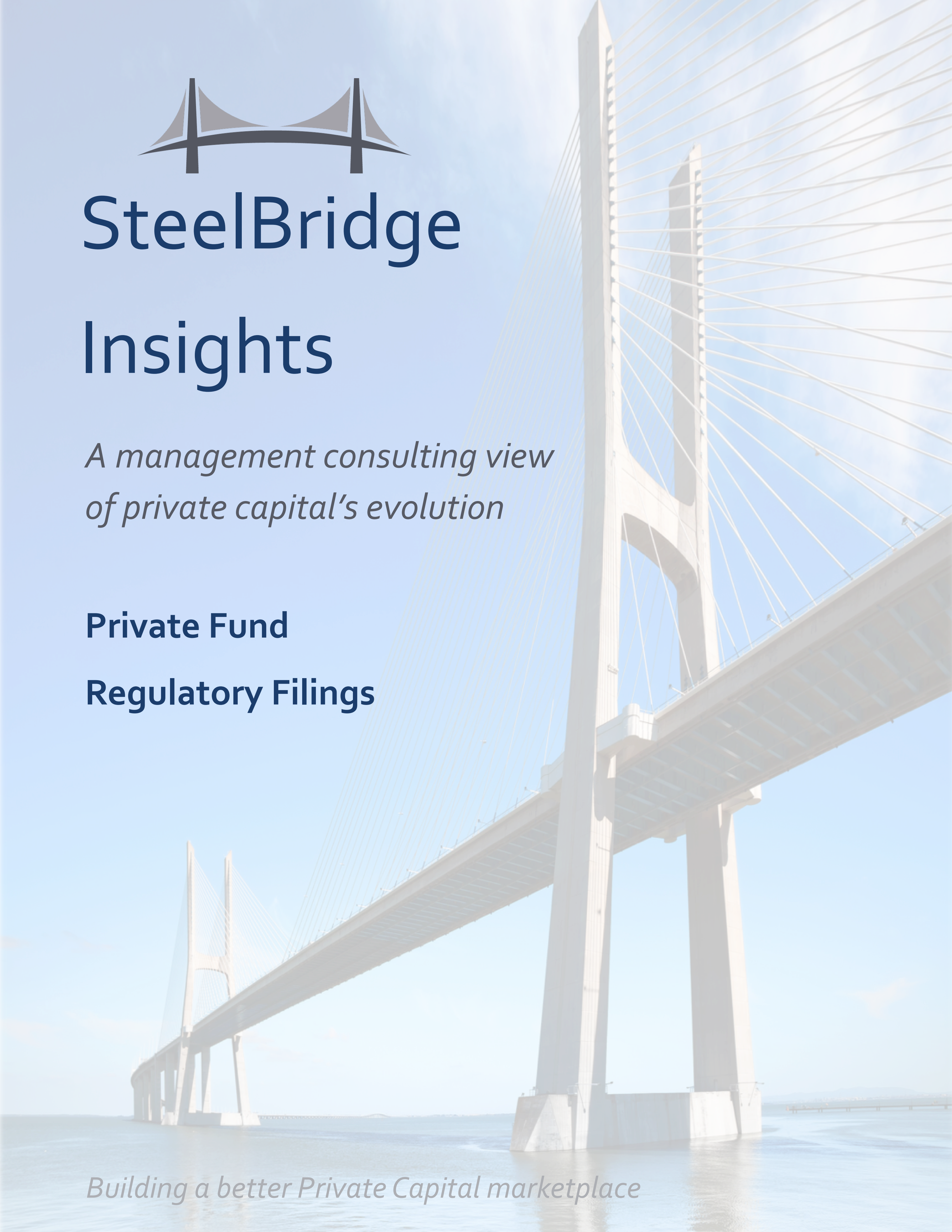


SteelBridge

Insights

A management consulting view of private capital's evolution

Private Fund

Regulatory Filings

Building a better Private Capital marketplace

SteelBridge

Key Highlights:

- **Uptick in regulator disclosure filings leads to challenges in data gathering and delivery.**
- **Reduce data collection burden and facilitate year-on-year consistency.**

The Filings Are Coming!

We recently wrote a paper discussing the importance of data reconciliation. In it, we offer suggestions for how to meet the challenges that come with increasing demands for information exchange and data transparency. Part of that increasing demand is directly correlated to state and federal regulating bodies requiring information from fund managers in an effort to assess systemic risk.

Naturally, the method for collecting data is through the creation of regulatory filings that fund managers are required to submit. Form PF, one of those filings, is a by-product of the Financial Reform Act of 2010, or better known as Dodd-Frank. Since its inception, it has placed massive pressure on fund managers to aggregate and streamline the delivery of their private fund-related disclosures.

According to "The Cost of Compliance," written in 2013 by KPMG partnered with the Alternative Investment Management Association (AIMA) and the Managed Funds Association (MFA), more than 20% of Hedge Fund Form PF filers spend over 500 hours on collecting data for and submitting Form PF. At SteelBridge we have worked with clients who have gone as far as creating a separate Form PF line item in their annual operating budget. We recently worked with a client for over six months – *a client with a team dedicated to regulatory reporting* – filing Form PF for over 160 funds. Across all resources, total hours on the project neared 3,000.

Lengthy, labor-intensive projects are standard to the industry, and they come at a price. According to "The Cost of Compliance," when coupled with the myriad of other new regulations, Hedge Fund managers alone have spent over $3 billion on regulatory requests, with the average firm dedicating 10 percent of their operating costs to compliance.

What does a fund manager do to manage the challenges that are inherent to these filings?

Our experience allows us to offer some recommendations for managing the uptick in effort, however even these recommendations come with caveats.

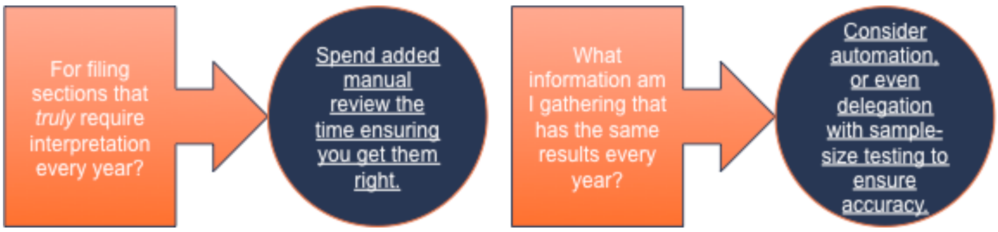
Recommendation	Benefit	Caution
Clean Source Data	Improved data accuracy reduces effort when operating under filing time constraints	Requires expertise on knowing what data is needed for which filings, and then requires allocating resources to support clean-up efforts.
Implement Technology	Creates data processing efficiency	Comes with a price both in upfront and then with on-going management of technology.
Identify Information Overlap	Allows for reuse of data required across multiple filings	While filings, even international filings such as AIFMD, request similar information, the manner in which they approach each data-point is different. As a result, fund managers must rely on interpretation and manipulation of data to render results on a form-by-form basis.

Analysis Paralysis

We recognize that many of the questions on such nuanced documents require interpretation – the human eye that no system can replace. In our interactions with fund managers, however, we find a frequent and natural tendency to hold onto the manual approach for fear of the nagging question: "What if I miss something and have to re-file?" One fund manager found itself having to comb through data from as many as twelve sources of information. These manual aggregations and manipulations present several issues:

- The opportunity for human error increases significantly during entry, gathering, calculation, and delivery. According to a 2013 article by Experian QAS titled "Data Quality and the Customer Experience," as many as 65 percent of organizations cite this type of error as the primary cause of data errors.
- The process itself becomes unsustainable as staff turns over, often taking their inherent knowledge with them.
- The resources expended – particularly in human capital – are sizable.

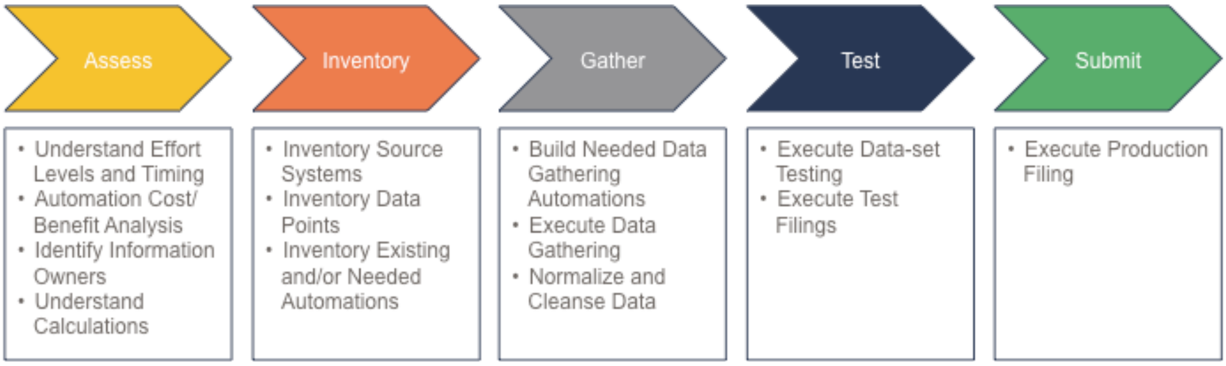
While analysis paralysis is a natural outcome of regulatory filings, we offer a simple suggestion to solve that challenge before you start the filing process.



Engaging an industry expert like SteelBridge

It's obvious for us to suggest quick recommendations like "clean your data" to help with managing your regulatory filing process, but what does it really mean to improve the entire process? That is a much more challenging effort. Affecting positive change in any organization requires diligence and often recommendations from others who have done it before.

SteelBridge has submitted regulatory filings on behalf of many clients. As a result we understand the complexities and nuances each filing presents. Although our experience has proven this is not a one-size-fits-all project, we have leveraged our knowledge of the process to develop the baseline approach below for regulatory filing efforts.



Partner with SteelBridge for Regulatory Filings

SteelBridge recognizes the effort needed to execute private fund regulatory filings, and we have been engaged to build and execute plans for the most complex filings. We support the positive impact automation can have on organizational efficiency, but understand the realistic cost to automate. Through our efforts we have helped clients introduce the right amount of efficiency using improved data collections processes, focused data clean-up efforts, and the proper mix of third-party systems vs. internally designed architectures.

We work with our clients to achieve the end goal of increasing data availability, accuracy, and transparency while increasing productivity and reducing resource time and effort. It is our business to ensure your organization has the right operational balance to meet your goals. Because, as we all know, the filings *will keep coming!*

About SteelBridge

SteelBridge is a boutique advisory services firm with deep expertise in Private Capital. We have a passion for helping our clients identify and affect change to improve process and technology for more effective organizations. We help general partners, limited partners, third party administrators, software vendors, and portfolio companies. At SteelBridge, we hold ourselves to the highest standards by providing exemplary services for our clients.

For more information call 646.737.7960 x1008, visit www.steelbridgeconsulting.com, or join us on our Facebook and LinkedIn pages:

Let us show you why we are the leading boutique advisory services firm in the Private Capital space.

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