

Board Turns to Outsourced CCO for Answers and Action!



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Situation

A Cipperman Compliance Services professional team member serves as the chief compliance officer (CCO) of a multibillion-dollar series trust. The board of trustees for that series trust had concerns about a start-up fund that had been proposed for inclusion in the trust. Questions were being raised about the firm's operational infrastructure including its ability to monitor portfolio compliance.

The board had a fiduciary responsibility to protect the trust's other funds and the \$2 billion invested, but didn't have the information it needed to determine whether to approve the new fund. Further, board members needed expert advice from professionals with industry experience. This left the board in an untenable situation.

Action

As the series trust's CCO, CCS had created a comprehensive compliance program, focusing on high risk areas such as portfolio compliance, valuation and trading risk, conflicts of interest, code of ethics and employee trading. Because CCS's professionals have a wide scope of experience working for major asset management firms, law firms, regulatory agencies and other service providers to the asset management industry, and because CCS professionals can draw from this depth of bench, CCS had the resources needed to handle complex issues for the trust beyond the compliance regulatory environment. And as an independent entity, the firm gave the board confidence that its team of professionals would get the facts – and turn those facts into actionable recommendations.

As questions about the start-up fund and other funds were raised, the board asked the firm to take on responsibility for initial due diligence. In the case of the start-up fund, the firm conducted an on-site review and reported actionable items in the fund's compliance program which would require fixing before the board could approve the fund.

Serving as the “eyes and ears” of the trust, CCS professionals give board members the confidence they need to ensure that the funds are operated in compliance with applicable regulatory requirements.

Outcome

By assuming a due diligence function in addition to its customary CCO role, Cipperman Compliance Services provided the series trust:

- A comfort level regarding the firm’s capabilities that comes only with a deep understanding of the series trust structure and of applicable regulatory requirements.
- The confidence that comes with an experienced and highly conscientious team of professionals.
- A fact-based, regulatory perspective that is vitally needed in today’s highly regulated financial/investment environment.
- A level of factual investigation and understanding beyond what the trust’s accounting and legal firms could provide.
- The independent view of a firm whose judgment and recommendations are based upon regulatory requirements.
- The ability to turn data into targeted, meaningful, results-oriented action.
- A cost-efficient solution compared to utilizing the Trust’s other service providers.

Bottom line

For a board of trustees, overseeing a multibillion-dollar fund complex is an enormous responsibility with tremendous personal liability. Trustees need expert investigation, analysis and recommendations to understand how fund managers implement policies and procedures to meet complex SEC regulatory requirements. CCS’s deep knowledge and experience are invaluable assets. Serving as the “eyes and ears” of the trust, CCS professionals give board members the confidence they need to ensure that the funds are operated in compliance with applicable regulatory requirements.

About Cipperman Compliance Services

Cipperman Compliance Services provides CCO and compliance services to registered funds and money managers. We customize compliance solutions to fit your business: full or partial compliance outsourcing, consulting engagements, and tailored compliance tools. Cipperman & Company is a law firm devoted exclusively to the investment management industry. We work on a wide range of transactional and regulatory matters, with concentration on four core areas: Fund Formation, Distribution, Compliance, and Technology.

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