REGISTERED FIRMS:

ANNUAL COMPLIANCE OBLIGATIONS—WHAT YOU NEED TO KNOW

As the new year is upon us, there are some important annual compliance obligations Investment Advisers either registered with the Securities and Exchange Commission (the "***SEC***") or with a particular state ("***Investment Adviser***") and Commodity Pool Operators ("***CPOs***") or Commodity Trading Advisors ("***CTAs***") registered with the Commodity Futures Trading Commission (the "***CFTC***") should be aware of.

See upcoming deadlines below and in red throughout this document.

The following is a summary of the primary annual or periodic compliance-related obligations that may apply to Investment Advisers, CPOs and CTAs (collectively, "***Managers***"). The summary is not intended to be a comprehensive review of an Investment Adviser's securities, tax, partnership, corporate or other annual requirements, nor an exhaustive list of all of the obligations of an Investment Adviser under the Investment Advisers Act of 1940, as amended (the "***Advisers Act***") or applicable state law. Although many of the obligations set forth below apply only to SEC-registered Investment Advisers, state-registered Investment Advisers may be subject to similar and/or additional obligations depending on the state in which they are registered. State-registered Investment Advisers should contact us for additional information regarding their specific obligations under state law.

◆ List of annual compliance deadlines:

State registered advisers pay IARD fee	November-December (of 2014)
Form 13F (for 12/31/14 quarter-end)	February 17, 2015*
Form 13H annual filing	February 17, 2015
Schedule 13G annual amendment	February 17, 2015
Registered CTA Form PR (for December 31, 2014 year-end)	February 17, 2015
TIC Form SLT	January 23, 2015 (for December 2014)
TIC Form SHCA	March 6, 2015
TIC B Forms	Monthly report (December 2014) – by January 15, 2014 Quarterly report (December 31, 2014) – by January 20, 2014

* Reflects an extended due date under Exchange Act Rule 0-3. If the due date of filing falls on a Saturday, Sunday or holiday, a report is considered timely filed if it is filed on the first business day following the due date.

Affirm CPO exemption	March 2, 2015
Registered Large CPO Form CPO-PQR December 31 quarter-end report	March 2, 2015
Registered CPOs filing Form PF in lieu of Form CPO-PQR December 31 quarter-end report	March 31, 2015
Registered Mid-Size and Small CPO Form CPO-PQR year-end report	March 31, 2015
SEC registered advisers and ERAs pay IARD fee	Before submission of Form ADV annual amendment by March 31, 2015
Annual ADV update	March 31, 2015
Delivery of Brochure	April 30, 2015
Delivery of audited financial statements (for December 31, 2014 year-end)	April 30, 2015
California Finance Lender License annual report (for December 31, 2014 year- end)	March 15, 2015
Form PF filers pay IARD fee	Before submission of Form PF
Form PF for large liquidity fund advisers (for December 31, 2014 quarter end)	January 15, 2015
Form PF for large hedge fund advisers (for December 31, 2014 quarter end)	March 2, 2015
Form PF for smaller private fund advisers and large private equity fund advisers (for December 31, 2014 fiscal year-end)	April 30, 2015
FBAR Form FinCEN Report 114 (for persons meeting the filing threshold in 2014 and those persons whose filing due date for reporting was previously extended by Notices 2013-1, 2012-2, 2012-1, 2011-2 and 2011-1)	June 30, 2015
FATCA information reports filing for 2014 by participating FFIs	March 31, 2015
Form D annual amendment	One year anniversary from last amendment filing.

◆ **What's New?**

2015 ENFORCEMENT PRIORITIES IN THE ALTERNATIVE SPACE

The SEC has continued to reiterate the importance of "the culture of compliance" which, to become a reality, must be set at the top of every Manager firm. Each examination, regardless of specific focus, will likely assess the tone at the top of registered organizations. For 2015, one of the SEC's top priorities is to evaluate recommendations to consider a uniform fiduciary standard for investment advisors and broker-dealerse. Broadly speaking, investigations will continue to concentrate on fraud detection (special emphasis on microcap fraud) and prevention, risk management, and the issues specific to investment advisers and investment companies such as safekeeping of assets and conflicts of interest (and their disclosure). In accordance with the SEC's "broken windows" theory, Managers can expect that even minor rule violations will result in sanctions, following the rationale that minor violations left unchecked can lead to major violations, therefore preventing minor violations has major compliance benefits.

The following are expected to be some of the priority examination and enforcement items of interest for our Manager clients:

- The risk management practices of funds and investment advisers, including through new requirements addressing liquidity risk management, stress testing, the use of derivatives; risk controls and disclosure in general and in particular for illiquid investments and leveraged investment products

- Internal controls; governance and supervision of information technology systems and information security, including operational capability, business continuity planning, and cybersecurity; customer privacy; social media; electronic communications policies; red flags

- All aspects of the custody rule

- Officer, director or employee conduct misleading the CCO and supervisory liability for employee conduct

- conflicts of interest issues and failures to disclose conflicts of interest: portfolio management processes; side-by-side management of performance-based and purely asset-based fee accounts; trading activities – including execution, allocation of trades and investment opportunities; soft dollars; side letters and other special/favorable terms policies and procedures principal transactions; cherry picking; valuation; governance issues, undisclosed compensation arrangements

- issues affecting investors' retirement accounts, including marketing practices and materials (misrepresentations and omissions, including cherry picking and misrepresentations of fund performance); past performance, including the use of hypothetical and back-tested performance and of composite performance figures; performance recordkeeping requirements; and compliance oversight of marketing)

- The "pay to play" rule for investment advisers; and violations of the whistleblower anti-retaliation provisions; gifts and entertainment; outside employment; Foreign Corrupt Practices Act

- expense allocations among Managers and their funds/clients and among various client accounts, especially with respect to private equity funds

- Code of Ethics; insider trading; personal trading of the adviser and its supervised persons; trade error policies
- OFAC and anti-money laundering
- Proxy voting procedures

We must note that CFTC plans to try more cases, more swiftly (through the use of administrative law judges – a new idea), and seek prison time for some criminal violators. Further, expect interagency coordinated investigations among the SEC, CFTC and other agencies.

CYBERSECURITY INITIATIVE

The SEC issued a Risk Alert in 2014 which provided information regarding its intended examination of 50 registered advisers and broker dealers for their cybersecurity preparedness. As part of this guidance, the SEC has indicated that it will examine advisers with respect to the adequacy of their cyber security policies and procedures, including the entity's cybersecurity governance, identification and assessment of cybersecurity risks, protection of networks and information, risks associated with remote customer access and funds transfer requests, risks associated with vendors and other third parties, detection of unauthorized activity, and experiences with certain cybersecurity threats. The SEC guidance also states that advisers should understand the cybersecurity policies of their various vendors.

The Risk Alert and a sample list of information that may be requested during an examination can be found here. *http://www.sec.gov/ocie/announcement/Cybersecurity+Risk+Alert++%2526+Appendix+-+4.15.14.pdf*

In a recent speech, Andrew Bowden, the Director of the SEC's Office of Compliance, Inspections and Examinations, indicated that the SEC may make publicly available, the SEC's findings from its cybersecurity sweep exams.

BANK INVESTORS – VOLCKER RULE

The Volcker Rule, adopted as part of the Dodd-Frank Act, prohibits banks from engaging in proprietary trading and from owning or sponsoring certain hedge funds and other private funds. Final regulations under that Rule were issued at the end of 2013, and banks have been taking steps to assure that they comply with the Rule. A 3(c)(7) fund is a "covered fund" for purposes of the Volcker Rule prohibition that a banking entity (US bank or non-US bank which has US operations) may not, as principal, directly or indirectly, acquire or retain any ownership interest in or sponsor a "covered fund."

Deadline with respect to **investments or relationships that were in place as of Dec. 31, 2013**: Pursuant to a partial one-year extension of the Volcker Rule's July 21, 2015 compliance deadline and an expected identical extension again next year, all banking entities have until **July 21, 2017** to conform any investments in, or relationships with, hedge funds and private equity funds to the requirements of the Volcker Rule.

Deadline with respect to **investments or** relationships entered into during 2014 or later remains **July 21, 2015**. This means that these banking investors may not hold any interests starting July 21, 2015.

Some banking investors may already be asking managers at this time whether the managers are planning either to restructure their existing offshore funds or open a new one that is a "SOTUS" fund[1], in order to accommodate non-US banking investors with US operations. Managers will have to consider whether they are willing to part with banking investor clients or set up structures that can accommodate them (in accordance with the timelines referenced above). Please discuss your options with our team.

Link to IFLaw blog article: *http://www.investmentfundlawblog.com/private-funds/the-volcker-rule-a-suggested-approach-for-banking-entities-when-analyzing-its-impact-on-business-mo/*

US MANAGERS MARKETING IN THE EUROPEAN ECONOMIC AREA – AIFMD

Throughout 2014, some of those countries slow to implement the Alternative Investment Fund Managers Directive (AIFMD) have, gradually, been passing local implementing legislation, although not all countries have completed the process. This has led to greater clarity as to the availability of private placement and "reverse solicitation" as methods of raising capital in those jurisdictions, as well as providing information regarding other standards and requirements for registration and reporting. 2014 also saw developments in understanding the role (and cost) of the depositary and of the "depositary lite" regime available to managers of non-EU funds.

However, the level of risk a manager faces if it uses reverse solicitation as the approach to fund-raising has not been fully answered, and in the absence of further developments investment managers should think carefully before relying on reverse solicitation. The continued challenges faced by non-EU managers have given rise to some fully-authorized EU managers developing "solutions" and platforms whereby non-EU managers are able to access European capital without falling within the scope of the AIFMD.

The coming 12 months will be a critical period for those investment managers who marketed in an EU Member State, Iceland, Liechtenstein or Norway during 2014 as the reporting obligations under the AIFMD and local implementing legislation become a reality. Theoretically, 2015 should also see progress regarding the marketing passport for non-EU managers and the future of private placement. The European Securities and Markets Authority has issued a "Call for Evidence" seeking opinion on the operation of the current EU passport and the private placement regimes, as well as whether the passport should be extended to non-EU managers and funds, with the consultation closing on 22 July 2015 and a possible extension of the passport announced before 22 October 2015.

CISA

Any fund manager that has or expects to have investors in Switzerland, should be aware of the following Swiss developments. Switzerland has adopted its own set of regulations under the Swiss Collective Investment Schemes Act (CISA). CISA applies to any "distribution"[2] of a Collective Investment

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[1] SOTUS Funds are offered "solely outside of the United States". The industry has come to a "consensus interpretation" (in May 2014) that non-US bank investors located and organized outside the US (and not controlled or financed by a US bank) may become investors in certain non-US funds: that are (i) offered "solely outside the United States", (ii) offered only to non-US investors (iii) invest in parallel with (but not in or through) a covered fund, and (iv) have substantially the same terms as the covered fund. Additional conditions and details apply.

[2] **"Distribution"** is very broadly defined as 'offering' or 'advertising' funds, which are defined to include 'any type of activity whose object is the purchase' of shares or other interests in a fund. Offering or advertising by whatever means is

Scheme ("CIS" or fund) to Swiss investors. As with AIFMD, there is still a good deal of uncertainty about the interpretation of the new rules and more information is expected in the future from the Swiss Financial Market Supervisory Authority (FINMA).

What is not "distribution" (as listed in CISA) is not subject to CISA. Among the exceptions, a concept similar to AIFMD's "reverse solicitation" is available where the provision of information and the purchase of a fund's shares is "at the instigation of or at the own initiative of an investor." This exception is framed narrowly and is also expected to be interpreted narrowly. Transactions with any prospect a manager has been in touch with or who has been on a Swiss distribution list is unlikely to qualify as reverse inquiry.

Marketing and sale to *regulated* "qualified investors" (Swiss-regulated financial entities, such as banks, securities dealers, fund managers and insurance companies) is likely also not "distribution." If a Swiss bank (or similar regulated financial entity) introduces a US manager's fund to its discretionary management clients who may then invest in the fund, directly or indirectly, this is unlikely to amount to distribution. However, if the US manager has direct contact with (including sends fund-related documents or materials to the investors), this is likely to amount to "distribution."

Marketing and sales to *unregulated* "qualified investors" (pension plan, corporate, family office, family trust and high-net-worth individuals) will fall under the definition of "distribution" and require compliance with CISA. To comply, the fund must appoint a Swiss representative and a Swiss paying agent each registered with FINMA, the fund's investment manager must enter into a distribution agreement with the appointed Swiss representative, and comply with annual compliance confirmations and other requirements.

To avoid the full application of CISA, the fund manager should not have a Swiss place of business or employees based in Switzerland. Any offering document provided to Swiss investors should include a disclaimer stating that the fund is only distributed to qualified investors and such persons must declare in writing that they meet the financial requirement and affirmatively "opt in" to being classified as "qualified investors."

A fund manager may not distribute a CIS to non-qualified (retail) investors without registering the fund with FINMA – an onerous process.

A US fund manager has until **March 1, 2015** to fully comply with the requirements for a non-Swiss CIS to be distributed to Swiss unregulated qualified investors.

FATCA

Foreign Account Tax Compliance Act (FATCA), consisting of sections 1471 through 1474 (Chapter 4) of the Internal Revenue Code, was enacted in March 2010 as part of the Hiring Incentives to Restore Employment (HIRE) Act. FATCA imposes information reporting requirements on foreign financial institutions (FFIs) and withholding, documentation, and reporting requirements with respect to certain payments made to certain foreign entities. The provisions of FATCA are in many cases modified as a result of intergovernmental agreements ("IGAs") implementing FATCA in various non-US jurisdictions. FFIs that fail to comply with FATCA may be subject to a 30% withholding tax on certain US source payments (as specially defined for FATCA purposes).

covered — in writing, emails, calls, Internet/websites, offering memoranda, subscription documents, brochures, presentations, etc.

Most non-US funds will generally be FFIs and accordingly are required to register with the IRS and obtain a GIIN to avoid FATCA withholding. US funds generally are not required to register with the IRS but will be required to comply with the withholding and due diligence procedures required by FATCA.

Generally FFIs must register on the IRS online FATCA portal and obtain a GIIN to avoid withholding, unless another exception applies. The start date for withholding under FATCA was July 1, 2014. However, withholding on FFIs in Model 1 IGA jurisdictions was generally not required prior to January 1, 2015. Additional classes of payments subject to withholding, and transitional rules relating to particular situations, provide for a staggered phase-in of these rules. The IRS has indicated that 2014 and 2015 will be a transitional period, during which the IRS will take into account good faith efforts to comply with FATCA.

The deadline for participating FFIs to file FATCA information reports with the IRS is **March 31, 2015**. These reports are intended to cover 2014 only. FFIs in Model 1 IGA jurisdictions will have until **September 30, 2015** to file their first FATCA information reports for 2014 with their home jurisdiction. See http://www.irs.gov/Businesses/Corporations/Summary-of-FATCA-Timelines for a more detailed timeline.

◆ Continuing Compliance Areas

Annual Assessment of Compliance Program

At least annually, an Investment Adviser must review its compliance policies and procedures to assess their effectiveness in preventing fraud and other violations. The SEC has stated among its examination and enforcement priorities cracking down on superficial annual compliance reviews. The review should be conducted with special focus on the Investment Adviser's specific business model and operating environment, and any changes to it during the reviewed year, and all the actual and potential conflicts of interest that might result from that business model and those changes. In addition, the SEC will test whether the annual review has really taken into consideration all the regulatory changes and what has happened in the industry. The annual assessment process should be documented and those document(s) should be presented to the Investment Adviser's chief executive officer or executive committee, as applicable, and maintained in the Investment Adviser's files. At a minimum, the annual assessment process should entail a detailed review of all topics applicable to a Manager mentioned above under "*2015 Examination and Enforcement Priorities in the Alternative Space*."

Rules 506(c) and 506(d)

Rule 506(d) – Bad Actor Disqualification

Fund managers should ensure that representations previously provided by "covered persons" pursuant to Rule 506(d)[3] should be reaffirmed as part of the factual inquiry establishing reasonable care uncovering whether a disqualification exists. Private funds that rely on Rule 506 private offering exemption should have documented evidence that they made reasonable efforts to know of the past "bad acts" committed by their "covered persons," typically through a questionnaire (such as in the subscription documents). If

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[3] Rule 506(d) prohibits private funds from relying on any Rule 506 private placement exemption if any of the private fund's "covered persons" (as defined in the Rule) is disqualified as a result of committing a "Bad Act" (as defined in the Rule).

a Rule 506 offering is ongoing, the private fund must update the inquiry periodically and should include a requirement in the questionnaire that the Covered Person inform the issuer if any Bad Acts occur.

Swaps Regulation

During 2014, the SEC and the CFTC adopted various rules mandated by the Dodd Frank Act with respect to securities-based swap dealers and swap dealers. These rules provided definition and structure regarding who is to be considered a swap dealer or securities-based swap dealer, as well as exemptions from registration based on de minimus activity. However, neither the SEC nor the CFTC was able to adopt rules regarding capital requirements, margin, segregation of assets, or registration requirements. Accordingly, for those entities that are not currently permitted to act as swap dealers or securities-based swap dealers, it remains uncertain how to obtain authority or engage in such activity. Registered broker dealers would need to be authorized by FINRA to engage in securities-based swap activity and be subject to the capital requirements that FINRA would impose, which may or may not be similar to the proposed rules which were released for public comment in 2012.

Fund IARD Account

An Investment Adviser must ensure that its IARD account is adequately funded to cover payment of all applicable adviser registration renewal fees and notice filing fees. SEC-registered advisers and Exempt Reporting Advisers (ERAs) must pay their annual IARD fees before submitting their annual Form ADV amendment or annual ERA report **by March 31**. The annual IARD fee of an SEC-registered adviser is based on the adviser's AUM. The annual fee of an ERA is $150. SEC-registered advisers pay their state notice filing fees and state investment adviser representative fees during the IARD's renewal program in November – December of each year. State-registered advisers also pay their annual fees during the IARD's renewal program in November – December of each year.

For Form PF filers, your IARD account must also be funded with the annual ($150) or quarterly ($150) fees before submitting Form PF.

Form ADV Updates and Distribution

Annual Updates. An Investment Adviser must file an annual amendment to Form ADV Part 1 and Form ADV Part 2 within 90 days of the end of its fiscal year. Part 1 and Part 2A of the Form ADV must be filed with the SEC through the electronic IARD system. Accordingly, if you are a SEC-registered adviser whose fiscal year ends on or after December 31, 2014, you must file Part 1A and the Part 2A Brochure as part of your annual updating **amendment by March 31, 2015**. If you are a state-registered adviser whose fiscal year ends on or after December 31, 2014, you must also file Part 1A, Part 1B, the Part 2A Brochure and the Part 2B Brochure Supplement as part of your annual updating amendment by March 31, 2015. The current Form ADV Part 1 contains a uniform method of calculating AUM, and eliminates adviser discretion in including or excluding certain assets from the AUM calculation.

Brochure Rule. On an annual basis, an Investment Adviser must provide its clients with a copy of its updated Form ADV Part 2A, or provide a summary of material changes and offer to provide an updated Form ADV Part 2A. An adviser could meet its delivery obligation to a hedge fund client by delivering its brochure to a legal representative of the fund, such as the fund's general partner. Delivery is required within 120 days of the end of the adviser's fiscal year, or **by April 30, 2015**.

Ongoing Updates. Investment Advisers must amend Part 1 of their Form ADV promptly during the year if certain information becomes inaccurate. The brochure and supplement must also be updated promptly during the year if any information becomes materially inaccurate unless the material inaccuracies result solely from changes in the amount of client assets managed or changes to the fee schedule.

State Notice Filings/Investment Adviser Representatives

An Investment Adviser should review its advisory activities in the various states in which it conducts business and confirm that all applicable notice filings are made and fees are paid through IARD. In addition, an Investment Adviser should confirm whether any of its personnel need to be registered as "investment adviser representatives" in any state and, if so, register such persons or renew their registrations with the applicable states.

Form PF

The **deadline** for advisers required to file Form PF within 120 days after the December 31, 2014 fiscal year end is **April 30, 2015**. See more detailed information about Form PF below.

CFTC Rules—CPO and CTA Registrations, Exemptions and Filings

Deadline to affirm your CPO exemption for calendar year 2014: March 2, 2015

Annual Affirmation. Advisers who relied on an exemption or exclusion from CPO registration under CFTC Regulation 4.5, 4.13(a)(1), 4.13(a)(2), 4.13(a)(3), 4.13(a)(5) or an exemption from CTA registration under 4.14(a)(8) and filed a notice with the NFA must affirm the exemption or exclusion annually within 60 days of the calendar year end. Failure to affirm the exemption or exclusion will result in the exemption or exclusion being withdrawn at the end of the affirmation period. Accordingly, those who filed a notice of exemption or exclusion in 2014 have **until March 2, 2015 to affirm the exemption or exclusion or face losing their exemption or exclusion**. To obtain information about the annual affirmation process and filing, please visit the *NFA website*.

Note that, in assessing whether your activities keep you within the *de minimis* exemption,[4] the following instruments generally fall under the definition of "**commodity interests**:"

Form CTA-PR

Deadline for filing Form CTA–PR for December 31, 2014 year end: February 17, 2015

CFTC Regulation 4.27 requires that all CFTC-registered CTAs and members of the NFA file a Form PR by February 17, 2015.

Form PR requires each CTA to report on a quarterly basis general information about the CTA, its trading programs, any pool assets and the identity of the CPOs operating the pools. Form PR must be filed within 45 days after the quarters ended March, June and September and within 45 days of the

[4] The *de minimis* exemption under Section 4.13(a)(3) provides exemption from CPO registration in cases where the pool trades minimal amounts of futures and covered swap positions such that at all times either (a) the aggregate initial margin and premiums required to establish the fund's commodity interest positions may not exceed 5% of the fund's liquidation value or (b) the aggregate notional value of the fund's commodity interest positions may not exceed 100% of the fund's liquidation value .

calendar year end. Form PR filing does not eliminate the requirement to file a Form PF. SEC-registered investment advisers may also be required to file their initial Form PF filings by April 30, 2015.

The Form PR report for the year ended December 31, 2014 will be due by February 17, 2015 and must be filed electronically using NFA's EasyFile System accessed at: *http://www.nfa.futures.org/NFA-electronic-filings/easyFile-CTA-filers.HTML*. The CTA's security manager must first set up security settings in order to access the EasyFile System.

Form CPO-PQR

The following are the filing requirements for registered CPOs:

- Small CPOs (less than $150 million pool AUM) must file Form CPO-PQR Schedule A on an annual basis within 90 days of the calendar year-end.
- Mid-size CPOs ($150 million to $1.5 billion pool AUM) must file Form CPO-PQR Schedules A and B on an annual basis within 90 days of the calendar year-end.
- Large CPOs (at least $1.5 billion pool AUM) must file Form CPO-PQR Schedules A, B and C on a quarterly basis within 60 days of each calendar quarter-end.

CPOs that file Form PF and include information on all relevant pools in Form PF need only file Schedule A.

Offering Materials

As a general securities law disclosure matter, and for purposes of U.S. federal and state anti-fraud laws, including Rule 206(4)-8 under the Advisers Act, an Investment Adviser must continually ensure that each of its fund offering documents is kept up to date, is consistent with its other fund offering documents and contains all material disclosures that may be required in order for the fund investor to be able to make an informed investment decision.

Accordingly, it may be an appropriate time for an Investment Adviser to review its offering materials and confirm whether or not any updates or amendments are necessary. In particular, an Investment Adviser should take into account the impact of recent market conditions on its funds and review its funds' current investment objectives and strategies, valuation practices, performance statistics, redemption or withdrawal policies, risk factors (including disclosures regarding market volatility and counterparty risk), personnel, service providers and any relevant legal or regulatory developments.

Annual Privacy Notice

Under certain federal and state privacy laws, you may be required to provide to your fund investors or clients who are natural persons notice of your privacy policy on an annual basis, even if there are no changes to the privacy policy.

New Issues

An Investment Adviser that acquires "new issue" IPOs for a fund or separately managed client account must obtain written representations every 12 months from the fund or the account's beneficial owner confirming their continued eligibility to participate in new issues. This annual representation may be obtained through "negative consent" letters.

Custody; Annual Audit or Surprise Audit

Private fund Investment Advisers should have their funds audited by a PCAOB registered independent account and provide audited financial statements of their fund(s), prepared in accordance with U.S. generally accepted accounting principles, to the fund(s)' investors within 120 days of the end of the funds' fiscal year. Investment Advisers that do not have their private funds audited should determine whether they are deemed to have custody of those funds' assets and therefore are subject to an annual surprise audit and other requirements.

All investment advisers licensed or required to be licensed in California must comply with California's custody rule 10 C.C.R. Section 260.237. For explanation of the requirements and more details about the California Custody Rule, please read the article that we have previously posted in our Investment Fund Law Blog - *http://www.investmentfundlawblog.com/private-funds/new-custody-compliance-tasks-for-california-registered-advisers-effective-april-1/*

Anti-Money Laundering

An Investment Adviser is subject to the economic sanctions programs administered by OFAC and should have an anti-money laundering program in place. An Investment Adviser should review its anti-money laundering program on an annual basis to determine whether the program is reasonably designed to ensure compliance with applicable law given the business, customer base and geographic footprint of the Investment Adviser.

"Pay-to-Play." Investment Advisers should review any political contributions or other activity by the Investment Advisers' personnel that may trigger lobbyist registration, as well as their related policies and procedures. The Rules cover a multitude of topics, including the prohibition of soliciting or coordinating campaign contributions from others for elected officials in a position to influence the selection of the adviser.

With regard to California, generally employees of "external managers" fall under the definition of "placement agent" requiring lobbyist registration. There are exceptions. Specifically, employees who spend at least 1/3 of their time during a calendar year managing assets do not fall under the "placement agent" definition.

Please contact us if you have politically active personnel in your organization.

California Finance Lenders License

A California Finance Lenders licensee is required to file an annual report **by March 15th of each year**, whether or not business has been conducted with the issued license. Failure to file the annual report will result in the summary revocation of the license. A new license application can be filed after one (1) year from the date of revocation.

Liability Insurance

Due to an environment of increasing investor lawsuits and regulatory scrutiny of fund managers, an Investment Adviser may want to consider obtaining management liability insurance or review the adequacy of any existing coverage, as applicable.

◆ Securities and Other Forms Filings

Form 13F

Deadline for filing Form 13F for the December 31 quarter: February 17, 2015

An "institutional investment manager," whether or not an (SEC or state-registered) Investment Adviser, must file a *Form 13F* with the SEC if it exercises investment discretion with respect to $100 million or more in securities subject to Section 13(f) of the Exchange Act (e.g., exchange-traded securities, shares of closed-end investment companies and certain convertible debt securities). The first filing must occur within 45 days after the end of the calendar year in which the Investment Adviser reaches the $100 million filing threshold and within 45 days of the end of each calendar quarter thereafter, as long as the Investment Adviser meets the $100 million filing threshold.

Form 13H

Deadline for filing an annual Form 13H: February 17, 2015

Rule 13h-1 under the Exchange Act requires "Large Traders" to identify themselves to the SEC and make certain disclosures to the SEC on *Form 13H*. "Large Traders" are defined as persons that exercise investment discretion over one or more accounts and effect transactions of NMS securities for or on behalf of such accounts in an aggregate amount of at least $20 million in a day or $200 million in a month. In addition to an initial filing, which must be filed within 10 days from the transaction date, all Large Traders must submit an annual filing on Form 13H within 45 days after the end of the calendar year and submit any amendments promptly after the end of any calendar quarter where information in the form becomes materially inaccurate.

Form PF

Deadline for filing Form PF (for advisers who are not large liquidity or large hedge fund advisers): April 30, 2015

The Advisers Act requires Investment Advisers that advise one or more private funds and have at least $150 million in private fund AUM to file the Form PF with the SEC. CEA Rules require CPOs and commodity trading advisors registered with the CFTC to satisfy specific filing requirements with respect to private funds by filing the Form PF with the SEC in certain circumstances. The *Form PF* has quarterly and annual filing requirements based on a number of factors, including amounts and types of assets, as follows:

- Large liquidity fund advisers[5] must file the Form PF within 15days of each fiscal quarter end.
- Large hedge fund advisers[6] must file the Form PF within 60 days of each fiscal quarter end.

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[5] Large hedge fund advisers are advisers with at least $1.5 billion under management attributable to hedge funds.

- All other filers[7] must file the Form PF within 120 days of each fiscal year end.

For additional information about Form PF, see the SEC's *Frequently Asked Questions on Form PF*.

Schedules 13G or 13D

Deadline for filing annual amendment to Schedule 13G: February 17, 2015

An Investment Adviser whose client or proprietary accounts, separately or in the aggregate, are beneficial owners of 5% or more of a registered voting equity security, and who have reported these positions on Schedule 13G, must update these filings annually within 45 days of the end of the calendar year, unless there is no change to any of the information reported in the previous filing (other than the holder's percentage ownership due solely to a change in the number of outstanding shares). An Investment Adviser reporting on Schedule 13D is required to amend its filings "promptly" upon the occurrence of any "material changes."

Section 16 Filings

In addition, an Investment Adviser whose client or proprietary accounts are beneficial owners of 10% or more of a registered voting equity security must determine whether it is subject to any reporting obligations, or potential "short-swing" profit liability or other restrictions, under Section 16 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Individuals or entities that beneficially own ten percent of any class of equity securities registered under Section 12 of the Exchange Act, and officers or directors of the issuers of these securities, may be required to file Forms 3, 4, and 5 regarding their ownership of and transactions in these securities.

FBAR Reporting

Deadline for receipt by Treasury Department of FBAR *FinCEN Report 114* for 2014 calendar year: June 30, 2015

A U.S. person is required to file a Report of Foreign Bank and Financial Accounts ("FBAR") if he has a financial interest in or signature authority over a foreign bank, securities or other financial account (e.g., a prime brokerage account) in another country if the aggregate value of the foreign financial accounts exceeds $10,000 at any time during the calendar year. Failure to file this form when required can result in significant penalties. Financial accounts that may be subject to FBAR reporting include accounts of a mutual fund or similar pooled fund that issues shares available to the general public and that has a regular net asset value determination and regular redemptions. Private offshore funds, such as hedge funds and private equity funds, are *not* deemed to be foreign financial accounts, and therefore investment advisers are not required to file an FBAR with respect to these funds. However, if these private funds have either a foreign bank account, foreign prime brokerage account, or other foreign financial account, and the adviser has signature authority over those accounts, then the adviser may have to file an FBAR with respect to those accounts.

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[6] Large liquidity fund advisers are advisers with at least $1 billion in combined AUM attributable to liquidity funds and registered money market funds.

[7] This group includes smaller private fund advisers and large private equity fund advisers, which are advisers with at least $2 billion in AUM attributable to private equity funds. All advisers with at least $150 million in AUM that are not considered large hedge fund advisers, large liquidity fund advisers, or large private equity fund advisers are considered smaller private fund advisers.

FBAR *FinCEN Report 114* supersedes the previous years' form TD F 90-22.1 and is filed only electronically via FinCEN's *BSA E-Filing system*. For additional information on filing FBAR, see the Treasury Department's *FBAR E-filing FAQs*. Current FBAR Guidance and other FBAR information are available in the *IRS website*.

Treasury International Capital System ("TIC") Forms:

- *TIC Form SLT*—Aggregate Holdings of Long-Term Securities by U.S. and Foreign Residents. Form SLT is required to be submitted by entities with consolidated reportable holdings and issuances with a fair market value of at least $1 billion as of the last day of any month. Form SLT must be filed no later than the 23rd calendar day of the month following the report as-of date. Form SLT applies to all U.S.-resident custodians (including U.S.-resident banks), U.S.-resident issuers (such as a U.S. fund) and U.S.-resident end-investors (such as a U.S. investment adviser, whether or not registered).
- *TIC Form SHC*—Report of U.S. Ownership of Foreign Securities**.** Form SHC is a mandatory survey of the ownership of foreign securities, including selected money market instruments, by U.S. residents as of December 31 of each year and is conducted every 5 years. The form was last required to be submitted by fund managers and other entities required to do so no later than March 2, 2012. Form SHC is mandatory for all U.S.-resident custodians and end-investors that (1) have holdings in foreign securities that meet the reporting thresholds or (2) are notified by the Federal Reserve Bank of New York ("FRBNY"), as fiscal agent for the U.S. Treasury Department, that they are required to submit the Form SHC. For purposes of this form, "U.S. resident" is defined as any individual, corporation or other entity incorporated or legally established in the United States, including branches, subsidiaries and affiliates of foreign entities located in the United States.

  U.S.-resident custodians must report both foreign portfolio securities held in safekeeping for other U.S. residents and invested for their own portfolios. U.S.-resident end-investors must report all foreign securities invested for their own portfolios or for the portfolios of U.S.-resident clients. End-investors are entities such as (but not limited to): financial and non-financial organizations; managers of private and public pension funds; managers/sponsors of mutual funds, hedge funds, private equity companies, and other pooled funds and private investment vehicles; insurance companies; foundations; universities; trusts and estates; and funds and similar entities that own shares or units of, or other portfolio equity interests in, a foreign related or non-related entity.

- *TIC Form SHCA*—Annual Report of U.S. Ownership of Foreign Securities. Form SHCA is the annual report that must be filed only by entities that were notified by the FRBNY. Those required to report on Form SHCA are determined based upon the data submitted during the previous Benchmark survey and TIC SLT report as of December of the preceding year. Form SHCA must be filed with the FRBNY no later than the first Friday of March.

- *TIC B Forms* – Private funds and investment advisers may be required to file TIC B Forms as a result of recent amendments made by the U.S. Department of Treasury. B Forms require a fund manager or investment adviser to report certain information concerning "claims" and "liabilities" of the reporting institution to or from foreign residents. Filing obligations may arise for private funds that provide credit to foreign entities, invest directly in foreign debt instruments, directly hold foreign short-term securities, or have a foreign credit facility. There are a number of different Form B reports and generally advisers or managers with total claims or liabilities under $50 million in all geographical regions, or $25 million in an individual country, are exempt from filing. The Federal Reserve Bank of New York requires investment advisers who have reportable claims or liabilities to report this

information on certain monthly and quarterly reports. Reportable claims and liabilities to be reported monthly (Forms BC, BL-1 and BL-2) are due no later than the 15th calendar day following the last day of the month. Reportable claims and liabilities to be reported quarterly (Forms BQ-1, BQ-2 and BQ-3) are due no later than the 20th calendar day following a quarter end. Detailed filing requirements and descriptions of each B Form can be found ***here***.

Blue Sky Filings/Form D

Many state securities "blue sky" filings expire on a periodic basis and must be renewed. Accordingly, now may be a good time for an Investment Adviser to review the blue-sky filings for its fund(s) to determine whether any updated filings or additional filings are necessary.

All Form D filings for continuous offerings need to be amended with the SEC on an annual basis.

With the adoption of the new Rule 506(c), the Form D has been revised. The current check box for Rule 506 under Item 6 has been changed to Rule 506(b) and a new check box for Rule 506(c) has been added.

Annual State Corporate/LLC/LP Filings and Taxes

Investment advisors and private funds are required to make annual filings and tax payments in the state of formation, as well as states in which the entities are qualified to do business. There may be corporate filing and/or tax requirements in foreign jurisdictions where the fund is formed or qualified.

If you have any questions regarding the summary above or would like us to assist you in meeting any of these requirements, please feel free to contact us.

Jay B. Gould (Bio)

André W. Brewster (Bio)

Ildiko Duckor (Bio)

Michael Wu (Bio)

Jessica Brown (Bio)