



Understanding the Cloud:

Considerations for Alternative Asset Managers

Presented by

 **BACKSTOP**

Panelists



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Agenda

- **Defining Cloud Computing**

 - What is it? How are alternatives using it today?

- **Due Diligence Considerations**

 - What are allocators asking? What should managers be prepared to answer?

- **Security of Investor Information**

 - Does it really matter where the data is stored?

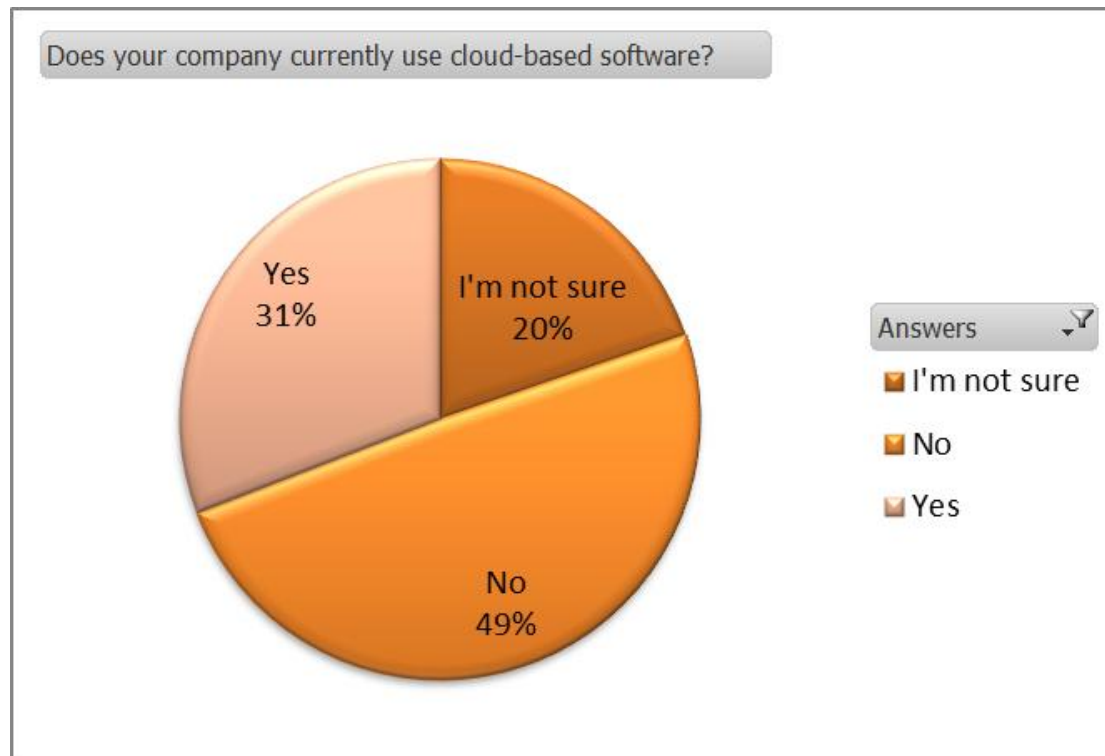
- **IT Department Concerns**

 - Is there a benefit to onsite vs. offsite storage? Is it right for your company?

- **5 Questions to Ask Your Service Provider**

 - What are the most commonly asked questions cloud providers receive?

Does your company currently use cloud-based software?

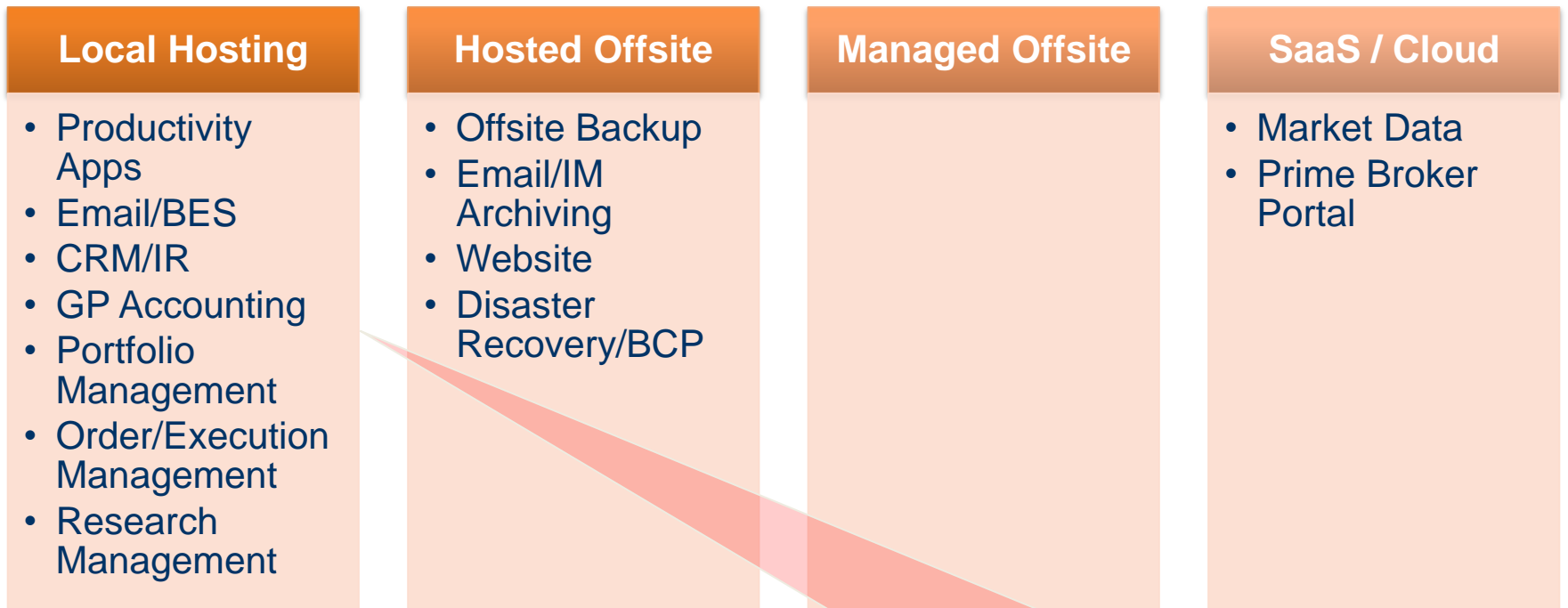


What is Cloud Computing?

Gartner: Cloud computing is a *style* of computing in which scalable and elastic IT-enabled capabilities are delivered as a service to multiple customers using Internet technologies.

Wikipedia: Cloud Computing is the *delivery of computing as a service* rather than a product, whereby shared resources, software and information are provided to computers and other devices as a utility (like the electricity grid) over a network (typically the Internet).

Traditional Systems Infrastructure



Hedge Funds traditionally utilized a combination of local and hosted infrastructure and relied very little on the web. The hosted portion was typically limited to Disaster Recovery, Archiving, & Business Continuity Planning applications versus production systems.

Modern Technology Infrastructure

Local Hosting	Hosted Offsite	Managed Offsite	SaaS / Cloud
<ul style="list-style-type: none">• Productivity Apps• Email/BES• CRM/IR• GP Accounting• Portfolio Management/Accounting• Order/Execution Management• Research Management	<ul style="list-style-type: none">• Offsite Backup• Email/IM Archiving• Website• Disaster Recovery /BCP• Email/BES• CRM/IR• GP Accounting• Portfolio Management/Accounting• Order/Execution Management• Research Management	<ul style="list-style-type: none">• Offsite Backup• Email/IM Archiving• Website• Disaster Recovery /BCP• Email/BES• CRM/IR• GP Accounting• Portfolio Management/Accounting• Order/Execution Management• Research Management	<ul style="list-style-type: none">• Market Data• Prime Broker Portal• Offsite Backup• Email/IM Archiving• Website• Disaster Recovery /BCP• Email/BES• CRM/IR• GP Accounting• Portfolio Management/Accounting• Order/Execution Management• Research Management

Like many businesses, Hedge Funds are moving to a “managed utility” model where most, if not all services and applications can be outsourced.

Due Diligence Considerations

- What are we seeing from allocators?
- What should hedge funds be prepared to answer?
- Are there counterparty risks?



Security of Investor Information

- Types of information being stored
- Storing data offsite vs. in-house
- What is CMR-17?



CMR-17

This law sets a new standard in state security laws by regulating both private and public sector organizations that have access to sensitive information related to residents of Massachusetts *regardless of where that organization is domiciled*.

The law requires that beginning on March 1, 2010, all persons and businesses in possession of any Personal Information (PI) contained *in paper and electronic records* have adequate protective systems in place to prevent unauthorized access. Under CMR 17, PI is defined as a Massachusetts resident's first name and last name, or first initial and last name, in combination with any one or more of the following data elements related to them:

- Social Security number;
- Driver's license number, or Massachusetts identification card number;
- Financial account number, or credit/debit card number, with or without any required security code, access code, personal identification number or password that would permit access to a resident's financial account; or
- A biometric indicator

What does CMR-17 mean for cloud computing?

- The requirement to secure electronic records includes PI stored in **databases, laptops, applications, portable devices**, and just about any other system in which electronic personal information can reside.
- Furthermore, the law applies to both ***data in transit*** (e.g., email, web hosted data, etc.) and ***data at rest*** (e.g., databases, file servers, backup tapes, laptops, blackberries, etc.)

IT Department Considerations

- Is cloud computing right for the company?
- What is the cloud vendor providing?
- What are some common questions that come up during the evaluation process?



5 Commonly Asked Questions

1. What security measures are in place for protecting client data?
2. What is your disaster recovery scenario, if your data center was inoperable?
3. Do you have a SAS 70 or SSAE Certification?
4. How do you ensure your clients that your business is financially sound, and has no “going-concern” issues?
5. What is your internal training and privacy policy for staff who will service your clients?

Q&A

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