

Financial Services Advisory Practice

Form PF – How we can help asset
managers

Fall 2012



Table of contents

What you need to know about Form PF	2
PwC's framework for response	14
Why PwC?	20
Project accelerators	26
PwC's Financial Services Regulatory Practice	32
<i>Appendix:</i> Background on Form PF	35

What you need to know about Form PF

Introduction

- Regulators are **instituting new information** reporting requirements that affect alternative asset managers. These new requirements will necessitate that firms assess their data sources, reporting capabilities, related processes and controls.
- The requirements for Form PF **cross functional lines of your organization** and require **coordination across the multiple participants** in the asset management business.
- While onerous, Form PF can be a **catalyst for positive change within your organization**. Changes in systems, processes and controls will produce better information reporting with direct benefits to management reporting, investor reporting, financial reporting and risk management. As a result, management will have better tools to operate the business with greater precision, effectiveness and efficiency.
- PwC can help you prepare for and review your Form PF filing.

Enhanced reporting and monitoring systemic risk through Form PF

- In October 2011, the Securities and Exchange Commission (SEC) and the Commodity Futures Trading Commission (CFTC) jointly adopted final rules to require registered advisers to private funds to file new reports that would help assess systemic risk.
- The final rule implements Sections 404 and 406 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank or the Act), which require the SEC to establish reporting and recordkeeping requirements for advisers to private funds.
- The information collected by the SEC from Form PF will be used by the Financial Stability Oversight Council (FSOC) in monitoring systemic risk posed by the private fund industry.
- The CFTC also adopted its new Rule 4.27, which requires private fund advisers that are also registered as commodity pool operators or commodity trading advisors with the CFTC to satisfy the CFTC's systemic risk reporting requirements by filing Form PF.

How does Form PF impact asset managers?

- **Significant Regulatory Obligations:** This rule will impose significant obligations on advisers to provide the government with ongoing insight into their activities. Advisers to private funds, including hedge funds, private equity funds and liquidity funds, will have to submit information to the government that was previously considered confidential.
- **Potential Use in Investor Protection:** Advisers should expect that data on Form PF will not be limited to use by the FSOC to assess systemic risk. The data may also be used by the SEC to identify risks related to investor protection.
- **Compliance Challenges:** Form PF will present a significant additional compliance challenge for private fund advisers. Those with more than \$150 million in regulatory assets under management (“RAUM”) will be required to file Form PF.
- **Impact Assessment:** Advisers should begin to assess the extent to which they currently collect the necessary data (i.e., investor reporting, risk management, financial reporting, etc.), leverage these existing processes and related controls, and determine where new systems, processes and controls are needed.
- **Technology Assessment:** Advisers should also begin to assess whether their technology systems are sufficiently robust to gather all the data required for Form PF in the time frame required.
- **Potential Investor Requests:** Investors may request Form PF as part of their initial and ongoing due diligence.

Frequency of filing, effective date and other information

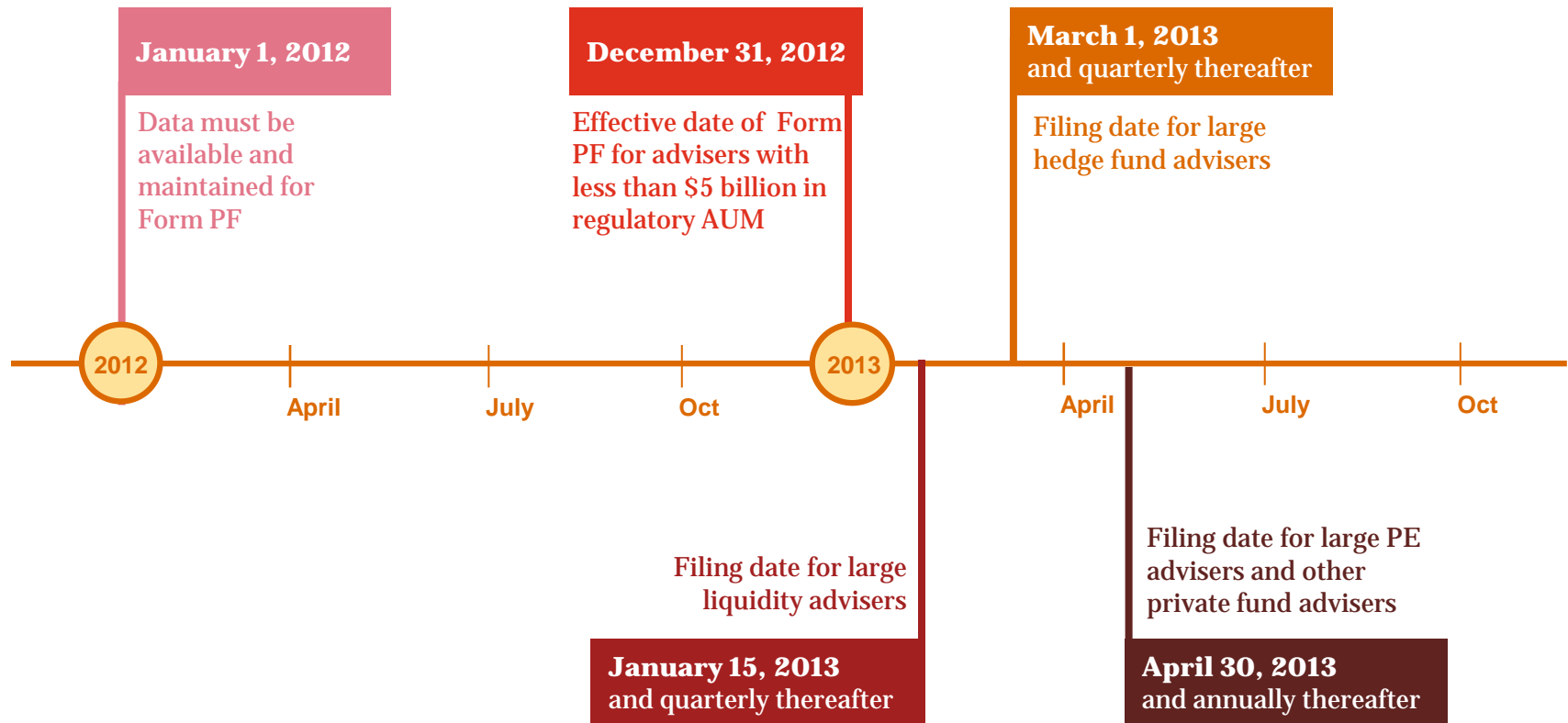
The information required in Form PF, and the frequency of filing, will vary based upon the size of the adviser and the types of private funds.

Adviser	Reporting threshold (RAUM)	Reporting frequency	Reporting timing	Effective date *
Large hedge fund advisers	\$1.5 billion	Quarterly	60 days after quarter end	• December 31, 2012
Large liquidity fund advisers	\$1.0 billion	Quarterly	15 days after quarter end	• December 31, 2012
Large private equity fund advisers	\$2.0 billion	Annually	120 days after fiscal year end	• December 31, 2012
All other private fund advisers	Between \$150 million and the thresholds noted above	Annually	120 days after fiscal year end	• December 31, 2012

* For Advisers with December 31, fiscal year ends.

Effective and filing dates

The following is a timeline of effective dates and filing dates for private fund advisers, assuming the adviser's fiscal year end is December 31st.



Key early decisions

Preparing to file the form starts with making some key decisions, including those described below:

Area	Details
Ownership and SME's	Determine who within your firm will have ultimate ownership of Form PF and who will be designated as subject matter experts ("SMEs") within each functional group and business line.
Scope of advisers	Determine which entity or entities will file Form PF.
Scope of funds	Determine the scope of 3(c)(1) and 3(c)(7) funds that you advise or that are advised by an affiliated registered adviser, which need to be included in Form PF reporting. Using the Form PF definitions (hedge fund, private equity fund, liquidity fund, etc.), determine which sections of Form PF are required to be filled out by which funds.
Aggregation and reporting fund	Determine how you will define and/or go about parallel fund aggregation and which entities will be combined for each "reporting fund."
Related parties	Determine if you will be reporting related parties or other affiliates on Form PF or if a related party/affiliate will be reporting independently.
Assumptions, policies and procedures	Designate who will be responsible for drafting, maintaining and updating assumptions, policies and procedures relating to Form PF.

Key challenges

In our experience, certain questions present interpretive challenges. Other questions ask for data or information that the adviser may not keep or track.

Key Challenge	Questions
Borrowings	What type of information are you including in Borrowings? Do you short, use stock lending, issue debt, utilize reverse repos, etc.? How are you calculating the value for each?
Counterparty Credit Exposure	What type of information are you including in Counterparty Credit Exposure? Are you tracking this information with counterparty details? If so, does it include details regarding collateral?
Investor Information	Have you revised your subscription documents to request the investor classification information requested by Form PF? Do you have the ability to assess which investors are affiliated with each other to assist in the beneficial ownership categorization?
Trading and Clearing Activity	Are you tracking which transactions are exchange traded versus OTC? Are you tracking which transactions are cleared by a CCP versus bilaterally transacted?
Exposure by asset class	Have you evaluated how your asset classes are mapped to the granular asset classes that Form PF requests? Do you calculate duration, weighted average tenor or 10-year equivalent for the debt instruments Form PF requests?
Portfolio liquidity	Do you currently have a process in place to determine your investment portfolio's liquidity? Have you come up with a methodology for portfolio liquidity based on Form PF's methodology?
Risk information	What type of risk analytics do you perform? Do you calculate VAR? Do you perform stress testing over various market factors?
Portfolio company information	What type of portfolio company information do you track? Do you have details of borrowings of portfolio companies, including the type of borrowings (i.e., PIK or zero coupon debt), counterparty details, and identification of which portfolio companies are controlled?

Lessons learned

- **Act Now:** Don't wait to start preparing for your initial Form PF filings. Underestimating the level of effort needed to complete Form PF can leave significant burdens on various operational units across your firm. Delays in addressing your filing can lead to staffing constraints as employees will likely have competing responsibilities throughout the early part of the year.
- **Definitions:** The SEC has applied a consistent approach in defining terms, for example, "private funds," "hedge funds," "private equity funds," "liquidity funds" and others for both Form PF and Form ADV.
- **Interpretations and Assumptions:** Certain Form PF questions leave room for advisers to interpret and report in a way that is consistent with their internal recordkeeping or risk management procedures. Advisers should ensure their thought process and decisions are documented when making these interpretations.
- **Counsel:** There will be situations throughout your preparation of Form PF where you should consult with external counsel. Be prepared to get their point of view as needed.
- **Service Providers:** Consult with your service providers, including prime brokers, administrators and consultants. See how they can help ease the burden of Form PF.

Information required

Section	Who	Description of information required
1a	Private fund advisers (advisers that have at least \$150 million in regulatory assets under management attributable to private funds)	<p>Information about each registered adviser, including:</p> <ul style="list-style-type: none"> • Name of adviser and all related persons whose data is included; • Whether the adviser is a large trader; • Regulatory and net assets under management (AUM) broken out by types of funds advised (categorized by: hedge funds, liquidity funds, private equity funds, real estate funds, securitized asset funds, venture capital funds, other private funds and other accounts).
1b	Private fund advisers	<p>For each private fund:</p> <ul style="list-style-type: none"> • Fund's gross and net asset values; • Value of fund's investments in equity of other private funds; • Value of all parallel managed accounts related to the private fund; • Aggregate value of derivative positions; • Dollar value of fund's borrowing and location and types of all creditors, including percentages owed to specified creditors; • Assets and liabilities of each fund broken down using categories that are based on the fair value hierarchy established under US GAAP or another accounting standard that requires the categorization of assets and liabilities using a fair value hierarchy similar to that established under US GAAP; • Percentage of the fund owned by the five largest beneficial owners; • Approximate percentage of fund beneficial ownership by certain groups of investors; • Gross and net performance information.
1c	Private fund advisers that advise hedge funds	<p>For each hedge fund:</p> <ul style="list-style-type: none"> • Investment strategies; • Percentage of portfolio based on computer-driven trading algorithm; • Identity the five counterparties to which the fund has the greatest net counterparty credit exposure both to and from the counterparty; • Trading and clearing practices (including whether exchange traded or OTC, and whether centrally cleared or bilateral).

Information required, continued

Section	Who	Description of information required
2a	Large hedge fund advisers	Aggregate information about the funds advised, including: <ul style="list-style-type: none"> • Market value of assets invested (by asset class); • Duration of fixed income portfolios; • Portfolio turnover; • List of investments by geography.
2b	Large hedge fund advisers that advise at least one qualifying hedge fund (has \$500 million AUM during the reporting period)	For each qualifying hedge fund: <ul style="list-style-type: none"> • Portfolio liquidity; • Concentration of positions; • Collateral practices with significant counterparties; • Certain risk metrics (if used regularly during reporting period); • Financing information, including breakdown of secured and unsecured borrowing, derivatives exposures, and value of collateral and letters of credit supporting both; • For each of the top five counterparties identified in Section 1c, information regarding collateral and credit support; • Identity of each creditor the fund owes an amount in respect of borrowings equal to or greater than 5% of the fund's net asset value; • Breakdown of fund's committed financing and duration thereof; • Investor liquidity, including side pocket, gating arrangements, and lock-ups.

Information required, continued

Section	Who	Description of information required
3	Large liquidity fund advisers	<p>For each liquidity fund:</p> <ul style="list-style-type: none"> • Method of calculating net asset value per share; • Confirmation of whether fund adheres to certain provisions of the rules applicable to money market funds; • Portfolio data; • Amount of assets broken down by type of instrument based on maturity; • Identify positions greater than 5% of NAV; • Indicate whether amount of total borrowing is greater than 5% of NAV; • Secured and unsecured borrowing broken down by creditor type and maturity profile; • Data regarding investor base, gating and redemption policies, and investor liquidity; • Good faith estimate of percentage of fund purchased using securities lending collateral.
4	Large private equity fund advisers	<p>For each private equity fund managed:</p> <ul style="list-style-type: none"> • Outstanding balance of fund's borrowings and guarantees; • Weighted average debt-to-equity ratio of controlled portfolio companies; • Information about portfolio company debt and any defaults; • Identity of institutions providing bridge financing and amount thereof; • Identification of and more detailed information concerning financial industry portfolio companies; • Whether related persons coinvest in portfolio companies; • Breakdown of portfolio companies by industry and geography.

PwC's framework for response

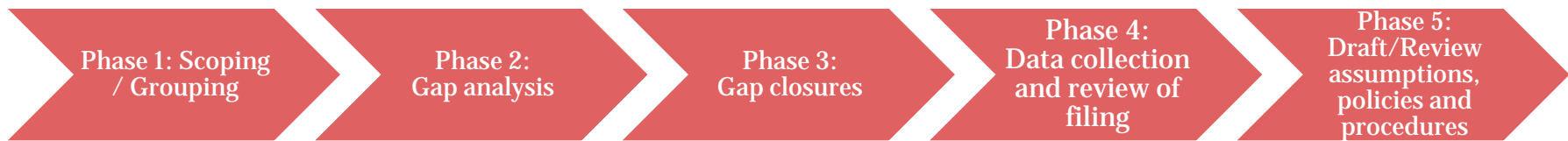
PwC's framework for response

<i>Form PF readiness</i>	<i>Form PF as a catalyst for change</i>	<i>Continuing services</i>
<ul style="list-style-type: none">• Assess the scope of impacted advisers and funds, including the grouping of such funds• Perform a gap analysis and assess the Form PF requirements• Assist with gap remediation• Review data collection and filings• Draft and/or review assumptions, policies and procedures	<ul style="list-style-type: none">• Technology and human capital enhancements• Operational, process and controls improvements• Data and systems analysis and integration	<ul style="list-style-type: none">• Legal entity and Form PF applicability assessment• Regulatory review of data and filing• Attest services

PwC's framework for response

PwC can assist advisers in assessing their readiness for Form PF filing. Our approach employs the phases detailed below. Throughout each of these phases, PwC utilizes subject matter specialists in our regulatory and asset management advisory teams who have a comprehensive knowledge of SEC regulations, regulatory reporting, and alternative asset manager operations, processes and systems.

How PwC can help Asset Managers prepare for Form PF



PMO, Training and Knowledge Transfer

Phases	Phase 1: Scoping/Grouping	Phase 2: Gap analysis	Phase 3: Gap closures	Phase 4: Data collection and review of filing	Phase 5: Draft/Review assumptions, policies and procedures
Potential Deliverables	A matrix of advisers, funds and reporting funds detailing their required filings on Form PF.	Gap analysis around requirements of Form PF and the adviser's ability to respond to those requirements. We will provide the adviser with action items as well as observations and recommendations around sustainable solutions within each business and across the firm.	Action plans and timelines for closing gaps.	Observations and recommendations on test run or actual filing and as well as templates for data collection.	Documented assumptions and policies and procedures.
PMO, Training and Knowledge Transfer	Throughout our engagement, we will provide key stakeholders with training on Form PF, regulatory reporting and the SEC's expectations on regulatory reporting within your organization. In addition, we can provide PMO assistance.				

Form PF readiness activities

<p>Phase 1: Scoping /Grouping</p>	<ul style="list-style-type: none"> • Help the adviser to prepare a listing of their funds by adviser, looking at structure charts and discussing with individuals. • Assist the adviser in completing their scoping/grouping analysis, including: <ul style="list-style-type: none"> – determining what type of fund each entity belongs to (e.g. Hedge Fund, Liquidity Fund, Private Equity Fund, etc.); – determining which entity will file Form PF; – assessing how they will group/aggregate various funds, separately managed accounts and related/affiliated parties for the Form PF filing; and – determining which entities need to fill out which respective sections of Form PF. <p><i>For Private Equity and Real Estate Funds, this analysis would include discussion and analysis about portfolio company structures, including which, if any, of those entities would need to report on Form PF or which investments/borrowings in the SPV's would need to be reported on Form PF.</i></p>
<p>Phase 2: Gap analysis</p>	<p>Help the adviser to identify the requirements associated with relevant processes, systems and data related to Form PF, and highlight gaps relative to requirements. This phase will include the following key tasks:</p> <ul style="list-style-type: none"> • A review of current procedures for gathering information for regulatory reports against those necessary for Form PF. • A review of the data available to populate the information required under Form PF. This will include a review of the format and methodology used to generate reports, required data elements, sources, availability and quality of those data elements within the adviser's systems. • Interviews with key members of the adviser's personnel in relevant business areas including: compliance, legal, risk, finance, portfolio/investment management, marketing, technology and operations/accounting, in order to understand current or desired reporting requirements based on the firm's business model. <p>Based on the above, identify potential areas to be considered by the adviser in order to address differences in your current operations and procedures and the regulatory reporting requirements of a registered investment adviser reporting on Form PF. (This will include our knowledge of industry expectations).</p>
<p>Phase 3: Gap closures</p>	<ul style="list-style-type: none"> • Assist the adviser in working with functional groups and business lines in understanding the Form PF gaps, and developing action plans for closing those gaps. • Create gap closure timelines to appropriately track and monitor gap closure process.
<p>Phase 4: Data collection and review of filing</p>	<ul style="list-style-type: none"> • Assist the adviser in the collection of the data required under Form PF, including providing templates to be filled out and reviewing the information provided by various business units, and functional lines. • In addition, review the adviser's test filing.
<p>Phase 5: Draft/Review assumptions, policies and procedures</p>	<p>As Form PF requires many assumptions to be made by the adviser, assist the adviser in the drafting and/or reviewing of these assumptions. A leading practice would be to have documentation, including development of policies and procedures around Form PF and the data integrity, collection, form preparation, filing and maintenance process.</p>

Form PF can be a catalyst for operational and technology improvement

Data and systems analysis will be helpful in ensuring that data, systems, processes and controls are appropriate to ensure data integrity, security and accuracy as the adviser prepares for the data intensive Form PF filing.

Client Challenges	Service Offering	Description
<p>Asset managers are focusing on technology and operations enhancements to drive efficiencies which have become increasingly important given continued fee compression trends.</p> <p>Today's business issues are driving an unprecedented need to execute an integrated business and people strategy.</p>	Systems Assessment	<ul style="list-style-type: none"> Assess system architecture and interdependencies to identify overlaps and opportunities for system consolidation/retirement in designing a future state systems infrastructure.
	Target Operating Model	<ul style="list-style-type: none"> Perform a detailed analysis of the activities performed within each of the client's sub-functional groups and design targeted improvements.
	Human Capital	<ul style="list-style-type: none"> Assess staffing model based on current demands and comparison to industry peers.
Firms face unprecedented regulatory and compliance challenges. Creating sound compliance controls with oversight, testing and training is critical.	Operation, Process & Controls Improvements	<ul style="list-style-type: none"> Leverage sophisticated vendor platforms to address complexities and increased demands in key areas such as pricing, trade processing, regulatory compliance and reporting. Leverage internal and/or external resources for technical and leading practice expertise early in the design and development phases, and assist in implementing the most efficient and effective processes and controls the first time.
<p>Greater fund transparency, assurance of reporting accuracy, and better accountability and governance have become top priorities for asset managers.</p>	Develop Strategy for Data Management and Governance	<ul style="list-style-type: none"> Organize the enterprise data universe, align information into data stores that are then processed by business intelligence and calculation engines. Implement knowledge management technologies to enhance data accessibility.
	Vendor Selection & Integration	<ul style="list-style-type: none"> Develop requirements and assess vendors, considering factors such as workflow, ease of use, integration, risks, costs and scalability.
	Systems Implementation/Integration	<ul style="list-style-type: none"> Understand key stakeholder concerns and objectives to assist in implementing a holistic solution that also addresses future business needs.

Continuing Services

Service Offering	Description
Legal entity and Form PF applicability assessment	<ul style="list-style-type: none"> • PwC will discuss with the adviser any new or liquidated entities, and discuss scoping/grouping as described in our Form PF readiness approach. • PwC will discuss changes in the adviser's business, investment activities, borrowings, etc. since the most recent Form PF filing, and identify the effect on the adviser's Form PF.
Regulatory review of data and filing	<ul style="list-style-type: none"> • PwC will review the data that the adviser plans to submit in the Form PF filing for consistency with the Form and between reporting funds, as well as consistency with SEC instructions and guidance, and comparison to industry leading practices.
Attest service	<ul style="list-style-type: none"> • As a firm, PwC has the unique ability to offer our clients with an attest service that suits your needs.

Why PwC?

Benefits of working with PwC

We have the right team to assess and map the data needs and processes required to complete Form PF. In addition, we have the capabilities to assist you with implementation of operational, process and systems changes.

- We approach your issues from the business perspective. We believe that business drivers always leads, technology always enables.
- Our team offers a full suite of services, including regulatory, accounting, operations and technology pulled together by our project management capabilities.
- Our professionals have skills and experience in portfolio management, trading and order management, compliance and control, middle-office functions, clearance & settlement, portfolio accounting, and retail distribution issues.
- In addition, our CIO Advisory practice consists of IT Strategy, Business Systems Integration, IT Infrastructure, Program & Portfolio Management, and Shared Services & Outsourcing capabilities.

Full Service Approach

PwC's Asset Management Practice

Industry Leader

- Our team has been at the forefront of this issue, having worked with clients on projects ranging from full scope to ad hoc services.
- We are a trusted advisor to a broad range of asset managers ranging from \$1 billion to over \$50 billion in AUM, which advise hedge, liquidity, private equity, real estate, securitized asset and venture capital funds.
- PwC is a leading provider in Form PF insight, issuing multiple thought leadership pieces, presenting our views on various industry panels, and industry conferences.

Experienced Team

- Our team is well versed in providing asset managers with Form PF advice and have been following trends from the beginning.
- Our team includes former auditors who have deep knowledge of the operation and accounting functions of alternative asset managers, as well as fund structures.
- Our knowledge of regulatory compliance and experience working with the regulators enhances the PwC service to you.

Regulatory Perspective

- PwC is in continuous contact with SEC representatives, legal counsel, fund administrators, and PF filers.
- Our practice includes a former director of the SEC's Office of Compliance, Inspections and Examinations, a former associate director of the New York office of the SEC; former SEC examiners, branch chiefs and enforcement personnel; and former CCOs.

Form PF: Representative Experience

1 Business issue

End-to-end Form PF readiness review for a large, diversified, alternative asset manager

PwC was engaged to perform a Form PF readiness review for an asset manager that advises hedge funds, private equity funds, real estate funds and securitized asset funds, with various systems, processes and controls throughout the organization.

The client, which has multiple advisers and hundreds of legal entities subject to Form PF, needed to manually compile information from accounting, operations, risk, investor relations and compliance/legal.

Our team was engaged to make sure that the client filed Form PF consistently across the firm, made timely decisions, understood the regulatory requirements, and was prepared for the initial Form PF filing.

2 Action

- Deployed a team of regulatory, accounting and project management specialists to assess the current data, systems and process environment
- Identified gaps for regulatory reporting under Form PF
- Made recommendations towards enhancing current regulatory reporting practices
- Developed recommendations for each of the Form PF requirements as well as for the organization as a whole, with a prioritization, estimated effort and an implementation roadmap
- Helped assess the implementation and reviewed client's preparation of staging tables for XML upload to the SEC

3 Value delivered

- Identified areas where either lack of or weak controls potentially impacted the accuracy and completeness of the information included in the regulatory report
- Identified a number of opportunities for improving the design and execution of the client's regulatory reporting activities
- Allowed the client to make key decisions necessary to file Form PF in a timely manner
- Our guidance, based on SEC discussions and industry perspective, allowed the client to make informed decisions

Form PF: Representative Experience

1

Business issue

Form PF preparation for the asset management division of a large international bank

PwC was engaged by the client to evaluate its nearly one thousand legal entities to identify reporting funds, fund types, and potential aggregation for their Form PF filing.

The client has silos of businesses from organic growth and acquisitions throughout the years, including hedge funds, liquidity funds private equity funds, real estate funds, securitized asset funds and other private funds.

Client information is housed on several different systems and administrators, with varying levels of information, processes and controls throughout the organization.

2

Action

- Deployed a regulatory team consisting of those with legal, accounting and project management backgrounds
- Helped evaluate the considerable amount of legal entities to identify reporting funds, fund types, and potential aggregation for their Form PF filing
- Assessed the current data, systems and process environment, as well as identify gaps for regulatory reporting under Form PF
- Made recommendations towards enhancing current regulatory reporting practices
- Developed specific recommendations for each of the Form PF requirements as well as for the organization as a whole, with a prioritization, estimated effort and an implementation roadmap
- Worked with the different business units on gap closures and data collection, providing templates for the business units to provide information back to the project team

3

Value delivered

- Helped streamline a very large operation to ensure consistent information was filed in Form PF
- Helped centralize certain areas of reporting
- Provided interpretive guidance and brought to light our industry and regulatory knowledge of Form PF
- Worked with the FATCA team to ensure consistency across legal entities in each of the filings, as appropriate
- Identified areas where either lack of or weak controls potentially impacted the accuracy and completeness of the information included in the regulatory report
- Identified a number of opportunities for improving the design and execution of the client's regulatory reporting activities

Form PF: Representative Experience

1

Business issue

Sustainable Form PF solution for a hedge fund manager

PwC was engaged by this asset manager to make assessments and recommendations around a sustainable solution to respond to Form PF, as well as project management support and advice from a technology perspective.

The client is a hedge fund manager with multiple fund structures. While they have an administrator, they also have shadow books, with sophisticated in-house technology systems and staff.

2

Action

- Deployed a team of regulatory, project management and technology specialists to work with this asset manager
- Under tight timelines, learned the client's business, systems, data and processes, and educated the client on the nuances of Form PF
- Performed a legal entity analysis and gap analysis
- Advised on gap closures and data collection
- Advised on the technology development of a data warehouse that could be used as a data repository for information reporting (regulatory, investor, financial, etc.)
- Advised on client's XML buildout of Form PF, which they used to upload the data for submission to the SEC

3

Value delivered

- Identified areas where either lack of or weak controls potentially impacted the accuracy and completeness of the information included in the regulatory report
- Identified a number of opportunities for improving the design and execution of the regulatory reporting activities of the asset manager
- Delivered project ahead of schedule despite an extremely tight timeline
- Worked with the client to create a sustainable solution for not only Form PF, but for management, regulatory and other information reporting

Form PF: Representative Experience

1

Business issue

Ad-hoc Form PF services for a large, diversified asset manager

PwC was engaged by a large hedge fund and liquidity fund manager to provide general industry insight and interpretation around certain Form PF questions.

The client, which has complex fund structures, independently developed a strategy and process for addressing the Form PF filing requirement and leveraged various departments within the organization to develop a comprehensive approach to the filing.

PwC was engaged to review the client's interpretation and assumptions for each Form PF question.

2

Action

- Deployed a team of regulatory specialists to work with this asset manager
- Conducted a comprehensive review in a strict internal timeframe, imposed by the client
- Reviewed interpretations and assumptions of each question provided by the asset manager as well as several sample filings and evaluate the reasonableness of the response and whether the questions were answered in accordance with the instructions of the Form
- Identified any inconsistencies in practice from question to question or from sample filing to sample filing
- Highlighted instances where practice varied from peer-to-peer so the client understood the latitude in interpretation available for certain questions and responses

3

Value delivered

- Conducted a comprehensive analysis of the client's documentation and sample filings and made several key observations in various areas
- Provided assistance in interpretation of various questions
- Interpreted variances in practices used by and assumptions developed by peers in the industry
- Provided insight that the SEC has shared with PwC with respect to certain questions
- Identified instances where practice and methodology were not consistent from question to question or sample filing to sample filing
- Identified instances where questions were not completed in accordance with the instructions of the Form
- Made internal control recommendations to ensure consistency of data used to complete the Form

Project accelerators

Illustrative Form PF tools and templates


Project management: Periodic Status Reporting

DRAFT

Form PF - Status Report

The accompanying report includes information obtained through [insert date]. The contents are subject to amendment or withdrawal and the definitive opinions and conclusions will be those contained in the final written report.

As of: [Insert Date]



Confidential information for the sole benefit and use of PwC's Client.

DRAFT

The following status information is provided to [insert client name] as of [insert date] and has been included to provide a summary status report of the progress of the project to date.

Interviews Completed:

Interviewees Identified	22
Interviews Completed	5
Percent Complete	22.7%

Form PF Questions Discussed*:

Questions Discussed	79
Percent of Questions Discussed	26
Percent Complete	32.9%

*Questions marked as discussed include questions that were discussed with various interviewees, but cannot be marked as complete for various reasons (i.e., interviewee was not the right source of information; data requested requires interviewee to conduct research, etc.)

Form PF Questions Complete:**

Questions Complete	79
Percent of Questions Complete	5
Percent Complete	6.3%

**Questions marked as complete are questions identified by [insert Client's] personnel as having the required data in order to adequately complete Form PF.

High Level Observations that requires immediate attention:

- [insert high level observation that requires the client to take action immediately in order to have the data available for initial Form PF filing]
- [insert]
- [insert]

Other Areas of Interest

- [insert other areas of interest that we would like to note when discussing with the Client owner of the project (i.e., a certain individual is not responding to our requests, etc.)]

Confidential information for the sole benefit and use of PwC's Client.

Page 2 of 3

Illustrative Form PF tools and templates, continued

Project Accelerators/Tools: Form PF Assessment Tools

FORM PF - KEY REQUIREMENTS CONSIDERATIONS SCOPE OF ADVISERS

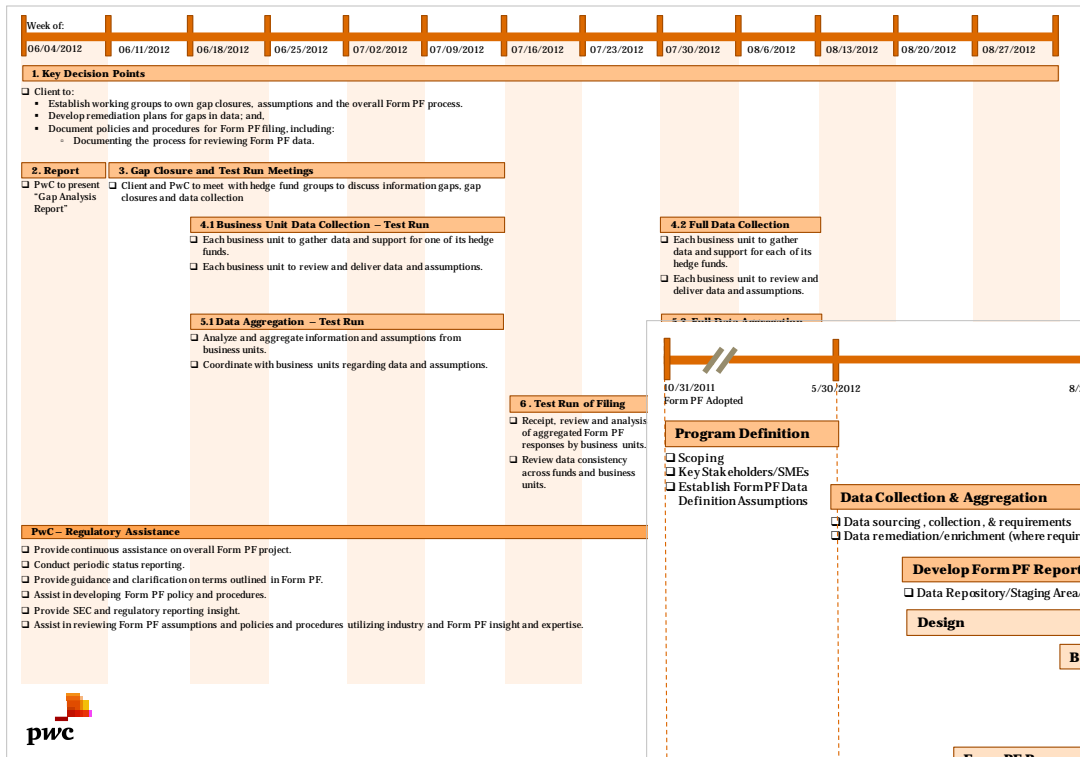
Adviser	Type of Funds (Hedge, Liquidity, Private Equity, etc.)	Required effective date	Required filing date	Frequency of filing	Applicable Form PF Sections						
					1a	1b	1c	2a	2b	3	4

FORM PF - KEY REQUIREMENTS CONSIDERATIONS SCOPE OF FUNDS

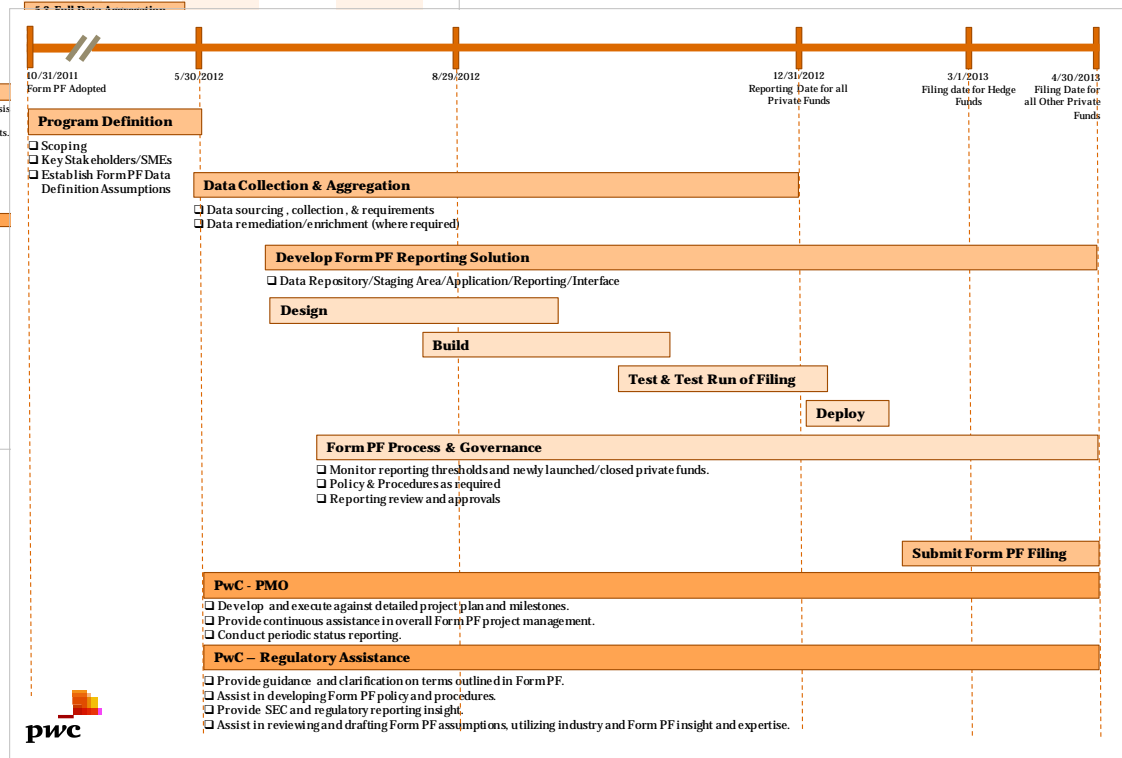
SCOPE OF FUNDS								Applicable Form PF Sections												
Fund	Fund Type	Investment Adviser	1940 Act Exemption (3c(1) / 3c(7))	Private Fund (Y/N)	Type of Fund (drop down)	Regulatory AUM	Qualifying Hedge Fund (formula)	1a	1b	1c	2a	2b	3	4	SEC 804 ID	NFAID	Large Trader ID	Large Trader Suffix	Private Fund ID	LEI

Illustrative Form PF tools and templates, continued

Project Timeline: Example #1



Project Timeline: Example #2



Illustrative Form PF tools and templates, continued

Project Accelerators/Tools: Data Templates

B – Adviser Identifying Info

Question #3 Section 1a	Item B
Reporting Date:	
Source:	
Prepared By:	
Reviewed By:	

Assets under management	Regulatory assets under management (in US dollars, rounded to the nearest thousand)	Net assets under management (in US dollars, rounded to the nearest thousand)
Hedge funds		
Liquidity funds		
Private equity funds		
Real estate funds		
Securitized asset funds		
Venture capital funds		
Other private funds		
Funds and accounts other than private funds (i.e., the remainder of your assets under management)		

S – Borrowing Summary

Question #12 Section 1b	Item B
Reporting Fund Name:	
Reporting Date:	
Source:	
Prepared By:	
Reviewed By:	

Borrowing Type:	Value (in US dollars, rounded to the nearest thousand)	%
Total borrowings	\$ 1,000	
Borrowed from US financial institutions	\$ 450	45%
Borrowed from non-US financial institutions	\$ 350	35%
Borrowed from US creditors that are not financial institutions	\$ 200	20%
Borrowed from non-US creditors that are not financial institutions	\$ -	0%
Total \$	1,000	100%
Check	TRUE	TRUE

Illustrative Form PF tools and templates, continued

Project Deliverables: Form PF Gap Analysis

Cover page

DRAFT

Private Fund Adviser, LP Form PF Gap Analysis - Report

The accompanying report includes information obtained through August 28, 2012. The contents are subject to amendment or withdrawal, and the definitive reports and conclusions will be those contained in the final written report.

August 2012



Confidential Information for the use of

Choice 1 – By question

DRAFT

Section 4 - Observations / Recommendations - Form PF Questions

Section 1a: Information about you and your related persons (to be completed by all Form PF filers)

Item A: Information about you

Form PF Question #	Form PF - Requirement	Current Process Number / Automated / Manual	Owner	Observation	Recommendation
1	(a) Provide your name and the other identifying information requested below: • Legal name • SEC ID Number • NFA ID Number, if any • Large trader ID, if any • Large trader ID suffix, if any (b) Provide the following information for each of the related persons, if any, with respect to which you are reporting information on this Form PF: • Legal name • SEC ID Number • NFA ID Number, if any • Large trader ID, if any • Large trader ID suffix, if any				
2	Signature on behalf of the firm and its related persons: • Name of individual: • Signature • Title • Email address • Telephone contact number (include area code and, if outside the United States, country code) • Date Signature on behalf of related persons: • Name of individual: • Signature • Title • Email address • Title • Email address • Date				

U.S. Report only (U.S. Report only)

Choice 2 – By information type

DRAFT

Section 4 - Observations / Recommendations - Form PF Questions

Section 1a: Information about you and your related persons (to be completed by all Form PF filers)

Section 1b: Information about the private funds you advise (to be completed by all Form PF filers)

Form PF Question #	Form PF - Requirement	Current Process Number / Automated / Manual	Owner	Observation	Recommendation
1	Legal name and identifying information				
2	Signatures				
3	Assets Under Management				
4	Assumptions				
5	Fund Structure				
6	Investment in Other Private Funds				
7	Private Funded Assets				
8	Derivatives				
9	Investor Information				
10	Performance				

U.S. Report only (U.S. Report only)

Table of contents

DRAFT

Table of Contents

Section	Topic
1	Executive Summary
2	Key Decision Points for Private Fund Adviser, LP
3	Observations / Recommendations - General
4	Observations / Recommendations - Form PF Questions
Appendix 1	PwC Disclosures
Appendix 2	Summary of Legal Entity Analysis
Appendix 3	List of Entities Required to Complete Sections 2a and 2b
Appendix 4	Form PF Filing Timeline
Appendix 5	List of Meetings
Appendix 6	Action Items
Appendix 7	Form PF Requirements
Appendix 8	Report Glossary
End Notes	

U.S. Report only (U.S. Report only)

PwC

Page 2 of 33

PwC's Financial Services Regulatory Practice

PwC's US financial services regulatory practice

PwC assists top tier financial institutions in navigating, managing and implementing change driven by legislation, regulation and supervisory expectations

PwC is unique in that our team and our approach combines our:

- **Deep subject matter expertise**—Our US regulatory practice consists of over 20 partners and 250 professionals across banking, asset management and insurance - most of whom were in leadership and supervisory roles at the major regulators and/or in regulatory-related roles in industry.
- **Unparalleled knowledge of industry best practices** gained from our position as Auditor to 11 of the 29 G-SIFIs, 40% of the major mutual funds and hedge funds, and 40% of the leading insurers, as well as our deep advisory relationships with all of the other key industry players.
- **Full service Advisory practice**, which consists of over 1,500 strategy, risk and finance, operations and technology, and change management consultants in the US and 6,500 globally - all of whom are dedicated to the financial services industry.
- **Washington Federal practice**, which advises and assists key regulatory bodies such as the Fed, Treasury, FDIC, CFPB, and others execute on their statutory mandates.
- **Vast global network** of over 50 regulatory partners and 600 professional staff, which has representation in all of the major financial hubs and emerging markets, to support our engagement teams and to help our clients effectively navigate through the maze of global regulations and supervisory expectations.



We have long believed that advising and assisting our clients and their boards with respect to regulatory issues is a required part of our firm mandate and mission in the financial services industry and is necessary to maintaining our leadership role as the industry's preeminent auditor and business advisor.

We were the first among the major consulting and accounting firms to organize a dedicated regulatory practice to help our clients respond to the after effects of the 1987 market crash, and we have been there for our clients ever since.

Since the onset of the most recent financial crisis, we have been very active in assisting financial institutions, boards of directors and the regulators assess, manage and implement the changes required by Dodd-Frank and global financial reform.

PwC contacts

Name	Title	Office	Phone Number	E-mail Address
<i>Regulatory contacts</i>				
Tom Biolsi	Principal	New York	646 471 2056	thomas.biolsi@us.pwc.com
Lori Richards	Principal	DC / New York	703 610 7513	lori.richards@us.pwc.com
Daniel Ryan	Partner	New York	646 471 8488	daniel.ryan@us.pwc.com
Anthony Conte	Managing Director	New York	646 471 2898	anthony.conte@us.pwc.com
Robert Nisi	Managing Director	San Francisco	415 498 7169	robert.nisi@us.pwc.com
Silvestre Fontes	Director	Boston	617 530 5050	silvestre.a.fontes@us.pwc.com
Todd Humphrey	Director	Los Angeles	213 217 3855	todd.m.humphrey@us.pwc.com
Stefanie Neches Kirchheimer	Director	New York	646 471 4501	stefanie.kirchheimer@us.pwc.com
Sammy Nassi	Director	New York	646 471 7784	samuel.nassi@us.pwc.com
<i>AM Advisory contacts</i>				
Gary Meltzer	Partner	New York	646 471 8763	gary.c.meltzer@us.pwc.com
Charles Gavin	Principal	Ohio	513 254 3840	charles.gavin@us.pwc.com
<i>CIO Advisory contacts</i>				
Julien Courbe	Principal	New York	646 471 4771	julien.courbe@us.pwc.com
Patrick Akiki	Director	New York	646 471 5442	patrick.y.akiki@us.pwc.com

Appendix: Background on Form PF

Who must file

Private fund advisers

An adviser must file Form PF if it:

- Is registered or required to register with the SEC;
- Advises one or more private funds; and
- Had at least \$150 million in regulatory assets under management attributable to private funds as of the end of its most recently completed fiscal year.

A commodity pool operator (CPO) or commodity trading advisor (CTA) that is also registered with the SEC as an investment adviser and meets the conditions noted above must file Form PF with respect to a commodity pool it manages that is a “private fund” and may file Form PF with respect to any commodity pool it manages that is not a “private fund.”

The final rule defines “private fund” as a fund that would be an investment company under the Investment Company Act of 1940 but for exemptions available under Sections 3(c)(1) and 3(c)(7). Most hedge and private equity funds are required to file Form PF.

Who must file, continued

Large private fund advisers

Three types of “large private fund advisers” are required to complete additional sections of Form PF, which require more detailed information:

- **Large hedge fund adviser:** any adviser having at least \$1.5 billion in regulatory assets under management attributable to hedge funds.
- **Large liquidity fund adviser:** any adviser managing a liquidity fund and having at least \$1 billion in combined regulatory assets under management attributable to both liquidity funds and registered money market funds.
- **Large private equity adviser:** any adviser having at least \$2 billion in regulatory assets under management attributable to private equity funds.

Advisers that are not required to file Form PF

- Advisers that are exempt from registration under the Investment Advisers Act of 1940.
- Smaller private fund advisers with less than \$150 million in regulatory assets under management attributable to private funds.

Key definition: “Private fund”

Hedge fund

A hedge fund is defined as a private fund that meets one of the following:

- May be paid a performance fee or allocation calculated by taking into account unrealized gains;
- May borrow an amount in excess of one-half its net asset value (including any committed capital) or may have gross notional exposure in excess of twice its net asset value (including any committed capital); or
- May sell securities or other assets short or enter into similar transactions.

Liquidity fund

A liquidity fund is defined as a private fund that seeks to generate income by investing in a portfolio of short term obligations in order to maintain a stable net asset value per unit or minimize principal volatility for investors.

Private equity fund

A private equity fund is defined as any private fund that is not a hedge fund, liquidity fund, real estate fund, securitized asset fund, or venture capital fund, and does not provide investors with redemption rights in the ordinary course.

Calculating the reporting threshold

Form PF uses the definition of “regulatory assets under management” that the SEC recently adopted in connection with amendments to its Form ADV. This definition measures assets under management gross of outstanding indebtedness and other accrued but unpaid liabilities.

Aggregation of assets under management

The adviser must aggregate:

- Assets of managed accounts advised by the adviser that pursue substantially the same investment objective and strategy and invest in substantially the same positions as the private fund; and
- Assets of that type of private fund advised by any of the adviser’s “related persons,” other than related persons that are separately operated. “Related persons” generally includes the adviser’s officers, directors, and partners, its employees, and all persons directly or indirectly controlling, controlled by, or under common control with the adviser.

Calculating the reporting threshold, continued

When to calculate assets under management

- Advisers to private funds and large private equity advisers must determine the value of their assets as of the last day of its most recently completed fiscal year.
- Advisers must test whether their hedge fund or liquidity assets have reached their applicable thresholds as of the last day of each month in the fiscal quarter immediately preceding the adviser's most recently completed fiscal quarter.

Exclusion for non-US advisers

- Advisers with a principal place of business outside the US may exclude the assets in any private fund that during the adviser's last fiscal year was not a US person, or was not offered to or beneficially owned by any US person.

Additional information

Use of internal methodologies

- The rule allows advisers to rely on their own internal methodologies when completing Form PF, provided the methodologies are consistently applied and the information reported is consistent with the information reported internally and to current and prospective investors.

Reporting for newly-registered advisers

- Newly-registered private fund advisers are subject to the same Form PF reporting deadlines as currently-registered advisers; Advisers are not, however, required to file Form PF with respect to any period that ended prior to the effective date of their registration.

Filing Form PF

- Form PF must be filed electronically through FINRA's Private Fund Reporting Depository (PFRD) system.

Confidentiality

- Information filed on Form PF will not be publicly available. Dodd-Frank amends the Advisers Act to preclude the SEC from being compelled to reveal this information except in very limited circumstances. The Act, however, does contemplate that Form PF data may also be shared with other federal agencies or with self-regulatory organizations, in addition to the CFTC and FSOC.
- The SEC has stated that its staff is working to design controls and systems for the use and handling of Form PF data in accordance with the confidentiality protections established in Dodd-Frank.

www.pwcregulatory.com

© 2012 PricewaterhouseCoopers LLP, a Delaware limited liability partnership. All rights reserved. PwC refers to the US member firm, and may sometimes refer to the PwC network. Each member firm is a separate legal entity. Please see www.pwc.com/structure for further details. This content is for general information purposes only, and should not be used as a substitute for consultation with professional advisors.