

Broad Array of Outsourced Services Helps Investment Team Launch Investment Management Firm

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Situation

An investment team launched anew institutional investment management firm as the result of an MBO/spin-out from one of the nation's largest multinational commercial banks. Four portfolio managers from the management group retained their existing private fund clients and planned to market their services to other institutional clients.

While the four principals were experienced portfolio managers, they lacked operational and compliance experience. Their business goals had changed from just managing investments to also running and growing a business, including designing and implementing a compliance program – all without the support and resources of a large, global corporation.

With an aggressive start-up schedule, the principals knew they needed guidance on regulatory compliance from an experienced third party firm. They foresaw, too, the need for legal counsel as they started up the new business, underwent the SEC registration process, and addressed compliance issues. Further, with the firm seeking to grow its business by gathering additional assets under management, the team required legal assistance and other support from practitioners with experience and expertise in navigating the institutional manager due diligence process.

Action

The new firm retained Cipperman Compliance Services, whose professionals immediately went to work compiling Form ADV, including the Firm Brochure summarizing the adviser's background, investment strategies, services and fees. CCS helped the firm develop ongoing policies and procedures and develop a flexible compliance manual that would grow with the firm as its needs evolved.

Flexibility was key to the structure of the new company's contractual agreement with CCS, too. As a start-up, the company was not in a strong cash-flow position in its early months, yet required an array of compliance and legal services. So, CCS amortized up-front and on-going costs over a multi-year term so that the client would have a lesser strain on cash flow in the first 12 months.

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Outcome

CCS put registration on fast-track and worked closely with SEC staff on behalf of the new investment management firm to expedite the registration process. Ultimately, registration was achieved in a matter of weeks.

During the company’s first year as an independent entity, CCS professionals provided a variety of services including:

- Drafting, implementing and maintaining the compliance manual and related policies and procedures
- Conducting the annual review required by Rule 206(4)-7 and conducting the annual risk assessment
- Maintaining a compliance calendar
- Informing personnel of compliance responsibilities and conducting compliance training
- Providing ongoing regulatory advice
- Preparing and filing ADV amendments and state notice filings
- Preparing 13F filings
- Monitoring insider trading policies
- Reviewing marketing materials for compliance with applicable SEC rules
- Negotiating agreements with service providers

Benefits

CCS professionals go well beyond the role of compliance consultants to do the “heavy lifting” of designing and implementing the compliance program. In addition, because fully half of the company’s professionals have law licenses in addition to investment and compliance experience, CCS helps clients with legal expertise that would otherwise require retaining a separate law firm. Lastly, by offering flexible terms in their contractual agreement, the new institutional investment management firm was able to successfully launch its business even while depending heavily on CCS for a variety of high-level compliance and legal consulting services.

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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