Financial Services Advisory Practice

How we can help commodity pool operators

Fall 2012

pwc

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Operating as a CPO

Overview of New CFTC Rules

In February 2012, the Commodity Futures Trading Commission ("CFTC") approved rules that will require some private fund managers and investment companies to register with the CFTC as commodity pool operators ("CPOs"). The new rules:

- Rescind an exemption from the CPO registration requirement that many advisers to private funds relied on (the "hedge fund exemption"); and
- Reinstate a rule that says that registered investment companies – despite being registered with the SEC – will have to also register with the CFTC if they trade commodity interests above a certain threshold or if they market their funds as providing exposure to commodity interests.

At the same time, the CFTC established new annual, and in some cases quarterly, reporting requirements for CPOs and commodity trading advisers (CTAs) on new Forms CPO-PQR and CTA-PR.

The CFTC has also proposed rules that would "harmonize" its requirements with those of the SEC to ease the burden on dually registered investment companies.

Background

What is a commodity pool?

- A commodity pool is a collective investment vehicle in which funds contributed by participants are combined for the purpose of trading futures contracts, options on futures, and even, after recent amendments stemming from the Dodd-Frank Act, swaps ("commodity interests").
- CPOs are individuals or organizations that operate a commodity pool and solicit funds for the pool. CPOs are required to register with the CFTC by filing an application with the National Futures Association ("NFA"). The NFA is the self-regulatory organization that monitors commodity markets on behalf of the CFTC.

What is a registered investment company?

- The Investment Company Act of 1940 defines an investment company as an issuer which is or holds itself out as being engaged primarily, or proposes to engage primarily, in the business of investing, reinvesting or trading in "securities."

What is a private fund?

- Private funds include hedge funds, private equity funds, and other types of pooled investment vehicles that are excluded from the definition of "investment company" under Sections 3(c)(1) or 3(c)(7) of the Investment Company Act.
- Generally, private funds do not publicly offer the securities it issues and either has (1) 100 or fewer beneficial owners; or (2) limits the owners of its outstanding securities to "qualified purchasers."

What does it mean to be registered with the CFTC?

Who registers?

The adviser to a registered investment company or private fund may be required to register as a CPO.

What does registration entail?

A CPO seeking registration is required to file with the NFA:

- An application on behalf of the firm (Form 7-R).
- Applications for its principals and associated persons (Form 8-R).
  - Fingerprint Cards/Background Checks.
  - Proficiency Requirements – Series 3 exam.
- Disclosure documents that include rates of return to investors and historical peak to valley performance, among other information. Private funds that only have accredited investors can still qualify for an exemption from providing such disclosure documents. Mutual funds will have to make required disclosures, although the proposed harmonization rules will allow disclosures consistent with the structure required by SEC rules.
- Maintain membership with the NFA.

What does it mean to be registered with the CFTC?

Once Registered

- Registered CPOs comply with CFTC regulations and NFA membership rules.
- Generally, the rules require:
  - Delivery of a disclosure document to a prospective pool participant prior to or concurrently with the delivery of the pool subscription agreement.
  - Provision of certified annual financial statements to the NFA and pool participants.
  - Provision of monthly or quarterly account statements to pool participants.
  - Annual compliance audit via NFA-supplied questionnaire and attestation regarding that review.
- A registered CPO's financial statements must include, among other things:
  - Disclosure of commissions.
  - CPO oath and affirmation.
  - Income management and incentive fees incurred when investing in other pools.

How are advisers impacted by registration with the CFTC?

Former Registered Investment Company Exclusion

Under previous rules, the CFTC excluded operators of some entities from the CPO definition – even if they traded commodity interests – because they were regulated by another regulator, including investment companies registered under the Investment Company Act of 1940.

However, the CFTC became concerned that SEC-registered investment companies were offering interests in "de facto commodity pools" and thus the new rules narrow the exclusion by establishing new criteria investment companies must meet in order to avoid registration.

Narrowed Registered Investment Company Exemption

De Minimis Exposure: Under the new rule, advisers to registered investment companies will have to register as CPOs unless they can establish either that:

- The pool's aggregate initial margin and premiums required to establish commodity interests does not exceed five percent of the value of the entity's portfolio, or
- The aggregate net notional value of the commodity interests does not exceed 100 percent of the liquidation value of the pool's portfolio, after taking into account unrealized profits and losses on any such positions.

Marketing Restriction: SEC-registered investment companies may not market the fund to the public as a vehicle for trading in commodity interests.

How are advisers impacted by registration with the CFTC?

Hedge Fund Exemption Rescinded

Under old rules, the CFTC did not require most advisers to private funds – hedge funds and private equity funds– to register as CPOs.

The rules provided an exemption from registration for advisers to private funds that were offered only to sophisticated investors who met certain requirements to be exempt from registering as CPOs, regardless of the amount of commodity interests held by the fund.

As part of the final revised rules, the CFTC rescinded this exemption, meaning that fund advisers that previously operated under the exemption will now have to register as CPOs unless they can meet the "de minimis" exemption.

Remaining Relief: De Minimis Exemption

The CFTC did retain the "de minimis" exemption, also used by registered investment companies. The "de minimis" exemption allows private fund advisers to claim exemption from registration for pools offered only to qualified eligible investors, including accredited investors, knowledgeable employees, and:

- the aggregate initial margin and/or premium attributable to commodity interests in each pool does not exceed five percent of the liquidation value of a pool's portfolio; or
- the aggregate net notional value of the commodity interests does not exceed 100% of the liquidation value of the pools portfolio.

How are advisers impacted by registration with the CFTC?

Annual Notice Requirement

Advisers *to private funds* relying on the "de minimis" exemption must file an annual notice with the CFTC for each of its funds reaffirming the funds' eligibility for the exemption within 60 days of calendar year end.

Similarly, advisers to *registered investment companies* that still do not have to register because they qualify for the "de minimis" exemption must submit an annual notice to the CFTC reaffirming their eligibility for the exclusion within 30 days of calendar year end.

Effective and Compliance Dates

- All firms required to register must do so by <u>December 31, 2012</u>. The NFA's registration system allows pre-registration with an effective date of January 1, 2013.
- No grandfathering clause. The rule does not provide for grandfathering of investment companies, private funds, hedge funds or other pools currently operating under the *hedge fund exemption*.

What you need to know about Form PQR

Introduction

- Regulators are **instituting new information reporting requirements** that affect asset managers. These new requirements, including Form PF for private fund advisers and Form CPO-PQR for CPOs, will necessitate that firms assess their data sources, reporting capabilities, related processes and controls. While Form PF and Form CPO-PQR are similar, Form CPO-PQR does present its own unique challenges.

- The requirements for Form CPO-PQR **cross functional lines of your organization** and require **coordination across the multiple participants** in the asset management business.

- While onerous, Form CPO-PQR 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 has extensive experience helping clients with Form PF and can leverage that experience when helping you prepare your Form CPO-PQR filing.

Enhanced reporting

- The CFTC has established new annual, and in some cases quarterly, reporting requirements for CPOs and commodity trading advisers (CTAs) on new Forms CPO-PRQ and CTA-PR.

- Form CPO-PQR is modeled in part on Form NFA-PQR, a quarterly reporting form that registered CPOs have submitted to the NFA since 2010. CTAs will also have a similar quarterly report to file, Form NFA-PR.

- Private funds dually registered with the SEC and CFTC can rely in part on their Form PF filing to meet the CFTC's Form-PQR reporting requirements.
  - Dual registrants that file Form PF must still file Schedule A of Form CPO-PQR with the CFTC, and CTAs must still file Form CTA-PR.
  - Dual registrants may file Form PF with the SEC in lieu of completing Schedules B and/or C of Form CPO-PQR for the registrant's private funds.

- CPOs that advise both private funds and registered investment companies may file the hedge fund section of Form PF for all of its funds, including non-private funds, in lieu of filing Schedules B and/or C of Form CPO-PQR. Schedule A of Form CPO-PQR must still be filed by all fund types.

- All CPOs will be required to file Form CPO-PQR as of December 31, 2012. CPOs registered with the CFTC before June 30, 2012 with pool assets over $5 billion must begin filing as of September 30, 2012.

How does Form CPO-PQR impact asset managers?

- **Significant Regulatory Obligations:** This rule will impose significant obligations on CPOs to provide the government with ongoing insight into their activities. CPOs 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 CPO-PQR will not be limited to use by the Financial Stability Oversight Committee (FSOC) to assess systemic risk. The data may also be used by the CFTC/NFA to identify risks related to investor protection.
- **Compliance Challenges:** Form CPO-PQR will present a significant additional compliance challenge for CPOs, especially those mid-sized and large CPOs. All CPOs are required to complete and file a Form CPO-PQR for each reporting period during which they satisfy the definition of CPO and operate at least one Pool.
- **Impact Assessment:** Large CPOs 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 CPO-PQR in the time frame required.
- **Potential Investor Requests:** Investors may request Form CPO-PQR as part of their initial and ongoing due diligence.

Filing Schedule for both the CFTC and NFA PQR Forms

The NFA has aligned the filing schedule and content of its Form PQR so it coincides with the timeline set forth by the CFTC for filing Form CPO-PQR. Registered CPOs will have the reporting obligations listed below for both PQR Forms.

CPO Filer	Form CPO-PQR		Form NFA-PQR	
	Schedules	**Frequency**	**Schedules**	**Frequency**
• **Small CPOs:** less than $150 million in pool assets under management • **Form PF Filers***	A (and Schedule of Investments, as required by NFA-PQR)	Annually, within 90 days of the end of the calendar year	A and Schedule of Investments (Question B.6 of CPO-PQR)	Quarterly, within 60 days of quarters ending in March, June and September
• **Mid-sized CPOs:** at least $150 million in aggregated pool assets under management as of the close of business on any day during the calendar year	A, B	Annually, within 90 days of the end of the calendar year	A and Schedule of Investments (Question B.6 of CPO-PQR)	Quarterly, within 60 days of quarters ending in March, June and September
• **Large CPOs:** CPOs with $1.5 billion in aggregated pool assets under management as of the close of business on any day during the any of the individual calendar quarters	A, B, C	Quarterly, within 60 days of quarter-end	N/A - Form CPO-PQR filing satisfies NFA filing requirement	N/A - Form CPO-PQR filing satisfies NFA filing requirement

*Note that Form PF Filers only need to complete Schedule A of Form CPO-PQR, but must also report a Schedule of Investments quarterly, as required by Form NFA-PQR.

Key early decisions

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

Area	Details
Ownership and SMEs	Determine who within your firm will have ultimate ownership of Form CPO-PQR 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 CPO-PQR.
Scope of funds	Determine which funds will be considered commodity pools for reporting on Form CPO-PQR.
Form PQR or Form PF	CPOs that advise both private and non-private funds should determine whether or not they want to file Form PF for non-private funds in lieu of Form PQR.
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 commodity pool.
Assumptions, policies and procedures	Designate who will be responsible for drafting, maintaining and updating assumptions (as applicable), policies and procedures relating to Form CPO-PQR.

Key challenges

In our experience helping clients with Forms PF and CPO-PQR, certain questions present interpretive challenges. Other questions ask for data or information that the adviser may not keep or track.

Key Challenge	Questions
Schedule of Investments	Are your investments currently mapped to the seven investment types required by Forms CPO-PQR and NFA-PQR? To the subcategories under those investment types?
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?
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 CPO-PQR 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 CPO-PQR'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?

Lessons learned from other FSOC reporting forms

- **Act Now:** Don't wait to start preparing for your initial Form CPO-PQR filings. Underestimating the level of effort needed to complete Form CPO-PQR 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 calendar year.
- **Definitions:** The SEC and CFTC have applied a consistent approach in defining some terms, for example, "private funds," "parallel pool/fund structure" and "commodity pool operator." Other SEC concepts, such as regulatory assets under management, are not used by the CFTC. Advisers should be clear on defined terms and their usage in applicable reporting forms.
- **Interpretations and Assumptions:** Certain Form CPO-PQR 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 CPO-PQR 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 CPO-PQR .

Detailed information required

Schedule	Who	Description of information required
A – Part 1	All CPOs.	Information about each CPO, including: • Identifying information, including the CPO's name, NFA ID#, contact person and contact information, Chief Compliance Officer, number of employees, number of equity holders, number of pools; and • Assets under management and net assets under management.
A – Part 2	CPOs must complete and a file a separate Part 2 for each non-exempt pool they operated any time during the reporting period.	For each pool: • General identifying information; • Third party administrators, • Brokers, • Trading managers; • Custodians; • Auditor; • Marketers; • Statement of changes concerning assets under management, including the pool's net income, and any additions or withdrawals/redemptions to the pool. • Monthly and annual performance information; and • Subscription and redemption information.
B	CPOs with at least $150 million in aggregated pool assets under management as of the close of business on any day during the calendar year.	For each mid-sized and large CPO: • Pool information including strategies, investment techniques, and beneficial owners; • Borrowings by type of creditor; • Top five counterparties to which the pool 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); • Value of the pool's derivative positions; • Detailed schedule of investments by type (i.e., listed equity, unlisted equity, alternative investments, fixed income, derivatives, options, funds, etc.); and • Assumptions as applicable to Schedule B.

Detailed information required, continued

Section	Who	Description of information required
C – Part 1	CPOs with at least $1.5 billion in pool assets under management as of the close of business on any day during any of the individual calendar quarters.	Aggregate information for the commodity pools, including: • List of investments by geography; and • Portfolio turnover.
C – Part 2	CPOs must complete and file a separate Part 2 for each non-exempt pool they operated that had greater than $500 million in net asset value at the close of business on any day during the reporting period.	For each large pool: • Unencumbered cash and open positions of the pool; • Portfolio liquidity; • For each of the top five counterparties identified in Schedule B, information regarding collateral and credit support; • Certain risk metrics (if used regularly during reporting period); • Collateral practices with significant counterparties; • Financing information, including breakdown of secured and unsecured borrowing, derivatives exposures, and value of collateral and letters of credit supporting both; • Breakdown of fund's committed financing and duration thereof; • Investor liquidity, including side pocket, gating arrangements, and lock-ups; • Long and short values of the pool's assets by type (including equities, bonds, derivatives and private funds); and • Assumptions as applicable to Schedule C.

PwC's framework for response

PwC's framework for response

Form CPO-PQR readiness	*Form CPO-PQR as a catalyst for change*	*Continuing services*
• Assess the scope of impacted advisers and funds, including the grouping of such funds • Perform a gap analysis and assess the Form CPO-PQR requirements • Assist with gap remediation • Review data collection and filings • Draft and/or review assumptions, policies and procedures	• Technology and human capital enhancements • Operational, process and controls improvements • Data and systems analysis and integration	• Legal entity and Form CPO-PQR 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 CPO-PQR 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 CFTC regulations, regulatory reporting, and asset manager operations, processes and systems.

How PwC can help Asset Managers prepare for Form CPO-PQR

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

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, pools and reporting pools detailing their required filings on Form CPO-PQR.	Gap analysis around requirements of Form CPO-PQR 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 CPO-PQR, regulatory reporting and the CFTC's expectations on regulatory reporting within your organization. In addition, we can provide PMO assistance.				

Form CPO-PQR readiness activities

Phase 1: Scoping /Grouping	• Help the adviser to prepare a listing of their pools by adviser, looking at structure charts and discussing with individuals. • Assist the adviser in completing their scoping/grouping analysis, including: – determining which entity will file Form CPO-PQR; – assessing how to report various commodity pools, whether stand-alone, parallel or master-feeder structures for the Form CPO-PQR filing; and – determining which entities need to fill out which respective schedules of Form CPO-PQR.
Phase 2: Gap analysis	Help the adviser to identify the requirements associated with relevant processes, systems and data related to Form CPO-PQR, and highlight gaps relative to requirements. This phase will include the following key tasks: • A review of current procedures for gathering information for regulatory reports against those necessary for Form CPO-PQR. • A review of the data available to populate the information required under Form CPO-PQR. 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. 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 commodity pool operator reporting on Form CPO-PQR (this will include our knowledge of industry expectations).
Phase 3: Gap closures	• Assist the adviser in working with functional groups and business lines in understanding the Form CPO-PQR gaps, and developing action plans for closing those gaps. • Create gap closure timelines to appropriately track and monitor gap closure process.
Phase 4: Data collection and review of filing	• Assist the adviser in the collection of the data required under Form CPO-PQR, 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 or actual filing.
Phase 5: Draft/Review assumptions, policies and procedures	As Form CPO-PQR may require many assumptions to be made by the adviser, assist the adviser in the drafting and/or reviewing of these assumptions, as applicable. A leading practice would be to have documentation, including development of policies and procedures around Form CPO-PQR and the data integrity, collection, form preparation, filing and maintenance process.

Form CPO-PQR 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 CPO-PQR filing.

Client Challenges	Service Offering	Description
Asset managers are focusing on **technology and operations enhancements to drive efficiencies** which have become increasingly important given continued fee compression trends. Today's business issues are driving an unprecedented need to execute an **integrated business and people strategy.**	Systems Assessment	• Assess system architecture and interdependencies to identify overlaps and opportunities for system consolidation/retirement in designing a future state systems infrastructure.
	Target Operating Model	• Perform a detailed analysis of the activities performed within each of the client's sub-functional groups and design targeted improvements.
	Human Capital	• 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	• 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.
Greater **fund transparency**, assurance of **reporting accuracy**, and better **accountability and governance** have become top priorities for asset managers.	Develop Strategy for Data Management and Governance	• 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	• Develop requirements and assess vendors, considering factors such as workflow, ease of use, integration, risks, costs and scalability.
	Systems Implementation/ Integration	• Understand key stakeholder concerns and objectives to assist in implementing a holistic solution that also addresses future business needs.

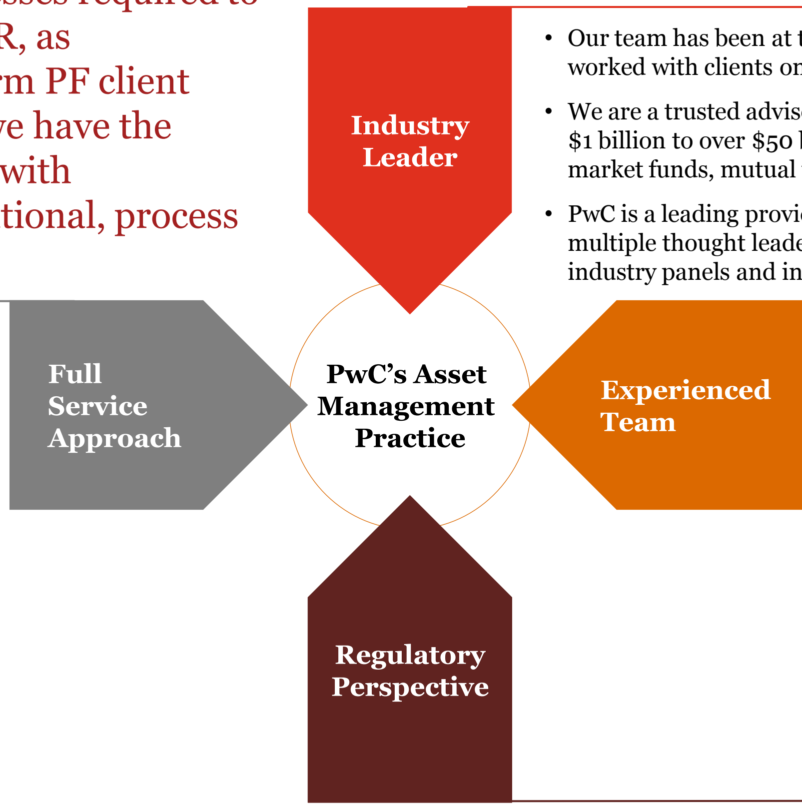
Continuing Services

Service Offering	Description
Legal entity and Form CPO-PQR applicability assessment	• PwC will discuss with the adviser any new or liquidated entities, and discuss scoping/grouping as described in our Form CPO-PQR readiness approach. • PwC will discuss changes in the adviser's business, investment activities, borrowings, etc. since the most recent Form CPO-PQR filing, and identify the effect on the adviser's Form CPO-PQR.
Regulatory review of data and filing	• PwC will review the data that the adviser plans to submit in the Form CPO-PQR filing for consistency with the Form and between reporting funds, as well as consistency with CFTC instructions and guidance, and comparison to industry leading practices.

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 CPO-PQR, as demonstrated by our Form PF client successes. In addition, we have the capabilities to assist you with implementation of operational, process and systems changes.



- Our team has been at the forefront of FSOC reporting issues, 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, advising private funds, money market funds, mutual funds, and non-US fund entities.
- PwC is a leading provider in Form PF and Form PQR insight, issuing multiple thought leadership pieces, and presenting our views on various industry panels and industry conferences.

- 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.

- 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.

- PwC is in continuous contact with representatives from regulatory bodies, legal counsel, fund administrators, and Form CPO-PQR 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, NFA and CFTC examiners, branch chiefs and enforcement personnel; and former CCOs.

Sample FSOC Reporting - 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

Sample FSOC Reporting - 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

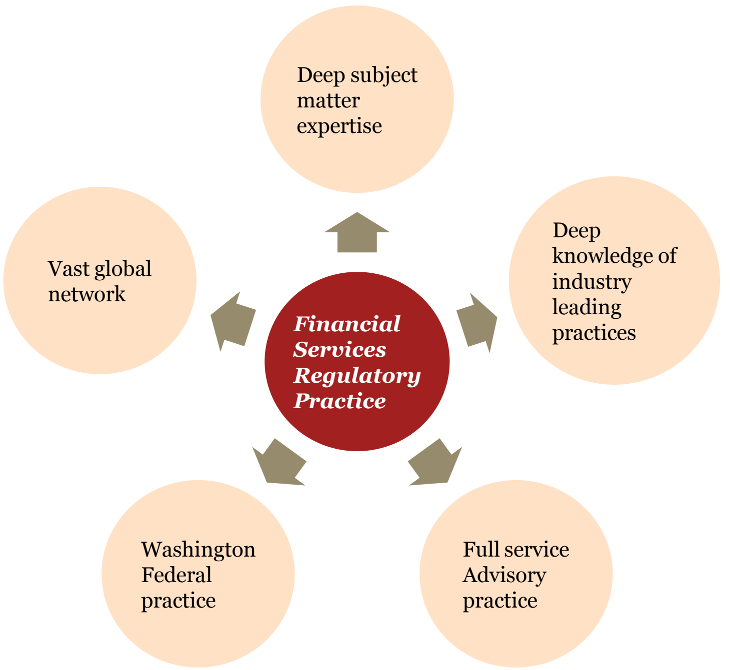
PwC's Financial Services Regulatory Practice

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.
- **Deep knowledge of industry leading 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.

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