

PRM™ Hedge Fund Specialization Exam Fact Sheet – Updated February 7, 2007

Exam Format

- 120 multiple choice questions
- 4 hours to complete exam
- Computer-based in secure testing centers
- Exam Administered in Five Sections (weights in parentheses)
 - Section I: Hedge Fund Strategies and Their Markets (15%, 18 questions)
 - Section II: Performance and Risk Measurement: Strategies (25%, 30 questions)
 - Section III: Performance and Risk Measurement: Portfolios and Fund of Funds (20%, 24 questions)
 - Section IV: Best Practice Documents (30%, 36 questions)
 - Section V: Select Case Studies (10%, 12 questions)

Testing

- Beginning in March 2007
- Registration: Available in February 2007 at <http://www.prmia.org>
- CAIA holders will be offered a separate exam with exemptions from parts of Sections I, II and III
- Delivery at 4,000 centers in 140 countries via Pearson VUE ([Find Centers](#))
- Passing Score: 60%

FAQ

Q: Do I need to hold the PRM™ designation to take this exam?

A: No. But, PRM™ certification is highly recommended for anyone practicing risk management in this sector.

Q: How much will the exam cost?

A: The cost will depend on whether you hold the CAIA designation and will thus be exempt from part of the exam. The full price is US\$495 and the CAIA holder exam is US\$350.

Q: What are the pre-requisites?

A: Membership in PRMIA is the only pre-requisite. You can register today at <http://www.prmia.org/cgi-bin/pmpro/bin/phase1.php>

Q: Will there be continuing education requirements?

A: No, but your exam passing date will be time-stamped with the year in which you acquire it and we encourage you to keep your skills up-to-date in this fast-changing field.

Please direct other questions to certification@prmia.org

Required Reading

Section	Reading Materials
I – Hedge Fund Strategies and Their Markets (Definitions)	<ul style="list-style-type: none"> • Black, Chapters 8, 9, 11 – 18
II – Performance and Risk Measurements: Strategies	<ul style="list-style-type: none"> • Parker-Reynolds, Chapters 8 – 14, 21 • Jaeger, Chapters 4 – 6
III – Performance and Risk Measurements: Portfolios and Fund of Funds	<ul style="list-style-type: none"> • L’Habitant, Chapters 2 – 9, 12 • Parker-Reynolds, Chapters 1 – 6, 15 – 18 • Jaeger, Chapter 7 • Black, Chapters 3-4
IV – Best Practice Documents	<ul style="list-style-type: none"> • MFA’s 2005 Sound Practices for Hedge Fund Managers • Counter Party Risk Management Policy Group II Toward Greater Financial Stability: A Private Sector Perspective The Report of the Counterparty Risk Management Policy Group II - July 27, 2005 • The Investor Risk Committee (IRC) of the International Association for Financial Engineers (IAFE): Hedge Fund Disclosure for Institutional Investors, 2000 • The Investor Risk Committee (IRC) of the International Association for Financial Engineers (IAFE)- Transparency requirements for institutional investors 2001 • Risk Standards for Institutional Managers and Institutional Investors (1996) from the Risk Standards Working Group • European Central Bank on hedge funds 2005: Hedge Funds and Their Implication for Financial Stability • The Netherlands Authority for the Financial Markets on hedge funds 2005: Hedge Funds: An Exploratory Study of Conduct-Related Issues
V- Select Case Studies (LTCM, Manhattan Investment Fund, Ltd, Lancer Offshore Fund)	<ul style="list-style-type: none"> • Shirreff - Lessons from the Collapse of Hedge Fund, Long-Term Capital Management • Hedge Fund Fraud Watch - Manhattan Investment Fund • Ayres - Lancer Hedge Funds Provided Cover for Crooks and Penny Stocks

Links to Required Reading Materials

Books

Black, Keith – Managing a Hedge Fund, McGraw Hill, 2004 (Chapters 3, 4, 8, 9, 11-18)
<http://www.amazon.com/exec/obidos/ASIN/007143481X/prmia-20>

Jaeger, Lars – Managing Risk in Alternative Investment Strategies, FT Prentice Hall, 2002 (Chapters 4-7)
<http://www.amazon.com/exec/obidos/ASIN/0273656988/prmia-20>

Lhabitant, Francois-Serge – Hedge Funds : Quantitative Insights, John Wiley & Sons, 2004 (Chapters 2-9)
<http://www.amazon.com/exec/obidos/ASIN/047085667X/prmia-20>

Parker-Reynolds, Virginia – Managing Hedge Fund Risk: Strategies and Insights from Investors, Counterparties, Hedge Funds and Regulators, Second Edition, London, Risk Books, 2005 (Chapters 1-6, 8-18, 21)
<http://www.amazon.com/exec/obidos/ASIN/1904339409/prmia-20>

Online Documents

Ayres, Stephanie - Lancer Hedge Funds Provided Cover for Crooks and Penny Stocks, 2005
<http://home.att.net/~fcwriter/features13.htm>

Counter Party Risk Management Policy Group II
Toward Greater Financial Stability: A Private Sector Perspective -
 The Report of the Counterparty Risk Management Policy Group II, 2005 (sections II - VI, Appendix A and Appendix D)
<http://www.crmpolicygroup.org/>

European Central Bank - Hedge Funds and Their Implication for Financial Stability, 2005 (Sections VI and VII)
<http://www.ecb.int/pub/pdf/scpops/ecbocp34.pdf>

Hedge Fund Fraud Watch: Manhattan Investment Fund, 2005
<http://www.xhedgefund.com/Manhattan%20Investment%20Fund.htm>)

International Association for Financial Engineers (IAFE), The Investor Risk Committee (IRC): Hedge Fund Disclosure for Institutional Investors, 2000:

<http://www.iafe.org/upload/IRC%20Consensus%20Document,%20October%2012,%20000.pdf>

International Association for Financial Engineers (IAFE), The Investor Risk Committee (IRC): Transparency requirements for institutional investors 2001:

<http://www.iafe.org/upload/IRC%20Consensus%20Document%20July%2007,%202001.pdf>

MFA - Sound Practices for Hedge Fund Managers, 2005 (Sections I - IV, VI, VII, Appendices I, III, IV and V)

http://www.mfainfo.org/images/PDF/MFAs_2005_Sound_Practices_FINAL.pdf

The Netherlands Authority for the Financial Markets on Hedge Funds - Hedge Funds: An Exploratory Study of Conduct-Related Issues, 2005 (Sections III, IV, V and VI)

<http://www.afm.nl/marktpartijen/default.ashx?folderid=1098&downloadid=5249>

Risk Standards Working Group - Risk Standards for Institutional Managers and Institutional Investors, 1996

<http://www.cmra.com/risk.pdf>

Shirreff, David - Lessons from the Collapse of Hedge Fund, Long-Term Capital Management,

http://www.prmia.org/pdf/Case_Studies/LTCM.pdf

Questions

Please contact the PRM Society Help Desk at certification@prmia.org.