

Dodd-Frank Compliance for Hedge Funds & Private Equity Funds

Global Relay Solutions for SEC Recordkeeping & Supervision Requirements

The Dodd-Frank Act

On July 21, 2010, President Obama signed the Dodd-Frank Wall Street Reform and Consumer Protection Act into law, bringing sweeping changes to the way the American financial industry is regulated. Specifically, the Act eliminates the exemption of “private advisers” from SEC registration found in the Investment Advisers Act of 1940.

As firms transition into Investment Adviser status, they become subject to SEC requirements for recordkeeping and monitoring of electronic communications. Non-compliance with these regulations may result in regulatory disciplinary action, costly penalties and a loss of goodwill.

Which firms must register, and when?

The Dodd Frank Act requires Advisers with over \$25m in AUM to register with either their state or the SEC.

- Advisers with between \$25m and \$100m in AUM must register with their state.
- Advisers with over \$100m in AUM must register with the SEC, unless they are advising only private funds — in which case, they must register if they have more than \$150m AUM.
- Non-US Advisers may have certain limited exemptions from registering with the SEC and should review the rules carefully to determine their status.

The Dodd-Frank Act requires registration with a state or with the SEC by **March 30, 2012**.

New requirements for Hedge Funds & Private Equity Funds

There are two categories of SEC requirements for Investment Advisers' electronic messaging:

1) **Recordkeeping** — retention and preservation of electronic messages. Requirements found in SEC Rule 204-2 include:

- maintaining and preserving records of the firm relating to its business
- storing the records for 5 years, with the first two years in an appropriate office of the adviser
- indexing the records for easy search, access and retrieval
- maintaining duplicate copies on indelible storage media to safeguard against loss, alteration or destruction

2) **Supervision** — monitoring incoming and outgoing electronic communications. Requirements found in SEC Rule 206(4)-7 and corresponding SEC Release No. IA-2204 include:

- establishing supervisory policies and procedures for all business-related communications with clients
- implementing internal compliance controls designed to detect and prevent regulatory violations
- designating a Chief Compliance Officer responsible for administering the supervisory systems
- reviewing annually that the firm has written supervisory policies and procedures
- implementing an annual review and the ability to store review results (cross-referenced with rule 202-4)

The Solution — Global Relay's software-as-a-service solutions are engineered to provide Hedge Funds and Private Equity Funds with a turn-key, unified supervisory message archiving and control system with advanced monitoring, filtering, audit, and eDiscovery features. Our powerful search technology retrieves, filters, reviews and monitors all archived messaging types — including email, attachments, IM, BlackBerry BES (SMS, PIN-to-PIN, BBM, call logs), Bloomberg, Thomson Reuters, social media and more.

For more information, see Global Relay's complete Investment Adviser Compliance Solutions booklet available at: <http://www.globalrelay.com/files/RIA-Compliance-Email-Archiving.pdf>

Why Choose Global Relay?

Leverage Global Relay's expertise. Global Relay has a full Professional Services team with in-house legal counsel to advise Hedge Funds and Private Equity Funds as they transition to RIA status. Our Audit and eDiscovery Team has assisted hundreds of firms with regulatory audits and eDiscovery requests.

Trust Global Relay's track record. More than 90% of Global Relay's 14,000 customers are Financial Companies (Hedge Funds, Broker Dealers, Investment Advisers, Banks, etc). No vendor has more experience or knowledge when it comes to helping firms meet regulatory requirements. A comprehensive KPMG Report on Global Relay Business, Operational & Security Controls details Global Relay's stringent internal controls, providing customers with the highest level of transparency and insight into the operations of the company.

Rely on Global Relay's Customer Service. Global Relay has offices in New York, London, Singapore and Vancouver. Our highly trained support staff provides 24x7 live phone support and is always ready to provide assistance.

To find out more about how Global Relay's solutions can work for your firm, contact one of our message archiving specialists today.

About Global Relay

Founded in 1999, Global Relay is the expert in Compliance Messaging Solutions, including Compliance Archiving, eDiscovery, Mobile Messaging and Collaboration. Global Relay's 14,000 customers include small to large broker-dealers, hedge funds, investment advisers and public companies, as well as 22 of the world's top 25 banks.

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