry leading practices.

***Former  
director and  
associate  
director of  
the SEC's  
examination  
program***

***Former SEC  
and SRO  
examiners  
and  
enforcement  
staff***

***Former chief  
compliance  
officers,  
compliance  
professionals,  
traders and  
operations  
staff***

***Asset  
management  
audit and  
internal  
control  
expertise***

***Forensics,  
investigations,  
data, systems  
and  
operations  
specialists***

## Our team includes:



### **Gary Meltzer, Partner, New York**

**Telephone: 646 471 8763**

**Email: [gary.c.meltzer@us.pwc.com](mailto:gary.c.meltzer@us.pwc.com)**

Gary leads PwC's Asset Management Advisory practice. He is part of PwC's Financial Services Leadership Team, its Asset Management Sector Council and has 26 years of experience serving clients in the financial services sector, with a specific focus on investment advisors, private banks, regulated investment companies, and alternative investment funds.

He has consulted extensively with private funds, institutional asset managers, fund administrators, transfer agents, accounting agents, and custodians on risk, finance, regulatory compliance, and operational matters and has advised fund boards of directors on oversight and governance. Gary is a frequent speaker at both PwC and industry conferences.

As a respected author and contributor to numerous articles, Gary's recent publications have focused on hedge fund administration, OTC derivatives and exchange traded funds.

Gary is also a certified public accountant in New York, New Jersey, Connecticut, California, and Florida.



### **Lori Richards, Principal, Washington, DC/New York**

**Telephone: 703 610 7513**

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Lori is a principal with PwC's Financial Services Regulatory practice and assists financial services clients in regulatory and compliance matters, focused on compliance with the federal securities laws. Her clients include mutual funds, hedge funds and private equity funds, broker-dealers, banks and others.

Lori has deep securities regulatory compliance experience. She spent 24 years as a regulator with the US Securities and Exchange Commission. She is the former Director of the SEC's compliance oversight program, the Office of Compliance Inspections and Examinations (OCIE). As the first director of OCIE, she built and led the SEC's nationwide examination oversight program for all registered broker-dealers, investment advisers, investment companies, hedge funds, transfer agents, clearing agencies, trading markets and self-regulatory organizations for 14 years.

Prior to that, Lori was the senior adviser to the SEC's Chairman on regulatory, policy and operational matters. Prior to that, she served as Associate Regional Director for enforcement in the SEC's Los Angeles office responsible for conducting enforcement investigations and litigation, and in other positions in the SEC's Division of Enforcement.

Lori has been at the forefront of securities regulatory compliance. She received numerous honors and awards for distinguished service at the SEC. She is a frequent industry speaker and author of numerous articles on compliance, fraud, and fiduciary responsibility. She leads PwC's thought leadership efforts on regulatory/compliance issues for asset management and broker-dealer firms, including PwC's "Closer Look" series on the impact of Dodd-Frank, and FS Regulatory briefs on current regulatory/compliance issues.

## Our team includes:



### **Daniel Ryan, Partner, New York**

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Dan is the chairman of our Financial Services Regulatory Practice and a member of the firm's Financial Services Advisory Leadership team. Dan serves as a business advisor to a wide range of the firm's global financial services clients and consults on matters ranging from business strategy and M&A activity to governance, risk, and compliance issues. Dan also serves as a subject matter specialist on banks, securities firms, and asset managers and is often called upon by the boards of directors and regulators of major financial institutions to advise on major issues. Since the onset of the credit crisis, Dan has served as an advisor to the boards of directors for several of the world's largest financial institutions with respect to business, risk, regulatory, financial, operational, and governance matters.

Dan rejoined PwC in 2006 after successfully founding and then later selling his own technology firm, which was one of the leading developers of trading technology for the NASDAQ equities market. Prior to that, Dan served as the chief financial officer of a leading US investment bank, where he was responsible for all aspects of the firm's support infrastructure. Dan began his career at PwC as an auditor focused on serving securities firms and banks.

Dan is a certified public accountant in New York and a frequent speaker and panelist at industry conferences and events.



### **David Sapin, Principal, Washington, DC/New York**

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David has more than 20 years of experience advising financial services firms on the regulatory and compliance requirements governing their securities and banking activities and on the supervisory approaches and expectations of their industry regulators and self-regulatory organizations.

David assists his clients in assessing the impact of regulatory requirements on their business, developing and implementing efficient and effective controls to meet those requirements, and designing effective compliance surveillance and review procedures. David has been one of the leaders of our teams assisting our broker-dealer clients in transitioning to a Federal Reserve oversight model, and is often called upon by our clients when they are looking for guidance on addressing new regulatory requirements or a new regulatory framework.

David regularly counsels his clients on their relationships with regulators, including managing the regulatory examination process, communicating with regulatory agencies, and responding to examination reports or other criticism by regulatory agencies. David's engagements frequently involve providing his clients with assistance and advice in developing and implementing remedial action plans to respond to examination criticisms and existing or potential regulatory enforcement actions.

David has been organizing and leading PwC's response to the Dodd-Frank Act.

## Our team includes:



### **Andrew Thorne, Partner, Boston**

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Andrew specializes in providing assurance and advisory services to a wide range of clients, including registered and nonregistered investment advisers, registered investment funds, and domestic and offshore alternative investment funds. In addition to his experience in Boston, Andrew spent two years in PwC's Cayman Islands office, where he focused on hedge funds and offshore fund products.

Andrew is an active member of PwC's Professional Development Program, developing and delivering presentations to both internal and external audiences on a wide range of asset management topics, including the valuation of complex instruments and the impact of evolving SEC and EU regulation on the asset management business. He is also a frequent contributor to PwC publications.



### **Ellen Walsh, Partner, New York**

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Ellen provides regulatory compliance and risk management advisory services to PwC's leading insurance clients. She is currently heading up PwC's efforts related to the impact of the Dodd-Frank Wall Street Reform and Consumer Protection Act on insurance companies and distributors of insurance products, advising clients on a range of potential implications including systemic risk designation, regulatory oversight for non-bank financial companies, sales practice standards, and information collection. Ellen is also involved in helping PwC's clients determine the applicability of financial reform efforts like Solvency II standards for US-based companies with European subsidiaries, and for US subsidiaries of foreign parents.

Ellen leads a team that's focused on compliance organizational design and effectiveness reviews and on the development of compliance policies, procedures, and monitoring programs. She has assisted some of the industry's largest global clients in designing and implementing their global compliance programs, which require not only a central compliance function but also business-unit-level functionality that operationalizes regulatory compliance standards into business processes.

Ellen is a frequent speaker at industry conferences, and her publications have been widely distributed. Most recently, she authored PwC's A Closer Look: Impact on Insurance Companies (part of a series on the impacts of Dodd-Frank), published the whitepaper A Brave New World for Insurance Companies: Federal Oversight and Banking Regulation, and authored the article "The Evolving Role of the Chief Compliance Officer: The Impact of New Regulatory Requirements." Ellen represents PwC at industry conferences on the topic of regulatory reform and also chairs the PwC-sponsored Insurance Chief Compliance Officer Roundtable Series, which brings together CCOs from the world's largest insurance companies to learn insights and perspectives from their peers and from PwC's compliance specialists.

## Our team includes:



### **Anthony Conte, Managing Director, New York**

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Anthony joined PwC in January 2011 and focuses on asset management regulatory services. He has more than 20 years of investment management and compliance experience.

Prior to PwC, Anthony spent 10 years at a global bank, where he was the global compliance officer for asset management's alternative investments business lines including hedge funds, real estate, private equity, and infrastructure; he also acted as the deputy regional head of asset management Americas. While there, Anthony was the chief compliance officer for two registered investment advisers overseeing more than \$50 billion in assets under management. He was also responsible for implementing a compliance program for a real estate business that the company acquired in 2003.

Previously, Anthony led the compliance team for a Canadian bank's asset management division, covering private funds, registered products, wrap-fee accounts, and separately managed accounts. Prior to his role in the industry, he was a branch chief in the Office of Compliance, Inspections, and Examinations for the SEC in New York, where he supervised and conducted numerous compliance inspections of registered mutual fund companies and registered investments advisers, some of which were referred to enforcement.



### **Scott Weisman, Managing Director, Washington, DC/New York**

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Scott joined PwC in July 2013 and assists hedge fund firms, private equity firms, and other financial services clients in a wide variety of securities regulatory compliance matters.

Scott has deep securities regulatory experience, having served for more than 11 years in the SEC's Division of Enforcement, most recently as an Assistant Director. In that role, Scott helped form and lead the agency's Asset Management Unit, an 80-person national specialized group focusing on misconduct by investment advisers to hedge funds, private equity funds, and investment companies. Scott collaborated extensively with other SEC divisions and law enforcement agencies on asset management priority areas and emerging risks, and developed a highly successful initiative to detect hedge fund fraud through the use of proprietary risk analytics. Scott also supervised a number of significant investigations concerning improper conflicts of interest, valuation, disclosure, fees, and trading practices.

Scott holds a master of laws degree in Securities and Financial Regulation from Georgetown University.

## Our team includes:



### **Tom Anguilla, Director, New York**

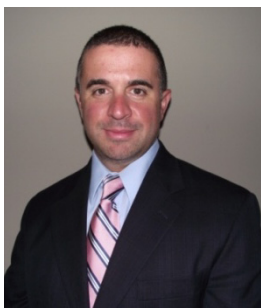
**Telephone: 646 471 7767**

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Tom's areas of specialty include fixed income, capital markets, wealth management, US and international debt markets, emerging market debt, derivatives, structured products, credit-linked notes, sales and trading, broker-dealer compliance, sales policies, sales and trading supervision, trading desk work flow, and process development and implementation.

He comes to PwC after 33 years of Wall Street experience as a fixed income product manager, marketer, and trader. Tom has extensive experience in all areas of fixed income sales and trading, including US and international debt, emerging markets, derivatives, and structured products. As a business manager, Tom was responsible for product development and delivery, including process and infrastructure development and implementation, sales and supervisory policy, compliance infrastructure, training, and marketing.

Before joining PwC, Tom managed the private client fixed income business at a global banking and financial services company. Prior to that, he built and managed the private client emerging markets fixed income and structured products businesses at another financial services conglomerate. Earlier, Tom traded international and US government debt at three major investment banks. Tom held FINRA's Series 7, 63, 24, and 53 licenses while employed in the securities business.



### **Mike Bernardo, Director, New York**

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Mike rejoined PwC in 2008. His most recent focus has been helping firms organize around the requirements of the Dodd-Frank Act and other regulatory changes.

Mike has nearly 16 years of experience in financial services, predominantly in compliance, regulation, and operations, including his recent experience as a director of market surveillance for New York Stock Exchange regulation.

Throughout his career, Mike has worked with broker-dealers on compliance and supervisory issues, including implementation of surveillance programs, drafting and implementation of supervisory and control procedures, and performance of compliance and regulatory reviews.

He was formerly licensed with FINRA Series 3, 7, 9 & 10, 63, and 65 securities licenses.



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## *Our team includes:*



### **Elizabeth Crotty, Director, New York**

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Liz has more than 16 years of experience working in the investment management industry, including extensive experience in the alternative asset management industry. Liz has advised clients on a variety of regulatory, risk, and operational issues, including registration readiness, mock SEC exams, and the assessment, development, and enhancement of compliance programs and operational controls.

Prior to joining PwC, Liz was chief compliance officer of a hedge fund registered with the SEC and FSA, and before that was a compliance officer of another large US-based hedge fund. Before joining the hedge funds, Liz was a compliance officer with a privately owned investment management firm and an analyst in the compliance department of a global asset management firm.

Liz is a graduate of New York Law School and has a B.A. Degree from Hamilton College.



### **Silvestre Fontes, Director, Boston**

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Silvestre, a member of PwC's Financial Services Regulatory practice, joined the firm in October 2011. Silvestre has recently helped investment advisers by conducting training sessions, reviewing compliance programs and helping management identify and remedy compliance and operational risk areas. Silvestre has also recently helped a large international bank address issues arising from the proposed Volcker Rule provisions related to "covered funds."

Prior to PwC, Silvestre worked at the Securities and Exchange Commission's Boston office, where he served progressively as staff attorney, branch chief, senior trial counsel, and assistant regional director. At the SEC, Silvestre investigated and litigated all types of securities fraud, including ones involving mutual funds, hedge funds, broker-dealers, transfer agents, and other market participants. Silvestre was twice awarded both the Division Director's and Chairman's Award for Excellence, most recently for his work on SEC v. Galleon Management, a high-profile insider trading matter involving numerous hedge funds and high-ranking corporate officials.

Silvestre is a graduate of Boston College, the University of Chicago and the University of Pennsylvania Law School, from which he graduated cum laude and was an Editor on the Law Review. Before joining the SEC, Silvestre clerked for a federal judge and worked at two Boston-based law firms where he practiced in the securities law area.

## Our team includes:



### **Todd Humphrey, Director, Los Angeles**

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As a member of PwC's Financial Services Regulatory practice, Todd has worked on a wide range of regulatory issues for clients including merger integration, acquisition due diligence, internal investigations, and internal control reviews. He has worked extensively with private equity and real estate managers to prepare them for registration with the SEC, develop compliance programs and provide training to compliance staffs. He worked for the firm from 1998 - 2000 and rejoined in 2010 to help lead the West Coast practice.

Todd began his career in 1992 at the SEC in the Pacific Regional Office based out of Los Angeles, where he worked for five years. While at the SEC, Todd was a senior examiner and helped conduct and lead numerous compliance inspections of registered investment advisers and investment companies, some of which were referred to enforcement.

Todd brings valuable industry experience to PwC, having worked at a registered investment adviser as a portfolio manager and chief compliance officer. He has more than 20 years of experience in the investment management industry.

Todd received an MBA from the University of Southern California and a BS from California State University Fresno. He is also a chartered financial analyst.



### **Anjali Kamat, Director, Stamford**

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Anjali has more than 17 years of industry experience. During her tenure at PwC, Anjali has led various projects conducted for institutional, hedge, and private equity managers. She has worked with clients evaluating their control environment and compliance with applicable federal securities laws, identifying conflicts of interest and regulatory risks, designing policies and procedures, drafting ADV disclosures, and assisting advisers through the registration process with the SEC.

Prior to joining PwC, Anjali worked in the New York regional office of the SEC and was responsible for conducting routine and cause compliance examinations of registered investment advisers.



## Our team includes:



### **Nathan Kiel, Director, New York**

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Nathan, a member of PwC's Financial Services Regulatory practice, joined the firm in January 2011. Nathan has extensive experience assisting clients with various Dodd-Frank provisions, including resolution planning, new information reporting requirements, and investment adviser registration requirements. He recently led multiple resolution planning projects at large, global, foreign banks (FBOs) and continues to help other clients with Dodd-Frank related needs. He also conducts in-depth reviews around custody and the safety of investor assets, valuation, prime brokerage relationships, best execution, trade aggregation and allocation, personal security transactions, principal trade and cross-trade analyses, and adherence to client investment guidelines and restrictions. Additionally, Nathan assists alternative asset managers with compliance reviews and mock SEC examinations and performs internal control reviews to assess the effectiveness of policies, procedures, and processes established in the areas of portfolio management, trading, compliance, and operations.

Prior to joining PwC, Nathan served as senior counsel at the US Securities & Exchange Commission's Office of Compliance Inspections and Examinations. As senior counsel, Nathan provided legal advice to examination staff on a range of issues including research analyst and investment banking conflict rules, trading rules, net capital, and books and records requirements. Additionally, Nathan led examinations focused on electronic trading activity, including direct market/sponsored access and algorithmic trading, as well as compliance with short sale orders, research analyst and investment banking conflict rules, and market manipulation.

Prior to joining the SEC, Nathan served as bond counsel, underwriter's counsel, and bank counsel in connection with a variety of tax-exempt and taxable financings.



### **Stefanie Neches Kirchheimer, Director, New York**

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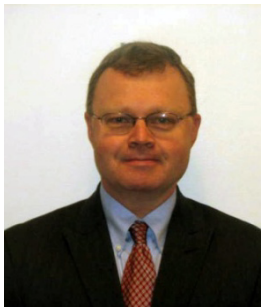
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Stefanie has been with PwC since 2002 and focuses on providing regulatory compliance services to asset management clients. Her clients have included hedge funds, fund of funds, and private equity funds. She has assisted clients with compliance reviews, mock exams, reviews of their policies and procedures, preparing for registration, and providing recommendations relating to SEC regulations. Stefanie has also concentrated on assisting clients with regulatory reporting reviews, specifically focusing on Form PF.

Prior to joining the Financial Services Regulatory practice, Stefanie provided assurance and related services to a variety of hedge fund and private equity fund clients. These clients included large and mid-size funds with various strategies, including distressed debt, long/short equity, collateralized loan obligations, mortgage-backed securities, private equity, and multi-strategy. She managed the day-to-day work while coordinating with the engagement partner and specialists across other lines of service globally. Additionally, she has experience reviewing and testing fund expenses, fund performance and fees, valuation of investments, and various fund processes and controls.

Stefanie graduated with an MBA from Columbia University and a BS from New York University. Additionally, she is a certified public accountant in New York and a member of the American Institute of Certified Public Accountants.

## Our team includes:



**Kent Knudson, Director, Washington, DC/New York**

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Kent has worked on many engagements for domestic and foreign asset managers, including mock SEC exams, implementation of automated compliance systems, internal investigations, regulatory enforcement proceedings, and M&A due diligence. For the past three years, Kent has focused primarily on alternative asset managers and hedge funds, assisting in drafting compliance procedures and conducting conflict reviews. Kent recently led a team conducting an IPO-allocation investigation mandated by the SEC. Kent also serves as a senior instructor in PwC's Professional Development Program, providing client training and education.

Prior to joining PwC, Kent worked for eight years at SEC headquarters in Washington, DC, first as an examiner and then as a branch chief in the Office of Compliance Inspections and Examinations (OCIE), where he focused on mutual funds and investment advisers. At the SEC, Kent helped to oversee and write reports on soft dollars (1998) and fair valuation of foreign securities (1997). Kent also participated in the first foreign exams of US registered advisers and the first reviews of fixed-income pricing services. Kent was the primary headquarters liaison for the SEC's Chicago and Los Angeles offices.



**Samuel Nassi, Director, New York**

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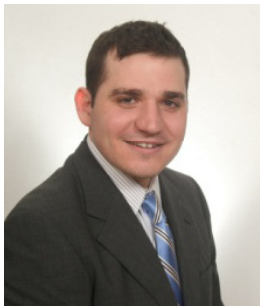
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Sammy has had extensive experience working in the alternative asset management industry, including advising clients on a variety of operational, governance, risk, and regulatory issues. This includes developing, assessing, and enhancing regulatory and compliance programs, conducting mock SEC examinations; and performing operational and internal control reviews for alternative asset management clients.

Prior to joining the firm's Financial Services Regulatory practice, Sammy provided assurance and related services to a variety of hedge fund and private equity fund clients. These clients included open-ended and closed-ended fund structures with various strategies, including high-yield, distressed debt, long/short equity, collateralized loan obligations, whole mortgages, statistical arbitrage, direct private equity, and private equity fund of funds. Sammy managed the day-to-day operations of the audit work while coordinating directly with clients and fund administrators. Sammy has experience reviewing and testing fund expenses, fund performance and fees, financial statement disclosures, and various fund processes and controls.

Sammy is a certified public accountant, a certified fraud examiner, a member of the American Institute of Certified Public Accountants, and a member of the Association of Certified Fraud Examiners.

## Our team includes:



### **Matthew T. Nullet, Director, Boston**

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Matthew joined the firm in 2003 and has six years of experience in PwC's Investment Management practice, providing assurance and related services to a variety of clients in the hedge fund industry. Matthew has managed a variety of large, midsize, and small alternative investment client audits with various investing strategies, including distressed debt, multi-strategy, emerging markets, long/short equity, and private equity.

Additionally, Matthew has several years of experience managing audits of the management companies for some of the firm's most prominent hedge fund clients. In September 2009, Matthew transferred into PwC's Financial Services Regulatory Consulting practice, where he continues to specialize in the hedge fund industry, with a focus on regulatory compliance issues.

Matthew is a licensed certified public accountant in New York.



### **Betsy Thedford, Director, Boston**

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Betsy is a Director in PwC's Asset Management Regulatory Practice and joined the firm in 2004. She specialises in retail and alternative asset management industries, including advising clients on risk and regulatory issues. Prior to her work in the Regulatory Practice, Betsy worked in the PwC Assurance Practice focusing on auditing registered investment companies, hedge funds, real estate and private equity funds and related controls attestation engagements including. Betsy now focuses on assisting advisers analyse their compliance environment and helping unregistered hedge fund advisers, private equity and real estate fund advisers prepare for SEC registration, CFTC registration and other Dodd-Frank regulatory requirements including assessing the impact of the Volcker Rule on covered funds. She has performed controls attestations and reporting on compliance through agreed upon procedures in addition to helping advisers assess the impacts of the US Advisers Act Custody Rule, Rule 206 and reporting on Form PF. Betsy recently completed a two year secondment with the PwC London office where she assisted non-US advisers with SEC guidance, registration and Dodd-Frank impact analysis. Her work also included assisting asset managers with global regulatory and compliance matters and she completed a 5 month secondment at one of the largest UK asset managers, assisting them with FCA and SEC compliance matters.

Betsy is part of the European AIFMD subject matter expert team, which analyses the technical AIFMD requirements, and works with project assurance, which focuses on how to implement regulatory change in an efficient and successful manner. Betsy has successfully assisted European investment advisers with AIFMD compliance and registration.

Betsy earned a Bachelors and Masters of Accountancy at the University of Colorado and graduated with Distinction from Suffolk University Law School with emphasis in Business Law and Financial Services. She is a Certified Public Accountant and member of the American Institute of Certified Public Accountants and Massachusetts Bar.

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The **Regulatory Navigator App**, an innovation from PwC's Financial Services Regulatory practice, delivers the first single-source resource to help guide you through the constantly changing, complex, and often opaque financial reform regulatory environment.

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## Key features of PwC's Regulatory Navigator include:

- **Dynamic timeline** that you can scroll and sort by key regulatory dates and deadlines (which includes links to the source documentation, comment period deadlines and final rule effective dates)
- **Financial Services Regulatory practice publications library** featuring thought leadership and videos that is sortable by topic, most viewed and most liked
- **Weekly regulatory ticker** of the latest regulatory developments
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