
Financial Services Regulatory Practice

How we can help mutual funds, their boards of directors and advisers

2013



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Introduction

Mutual funds and their sponsors face unprecedented regulatory and compliance challenges. They must address regulatory obligations governing many aspects of their business – from the way they trade securities and manage the fund’s portfolio, to how they market themselves and the disclosures they make, to their employees’ personal trading and political contributions.

At the same time, the expectations of mutual funds’ compliance programs under Rule 38a-1 of the Investment Company Act have never been higher. Key stakeholders including boards, shareholders and distributors are demanding greater transparency and more assurance that the funds, their boards and their managers have strong governance and compliance controls.

Recent enforcement actions and private litigation have only heightened expectations. A more aggressive approach in inspections and enforcement actions is the new norm. In fact, recent SEC enforcement actions have taken the rare step of naming individual fund directors. Regulators expect a comprehensive, tailored compliance program characterized by full testing, use of technology, and expertise. Legacy programs may not be adequate to meet these expectations.

Senior managers, chief compliance officers and fund directors need confidence that their funds and service providers have effective compliance programs with no undiscovered problems or vulnerabilities.

And, on an ongoing basis, fund CCOs need to perform annual compliance testing - and be aware of current leading practices in the industry.

PwC can help mutual funds address regulatory compliance obligations and manage regulatory risk effectively.

Our team provides a variety of services – ranging from a high-level diagnostic of the structure and operations of a fund’s compliance program, to assistance in performing routine forensic testing, to a “mock SEC exam” or a “deep-dive” review of a specific compliance risk area – to help the fund and adviser create and maintain an effective compliance program.

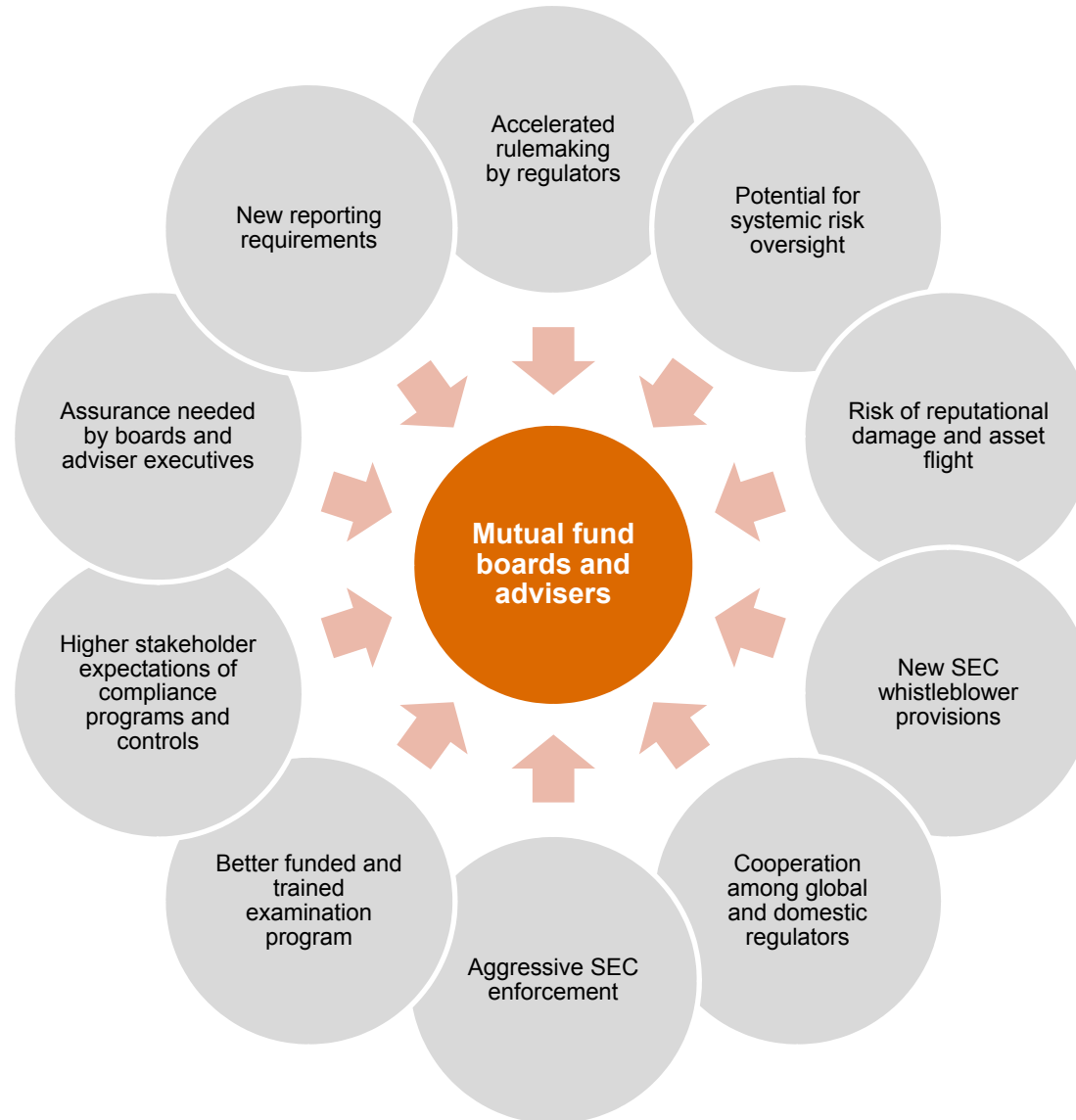
We bring up-to-the minute perspective and a strong baseline knowledge of current industry leading practices. Our team includes:

- The former director and associate directors of the SEC’s examination program, and former SEC and SRO examiners and enforcement staff;
- Former chief compliance officers, compliance professionals, traders and others; and
- Forensics, investigations, data, systems and operations specialists.

This brochure outlines these issues, and how we can help mutual fund management, chief compliance officers and boards.

Expectations could not be higher

Regulatory and compliance challenges for mutual fund advisers



Top compliance risk areas for mutual funds and their advisers

Important questions to ask, and answer

Top compliance risks

Compliance program (under Rules 38a-1 and 206(4)-7)	Has your fund/adviser recently assessed the particular risks and conflicts of its business model and operations? Is your compliance program effectively geared towards these risks and conflicts, as well as designed to prevent and detect compliance problems? Does the program address current and emerging regulatory focus areas?
Fund governance/information flow	Has the fund board created an effective relationship with the fund CCO? Do the fund CCO and other service providers report sufficiently detailed information to enable the board to properly oversee the fund? Are fund and adviser committee operations designed effectively?
Valuation	Is your fund able to price and value securities appropriately? Is the fund's NAV susceptible to market timing? Do you have confidence in sources of valuations? Is the fund board fulfilling its statutory obligations regarding pricing?
Institutional conflicts	Has your fund/adviser identified and addressed potential conflicts arising from the selection of service providers and counterparties (affiliated and unaffiliated), the allocation of expenses and investments and opportunities among all clients (including the registered funds), and other affiliated dealings? Are disclosures adequate?
Personal conflicts	Does the fund/adviser have an appropriate code of ethics and adequate controls over director and employee trading, gifts and entertainment, political contributions and other potential conflicts of interest?
Insider trading	Has the fund's adviser identified the sources of material non-public information it receives or maintains? Has it instituted adequate controls to prevent and detect possible insider trading at the personal or fund level? Are fund trades susceptible to front-running by trade counterparties?
Investment guidelines and restrictions	Does the fund's adviser maintain adequate controls to assure that all fund investments and holdings are consistent with disclosures made to shareholders and applicable restrictions? How is this compliance reported to the board?

Top compliance risk areas for mutual funds and their advisers

Top compliance risks

Marketing practices	Are the fund's marketing, performance advertising, and sales efforts compliant with all requirements? Are 12b-1 and shareholder servicing fees implemented according to board-approved plans, disclosures and SEC rules?
Regulatory reporting	Is your fund making fully accurate and timely regulatory reports? Has the process for filing newly required reports such as N-MFP, Treasury SLT, CPO-PQR, and Large Trader reporting been thoroughly vetted? Are CFTC filing thresholds adequately monitored?
Trading	How does the adviser comply with its obligation to seek best execution on fund trades, and how does it prevent and detect trading violations involving short selling, offerings and manipulation? How does your firm comply with SEC's safe harbor concerning soft dollars? Are controls in place to prevent rogue trading?
Risk disclosures	Is the fund making full and accurate disclosures to shareholders concerning liquidity, counterparty, investment, and other risk areas? Are key documents such as fund prospectuses, fact sheets, internet sites, MD&A disclosures, and RFPs internally consistent and accurate?
Proxy Voting	Are votes cast in the best interest of fund shareholders? Are your proxy voting disclosures in compliance with the Investment Company Act?

Even the most well-intentioned firms are likely to have significant interaction with regulators in the coming years
Good compliance truly is good business, and an imperative in today's environment

The new regulatory and compliance reality

New regulatory obligations and accelerated rulemaking

- The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010
- New rules for money market funds, pay-to-play, short selling, proxy disclosure, asset backed securities, REITs, Form ADV, large trader reporting, swaps reporting and CDS clearing
- Concept release on use of leverage and derivatives by mutual funds; potential new rules
- Incentive-based compensation rules for certain large advisers
- More to come: proposed rules on target date funds, focus on distribution expenses disguised as service provider fees, 12b-1 plans, and dark pool trading
- Systemic risk reporting
- Monthly reporting requirements to Treasury on Form SLT
- Foreign jurisdiction laws and rules

Increased client/prospective client demands

- Prospective institutional shareholders due diligence and RFPs include questions concerning compliance programs and breaches; requests for non-public information in Form PF
- Clients/shareholders request information about contacts from enforcement investigators and examination results, including copies of deficiency letters
- Sub-advisers are seeing more vigorous due diligence and ongoing monitoring and reporting requests from primary advisers; diligence is moving beyond certification process

Increased regulatory expectations

- Regulators expect a comprehensive compliance program: no gaps
 - Examiners look for senior management support for and knowledge of the compliance program – and may interview you about it during an exam
 - Examiners expect robust testing that identifies potential problems, annual reporting and use of available technological tools
 - Examiners expect a governance process that assures reporting up and timely action to resolve problems and address their root cause; information flow to and from the fund board is key
-

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The new regulatory and compliance reality

More examinations

- Increase in staffing and budget
- Risk-driven examinations, cause exams, sweeps

Consequences of non-compliance

- Enforcement investigations are more likely now – the SEC is targeting firms with a special unit of investigators focused solely on the asset management industry
- Joint investigations by the SEC and the Department of Justice
- Cooperation among regulators: SEC, CFTC, FinCEN, IRS, FBI, Department of Labor, state AGs/securities divisions
- More cooperation agreements between SEC and foreign counterparts (FSA, SFC, CSRC)
- Cooperation and non-prosecution agreements between SEC and witnesses

Investigative techniques have changed

- New “whistleblower” program with bounties will encourage tipsters
 - Revitalized bounty program for those who provide tips concerning insider trading
 - Wiretaps
 - Use of data analysis
 - Ability to analyze hundreds of millions of electronic trading records to identify groups of traders who repeatedly made similar well-timed bets
 - Trained, experienced investigators and examiners (industry experience, Chartered Alternative Investment Analysts, Certified Fraud Examiners)
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Mutual funds are not the main focus of the Dodd-Frank, but the law impacts registered funds directly and indirectly

The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010: Impact on mutual fund advisers

Financial Stability Oversight Council: Possible Designation as “Systemically Important”

- Fund industry remains hopeful that neither individual funds nor fund complexes will be designated as systemically important given existing regulation and the lack of interconnected risk .
- Such a designation would potentially mean Fed oversight, examinations and reporting; capital, leverage, liquidity, risk management requirements and concentration limits.
- The FDIC has adopted rules requiring nonbank financial companies designated as systemically important to adopt resolution plans .

Possible New Fiduciary Standard for Broker-Dealers

- A heightened duty could alter relationships, disclosures, products offered – and practices in the sales of fund shares.

Clearing and Exchange Trading of Derivatives: Possible Designation as “Major Swaps Participant”

- MSPs will be subject to inspection, registration and oversight by SEC, CFTC, or MSP’s prudential regulator.
- SEC/CFTC Definitions of Swap, Security-Based Swap and Security-Based Swap Agreements.

The Whistleblower Program

- The SEC and CFTC have new rules that provide powerful new incentives for “whistleblowers” to report information concerning possible violations of the federal securities laws to regulators.

Amended Pay-to-Play Rule

- Permits advisers to compensate persons that are "regulated persons" for soliciting government entities, subject to certain requirements.
- No-action relief for mutual funds based on strict conditions.

Asset Backed Securities

- New rules requiring issuers to conduct and disclose its review of the underlying assets.
- Proposed rules to prohibit material conflicts of interest between those that package asset backed securities and those who invest in them.
- Possible new rules regarding registration of asset-backed issuers (mortgage pools, REITS) under the Investment Company Act .

Possible Self- Regulatory Organization

- Based on a study on how to enhance oversight of registered investment advisers, the SEC recommended the creation of one or more SROs to oversee all SEC-registered investment advisers, or charging user fees for SEC exams.
- An SRO could help the SEC leverage its limited resources and increase frequency of adviser inspections.

Funds face new regulatory and compliance challenges in addition to Dodd-Frank

Other significant regulatory developments

Money Market Fund Reform

- In 2010, the SEC adopted new rules tightening credit quality standards, shortening weighted average maturities, and imposing a liquidity requirement on money market funds .
- New reporting of portfolio and shadow pricing on Form N-MFP.
- Additional regulations are signaled as some regulators push for fundamental reforms.

Fund Distribution Expenses (Rule 12b-1)

- The SEC's proposal would restrict "ongoing sales charges" to the highest fee charged by the fund for shares that have no ongoing sales charge and require the fund to identify and clearly disclose distribution fees and track them at the individual shareholder level.
- The fund would disclose any "ongoing sales charges" and any "marketing and service fees" in the prospectus, shareholder reports and investor transaction confirmations. Confirmations also would have to describe the total sales charge rate that an investor will have to pay).
- Funds would be allowed to sell shares through broker-dealers who establish their own sales charges, and
- Fund directors would no longer be required to explicitly approve and re-approve fund distribution financing plans.
- SEC investigating cases of distribution expenses disguised as service-provider (e.g. sub-transfer agent) fees .

New Proxy Access Rule

- Amended Rule 14a-8 became effective September 20, 2011. It provides that eligible shareholders may require companies to include shareholder proposals regarding proxy access procedures in company proxy materials .
- Rule 14a-8 gives shareholders and companies the ability to establish proxy access standards on a company-by-company basis.

SEC Concept Release

- The SEC asked for public comment concerning mutual funds' use of derivatives under the Investment Company Act - potential implications for fund leverage, diversification, exposure to certain securities-related issuers, portfolio concentration, and valuation, among other things .

Treasury Form SLT

- Treasury regulation requires the reporting of the fair values of long-term US securities owned by foreign residents and long-term foreign securities owned by US residents (including mutual funds), where such values equal or exceed \$1 billion .

Short Sale Reporting (13F Filings)

- Monthly reporting of short positions for Section 13(f) filers; reporting potentially to be public.

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

Services we provide

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

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

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

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

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

Your firm's situation	PwC's solution
Mutual fund board of directors seeks to have confidence in fund's compliance program	<ul style="list-style-type: none">• High level diagnostic of structure and breadth of compliance program against industry peers and regulatory expectations, recommendation of appropriate and practical improvements• Assistance with assessing risks and conflicts posed by fund/adviser operations• Drafting and assisting in implementing fund compliance policies and procedures• Assistance with design and review of service provider diligence and oversight, including advisers, sub-advisers, transfer agents, custodians, fund administrators and distributors• Complete review of regulatory reporting systems and requirements, including registration statements; NSARs; N-Qs; 13-F, 13-D, and 13-G; Large Trader Reporting; MMF reporting on N-MFP; Proxy Voting on N-PX, etc.• Assistance in conducting internal investigations – proactively or as a result of a regulatory mandate• Performance of annual testing/forensic testing in select high-risk areas• Assistance in reviewing information flow/reporting relationship with fund CCO; recommendations on trend reporting vs. limited reporting on material compliance issues• Compliance awareness training

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How PwC can meet your needs

Your firm's situation	PwC's solution
Adviser seeks to have confidence in fund's compliance program	<ul style="list-style-type: none">• Review existing compliance program against industry leading practices and regulatory "hot topics"• Drafting and/or review of SEC filings, board or investor disclosures• Mock SEC exam covering critical compliance areas<ul style="list-style-type: none">– Review documents, including compliance policies and procedures and investor disclosure documents (i.e., prospectuses, investor letters)– Perform sample testing of the procedures performed– Recommend improvements to controls, policies and procedures based on our assessment and provide information on leading industry practices– Highlight SEC "red flags"• Mock regulator interviews of key personnel• Tailored, focused review on a particular area of concern, e.g., controls over material non-public information, valuation processes, controls around pay-to-play, etc.• Assistance with design of surveillance, monitoring and forensic testing

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How PwC can meet your needs

Your firm's situation	PwC's solution
Fund/adviser CCO needs to perform forensic testing as part of annual 38a-1 compliance review	<ul style="list-style-type: none">• Perform forensic testing for use by CCO in annual review, e.g., trade executions, fund expenses, allocation of investments, risk tolerance, personal trading, insider trading, etc.
Fund/adviser with imminent SEC exam	<ul style="list-style-type: none">• Advise on how to prepare for and manage SEC exam• Advise concerning response to SEC document request, prepare key personnel for SEC interviews• Assist with remediation efforts
Global adviser with multi-jurisdiction regulatory needs	<ul style="list-style-type: none">• Coordination of global regulatory network of PwC member firms in key foreign financial centers• Assistance developing global compliance control framework and reporting mechanism to coordinate compliance in satellite offices
Adviser with possible compliance issue needing investigation	<ul style="list-style-type: none">• Perform a special review of the potential issue or violation• Assistance developing an integrated control solution addressing the root causes of the problem

A trusted adviser in compliance matters

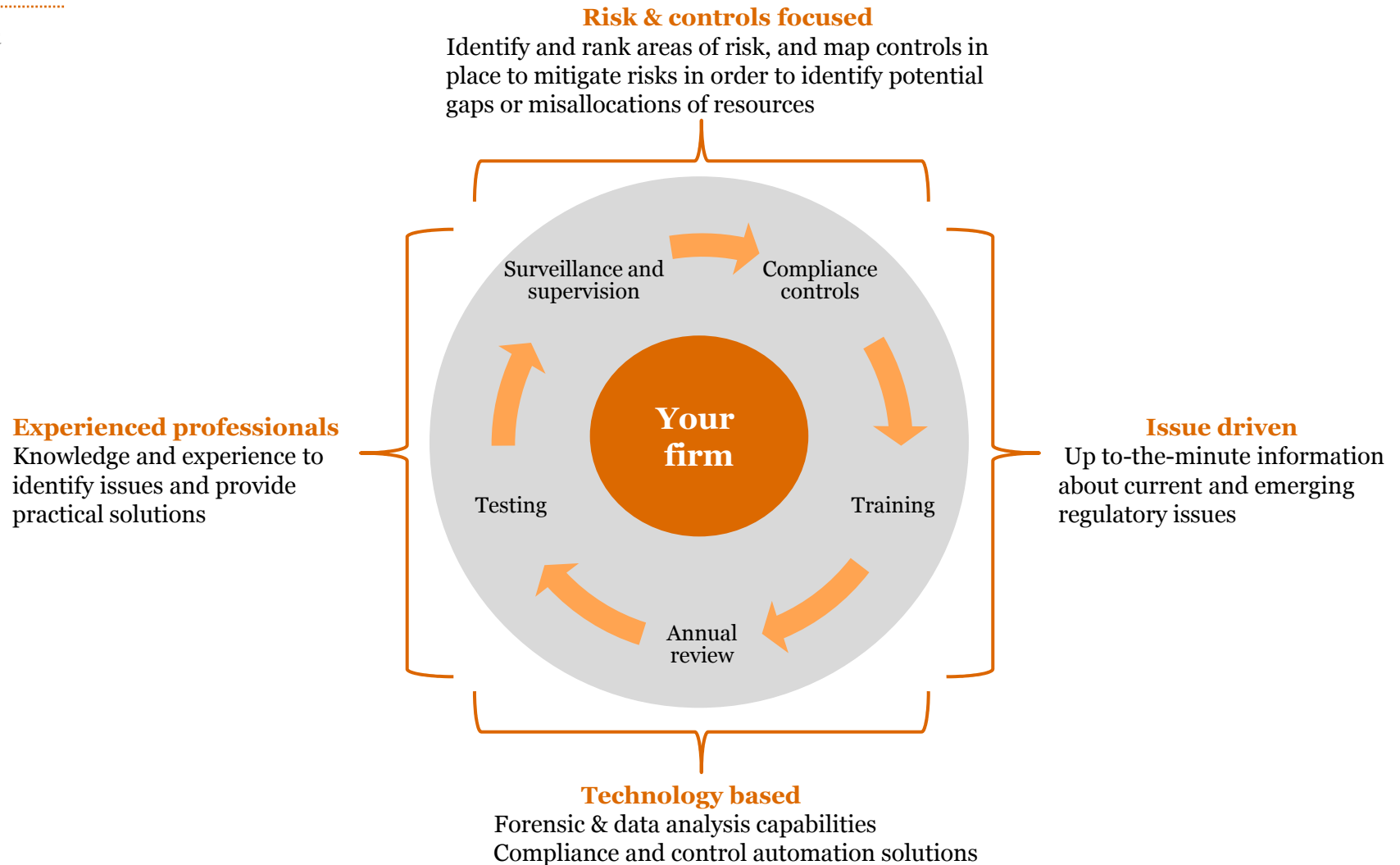
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How PwC can meet your needs

Your firm's situation	PwC's solution
Adviser contemplating acquisition	<ul style="list-style-type: none">• Compliance due diligence of target adviser or portfolio company; consolidation/rationalization of adviser and fund compliance policies and procedures
Adviser with training needs	<ul style="list-style-type: none">• Perform periodic training of individuals or groups on current hot topics or recurring nuts and bolts of compliance work
Adviser requiring an independent compliance consultant as part of a remediation program	<ul style="list-style-type: none">• Fulfill the requirements of the independent compliance consultant• Assist with implementing a remediation program• Assist the client in drafting and submitting any required assessment report to SEC or other regulatory authority
Adviser would like to measure their compliance program against those of their peers	<ul style="list-style-type: none">• Conduct benchmarking exercises, gap analyses, and peer surveys of similarly situated advisers' compliance programs

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

What mutual fund CCOs and GCs are talking about now

FS Regulatory Brief What mutual fund CCOs and GCs are talking about now

October 2012

Recently, PwC had a chance to sit down with a number of Chief Compliance Officers (CCOs) and General Counsels (GCs) of large mutual fund firms to talk about the current regulatory and compliance environment. Some CCOs and GCs readily shared the issues and concerns that were most on their minds, and had no qualms about discussing them with other CCOs and GCs, and with PwC's regulatory/compliance professionals.

Many CCOs and GCs felt that the current regulatory environment was unlike any they had experienced in the past, both with the range of Dodd Frank-related rulemaking, as well as with the number of regulatory bodies having some regulatory jurisdiction and/or oversight for publicly-traded funds. These include not just federal-level primary regulators, the Securities and Exchange Commission (SEC), but also the Commodity Futures Trading Commission (CFTC), the Financial Industry Regulatory Authority (FINRA), and, for fund firms that operate outside the US, regulators in their home jurisdictions.

Among the topics that were most on their minds were the following:

CFTC registration

In February, the CFTC adopted new rules narrowing the exemption that some investment companies had relied on to avoid registering with the CFTC (CFTC Rule 4.13). In order to register, the funds will have to pay interest on certain de minimis limits. As a result, most advisors to funds with investments in commodity pool operators (CPOs)

While the CFTC has proposed "harmonization," some investment companies are also registered with the SEC, and CFTC's position overlaps with existing SEC rules. This creates a complex regulatory environment for mutual funds, with many compliance challenges for mutual funds, their advisors and service providers.

This was a topic of discussion, because CCOs and GCs felt that the current regulatory environment was unlike any they had experienced in the past, both with the range of Dodd Frank-related rulemaking, as well as with the number of regulatory bodies having some regulatory jurisdiction and/or oversight for publicly-traded funds. These include not just federal-level primary regulators, the Securities and Exchange Commission (SEC), but also the Commodity Futures Trading Commission (CFTC), the Financial Industry Regulatory Authority (FINRA), and, for fund firms that operate outside the US, regulators in their home jurisdictions.

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CFTC Adopts New Rules Requiring Advisers to Investment Companies and Private Funds to Register

FS Regulatory Brief CFTC Adopts New Rules Requiring Advisers to Investment Companies and Private Funds to Register Also Adopts New Reporting Requirements and Proposes New "Harmonization" Rules

On February 9, 2012, the Commodity Futures Trading Commission (CFTC) adopted amendments to its rules to require private fund managers and SEC-registered investment companies that hold more than 5% of their portfolios in commodity interests (futures, commodity options and swaps) to become registered with the CFTC, unless they meet new criteria for exemption.¹

Registration, as such, will have a significant impact on these advisers as it will require new CFTC-driven obligations, including new disclosures to customers and new regulatory reporting requirements.

The CFTC also proposed "harmonization" rules intended to ease the burden of complying with both the Securities and Exchange Commission (SEC) and CFTC requirements.² The CFTC is asking for public comment on these rules.

1. 77 Fed. Reg. 10,912 (Feb. 9, 2012) ("Final Rule Harmonization").

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On February 9, 2012, the CFTC adopted amendments to its rules to require private fund managers and SEC-registered investment companies that have portfolio holdings in commodity interests to become registered with the CFTC, unless they meet new criteria for exemption. The CFTC also proposed "harmonization" rules intended to ease the burden of complying with both the SEC and CFTC requirements.

FSOC moves swiftly on money market reform

FS Regulatory Brief FSOC moves swiftly on money market reform

November 2012

As reported, on November 13, 2012, the Financial Stability Oversight Council (FSOC) unanimously voted to issue proposed recommendations for structural reforms to money market funds (MMFs) intended to make them more resilient to runs. The public comment period will run for 30 days (through January 14, 2013).

We recently described the state of the debate around MMFs over issues such as "float" (a floating NAV), capital buffers, and redemption holdbacks. The FSOC's recommendations will likely address all three issues in some form.

The FSOC concluded that the current state of MMFs is likely to be a source of systemic risk to the financial system, and that the FSOC's recommendations will likely address all three issues in some form.

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On November 13, 2012, the FSOC unanimously voted to issue proposed recommendations for structural reforms to money market funds intended to make them more resilient to runs. The FSOC is proposing three alternatives including a floating NAV, a capital buffer, redemption holdbacks and enhanced portfolio diversification, liquidity and disclosure requirements.

www.pwceregulatory.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

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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

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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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Email: andrew.thorne@us.pwc.com

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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Email: anthony.conte@us.pwc.com

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

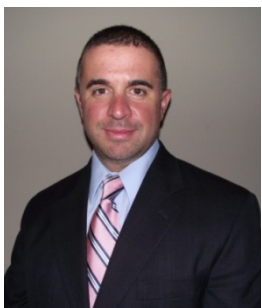
Telephone: 646 471 7767

Email: thomas.anguilla@us.pwc.com

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

Telephone: 646 471 4274

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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.

Our team includes:



Elizabeth Crotty, Director, New York

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Email: elizabeth.crotty@us.pwc.com

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

Telephone: 646 471 4501

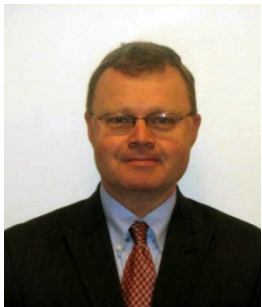
Email: stefanie.kirchheimer@us.pwc.com

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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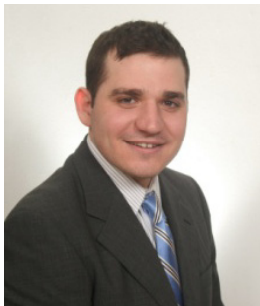
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Sammy has had extensive experience working in the alternative asset management industry, including advising clients on a variety of operational, governance, risk, and regulatory issues. This includes developing, assessing, and enhancing regulatory 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.

Contact us

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Samuel Nassi	Director	New York	646 471 7784	samuel.nassi@us.pwc.com
Matthew Nullet	Director	Boston	617 530 7057	matthew.nullet@us.pwc.com
Betsy Thedford	Director	Boston	617 530 7723	elizabeth.b.thedford@us.com.com

Introducing...

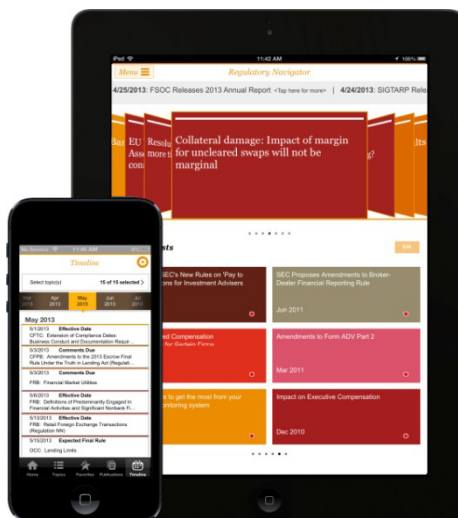
PwC's Regulatory Navigator App Version 2.0



We are pleased to announce that **Version 2.0** of PwC's new **Regulatory Navigator App** is here and ready for you to install on your iPad or iPhone!

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.

If you do not have an iPad or iPhone, you can access PwC's financial services regulatory points of view on www.pwcregulatory.com.



**Download PwC's
Regulatory Navigator
today—available in the
Apple App Store.**

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
- **Customization** by topic or industry
- **Notifications about new content** available on the app as frequently as you want

For more information, please contact your local PwC representative or Alison Gilmore at alison.gilmore@us.pwc.com.

www.pwcregulatory.com

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