



Need to File Form PF? How to Pick the Best Provider

Form PF has become the topic du jour in the alternative investment community as the filing deadline with the U.S. Securities and Exchange Commission for the largest investment managers is at hand.

Over the coming months, what is perhaps the greatest data collection exercise in the history of the industry will occur and the undertaking is forcing many practitioners to look at their funds in a completely new light. Although the experiences across the industry will be very different, the sheer volume of data that must be collected, analyzed, and reported to regulators has placed a strain on the internal resources of investment managers.

In response to these dynamic and varying needs, dozens of offerings have been introduced to the marketplace by a variety of different organizations, including fund administrators, technology firms, and independent consultants. However, like most pieces of technology or most service providers, not all solutions are created equal, with each having positive and negative attributes. Therefore, before selecting a Form PF solution, alternative investment managers need a thorough understanding of some of the solution's technical capabilities.

Here are eight attributes US managers should consider:

- 1- Easy collaboration: Clearly, within an investment manager, there will not be a single person preparing, reviewing, and filing Form PF independently. It will require many professionals from different business units to work together in order to complete Form PF in an accurate and timely fashion. As such, a Form PF solution should enable easy collaboration by multiple parties through a web-based platform. Being able to work online is especially important, as the relevant personnel for completing Form PF for an investment manager may be in different offices or jurisdictions.
- 2- Effective audit trail: There are potentially dozens of people working on a single Form PF for an alternative investment manager, an effective audit tool will also be required. A robust audit tracking facility will enable all users to understand the changes that were made to Form PF, why they were made, when they were made, and who made them. In such an important document that could be subject to audit by regulators, it is imperative that changes can be followed over time and the user who made the alterations can be identified.
- 3- Flexibility and scalability: The ability to handle additional regulatory requirements is essential. It would be foolish to believe that Form PF is now etched in stone or that additional data gathering is not on the horizon. For commodity pool operators, it is already here in the shape of the U.S. Commodity Futures Trading Commission's CPO-PQR report. Any good Form PF solution should be sufficiently flexible in order to adapt to future changes made by the regulatory authorities to Form PF itself. Furthermore, the Form PF solution should be scalable to incorporate similar

requests for additional reporting from regulators; no investment manager wants to use multiple, unique technologies in order to complete their regulatory filings.

4- Storage and accessibility: There are also a variety of time-saving and efficiency features that should be embedded in any good Form PF offering. Obviously, the ability to store previously-filed forms is an asset. Such readily-available storage allows for easy continuity between filings and also serves as an ideal way to manage the data effectively in a centralized facility. Similarly, it is a tremendous asset to be able to use the data to create additional reports for a variety of internal and external purposes. With so much data available in one place, it would be a waste to restrict the outputs of such a data gathering exercise to a single regulatory document. Rather, a strong Form PF solution should allow for other types of reporting based on the gathered information.

5- Ease of calculations: A big area for analysis would surround the ability of the Form PF platform to perform calculations on the data. Many Form PF solutions just have empty fields that need to be filled in, even though the figures that need to go in those empty fields are calculated from other figures within Form PF. The greatest benefit and most efficient process would come from the ability to perform calculations within the report in an automated fashion. This allows for a reduced turnaround time to complete the form, decrease the possibility for human error, and allow for more time to review the outputs.

6- Data validation and sanity checks. Ingrained in the Form PF solution, data validation and sanity checks, can also help with developing an efficient workflow. Some Form PF platforms offer no guidance when figures look odd, fields are missing, or a host of related issues. This can lead to a much slower process for completion and review or, at worst, an erroneous form filed with regulators. A solution with built-in checks, alerts, and approval mechanisms will improve the quality of the filing and ensure a complete presentation.

7- Accredited security: A major concern and matter for examination also involves the security of the platform. After having spent untold hours gathering and manipulating data, it is important to be certain that data is protected. Form PF paints a very transparent picture of an investment manager, information which is surely not meant for just any reader. As such, the information needs to be stored and maintained in a secure fashion. Any Form PF solution, as well as the firm that created it, should be accredited by a reputable body and regularly have its security processes audited.

8- Cost: There is a necessary balance between getting the form completed right and the solution being an affordable one. Any provider can simply throw bodies at the substantial volume of work to be performed and end up with a completed Form PF. However, a manual process is not only very expensive, but also incredibly time-consuming and prone to error. In addition, despite what the popular press may choose to print, alternative investment managers have finite dollars to spend on technology and infrastructure. The costs borne by a management company continue to increase and, as such, a cost-effective Form PF solution which delivers value is the order of the day.