



## **Form PF: Lessons from First Filers**

The end of August brought the first filing deadline for Form PF, the latest and largest attempt to gather data on the alternative investment industry. The August filers, representing some of the world's biggest and most reputable money managers, have at least \$5 billion of regulatory assets under management and were first in line to complete the more than one thousand data fields contained in Form PF's dozens of pages.

While certainly the process of completing Form PF is a daunting one, there are several lessons that can be learned from these early filings. The experiences of the largest investment managers can serve as helpful guideposts for smaller investment managers whose filing deadlines still remain on the horizon. With respect to such regulatory concerns, an appreciation of the pain points of the summer will help to avoid a winter of discontent.

Perhaps the most universal advice that has been given on Form PF is that early preparation is essential to delivering a successful filing. The old adage that the early bird gets the worm appears to hold true in this case, as the sheer volume of data that must be compiled has proven to be enormous. Moreover, many different departments and job functions must interact to complete Form PF, so the time required for collaboration is substantial.

For smaller investment managers, recall that many of the first filers already had substantial record keeping and data gathering infrastructures as well as internal staff to plan and execute such a project. Even with these pieces already in place, the experience was not a basic, linear exercise that could be accomplished over the weekend. By starting the process early, the difficult tasks can be spread over time and a frantic, last-minute rush can be avoided.

On a related note, another common discussion point pertaining to Form PF has been with respect to the decision of handling the filing exclusively in-house or leveraging an outside solution. There are clear pros and cons to both approaches and the decision weighs heavily on a few key factors, especially surrounding direct financial costs and indirect opportunity and people costs.

Some of the larger investment managers shunned an outsourced solution, preferring instead to keep the project internal and have their own people prepare and file Form PF. This, of course, saved the cost of the outsourced solution, but some investment managers have since found that the drain on internal resources far outweighed the cost of using an outside provider. As mentioned, each investment manager must decide what makes the most sense

based on their particular factors, but many have found that the actual cost in dollars is less relevant than the need for an effective, controlled solution.

The time crunch that can be faced by an internal team in preparing Form PF becomes even more complicated when the filing deadline for Form PF intersects with other busy periods for an investment manager. If the filing deadline lines up with the audits for the investment manager's funds, major due diligence visits from investors, an SEC examination, or one of a host of other events, then an already stretched internal team may have difficulties accurately preparing Form PF in a timely manner.

A third discovery from the initial filings of Form PF is that robust technology can make the process of filing substantially easier. With so many fields to complete in the document, as well as a host of related calculations, any form of automation throughout the filing can save valuable time and dramatically reduce the chance for human and manual entry errors.

Along similar lines, the same technology can provide a more complete method for tracking changes, performing a detailed review, discerning an audit trail, and storing filings for future use. Indeed, an appropriate Form PF solution which leverages technology, whether handled internally or sourced externally, should feature all of these benefits in order to ensure an accurate filing and a replicable process.

A final takeaway from investment managers has been surrounding the ability and usefulness of leveraging their existing service providers. A wealth of information is already housed and reported upon by a variety of third parties, including a fund's prime broker, auditor, or technology provider; it has been surprising how little the information at these service providers was utilized. Since these groups already have much of the information that is required to file Form PF, the existing relationship can be used to make the filing process simpler.

A clear example is with respect to the relationship an investment manager already has with their fund administrator. A substantial amount of the data that is required for Form PF is already housed within the books of records at the fund administrator, so it is a natural step to build on this existing data rather than start from scratch. Moreover, several top tier administrators have already rolled out complete and cost-effective Form PF solutions, so utilizing the resources of such an existing service provider can make tremendous sense.

With the first filing of Form PF complete, an analysis of the experience of the world's largest investment managers can yield some helpful tips for smaller money managers. Though the items detailed previously are some of the most common points, it is important to note that each investment manager is unique. And since each situation is unique, it is important to recognize that no two filing experiences will be the same. Ultimately, given the end goal, the most important factor is that the approach to filing is timely, effective, replicable, and cost-efficient. As the first filers have shown, there is more than one path to choose when completing Form PF, but their stories carry important lessons for all future filers.