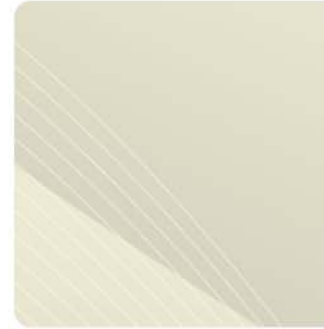


SEI New ways.
New answers.®



SEI Investment Manager Services

Hedge Funds – The Regulatory Wagons are Circling While Investors are Taking Action in the Interim



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Today's Moderator



Phil Masterson

**Managing Director, Knowledge Partnership, Investment Manager Services Division
President of Advisors' Inner Circle Funds (SEI's series trust)**

Phil serves as Managing Director in SEI's Investment Manager Services division and is responsible for leading the division's thought leadership program, the SEI Knowledge Partnership, which serves as an ongoing source of business intelligence for the division's clients. Phil also leads the division's outsourced distribution services, which includes strategic insights, business planning and leveraged platform representation. He ensures that the distribution solution integrates with the division's Total Operations Outsourcing (TOO) strategy, which delivers a complete outsourced offering for investment managers across all aspects of their business.

Phil has extensive experience in the financial services industry. Phil joined SEI from Citco Mutual Fund Services, Inc. where he served as general counsel. Prior to Citco, he served as Vice President and Senior Counsel at OppenheimerFunds, Inc.

Phil received his J.D. from Creighton University School of Law, cum laude. He received his Masters in Securities and Financial Regulation from Georgetown University with distinction. He has published articles in the *International Investor*, the *Review of Securities and Commodities Regulation*, *The Investment Lawyer* and the *Morgan Lewis Hedge Fund Desktop Book*.

What is the SEI Knowledge Partnership?

The SEI Knowledge Partnership is an ongoing source of actionable business intelligence and advice for SEI's investment management clients.

It engages clients and industry experts in analyzing the trends and issues that will reshape business conditions in the years to come.

The Partnership is designed to help SEI clients:

- identify the issues they need to be addressing actively.
- keep abreast of changing best practices
- develop more competitive business strategies

Its agenda currently centers on issues concerning:

- legal and regulatory change
- business operations
- sales, distribution and client service
- business strategy

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Welcome

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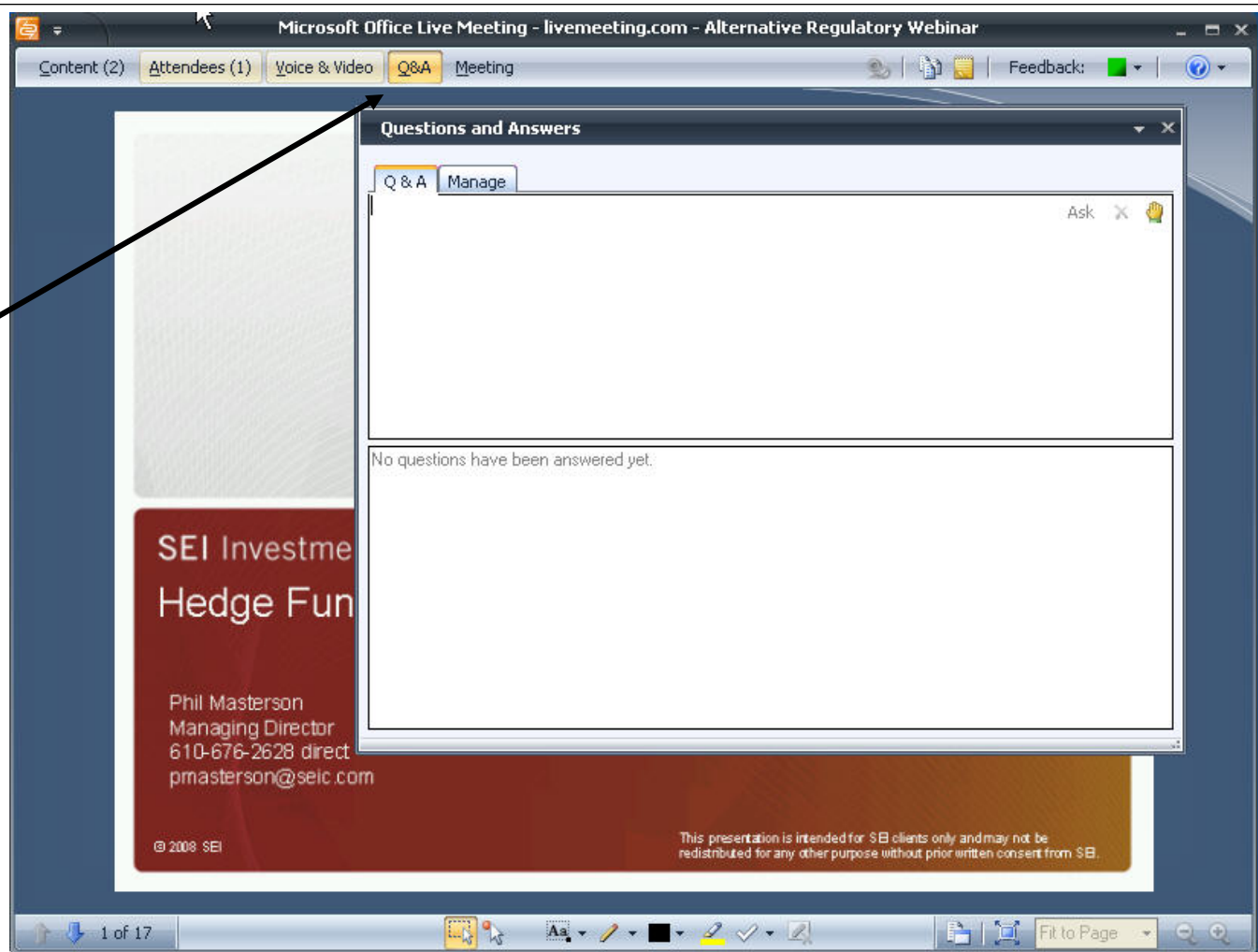
- All phones will be on mute.

- If you have trouble hearing or viewing the presentation, press *0 and an operator will assist you.

- Copies of the presentation will be available in the upcoming weeks. Please watch for our e-mail.

How To Ask A Question

To ask a question, please send your question to the host via the “Q & A” tab at the top of the screen.



Today's Presenters



Timothy W. Levin

Partner

Morgan Lewis's Investment Management and Securities Industry Practice

Mr. Levin's practice focuses on investment company matters, private fund organization and management, as well as investment adviser regulation. Mr. Levin represents many types of registered investment companies, such as mutual funds, closed-end funds and registered funds of hedge funds, and managers of registered investment companies in connection with organization, registration and ongoing regulatory compliance. He also represents unregistered pooled investment vehicles, including managers and sponsors of private funds, and companies seeking exemption from investment company status.

Mr. Levin is listed in *Chambers USA: America's Leading Lawyers for Business* and is recognized by *Chambers* as a young partner who is "rising to the top" when it comes to providing client service.

Prior to joining Morgan Lewis, Mr. Levin served as a law clerk for Judge Stephen J. McEwen, Jr., of the Superior Court of Pennsylvania, from September 1995 to July 1996. Mr. Levin is admitted to practice in Pennsylvania and New Jersey.

Education:

Villanova University School of Law, 1995, J.D.

University of Pennsylvania, 1992, B.A.

Today's Presenters



Anthony S. Evangelista, Partner, PricewaterhouseCoopers LLP

Tony Evangelista is a financial services partner in the Philadelphia office of PricewaterhouseCoopers. During his twenty years with the Firm he has served in numerous capacities and in various cities, including, most recently, the Firm's London office where he led the Investment Management Risk Assurance Services practice, prior to that, New York, where he led the Firm's Investment Management Regulatory Compliance practice, and prior to that, the Boston office, where he provided audit and controls consulting services to registered investment companies, advisers and industry service providers.

In addition to PricewaterhouseCoopers, Tony spent two and a half years in the Washington, D.C. office of the Securities and Exchange Commission in the Division of Investment Management's Office of the Chief Accountant. During that time he participated in the development and review of investment company and investment adviser rules and regulations; served in a consultancy capacity for the SEC's Enforcement and Inspections staff and participated in the development and deployment of the SEC's national examiner training program. During his tenure at the SEC, and subsequently with PwC, Tony assisted foreign governments with the development of their investment management regulatory framework primarily through the United States Agency for International Development (USAID) and other volunteer organizations. He has met with numerous foreign regulators including those in the US, Europe, China and Japan to discuss topical industry matters and control issues impacting regulators and their registrants.

Tony received a B.S. in Accounting from St. Francis University and holds an MBA in international finance. He holds a CPA designation in New York, Massachusetts and Pennsylvania and is a member of the American Institute of CPAs. He is the Firm's representative on the Investment Company Institute (ICI) Independent Accountants' Advisory Group; is a past member of the Firm's Investment Management U.S. Operating Committee and is a past member of the Massachusetts Society of CPA's Investment Companies Committee and the National Investment Company Service Association (NICSAs) Compliance Committee.

Today's Presenters



Jim Cass, Vice President & Managing Director Investment Manager Services Division

Jim Cass is the Managing Director for fund of hedge funds services as well as private equity services for SEI's Investment Manager Services division. In his previous role, Jim was Managing Director of the Alternative Investments Relationship Management Team. Before joining the Investment Manager Services division in 2002, Jim worked in the Mutual Fund Product Solutions team where he was responsible for the services provided in SEI's unitized funds offering. Prior to that, he created the Investment Operations Department and was the Senior Director for the group from 1997 to 1999. Before to that position, Jim was a Director of Portfolio Accounting. Jim began his career with SEI in 1990 as a Portfolio Analyst. Jim graduated with a B.S. in Finance from Philadelphia University. He holds a Series 6 and Series 7 license with the NASD.

Jim has moderated industry panels and has spoken at conferences. He frequently provides commentary on the following topics:

Trends in outsourcing:

- How institutional investors are impacting alternative investment managers
- How private equity funds can improve their due diligence over their service providers
- Trends in the fund of hedge fund industry
- Challenges facing administrators and service providers
- SEI's technology and servicing innovations



Agenda

Anticipated scope of US regulatory approach

- Overview of pending US legislation
- Possible self-regulatory body for US registered advisors

Anticipated scope of pan-European regulatory approach

Practical impacts of investor demand for transparency

- Discussion of the evolving trend toward the use of managed accounts in the FoHF space
- Use of captive funds by institutional investors



Hedge Fund Transparency Act (HFTA) – Proposed

- Basic requirements
 - Hedge Funds with \$50 million or more in assets required to register with SEC
 - Funds would have to file an information form, maintain required books and records and cooperate with requests for information and examinations
- Scope
 - Proposed legislation would also apply to private equity, venture capital, real estate and other structured vehicles such as CDO's and CLO's
- Information statement would have to be filed electronically and contain
 - Name and address of primary accountant and broker
 - Structure of ownership interests
 - Statement of minimum investment commitment requirements
 - Number of limited partners, members, or other investors
 - Current value of the investment of the investment company



Hedge Fund Transparency Act (HFTA) – Proposed (Continued)



Possible New Regulators: US Treasury

- Hedge Fund Transparency Act (HFTA) would require Large Private Funds (LPFs) to establish anti-money laundering program
 - Program would require appointment of Anti-Money Laundering Officer, development of due diligence policies, procedures and controls along with a customer identification program
 - Large Private Funds (LPFs) would be required to monitor for and report suspicious activity to the Treasury Department’s Financial Crimes Enforcement Network (FINCEN)
 - Large Private Funds (LPFs) would be subject to the “120 Hour Rule” which would require response to investor requests for information to be within 120 hours





Hedge Fund Transparency Act (HFTA) – Proposed (Continued)

- Hedge Fund Advisor Registration Act of 2009
- Outstanding questions
 - Will feeder fund assets need to be aggregated to determine \$50 million threshold?
 - Is AUM test based on net or gross assets?
 - When is AUM test applied and what is the valuation methodology?
 - Will act apply to non-US advisors with assets of US clients?
 - Practical considerations
 - Will SEC registrations trigger any notice requirements under side letters, prime brokerage arrangements or redemption rights for investors?





Possible New Regulators

Financial Industry Regulatory Authority (FINRA)

- Self-regulatory authority (SRO) regulating securities industry
- Proposal to extend authority to investment advisory profession – currently regulates broker-dealers
- New SEC chair – Mary Shapiro – supports SRO for investment advisors
 - Convergence of broker-dealers and investment advisors is justification for additional layer of regulation
- US Treasury originally proposed SRO for advisors in 2008 as a “blueprint” for comprehensive reform of financial services industry
- SRO presumably would have examination authority and disciplinary authority in addition to books and records requirements
- Opposition contends an SRO for advisors would add an unnecessary and costly layer of bureaucracy





International Front, Investor Actions, Tax Issues

International Front

- European finance ministers agree on the direct regulation of hedge funds
- G20 Summit in April could lead to a clearer international direction regarding the regulation of hedge funds
- Local EU regulators would regulate the hedge funds domiciled in their respective jurisdictions

Investor Actions

- Fund of Hedge Funds (FOHF)
 - Use of managed accounts vs. pooled vehicles
- Institutional investors
 - Captive Funds

Tax Issues

- Carried interest
- Levin legislation

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SEI Investment Manager Services

Thank you

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