



Annual Investment Industry Seminar

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GIPS Standards Update

Thomas A. Peters
Director, Audit & Accounting and
Investment Industry Group Leader

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Agenda

1. New Guidance
 1. GS for Firms Managing Only BDPFs
 2. OCIO GS
 3. Q&A – Port Weighted Cust Bench
2. GIPS Helpdesk - Select Questions
 1. Portability (October)
 2. Actual and Model Fees? (September)
3. What's Next?



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New Guidance

- Guidance Statement (GS) for firms only managing BDPFs
- OCIO Guidance Statement
- Q&A – Portfolio Weighted Custom Benchmark



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GS for Firms Managing ONLY BDPFs

- Broad Distribution Pooled funds (BDPFs) – A pooled fund that is regulated under a framework that would permit the general public to purchase or hold the pooled fund’s shares and is not exclusively offered in one-on-one presentations.
 - Think mutual funds for the US market
- Limited Distribution Pooled Funds (LDPFs) are defined by what they are not. “Any pooled fund that is not a broad distribution pooled fund.”
 - Think private funds, such as limited partnerships (which is often the structure for HFs and PE funds)



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GS for Firms Managing ONLY BDPFs

- Types of reports
 - GIPS composite reports
 - GIPS pooled fund reports (can be for LDPFs or BDPFs)
- Firms **MUST** distribute a GIPS composite report to prospective clients.
- Firms **MUST** distribute a GIPS pooled fund report to LDPF prospective investors.
- Firms **MAY** distribute GIPS pooled fund reports to BDPF prospective investors. Not technically required as these prospective investors generally have plenty of access to fund info through required regulatory disclosures (think of SEC disclosures / prospectuses for MFs).
- GIPS Advertisements are optional for firms.



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GS for Firms Managing ONLY BDPFs

- This GS only applied to firms managing ONLY BDPFs that choose NOT to prepare GIPS reports or GIPS advertisements. Otherwise, follow regular GIPS.
- Why would a firm that manages only BDPFs care about GIPS compliance?
 - To be on equal footing with other firms when responding to RFPs.
 - Reporting to consultant databases. Wanna check the GIPS box!



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GS for Firms Managing ONLY BDPFs

- What does the GS do???
- It addresses the provisions of the GIPS Standards that apply, and those that don't.
- Obviously, many of the requirements around creating and distributing GIPS reports would not apply. This also impacts P&P.
- But many other requirements, such as those relating to return calculations, would apply.

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GS for Firms Managing ONLY BDPFs

- Verification???
- Yes, its possible. Scope is different (limited)



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OCIO GS - Definitions

- GS applies to Outsourced Chief Investment Officer (OCIO) portfolios.
- OCIO portfolio is defined as a pool of assets of an asset owner for which the firm provides BOTH strategic investment advice and investment management services.
- An OCIO portfolio is managed by a firm according to the asset owner's investment mandate, which is typically composed of multiple asset classes.
- The OCIO portfolio usually consists of underlying portfolios, each representing one of the strategies used to achieve the OCIO portfolio's investment mandate.



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OCIO GS - Definitions

- An OCIO acts as a fiduciary.
- OCIOs help develop the strategic asset allocation and investment policy statement for the OCIO portfolio.
- The client, or oversight body, typically approves the strategic asset allocation and investment policy statement.
- Once approved, the OCIO is then responsible for implementing the investment mandate.



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OCIO GS – When does it NOT apply?

- Portfolios for which the firm does NOT provide BOTH strategic investment advice and investment management services. In these cases – the firm would follow regular GIPS.
- Portfolios that do not include all asset classes of an OCIO portfolio's investment mandate. If a firm only manages a portion of an OCIO portfolio, follow regular GIPS (GIPS Standards for Firms).
- Retail client portfolios are excluded as such portfolios are managed differently than OCIO portfolios for asset owners.
 - Asset owners typically have much longer time horizons than retail clients.
 - OCIO portfolios typically have more complex illiquid investments.
 - And OCIO portfolios are typically much larger than retail portfolios.



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OCIO GS – When does it NOT apply?

- Does not apply for Fiduciary Management Providers (FMPs) in the UK.
- Defined under “The Investment Consultancy and Fiduciary Management Market Investigation Order 2019.”
- When presenting to Pension Scheme Trustee clients in the UK.
- There is a separate GIPS chapter for FMPs.
- If there are other non-FMP related OCIO portfolio accounts, these would fall under the OCIO standards.



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OCIO GS – Apply Example

- Endowment client
- Two separate pools of assets – one short-term and one long-term.
- Each pool has its own investment mandate.
- Firm is hired to provide both strategic investment advice and manage the short-term pool. Not hired to work on long term pool.

- Does the OCIO GS Apply?

- YES – because the firm is providing both strategic investment advice and investment management services to the short-term pool.



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OCIO GS – Apply Example

- Firm offers four multi-asset allocation models for E&F clients.
- Firm works with each client to determine which model is the right fit.
- Firm provides both strategic investment advice and investment management services.

- Does the OCIO GS Apply?

- YES – because the firm is providing both strategic investment advice and investment management services. Provides strategic investment advice by recommending which multi-asset allocation model is appropriate.



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OCIO GS – Does NOT Apply Example

- Firm hired to manage the equity portfolio of a foundation's OCIO portfolio.
- Does the OCIO GS Apply?
- NO – because the firm does not provide strategic investment advice, nor does the firm manage the ENTIRE OCIO portfolio.



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OCIO GS – Does NOT Apply Example

- Firm has institutional clients for which it manages multi-asset-class portfolios.
- Includes implementing the client-provided strategic asset allocation.
- Includes selecting managers.
- Firm is not responsible for oversight of the client's strategic asset allocation or recommending changes to the clients IPS.

- Does the OCIO GS apply?

- NO – only providing investment management services and not strategic investment advice.



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OCIO GS – Why Needed?

- The industry has 3 main groups:
 - Clients (asset owners)
 - Consultants (who help clients find OCIOs)
 - And OCIOs
- Consultants complain that reports, even GIPS compliant reports, are not comparable. They often request OCIOs run ad hoc reports to get an apples-to-apples comparison for their searches.
- OCIOs also complain about having GIPS reports that aren't enough and they need to run a bunch of ad hoc reports.



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OCIO GS – Why Needed?

- Comparability, consistency, transparency for...
- Inputs, fees treatment, return calcs, and disclosures.
- Firms were not in sync and there were other reporting problems, such as:
 - Rep accts
 - Single account composites
 - Asset class performance
 - Composites that were overly broad.



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OCIO GS – Why Needed?

- Existing GIPS for Firms Standards – not a good fit for many reasons, including:
 - Composite structure
 - Legacy assets
 - Fee treatment
 - Disclosures

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OCIO GS – Required Composite Structure

- To provide comparability, have required OCIO composites.
- OCIO working group thought this was one of the most important things GIPS could require to improve comparability.



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OCIO GS – Required Composite Structure

- Total Return Objective Composites – consists of OCIO portfolios managed with a primary focus on capital appreciation with no liability matching. Examples include endowments and foundations.
 - Composites based on amounts of growth vs risk-mitigating assets
 - Total Return Aggressive to
 - Total Return Conservative



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OCIO GS – Required Composite Structure

- Liability-Focused Composites – consist of OCIO portfolios managed with an objective to meet a liability stream, which may be contractually prescribed. Examples include corporate pension funds and insurance portfolios.
 - Composites based on amounts of liability-hedging assets vs growth assets.
 - Liability-Focused Aggressive to
 - Liability-Focused Conservative



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OCIO GS – Required Composite Structure

Recommended (not required) classifications can be summarized as follows:

Liability-hedging (LF Composites) / Risk-mitigating (Total Ret Composites)

- Investment Grade FI
- Cash

Either category:

- Hedge funds (need to determine how used)

Growth:

- Everything Else



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OCIO GS – Required Composite Structure

- All OCIO portfolios must be included in a required OCIO composite.
- OCIO portfolios assigned to required OCIO composites based on strategic asset allocation and not based on tactical asset allocation.
- OCIO portfolios that include a glide path will change strategic asset allocations over time, which will typically result in changes to composite assignment.
- When an OCIO portfolio changes required composites, the historical performance will remain with the old composite and the performance after the change in strategic asset allocation will be included in the new OCIO composite.
- Firms can have other OCIO composites they may want in ADDITION to the required composites.



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OCIO GS – Key Points

- Returns need to be presented gross and net.
- Use of proprietary products (where the OCIO gets paid) need to be disclosed.
- This was done so that firms that used all external managers could be properly compared to a firm that used all proprietary products (as well as firms in btw).



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OCIO GS – Key Points

- Legacy assets – inherited when an OCIO obtains a client with an existing portfolio.
- OCIO may wish to sell, but items may be illiquid (think PE funds).
- Firms must determine how the existence of legacy assets in portfolios impacts the discretion of the portfolio.
- 3 options:
 - Exclude from composites portfolios with material legacy assets.
 - Include in composites portfolios with material legacy assets.
 - Include only the portion of the portfolio that excludes legacy assets when the rest is consistent with the investment mandate.



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OCIO GS – Key Points

- Benchmarks – required to present the total return for a benchmark that reflects the composite’s investment mandate, objective, or strategy.
- If the firm determines there is no appropriate benchmark, none is required. Not expected to be the case for OCIO portfolios.
- Common OCIO benchmarks:
 - Blended
 - Portfolio-weighted custom benchmark



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OCIO GS – Key Points

- Blended benchmarks – created by combining two or more indexes, such as 60% of an equity index and 40% of a fixed index, rebalanced monthly



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OCIO GS – Key Points

- Portfolio-weighted custom benchmarks (PWCBs) – created using the benchmarks of the individual portfolios in the composite
- PWCBs – often meaningful for OCIO composites
- GIPS Standards require several additional disclosures for PWCBs.
- Please note that a GIPS Q&A was recently issued (June 2024) simplifying disclosures for PWCBs in response to discussions in the OCIO WG. Concern is that disclosure under Benchmark GS would be really long, making it not meaningful. The Q&A provides some relief.



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OCIO GS – When?

- Issued for public comments in fall of 2023
- Received over 30 comment letters
- Goal is to issue the final GS by end of 2024. Fingers crossed!



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OCIO GS – Portfolio-Weighted Custom Benchmark Q&A

- Provision 4.C.34 states that when a portfolio-weighted custom benchmark is used, a firm must disclose the components that constitute the portfolio-weighted custom benchmark, including the weights that each component represents, as of the most recent annual period end.
- Firms must also disclose that the components that constitute the portfolio-weighted custom benchmark, including the weights that each component represents, are available for prior periods upon request.
- Because there are so many different underlying benchmarks in some composites, if each underlying benchmark and its respective weight were presented, the disclosure would be pages long.
- The Q&A said it's ok to instead disclose the weights of the asset classes that comprise the portfolio-weighted custom benchmark.



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OCIO GS – Portfolio-Weighted Custom Benchmark Q&A

- Disclosure about components can be aggregated into larger groupings.
- Components could be defined as:
 - The individual benchmarks within the portfolio-weighted custom benchmark.
 - The regions or asset classes of the individual benchmarks within the portfolio-weighted custom benchmark.
 - Criteria important to the management of portfolios in the composite, such as duration groupings for LDI composites, within the portfolio-weighted custom benchmark.



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OCIO GS – Portfolio-Weighted Custom Benchmark Q&A Sample Disclosure

- The Total Return Objective Moderate Custom Benchmark is calculated using the benchmarks of the portfolios in the composite. The benchmark is rebalanced monthly based on the beginning values of portfolios included in the composite. Portfolio benchmarks are unique to each portfolio but generally consist of multiple benchmarks using public market indexes. As of 31 December 20XX, the custom benchmark includes:
 - Domestic public equity (32.5%)
 - Nondomestic public equity (19.2%)
 - Real estate (5.8%)
 - Bank loans (4.9%)
 - High yield (9.5%)
 - Core fixed income (19.1%)
 - Treasuries (9.0%)
- Information about the individual benchmarks within each asset class is available upon request. Information about benchmark components for prior periods is also available upon request.



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GIPS Help Desk – Select Questions

- Portability question (October)
- Actual and model investment management fees in the same composite? (September)



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GIPS Help Desk – Portability (October)

Question: If Firm B takes over Firm A and the portability requirements in Provision 1.A.32 are met, is Firm B obliged to use the performance record of Firm A? Or can Firm B opt to restart the track record post takeover?



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GIPS Help Desk – Portability (October)

Answer: No. There is no requirement for the firm to port the track record when it meets all of the portability requirements. Firm B could start the track record post takeover and not link the history.

See the GIPS Standards Handbook discussion of Provision 1.A.34.



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GIPS Help Desk – Fees (September)

Question: There are two types of accounts in a composite. For one type of account, it is easy to identify actual investment management fees; for the other type of account, it is much easier to use model investment management fees. In the calculation of composite net-of-fee returns, can a blend of the two investment management fees be used – actual investment management fees for the first type of account, and model investment management fees for the other?



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GIPS Help Desk – Fees (September)

Answer: A firm could use actual investment management fees for some portfolios (e.g., separately managed accounts) and model investment fees for other portfolios (e.g., pooled funds) when calculating composite net returns.

However, we think an easier approach would be to deduct a monthly model investment management fee (typically the highest investment management fee paid by any portfolio in the composite) from the composite monthly gross return.

Please also consider any applicable regulatory requirements.



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What's Next - Verification

- Verification guidance for asset owners. Current guidance focuses on firms.
 - Will be out for public comment.
- Verification guidance for FMPs.
 - Exposure draft issued in October. Comment period through February 18, 2025.



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What's Next – Tools & Resources

- Attribution reporting whitepaper
 - Will be issued for public comment
- Trade error whitepaper
 - Will be issued for public comment
- Survey of asset owners
 - Survey ended September 2024. Stay tuned...



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What's Next – After Tax?

- At the CFA Institute GIPS Conference in San Diego CA this past September, they took a poll.
- The poll results showed a lot of interest in after-tax standards.
- Perhaps this will be added to the agenda for further development.
- Many challenges for this in the US, let alone globally.
- As a heads up, there are already after-tax standards for U.S. firms, but they are based on a prior version of GIPS, not the 2020 GIPS Standards. Issued by the USIPC.

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Contact the Presenter



Thomas A. Peters
Director, Audit & Accounting and
Investment Industry Group Leader
tpeters@kmco.com

Tom has a wide range of experience providing audit, Global Investment Performance Standards (GIPS), operational due diligence, and compliance and consulting services to firms in the investment industry. In addition, he:

- Helps clients maintain GIPS compliance while presenting their performance in the best light possible. We offer a complimentary GIPS initial assessment to help clients understand their current status.
- Assists entrepreneurs with starting investment firms and investment funds
- Performs operational due diligence
- Assists with hiring personnel
- Volunteers for several CFA Institute GIPS Committees and is currently Chair person of the OCIO Working Group and a member of Verifier Subcommittee.

As the Investment Industry Group Leader, Tom works with a variety of investment managers, broker-dealers, investment funds, and institutional investors.

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Trump's Tax Plan

**Richard J. Nelson,
Director, Tax Strategies**

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Agenda

1. How tax laws get passed
2. Budget reconciliation
3. Trump's tax plan
4. Final thoughts



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How Do Federal Tax Laws Get Passed?

- The president proposes tax legislation
- House Ways and Means Committee marks up the President's proposal to draft legislation
- The draft legislation goes to the full House for a vote. If it passes by a simple majority of the representatives, the bill then moves to the Senate
- The Senate Finance Committee reviews the bill
- The Senate Finance Committee sends the marked-up House bill with its explanation to the Senate
- If Senate passes House version of the bill, it goes right to the President. If Senate passes its own version, the Senate's version as well as the House version goes to the Conference Committee



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How Do Federal Tax Laws Get Passed?

- Conference Committee reviews the two versions and returns its version to both the House and the Senate for a vote. If it passes, the bill goes to the President. If fails, that bill is dead
- When the President receives the bill, he can sign it into law or veto it. If the President vetoes the bill it is returned to the House along with a statement of objectionable items. The House then must either attempt to override the veto, which requires two-thirds vote of both the House and the Senate, or make the requested changes



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The Trifecta

- In 2017 during Trump's first term, the Republicans controlled the Presidency, the House, and the Senate
- In 2022 during Biden's term the Democrats controlled the Presidency, the House, and the Senate
- During both of their terms, neither of them could get a tax bill through the normal procedure; they went through budget reconciliation

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Budget Reconciliation

- The 2017 Tax Cuts and Jobs Act was enacted in 2017 through budget reconciliation
- General rule is only provisions directly impacting government spending or taxes can be passed. This is known as the Byrd rule
- One of the criteria used to determine whether a provision violates the Byrd rule is whether a provision increases the federal deficit beyond a certain number of years
- This provision is why there are so many expiring provisions at the end of 2025
- Budget reconciliation is a fast-track process allowing a bill to be passed by a simple majority vote in the Senate

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Budget Reconciliation

Senate procedural advantages:

- Simple majority required rather than the three-fifths majority needed for controversial legislation
- Reconciliation is not subject to filibuster
- Congressional Budget Act limits Senate debate on the bill to 20 hours and limits debate on the subsequent compromise between the two houses to 10 hours
- There is no limit on the number of amendments that can be offered during the Senate's initial consideration of the bill. As a result, once the 20-hour limit has expired, remaining amendments are considered with little or no debate — a process known as a “vote-a-rama”

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Trump's Tax Plan

Make the TCJA individual expirations permanent:

- Standard Deduction
- Personal Exemption
- Child Tax Credit and other dependent credit
- Reinstate the limitations on itemized deductions
- Make permanent the state and local tax deduction
- Non corporate loss limitation

Make the TCJA estate tax changes permanent

Restore the following TCJA business tax provisions:

- 100% bonus depreciation
- Research and Development expensing

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Trump's Tax Plan

Other income tax provisions:

- Reinststitute the DPAD (domestic production activities deduction at 28.5%, effectively reducing the corporate tax rate to 15%)
- Exempting tip income
- Exempting social security income
- Exempting overtime pay
- Eliminating the green energy subsidies

Tariffs:

- Raising tariffs on China to 60%
- Universal tariff of 20% on all U.S. imports



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Trump's Tax Plan

According to the Tax Foundation:

- If all of Trump's changes go through it would result in an \$8 trillion loss in revenue
- Unsure as to the offsets. One of the proposals is to pull back on the energy credits. This would only offset it by \$920 billion
- Tariffs would raise about 3.8 trillion

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Trump's Tax Plan – Final Thoughts

- Unlikely to put all the changes through with concerns about the deficit
- Impact will vary depending upon the combination of policies
- Some of the changes are difficult to enforce and allow gamesmanship. These include the exemption from income for tips and overtime pay
- Depreciation and R&D are good for the economy and long-term growth but come at a cost
- An overall tariff would affect our allies and trade partners
- Tariffs also invite tariff retaliation
- Since Republicans have the trifecta, may move quickly to pass tax law changes through reconciliation. Can they get a 60-vote majority in the Senate?

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Contact the Presenter



Richard J. Nelson
Director, Tax Strategies
rnelson@kmco.com

Rich has extensive experience providing domestic and international tax strategies, planning and services to a variety of middle market companies and entrepreneurial businesses in a number of industries including manufacturing, distribution, real estate, financial, and professional services. He also has significant experience and expertise with high-net-worth individuals, investment companies and pass-through entities and has been involved in federal, state, and local tax audits, settlements, and appeals.

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SEC Marketing Rule Update

Joshua E. Kramer
Director, Audit & Accounting
Investment Industry Group

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Agenda

1. CFA Marketing Rule Survey
2. What is Performance?
3. Investment-Level Returns FAQ
4. Model Fees



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CFA Survey Report

- Issued by the CFA Institute United States Investment Performance Committee (USIPC) in conjunction with the Investment Adviser Association (IAA)
- Purpose was to gain an understanding of common practices among industry participants as it relates to the SEC Marketing rule
- Released August 2024
- 189 participating firms
- Ranged in size from \$1 billion to \$250 billion
 - Large group of survey respondents were large firms (AUM \$50 - \$250 billion)
- Most respondents claimed compliance with the GIPS Standards



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What is Performance?

- Marketing Rule prohibits the presentation of gross performance without the presentation of net performance
- However, Marketing Rule does not provide a definition of performance
- Confusion among industry participants about certain performance metrics and whether they would be considered performance that would need to be presented on a net basis
 - Contribution to return
 - Attribution
 - Yield
- General rule-of-thumb: does the performance metric tell an investor how much they will earn over a period of time? Can it be translated into dollars?
- Need to keep in mind the 7 general prohibitions

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Contribution to Return

Which option best describes how you treat contribution to return (e.g., the sector weight multiplied by the sector return) in marketing materials?	
We treat contribution to return as performance that must be presented on a net basis	48%
We do not treat contribution to return as performance that must be presented on a net basis	45%
Other	7%

- Measures the contribution of certain portfolio constituents to the overall portfolio return (i.e., security, sector, region, duration, etc.)
- 52% of participants indicated they include contribution to return in their marketing materials
- Approximately half of the participants noted that they treat contribution to return as performance



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Attribution

Which option best describes how you classify attribution effects (e.g., allocation effect, spread effect) in marketing materials?	
We classify all attribution effects as performance that must be presented on a net basis	23%
We specifically define and classify various types of attribution effects as being or not being performance that must be presented on a net basis	19%
We do not classify any attribution effects as performance that must be presented on a net basis	53%
Other	5%

- Set of techniques used to identify the sources of excess returns of a portfolio against its benchmark (i.e., allocation and selection effect)
- 47% of participants indicated they include attribution in their marketing materials
- Approximately half of the participants noted that they do not treat attribution as performance while only 23% indicated they did



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Yield

Which option best describes how you treat yield in marketing materials?	
We treat all yields as performance that must be presented on a net basis	26%
It depends on the type of yield—we treat some yields as performance that must be presented on a net basis, but we do not treat other yields as performance that must be presented on a net basis	24%
We do not consider any yield to be performance that must be presented on a net basis	49%
Other	1%

- In general, yield measures the earnings generated and realized on an investment over a particular period (i.e., YTM/coupon, dividend yield)
- Various types of yield and calculation methodologies
- Most respondents indicated that they do not treat yield as performance



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Investment Level Net Returns

- FAQ issued by the SEC on January 11, 2023 clarified that presenting the performance of one investment (i.e., case study) or a group investments from a portfolio would be considered extracted performance
- While the FAQ itself references private funds, it is widely understood and accepted that it relates to all portfolios and vehicles
- Implication – adviser is required to present this performance on a net basis. Additionally, adviser is required to satisfy the other disclosure requirements under subsection D related to extracted performance

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Investment Level Net Returns – Survey Findings

- Time-Weighted Returns
 - More than half of respondents indicated calculations are performed in performance or attributions systems while approximately 40% are using spreadsheets
 - Methodologies
 - Applying model fees
 - Allocating actual fund fees based on the number of days
 - Adjusting GOF return for a weighted portion of the difference between the NOF and GOF performance
- Money-Weighted Returns (a/k/a IRR)
 - Majority of survey respondents (approx. 75%) indicated they do not calculate internal rate of return
 - 2 primary methodologies: ratio and spread

When your firm calculates investment-level net returns on an internal rate of return basis, which option best describes your calculation methodology?	
We use the "spread" method	53%
We use the "ratio" method	12%
Other	35%



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Model Fees

Which option best describes the composite net returns that are included in your marketing materials?

We primarily use net returns that are calculated using model fees	54%
We primarily use net returns that are calculated using actual fees	37%
Other	9%

- SEC Marketing rule permits advisers to calculate net of fee returns using either actual fees or model fees
- Majority of respondents indicated they use model fees
- Larger firms were more likely to use model fees when compared to smaller firms
- While using model fees may put firms at a marketing disadvantage, they are simply easier and more practical to use



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Model Fees

- SEC Marketing rule provides two options for advisers when calculating net returns using a model fee
 - Net returns must be equal to or lower than returns that would have been calculated if actual fees had been deducted (i.e., GIPS)
 - Net returns reflect the deduction of a model fee that is equal to the highest fee charged to the intended audience
- Footnote 590 - If the fee to be charged to the intended audience is anticipated to be higher than the actual fees charged, the adviser must use a model fee that reflects the anticipated fee to be charged in order not to violate the rule's general prohibitions
- Footnote 593 - ... net performance that reflects a model fee that is not available to the intended audience is not permitted under the final rule's second model fee provision



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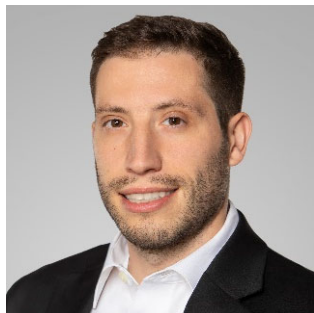
Model Fees

- Discussion Areas
 - Composites with older portfolios with grandfathered fees or larger portfolios (i.e., institutional accounts) that pay lower fees
 - Changes to model fee over time
 - Multiple fee schedules
 - Multiple return streams

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Contact the Presenter



Joshua E. Kramer
Director, Audit & Accounting, Investment Industry Group
jkramer@kmco.com

Josh is a Director in Kreischer Miller's Audit & Accounting group. Josh has a wide variety of experience within the investment industry, including providing traditional audit and attestation services to investment managers, broker-dealers, and closely-held funds. In addition, he performs operational due diligence throughout the United States and Europe to help investors in understanding the operational risk inherent in their investment managers' operations.

Josh also specializes in the performance of firm-wide verifications and composite examinations for investment managers claiming compliance with the Global Investment Performance Standards (GIPS). In addition, Josh has assisted investment firms, seeking to make a claim of compliance with the GIPS Standards, in developing sound policies and procedures consistent with widely accepted practices related to the calculation and presentation of investment performance.



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Key Value Drivers in Investment Firms

**Jen Kreischer,
Director, Audit & Accounting
Investment Industry Group**

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Agenda

1. How is value determined?
2. How does value increase?
3. Factors that influence multiples
4. Example – talent optimization
5. Conclusion



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How is value determined?

- Valuation is an art and a science.
- Discounted cash flow:
 - Uses all revenue and expenses of the business
 - Forecasted out a number of years
 - Discounted back to present value
- Multiple model is a shortcut for DCF:
 - Uses multiple of revenue or earnings (usually EBITDA – earnings before interest taxes, depreciation, and amortization)
 - Simpler exercise, but the real art is picking the multiple
 - Multiples always fall in ranges
 - Revenue multiples tend to come in bigger ranges
 - Earnings multiples tend to be better proxy for DCF



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How does value increase?

- Top performers recognize the levers used to value businesses.
- An increase in value comes mathematically from an increase in the base revenue/earnings.
- Value also comes from positioning a business to command multiples at the high end of the ranges.
 - E.g., assume a business has earnings of \$75,000
 - Multiples range from 4 to 6 times earnings
 - At the low end of the range, the business is worth \$300,000 today
 - Moving the business to the high end could increase value to \$450,000 without even changing the earnings stream
 - Improving earnings to \$100,000 a year could increase value to \$400,000 at low end of range
 - Doing both could increase value to \$600,000



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Higher Multiples

- Underlying principle behind higher multiples – an increase in future value expected to be generated and/or a decrease in the risk of achieving the future earnings.
- Generating **earnings** is the key. More revenue is good and an easier metric to see in public announcements, but earnings are required to pay back an investment.



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Factors That Can Influence Multiples

Factor	Explanation	Low Multiples	High Multiples
Size	A practice with larger assets under management and/or revenue has more predictable revenues and can mitigate risk more than a smaller practice.	Small	Large
Growth	Higher growth commands a higher multiple.	Low	High



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Factors That Can Influence Multiples

Factor	Explanation	Low Multiples	High Multiples
Revenue Source	The nature of the revenue impacts the multiples due to its impact on risk.	Commission-based fees.	Recurring fee-based.
Client composition	<ul style="list-style-type: none"> • Concentration • Tenure • Net new clients (new vs. attrition, usually weighted by AUM) • Service adoption (across range of services at the firm) • Business line diversification (# of services available at the firm) 	<ul style="list-style-type: none"> • Fewer clients • Frequent turnover • Newer • Few services 	<ul style="list-style-type: none"> • More clients • Low turnover • Older • Many services



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Factors That Can Influence Multiples

Factor	Explanation	Low Multiples	High Multiples
Key relationships	Client relationships with firm rather than an individual have lower switching costs, both from a client service perspective and in terms of transferring a legal contract.	Client perceives relationship with an individual.	Client attached to the firm, not just to the individual.
Business costs	A higher cost business delivers less to the bottom line, but this metric assumes high quality employees and tools available.	High cost per client.	Low cost per client.



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Factors That Can Influence Multiples

Factor	Explanation	Low Multiples	High Multiples
Employee demographics	The quality and longevity of employees correlate to the multiple paid.	High turnover and/or under-qualified.	Low turnover; locked in; highly qualified.
Business model	Key elements of structure considered by buyers relate to the ease with which changes can be made and the extent to which the legal structure drives affiliations and revenue sources.	Decision power across a large group and/or no referral sources.	Control (decisions) in a small group and/or referral sources for business.



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Current Focus in Industry

- Northern Trust published a whitepaper, *Driving Growth in Asset Management: The Next Chapter*.
- Surveyed CEOs, CIOs, and Directors of Operations across the world.
- When asked “what are your strategic priorities for operations in the next two years?” the top answers were:
 - Creating greater efficiency – 50%
 - Controlling costs – 47%
 - Enhancing quality and accuracy – 45%
- Heavily focused on cost side
- When asked how they would accomplish these goals, top answers included:
 - Leverage new technology – 59%
 - Refine and implement target operating model – 52%
 - Outsourcing & change in product strategy – each at 37%



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Example – Talent Optimization

Why should you optimize your talent?

- The average cost of a **poor hiring decision** can **equal 30%** of that hire's first year's earnings
- **Turnover costs employers 50-250%** of an employee's salary (salary + bonus +benefits)
- **Disengaged employees** can cost companies **up to 34%** of their salary
- **37% of employees** say “working with a **great team**” is their primary reason for staying with their employer
- **75% of executives** say that the Great Resignation has impacted their **financial stability**
- Companies with strong cultures have seen a **4x increase in revenue growth**



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Example – Talent Optimization



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In Conclusion

Top performers:

- Consider the short-, medium-, and long-term impacts of changes that they make in the business.
- Understand how to define success from new initiatives.
- Rigorously review results to ensure success.
- Periodically assess the whole business against a framework that measures success compared to peers.
- Link initiatives to other business challenges, like improving revenue and retaining key people.

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Contact the Presenter



Jennifer Kreischer
Director, Audit & Accounting
Investment Industry Group
jlkreischer@kmco.com

Jennifer has over 30 years of experience providing services including financial due diligence for buyers and sellers, transaction structuring, purchase price adjustment advice, purchase agreement review, and related advisory services. She has advised on a variety of complex transactions, including cross border, carve-outs, recapitalizations, initial public offerings, and rollups.

Jennifer has experience performing quality of earnings analysis and operational due diligence. She has led projects to assess M&A process, purchase accounting, and implementation of IFRS for companies in a variety of industries. Additionally, Jennifer has a broad range of industry experience, including asset management, investment advisory, power and utilities, industrial products, healthcare, service businesses, and industry consolidations.



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The Latest In SEC Compliance Matters

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Protecting Our Clients From Regulatory Risk

Contents

1. SEC Exam Priorities for 2025

2. Recent Commentary from SEC Officials

3. Upcoming New Reporting Requirements

Introduction

Michael T. Mann - Compliance Officer

Michael Mann is a Compliance Officer of Chenery Compliance Group. Before joining Chenery, Mr. Mann was a Compliance & Risk Management Associate at CenterSquare Investment Management, an independent employee-owned real asset manager focused on listed real estate, private real estate equity and private real estate debt investments. Prior to CenterSquare, Mr. Mann served as a Corporate Compliance Specialist at Nationwide Funds Group, an investment advisor to open-end investment companies and exchange traded funds. Michael began his career in financial services at Wells Fargo where he was first exposed to FINRA registered broker-dealer activities through the affiliated entity Wells Fargo Advisors. Mr. Mann has over 10 years of experience in the investment management industry with a focus in developing effective compliance programs and providing solutions to complex regulatory issues. Mr. Mann graduated from West Chester University of Pennsylvania and holds a BS in Finance.

Who We Are

- Chenery Compliance Group is an independent institutional quality boutique that delivers customized regulatory compliance consulting, designated CCO and support CCO services.
- Chenery Compliance was founded with the sole purpose to help protect our clients from regulatory risk, enabling them to focus on investing and business building.
- We power cultures of compliance.

Who We Serve

- We design and implement tailored, integrated, and forward-looking compliance programs for select investment firms, including:
 - Private Wealth Advisers
 - Institutional Advisers
 - Private Equity
 - Hedge Fund
 - Private Credit
 - Real Estate
 - Single Family Offices
 - Registered Funds and ETFs
 - Series Trusts
 - Commodity Trading Advisors

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SEC Examination Priorities for 2025 – Registered Investment Advisers

Target Areas for the SEC

Fiduciary Obligations to Clients

- High-cost products, unconventional instruments, and illiquid assets
- Assets sensitive to higher interest rates or changing market conditions, including commercial real estate

Evaluation of Compliance Programs

- Accuracy of fee calculations and the disclosure of fee-related conflicts
- Valuation procedures for illiquid assets

Private Funds

- Fiduciary obligations during market volatility
- Exposure to interest rate fluctuations
- Poor performance and significant withdrawals
- High leverage
- Fund-level lines of credit, investment allocations, adviser-led secondary transactions, transactions between funds

SEC Examination Priorities for 2025 – Registered Funds

Target Areas for the SEC

Fund Fees and Expenses

- Ensuring transparency, fairness, and proper disclosure to investors remains a key SEC priority to protect investor interests.

Oversight of Service Providers

- The SEC will focus on the oversight of service providers to ensure that funds maintain strong compliance controls and manage third-party risks effectively.

Disclosure of Portfolio Management Practices

- Ensuring funds provide clear and accurate disclosures of portfolio management practices, helping investors understand how assets are selected and managed.

Market Volatility

- The SEC will assess funds' preparedness and risk management practices in response to market volatility, ensuring fiduciary obligations are fulfilled for investors during unstable market conditions.

Exposure to Commercial Real Estate

- Focus on evaluating the adequacy of disclosures of associated risks and valuation methodologies as market conditions evolve in this sector.

SEC Risk Alert: Registered Investment Companies

On **November 4, 2024**, the **SEC's Division of Examinations** released a [Risk Alert](#) exploring examination focus areas for Registered Investment Companies.

Focus Areas:

- **Compliance policies and procedures for funds and their service providers**
 - Effectiveness and addressing of risks with allocation of expenses
- **Board Governance**
 - Efficacy of compliance program
 - Ensuring boards are receiving adequate information to exercise oversight
 - Accurate disclosures to the board related to fees, expenses, conflicts of interest and relevant risks
- **Advisory Agreement Approval Process**
 - Thoroughness of review
 - Comparing services and expenses to those under other advisory contracts (e.g. peer groups)
- **Disclosures in Regulatory Filings and Investor Communications**
 - Consistency and appropriateness relative to:
 - Fund operations
 - Conflicts of interest
 - Actual portfolio management activities

SEC Examination Priorities for 2025 – Various Market Participants

Target Areas for the SEC

Information Security and Operational Resiliency

- Prevention of business interruptions and protection of client data
- Identify and mitigate risks by ensuring strong internal controls and vendor oversight
- Preventing account intrusion and identity theft
- Impact of operational changes from recent T+1 settlement rule

Emerging Technologies

- Examples include automated investment tools, AI, trading algorithms, and alternative data sources
- Ensure representations are fair and accurate (AI washing)
- Operations and controls are consistent with disclosures
- Algorithms recommend advice consistent with client profile or strategy
- Develop policies and procedures around the use of AI
- Protect against the loss or misuse of client information when using 3rd party AI models

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Office Hours with Gary Gensler: Fraud and Deception in AI

“You see, under the securities law, you aren't supposed to trade in front of your customers. That's called front running. You aren't supposed to spoof. In other words, place a fake order. You aren't supposed to lie to the public. Well, it's equally important that the robots, I mean AI models, don't do these things either. Investor protection requires that the humans who deploy the model put in place appropriate guardrails.”

– Gary Gensler, Chair of the SEC

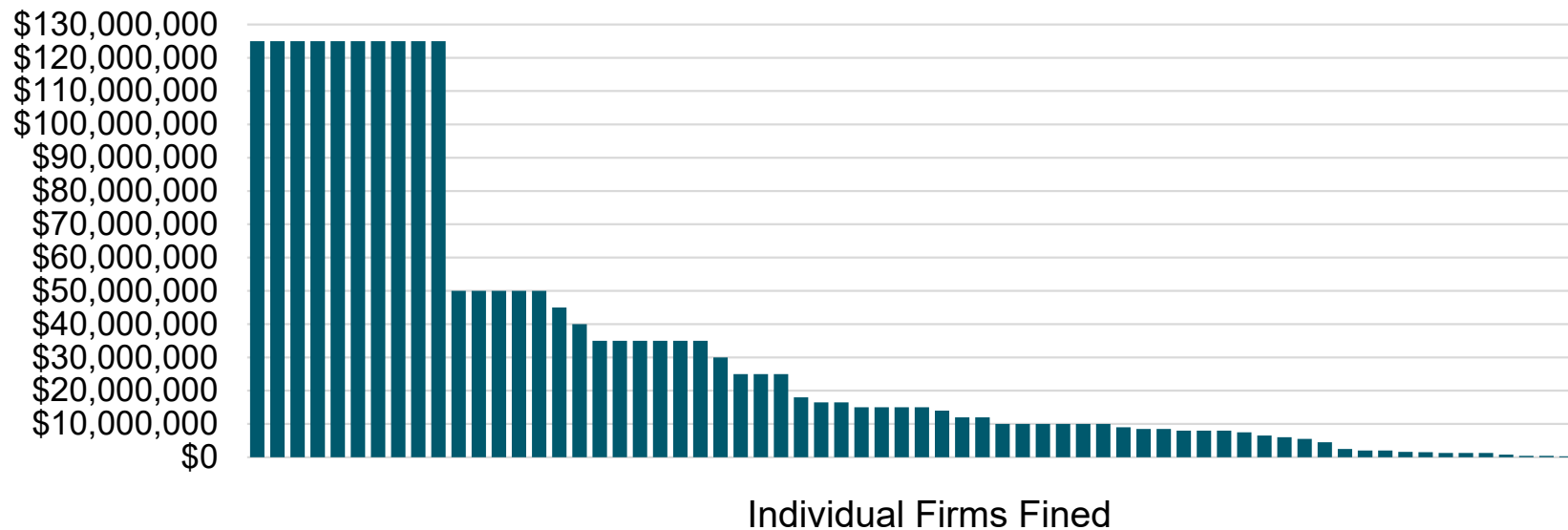
Takeaways:

- SEC has noticed an overall increased use and reliance on AI (particularly generative AI).
 - While these tools provide valuable uses, there is a need for disclosures and controls built around AI usage.
- Significant concerns around “AI Washing,” which is the false or misleading representation of a firm’s actual usage of AI tools. (e.g. Delphia and Global Predictions enforcement action, May 2024)
- Firms should understand the limitations of AI.
 - Ensure that AI output is verified by a human or has human supervision.
 - Ensure that the produced information can be substantiated.
- Consider the complexity of the AI in use and draft controls/policies to compensate for that complexity.
- Highly customized AI policy language is likely required given the level of sophistication that these tools can operate at.
- Advisers are urged to complete due diligence on their vendors to better understand their usage of AI.

The SEC's "Cash Cow": Off-Channel Communications

- In September, the SEC charged 12 more firms for failing to retain employee off-channel communications. These fines totaled \$88 million.
- In a heated SEC oversight hearing with the Senate, Commissioner Peirce called these settlements a "cash cow" for the agency and that no fraud has been found.
- Since 2021, 66 investment advisers, broker-dealers and dually registered entities have been fined for over \$2B.

SEC Off-Channel Communication Fines since 2021



A Catalyst: Statement on Qatalyst Partners LP September 24, 2024

Statements from Commissioner Hester M. Peirce and Commissioner Mark T. Uyeda

Off-Channel Communications

Qatalyst Enforcement

Notable Quotes from Commissioners

Questions Presented to Work Towards a Solution

- Securities laws impose recordkeeping requirements and off-channel communications cases have recently become a focus on the Commission's enforcement docket, resulting in over \$2 billion in fines.
- Despite various compliance controls, the SEC found that Qatalyst failed to prevent, monitor, and capture the use of off-channel communications. **Cease-and-desist proceedings instituted.**
- "We have an industry-wide problem that we will not solve through enforcement."
- "If we assess reasonableness based on whether policies and procedures always are being followed, firms will never escape our enforcement net. People are not perfect and so compliance will not be perfect"
- Modernizing recordkeeping rules? Communications are done differently now than they were in the past.
- How to accommodate client communication preferences?
- Clarifying what types of communications are covered by the rules?
- How to ensure employees abide by policies without violating employment and privacy laws?

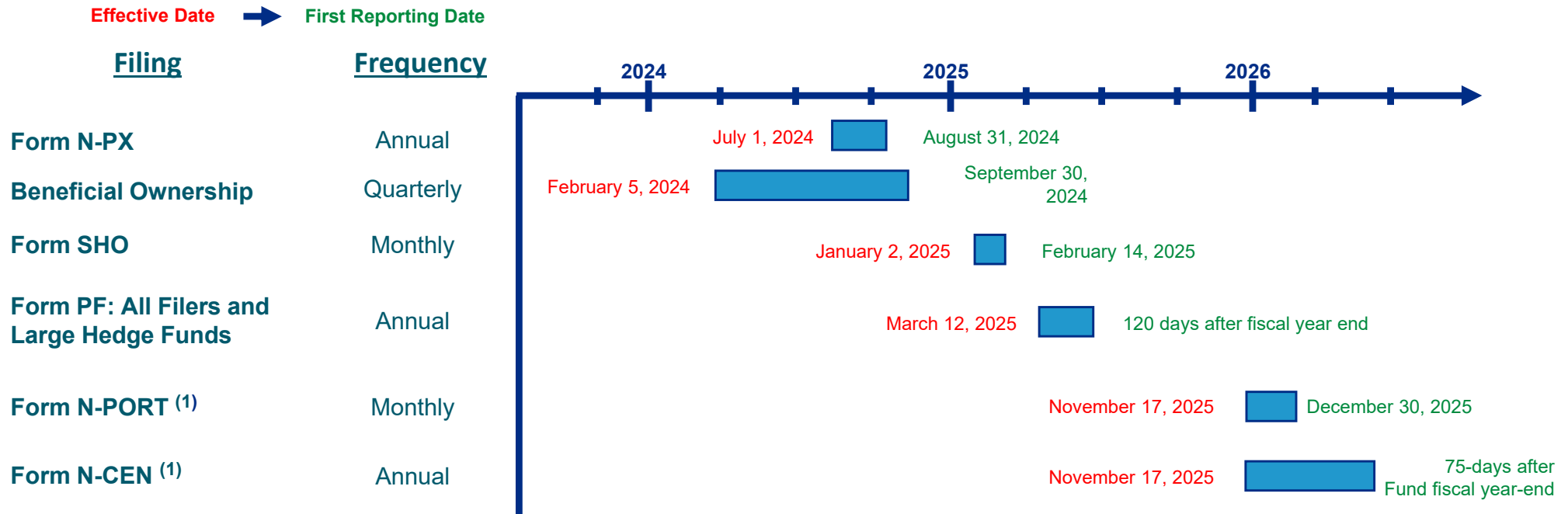
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Timeline of New Reporting Requirements



(1) Timeline illustrated for larger fund entities. Smaller fund entities have a 6-month extension for compliance.

Contact the Presenter

Michael Mann, Compliance Officer

Michael Mann is a Compliance Officer of Chenery Compliance Group. He has over 10 years of experience in the investment management industry with a focus in developing effective compliance programs and providing solutions to complex regulatory issues.

Before joining Chenery, Mr. Mann was a Compliance & Risk Management Associate at CenterSquare Investment Management, an independent employee-owned real asset manager with over \$14 billion of assets under management focused on listed real estate, private real estate equity and private real estate debt investments.

Prior to CenterSquare, Mr. Mann served as a Corporate Compliance Specialist at Nationwide Funds Group, an investment advisor to open-end investment companies and exchange traded funds.

Mr. Mann began his career in financial services at Wells Fargo where he was first exposed to FINRA registered broker-dealer activities through the affiliated entity Wells Fargo Advisors. He graduated from West Chester University of Pennsylvania and holds a BS in Finance.

We exist to help protect our clients from regulatory risk.
Enabling your focus on investing and business building.

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Current Tax Update

**Richard J. Nelson,
Director, Tax Strategies**

**Kreischer
Miller**

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Agenda

1. IRS Update
2. New Treasury Regulations
3. Supreme Court Decisions
4. Carried Interest Proposals
5. California Proposed Regulations



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IRS Update

IRS continues its focus on partnerships:

- Tax filings from pass-through businesses with more than \$10 million in assets increased to 300,000 filings in 2019, 70% more than 2010. While during this period audit rates fell from 3.8% in 2010 to 0.1% in 2019
- IRS Office of Chief Counsel is creating a new Associate Office that will focus exclusively on partnerships, S-corporations, trusts, and estates
- LB&I (Large Business and International division) plans to establish a special work group focused on pass-throughs including complex partnerships
- IRS Commissioner Danny Werfel noted that for the new work groups in both Counsel and LB&I, the IRS plans to bring in outside experts with private-sector experience regarding pass-throughs to work alongside the expert in-house knowledge of current IRS employees

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IRS Update

Basis-shifting transactions:

- Sophisticated tax maneuvers designed to shift the basis of assets between closely related entities resulting in an artificial step-up in basis of the assets
- Notice 2024-54 announces intent to issue proposed regulations targeting related party partnership basis adjustments
- Proposed Regulations would identify related party partnership basis adjustments as “transactions of interest,” which must be reported to taxpayer on IRS Form 8886, Reportable Transactions, and by material advisors on Form 8918
- Revenue Ruling 2024-14 found economic substance doctrine was not satisfied in certain partnership related party basis adjustment transactions
- Draft of new Form 7217 released to be filed for tax year 2024



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IRS Update – New Form 7217

- Form is to be filed by any partner receiving a distribution of property from a partnership in a non-liquidating or liquidating distribution to report the basis of the distributed property, including any required basis adjustment
- File with your tax return a separate Form 7217 for each date you actually received distributed property
- Form 7217 is not required if the distribution consists only of money or marketable securities treated as money
- IRS is seeking comments on the new form



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IRS Update – New Form 7217

Form 7217 (December 2024) Department of the Treasury Internal Revenue Service	Partner's Report of Property Distributed by a Partnership	OMB No. 1545-0123
	Attach to your tax return. Go to www.irs.gov/Form7217 for instructions and the latest information.	Attachment Sequence No. 217

Partner's name	Partner's TIN
Distributing partnership's name	Distributing partnership's EIN
Date property was distributed to partner	

Part I Aggregate Basis of Distributed Property on Distribution Date. File a separate form for each date a partner received distributed property.

- 1 Was this distribution in complete liquidation of the partner's entire interest in the partnership? Yes No
- 2 Was any part of the distribution treated as a sale or exchange under section 751(b)? Yes No
- 3 Partnership's aggregate basis in distributed property (taking into account any basis adjustments under section 732(d), 734(b), or 743(b)) immediately before the distribution. This line should equal the total of Part II, line B, column (b) \$ _____
- 4 Adjusted basis of the partner's interest in the partnership immediately before the distribution \$ _____
- 5 Cash and marketable securities (as defined in section 731(c)) received in the distribution \$ _____
- 6 Enter the smaller of line 4 or line 5 \$ _____
- 7 Gain recognized. Subtract line 6 from line 5. If zero, enter -0- and go to line 9 \$ _____
- 8 Is U.S. tax required to be paid on the gain entered on line 7? Yes No
- 9 Partner's basis in partnership interest reduced by cash and marketable securities (as defined in section 731(c)) received in the distribution. Subtract line 6 from line 4 \$ _____
- 10 Aggregate basis to be allocated to the distributed property. For a non-liquidating distribution, enter the smaller of line 3 or line 9. For a liquidating distribution, enter the amount from line 9. Line 10 should equal the total of Part II, line B, column (e) \$ _____

For Paperwork Reduction Act Notice, see the Instructions for Form 1065. Cat. No. 94479B Form **7217** (12-2024)



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DO NOT FILE

IRS Update – New Form 7217

Form 7217 (12-2024)

Page 2

Part II Allocation of Basis of Distributed Property

	(a) Description of distributed property (If applicable, include property code. See Pub. 946, Appendix B.)	(b) Partnership's basis in distributed property immediately before the distribution	(c) Check applicable box(es) below. See instructions.					(d) FMV of distributed property	(e) Partner's basis in distributed property after application of section 732
			(i) 732(d)	(ii) 732(f)	(iii) 734(b)	(iv) 743(b)	(v) Reserved for future use		
1		\$	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	\$	\$
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TREASURY/IRS
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 August 28, 2024
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Russia Tax Treaty Suspended

United States-Russia tax treaty to be suspended:

- Announcement 2024-26
- The United States provided formal notice to the Russian Federation on June 17, 2024, to confirm the suspension of the operation of paragraph 4 of Article 1 and Articles 5-21 and 23 of the Convention between the United States of America and the Russian Federation for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income and Capital, signed at Washington on June 17, 1992 (Convention), as well as the operation of its accompanying Protocol, by mutual agreement
- The suspension will take effect both for taxes withheld at source and in respect of other taxes on August 16, 2024, and will continue until otherwise decided by the two governments



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Treasury Regulations

Treasury issues regulations on brokers' sales and exchanges of digital assets:

- New regulations have been issued requiring brokers of digital assets to report certain sales and exchanges
- Rules go into effect for sales or exchanges of digital assets on or after January 1, 2025
- For 2025 gross proceeds are reported
- Beginning in 2026 brokers will be required to include gain or loss and basis information
- New form 1099-DA
- Transitional relief – Any broker who does not timely and accurately file information returns and furnish payee statements for sales and exchanges of digital assets during calendar year 2025, will not be subject to reporting penalties and backup withholding, provided that the broker makes a good faith effort to comply with the reporting obligations



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Supreme Court Decisions – *Loper*

U.S. Supreme Court overturns *Chevron*:

- *Chevron v. Natural Resources Defense Counsel* held that courts may defer to an agency's interpretation of the law where a statute is ambiguous
- Two U.S. Supreme Court cases, *Loper Bright Enterprises v. Raimondo* and *Relentless Inc v. Dept of Commerce*, overturned *Chevron* and held that courts may not defer to an agency interpretation when a statute is ambiguous. Instead, the courts are directed to use independent judgement when reviewing ambiguous statute, even when agency guidance exists
- Ruling applies to all agency decisions including those of the IRS and Treasury



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Supreme Court Decisions – *Loper*

U.S. Supreme Court overturns *Chevron* (continued):

- Courts are now required to independently determine if an agency's actions are consistent with the law and Congress's intent. This means that courts can contradict or overrule an agency's interpretation, even if it's well-reasoned text
- Challenges to agency actions will likely be easier to succeed
- The 70 Supreme Court cases that relied on *Chevron* deference, as well as thousands of lower court decisions, are now vulnerable to legal challenges
- The ruling emphasizes the importance of clear delegation of authority from Congress to agencies. This may lead to more detailed legislation in the future
- Agencies may become hesitant to make decisions if they fear litigation



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Supreme Court Decisions – *Moore*

U.S. Supreme Court decision in *Moore v. U.S.*:

- Court found that Congress may impose a mandatory repatriation tax on accumulated and undistributed income of U.S. controlled foreign corporations
- When Congress treats an entity as a pass-through, they may attribute the business entity's realized and undistributed income to the shareholders or partners of the entity



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Carried Interest

Legislative proposals in 2024:

- Carried Interest Fairness Act of 2024 (Baldwin)
- Ending the Carried Interest Loophole Act (Wyden)
- Both bills would recharacterize carried interest to some form of compensation taxed as ordinary income
- The TCJA, which was enacted in 2017 during President Trump's initial presidency, added the three-year holding period



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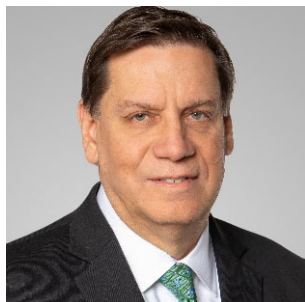
California

- California in process of adopting regulations for sourcing of asset management fees
- Receipts from asset management services defined as the “direct or indirect provisions of management distribution or administrative services to funds
- Proposed regulation provides specific rules for determining the location of gross receipts from asset management services based on the domicile of the investors in the assets unless the investor is holding title to the assets for a beneficial owner, in which case the benefit of the service is received at the domicile of the beneficial owner
- It is possible that the proposed regulations will be effective for years beginning on or after January 1, 2024



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Contact the Presenter



Richard J. Nelson
Director, Tax Strategies
rnelson@kmco.com

Rich has extensive experience providing domestic and international tax strategies, planning and services to a variety of middle market companies and entrepreneurial businesses in a number of industries including manufacturing, distribution, real estate, financial, and professional services. He also has significant experience and expertise with high-net-worth individuals, investment companies and pass-through entities and has been involved in federal, state, and local tax audits, settlements, and appeals.

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Fair Value Guidance

**Craig B. Evans,
Director, Audit & Accounting
Investment Industry Group**

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Agenda

1. Background of ASU 2022-03
2. Main provisions
3. Disclosure requirements
4. Effective dates and transition



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ASU 2022-03 - Background

- Accounting Standards Update (“ASU”) 2022-03 was issued in June 2022
 - Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions
- Goal – increased comparability of accounting and disclosure of investments in equity securities subject to contractual sale restrictions



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ASU 2022-03 - Background

- What is a contractual sale restriction?
 - Restriction imposed on a specific holder of an equity security (an entity-specific restriction)
- Compare that to a regulatory sale restriction?
 - Characteristic of the equity security itself (an asset-specific restriction)



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ASU 2022-03 – Main Provisions

- Contractual restrictions should not be considered when measuring fair value
 - Example: Lock-up agreement
 - Note: Entities cannot, as a separate unit of account, recognize and measure a contractual sale restriction
- Conversely, regulatory restrictions should be considered when measuring fair value
 - Example: Restricted security



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ASU 2022-03 – Disclosure Requirements

- New required disclosures for equity securities subject to contractual sale restrictions
 - The fair value of equity securities subject to contractual sale restrictions reflected in the balance sheet
 - The nature and remaining duration of the restriction(s)
 - The circumstances that could cause a lapse in the restriction(s)



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ASU 2022-03 – Effective Dates and Transition

- Public business entities – Years beginning after December 15, 2023 (this year)
- All other entities – Years beginning after December 15, 2024 (very soon)
- Early adoption is permitted



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ASU 2022-03 – Effective Dates and Transition

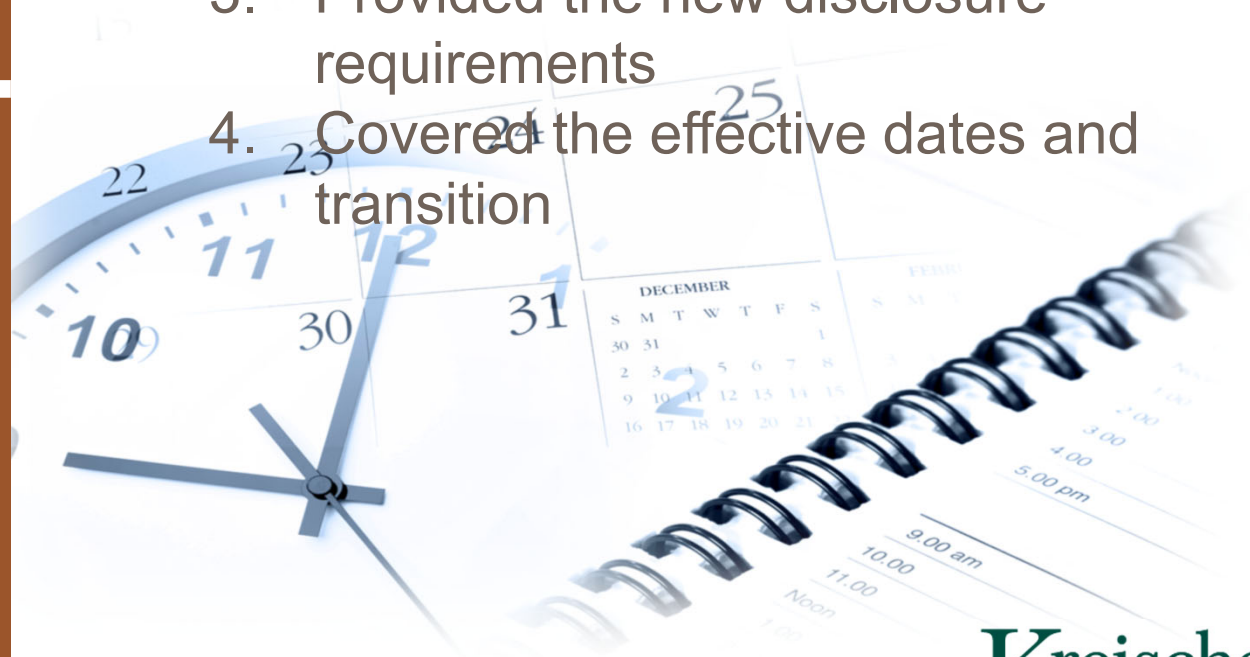
- Investment Companies (i.e., 946 Entities)
 - Applies only to investments executed or modified after adoption date
 - Do not alter the valuation methodology/accounting policy of equity securities already held at the adoption date until contractual restrictions expire or are modified
- All other entities
 - Apply prospectively
 - Any adjustments from adoption recognized in earnings and disclosed on the date of adoption



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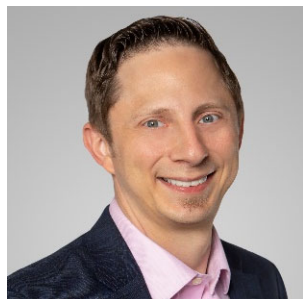
Summary

1. Provided some background of ASU 2022-03
2. Covered the main provisions
3. Provided the new disclosure requirements
4. Covered the effective dates and transition



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Contact the Presenter



Craig B. Evans
Director, Audit & Accounting
Investment Industry Group
cevans@kmco.com

Craig has a wide range of experience providing traditional audit and accounting services to a variety of businesses, including investment companies, government contractors, manufacturers, distributors, and retailers. Craig also has significant experience with contract analysis, specifically compliance with Most Favored Nation provisions. Craig has a deep technical understanding of U.S. GAAP and has assisted clients with acquisitions and their assessment of business combinations as well as with the implementation of FASB ASC 606, Revenue from Contracts with Customers, including the development of accounting policies and process in order to be in compliance with the revenue recognition standard.

Within the investment industry, Craig provides traditional audit and accounting, GIPS verifications, and composite examinations to a variety of clients. He also performs custody examinations in accordance with the Securities and Exchange Commission Rule 206(4)-2, assists firms in implementing the GIPS standards, and performs operational due diligence throughout the United States and Europe to assist investors in understanding the operational risk inherent in their investment managers' operations. Additionally, he has assisted entrepreneurs with starting investment firms and hedge funds. He works with a variety of clients, including investment management companies, funds, funds of funds, master feeders, broker-dealers, family offices, trust companies, and pension plans and their investments.



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