

MEMORANDUM

To: File No. S7-05-11 (Form PF)

From: Jennifer B. McHugh
Senior Advisor to the Chairman

Date: October 20, 2011

Re: Telephone Conversation with Representatives from BlackRock

On October 18, 2011, Chairman Mary L. Schapiro and Jennifer McHugh participated in a telephone conversation with Larry Fink and Barbara Novick of BlackRock. During the telephone conversation, the BlackRock representatives discussed Form PF regarding the collection of private fund systemic risk data, which was jointly proposed by the SEC and CFTC, and Form CPO-PQR, which was proposed by the CFTC and applies to CFTC registrants.

Following the conversation, BlackRock submitted the attached side-by-side comparison.

Side-By-Side Comparison of Form PF and Form PQR/PR

Level (Agg/Fund)	SEC Form PF Section/Question #	CFTC Form PQR Schedule/Question #	CFTC Form PR Schedule/Question #	Topic	Description of Inconsistency
Agg	N/A	N/A	N/A	Definition of Adviser/CPO Size	SEC utilizes one \$500m threshold to differentiate between large and small private fund advisers; CFTC uses three thresholds: < \$150m (Small CPO) > \$150m (Mid-Sized CPO) >\$500m (Large CPO); significance drives the level of required reporting in each; this is inconsistently applied in PF and PQR
Agg/Fund	N/A	N/A	N/A	Registered Funds	CFTC rules would currently scope in certain registered funds simply because they are advised by a registered CPO; SEC rules focus solely on non-registered private funds
Fund/Agg	1a - #2 (page 2)	Page 122	Page 141	Oath	SEC requires that the Form be certified, under penalty of perjury, that all information and statements in the Form are true and correct. CFTC requires that the answers and information provided are complete and accurate, and not misleading in any material respect, to the best of the signatory's knowledge and belief.
Fund/Agg	1a - #5 (page 4)	N/A	N/A	Assumptions	SEC provides opportunity for filers to document assumptions that were made in responding to questions where instructions or definitions may be unclear or where guidance is not offered; CFTC does not provide the same opportunity to document assumptions made.
Agg/Fund	1b and 1c and 2a, 2b and 2c	Schedule B and Schedule C	N/A	Fund of Funds	SEC provides a limited reporting requirement for private funds that are "Fund of Funds" (instructed to complete Schedules 1a and 1b only), under the premise that underlying investee funds are already separately reporting in an effort to avoid duplication of reporting and overstatement of assets in the system; CFTC forms do not offer a similar limited reporting regime for fund of funds.
Agg	1a - #3 and #4 (page 3)	Schedule A - #2 (page 74)	Schedule A - #2 (page 127)	Assets Under Management	CFTC defines a CPO's AUM as "all assets under control of CPO" but does not define Net AUM; For reporting a RIA's AUM, the SEC's instructions require a calculation in accordance with Part IA, Instruction 5.b of Form ADV, where "Regulatory AUM" is defined. Form PF further defines Net AUM as Regulatory AUM less liabilities; it is not clear whether these values are synonymous
Fund	1b - #14 (page 7)	Schedule A - #11 (page 80)	Schedule B - #5 (page 131)	Performance	<ol style="list-style-type: none"> 1. SEC requires reporting of gross and net performance as well as percentage change in NAV; CFTC requires only net performance 2. SEC requires 12 months of performance data; CFTC requires 7 years of 12 month performance; the SEC does not provide such guidance 3. SEC requires performance on fiscal year basis; CFTC on a calendar year basis 4. SEC requires quarterly returns; CFTC does not 5. SEC mandates use of an inception date class/series performance; CFTC is silent on whether calculation is done at pool or class/series level 6. CFTC includes "NT" value to be populated for months where pool/program does not trade

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Fund	1c - #17 (page 9)	Schedule B - #1 (page 92)	N/A	Investment Strategies	The CFTC form does not provide a list of strategies, it appears to be a fill in the blank exercise; however, the SEC form requires the filing entity to select solely from a pre-populated list. It is not clear whether or not the list of strategies in the CFTC form will match those in the SEC form.
Fund	1c - #19 (page 10)	Schedule B - #3 (page 94)	N/A	Trading Counterparty Credit Exposure	<ol style="list-style-type: none"> 1. CFTC requests total credit exposure for pool; SEC does not 2. CFTC requires a filing entity to list out its counterparties; SEC has a pre-populated drop down list of counterparties 3. CFTC asks for information on credit exposure to other unregulated entities; SEC does not 4. CFTC requests info about affiliated counterparties; SEC does not
Fund	1c - #21 (page 11)	Schedule B - #4 (page 96)	N/A	Trading and Clearing of Derivatives	<ol style="list-style-type: none"> 1. CFTC requires disclosure of ABS derivatives; SEC does not 2. SEC requires disclosure of ABS securities; CFTC does not
Agg/Fund	2a - #23 and 2b - #27 (pages 14 and 19)	Schedule A - #12 and Schedule C - #3 and #9 (pages 81, 101 and 118)	Schedule B - #6 (page 132)	Portfolio Exposure	<ol style="list-style-type: none"> 1. SEC requires 3 months of information; CFTC requires end of period 2. Sub-categorization and ordering requested by SEC and CFTC are vastly different (e.g. equities, alternative investments, ABS, derivatives, funds) (see separate "Portfolio Comparison" worksheet) 3. Duration and value of portfolio are included in same section for PF and in separate sections in POR (Schedules B and C) 4. SEC requires value of derivatives based on gross notional value and value of options based on delta adjusted notional value; CFTC requires open trade equity and option value
Fund	2b - #31 (page 23)	Schedule A - #12 (page 89)	Schedule B - #6 (page 140)	Concentrated Investments	<ol style="list-style-type: none"> 1. SEC requires reporting only of a percentage of fund's NAV and sub-asset class; CFTC also requires the cost, fair value, YTD gain/loss and description or each investment 2. SEC requires 3 months of reporting; CFTC requires end-of period 3. CFTC requires separate reporting by category of investment
Fund	2b - #40 (page 32)	Schedule A - #13 and Schedule C - #8 (pages 90 and 117)	N/A	Investor Liquidity Restrictions	<ol style="list-style-type: none"> 1. SEC requests information about gates and suspensions only for large hedge funds; CFTC requires similar information for all pools 2. CFTC also requests specific dates of gates/suspensions, disclosures provided to clients and reasons for such restrictions; SEC does not 3. SEC requires information about % of net assets currently subject to gates/suspensions; CFTC requires information about % net assets currently subject to daily margin requirement 4. CFTC requires information about the percentage and weighted average of participants below the pool's high watermark; SEC does not.
Fund	N/A	Schedule A - #10 (page 79)	Schedule A - #4 (page 130)	Statement of Changes in AUM	CFTC requires a statement of changes in capital for each pool; SEC does not

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Fund	N/A	Schedule A - #13 (pages 89 and 90)	N/A	Subscriptions and Redemptions	CFTC requires subscriptions and redemptions to be reported for each pool; SEC does not

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