



Compliance & Financial Reporting Costs Group Therapy: Analyzing the Impact with Data

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Strategic Operations & Policy Summit

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Overview

- Survey approach & goals
- Respondent demographics
- Preview of results
 - Compliance costs
 - Financial reporting costs
 - Audit & tax returns
- Q&A



Survey Approach & Goals

The Challenge

- Firms increasingly facing higher compliance/financial reporting costs
- Scarce data on costs

The Solution

- Collect data on approach & associated costs:
 - Benchmarks
 - Best practices
 - Quantify regulatory burden

Survey Steering Committee

- **Chris Cooper & Kale Yeung**, *Sequoia Capital*
- **Denise Marks**, *SV Health Investors*
- **Marcy Marshall**, *Arboretum Ventures*
- **Anthony Matusich**, *Sapphire Ventures*
- **Pat Reilly**, *TCV*
- **Craig Slutzkin**, *New Leaf Venture Partners*
- **Karen Wilson**, *InterWest Partners*



thank you!

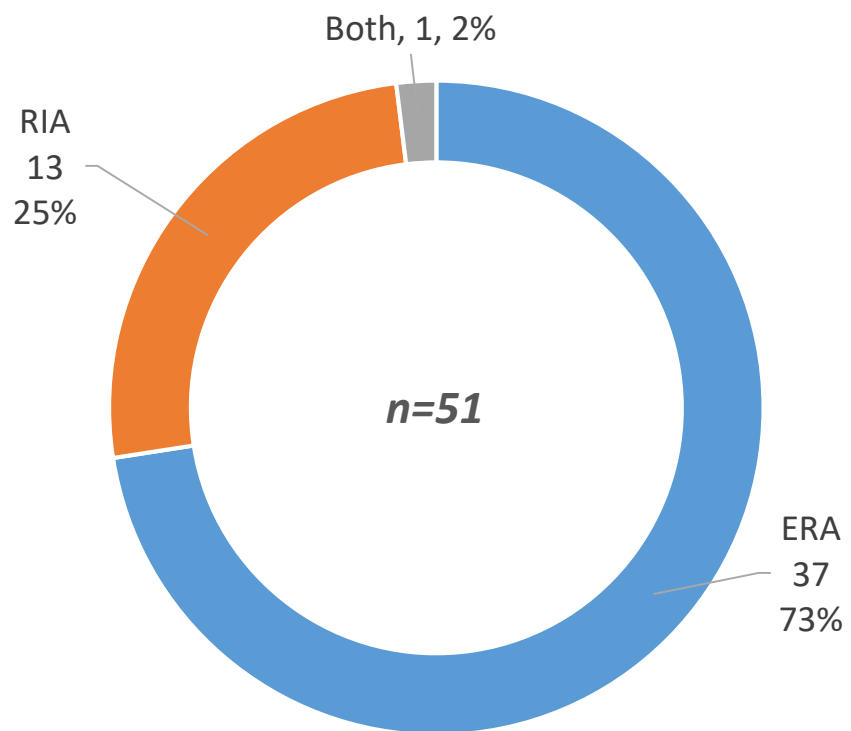


Who responded?

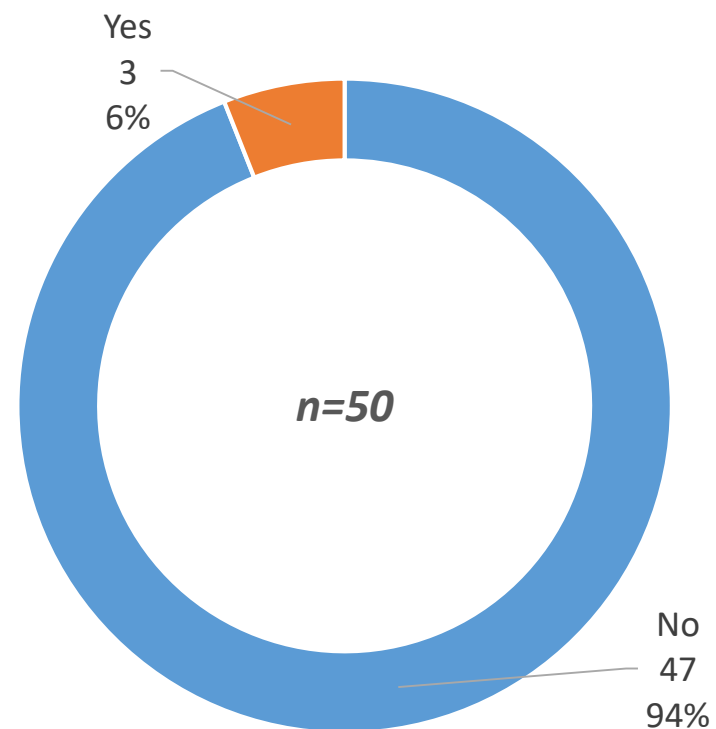
Survey Respondent Demographics

RIA vs. ERA

Respondents by RIA vs. ERA

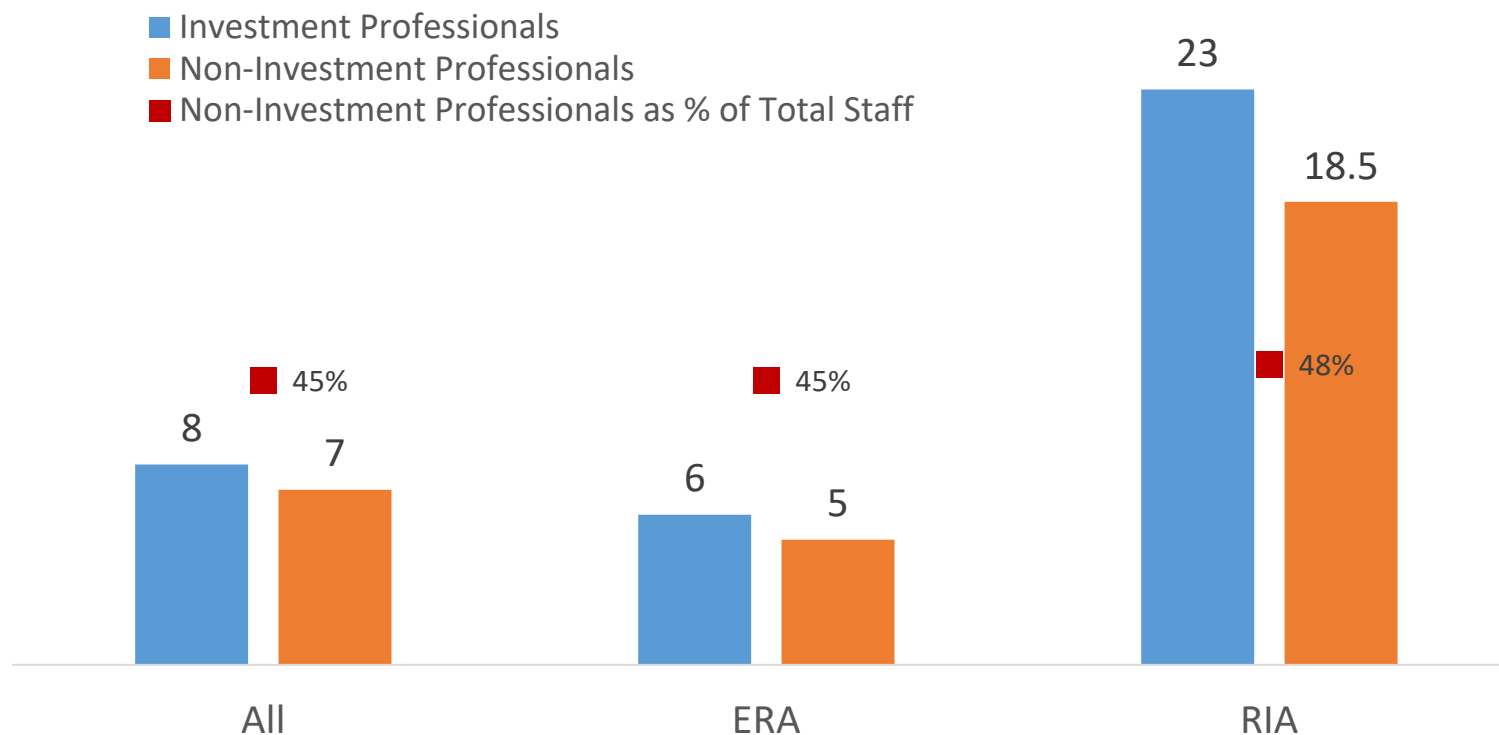


Firm Became RIA in 2016 or Examined by SEC in 2016?



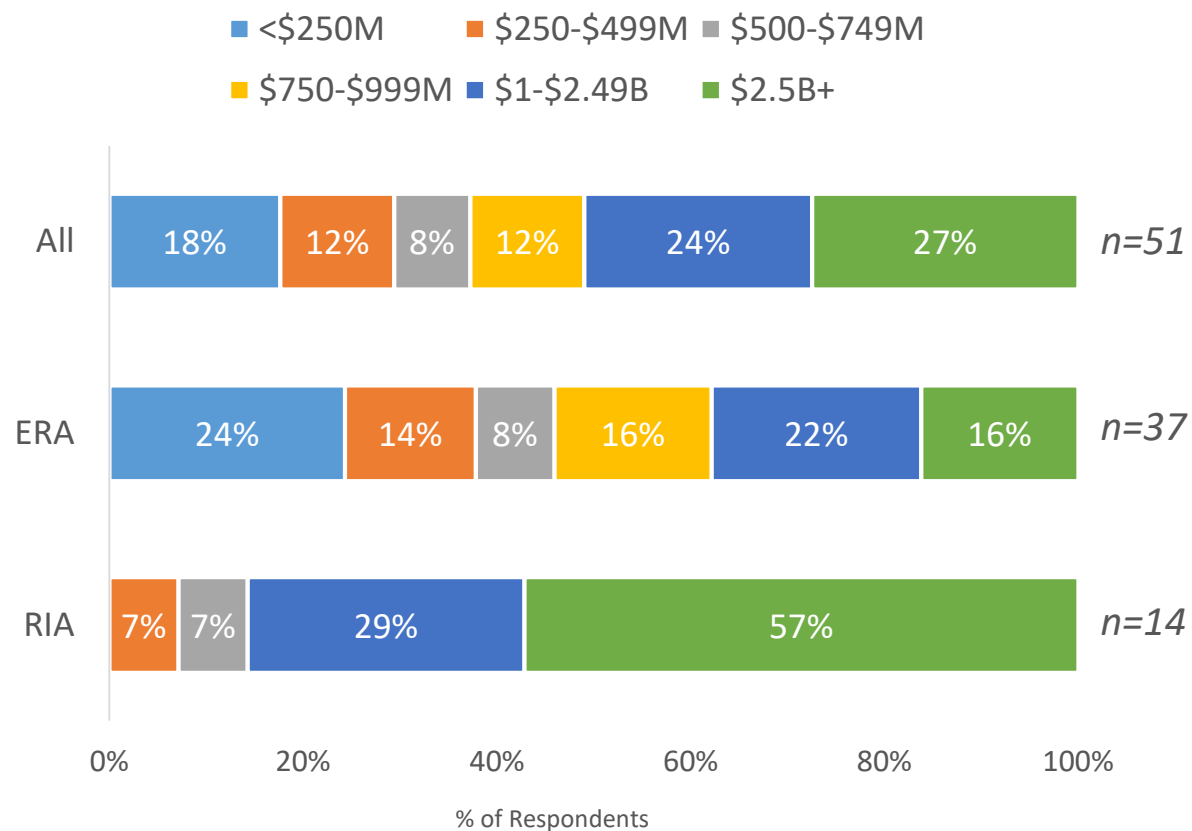
Firm Headcount

Median Headcount for U.S.-based FTEs

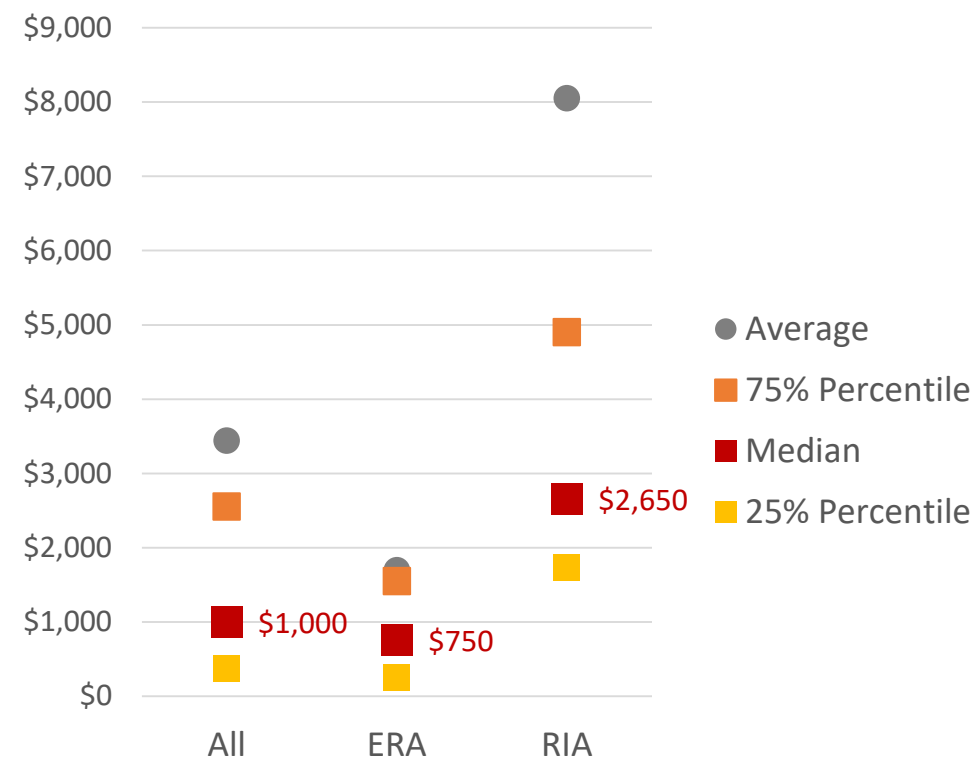


Assets Under Management

Respondents by Firm AUM

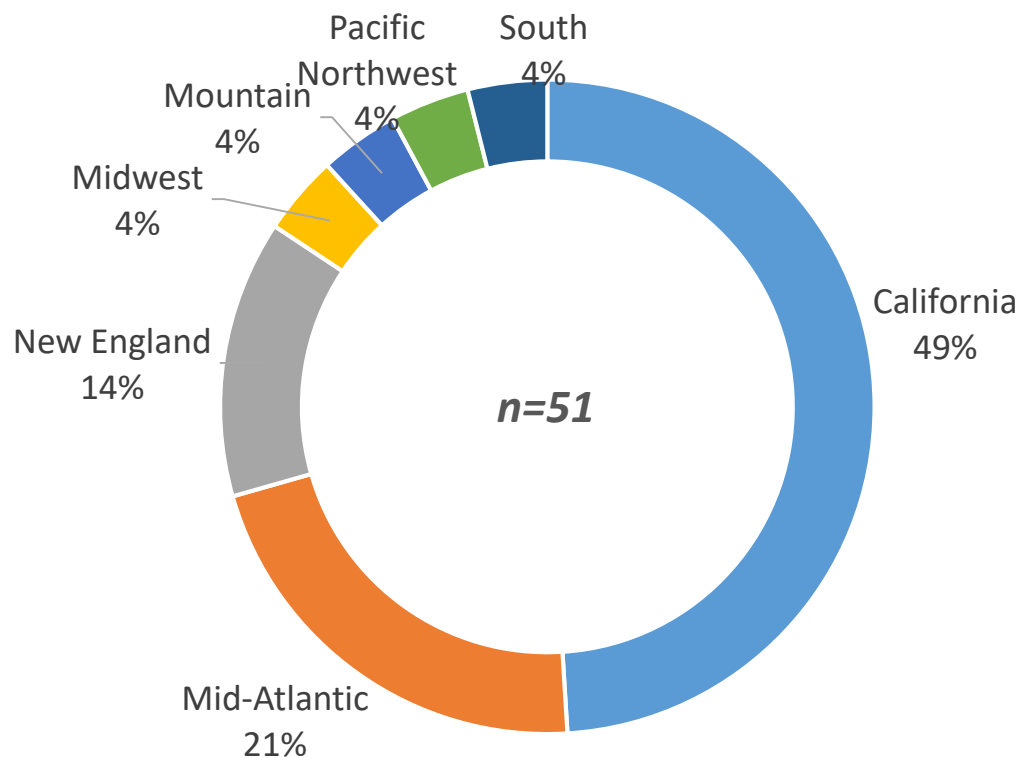


Firm AUM Details (\$M)

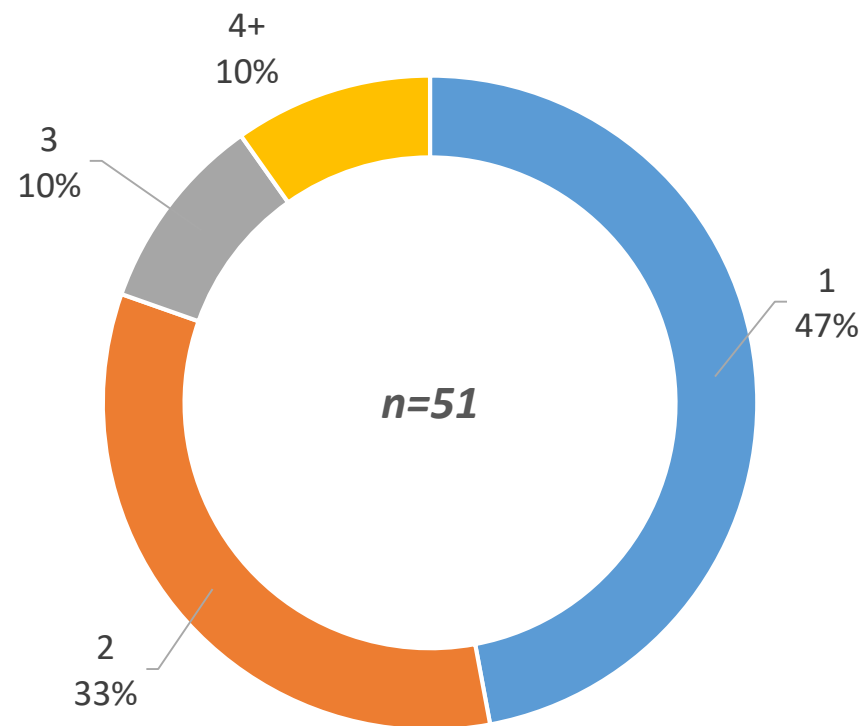


Geographic Spread

Respondents by HQ



Respondents by # of Offices





So...what did we learn?

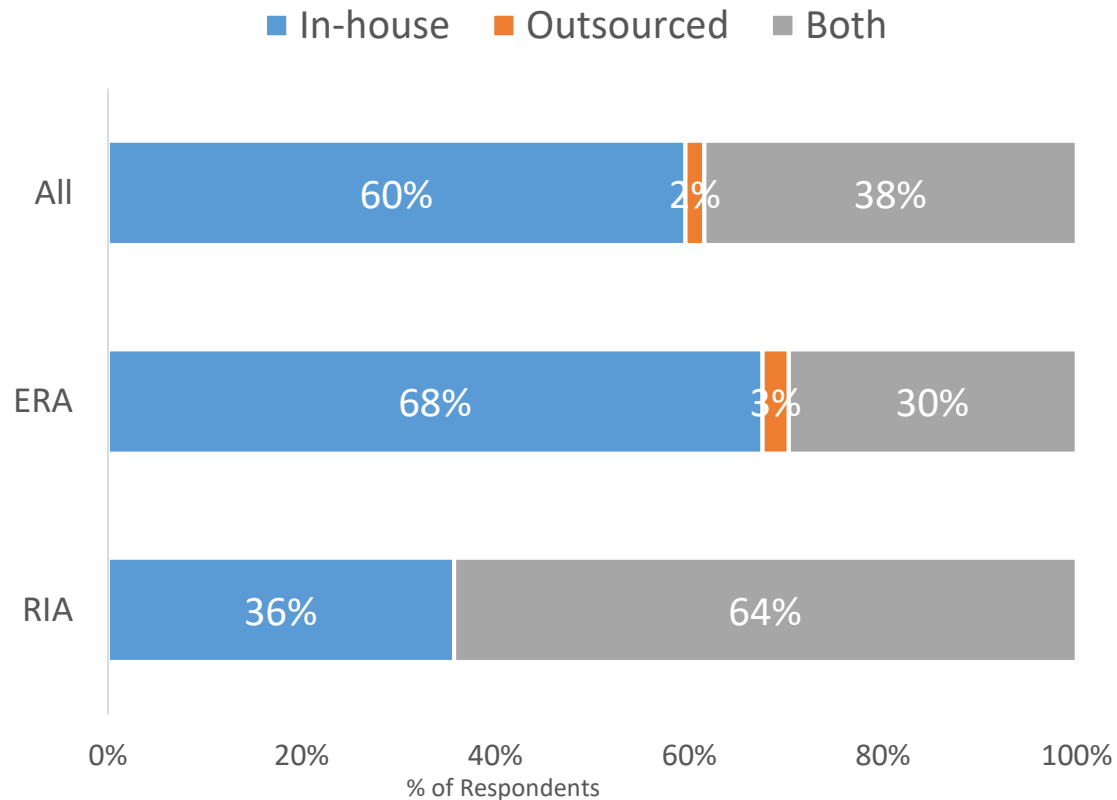
Survey Results



Compliance Costs

Compliance Approach: Outsourced via In-House

Firm's Compliance Responsibilities are Handled...

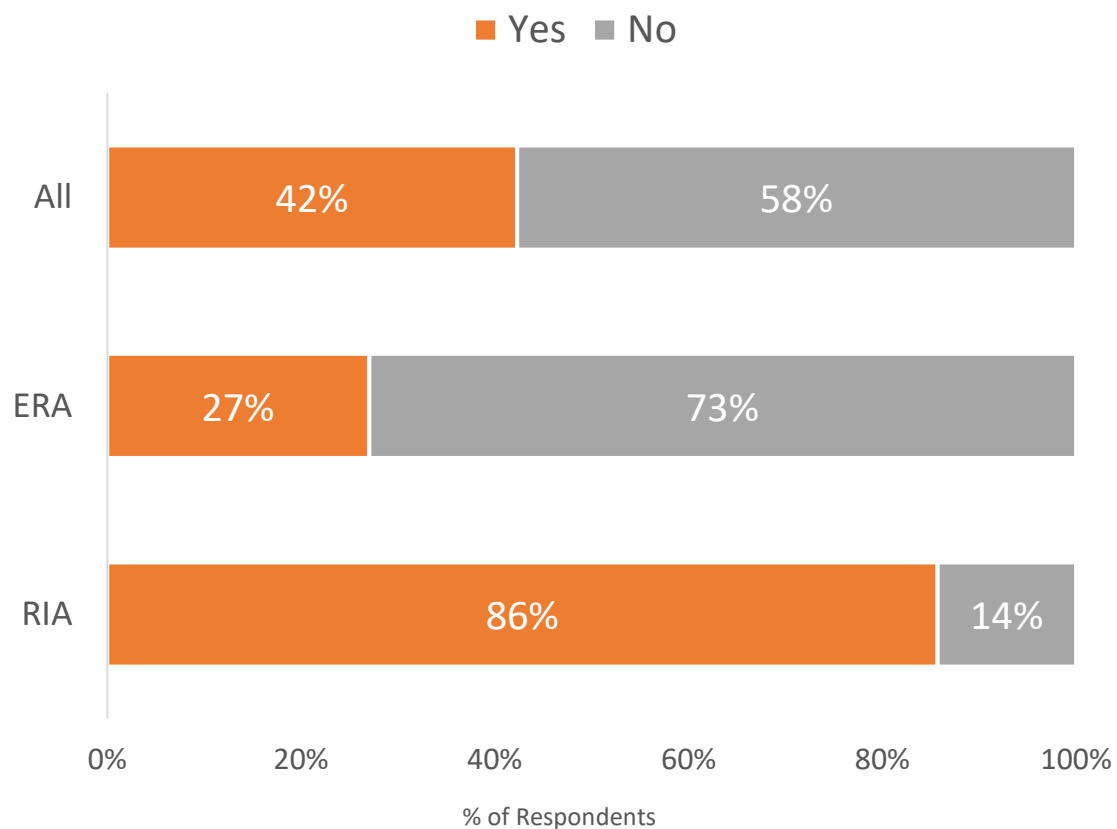


Hours/Week Firm Spends Overall on Compliance

	All	ERA	RIA
Average	20.4	6.4	54.6
Median	4.5	4.0	17.5

Compliance Staff & Hours

Have a Dedicated Person on Staff for Compliance?



No. of FTEs on Staff that Dedicate Time to Compliance

	All	ERA	RIA
Average	0.98	0.47	1.93
Median	0.50	0.50	1.25

Compliance FTEs as % of Total Staff

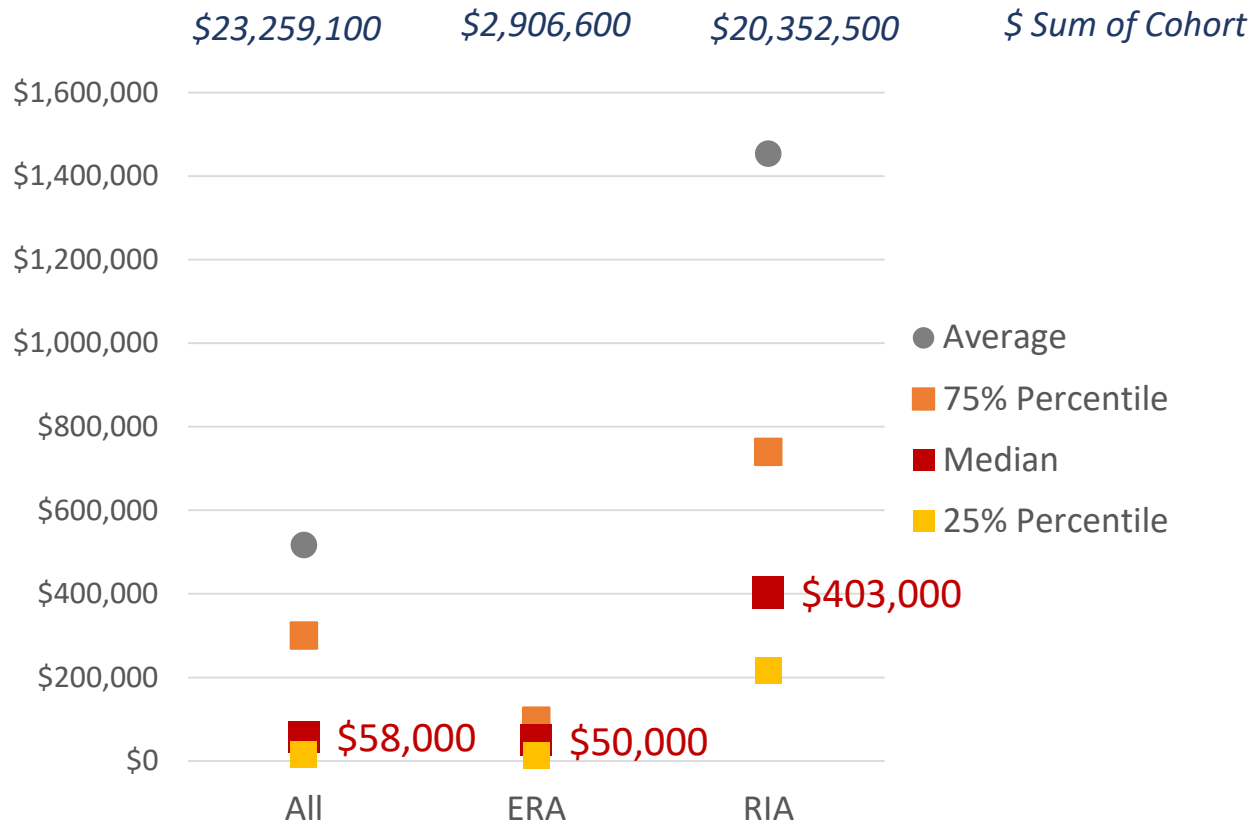
	All	ERA	RIA
Average	4.0%	4.0%	4.1%
Median	2.3%	2.0%	3.0%

Compliance FTEs as % of Investment Professionals

	All	ERA	RIA
Average	7.7%	7.4%	8.3%
Median	4.5%	3.3%	5.1%

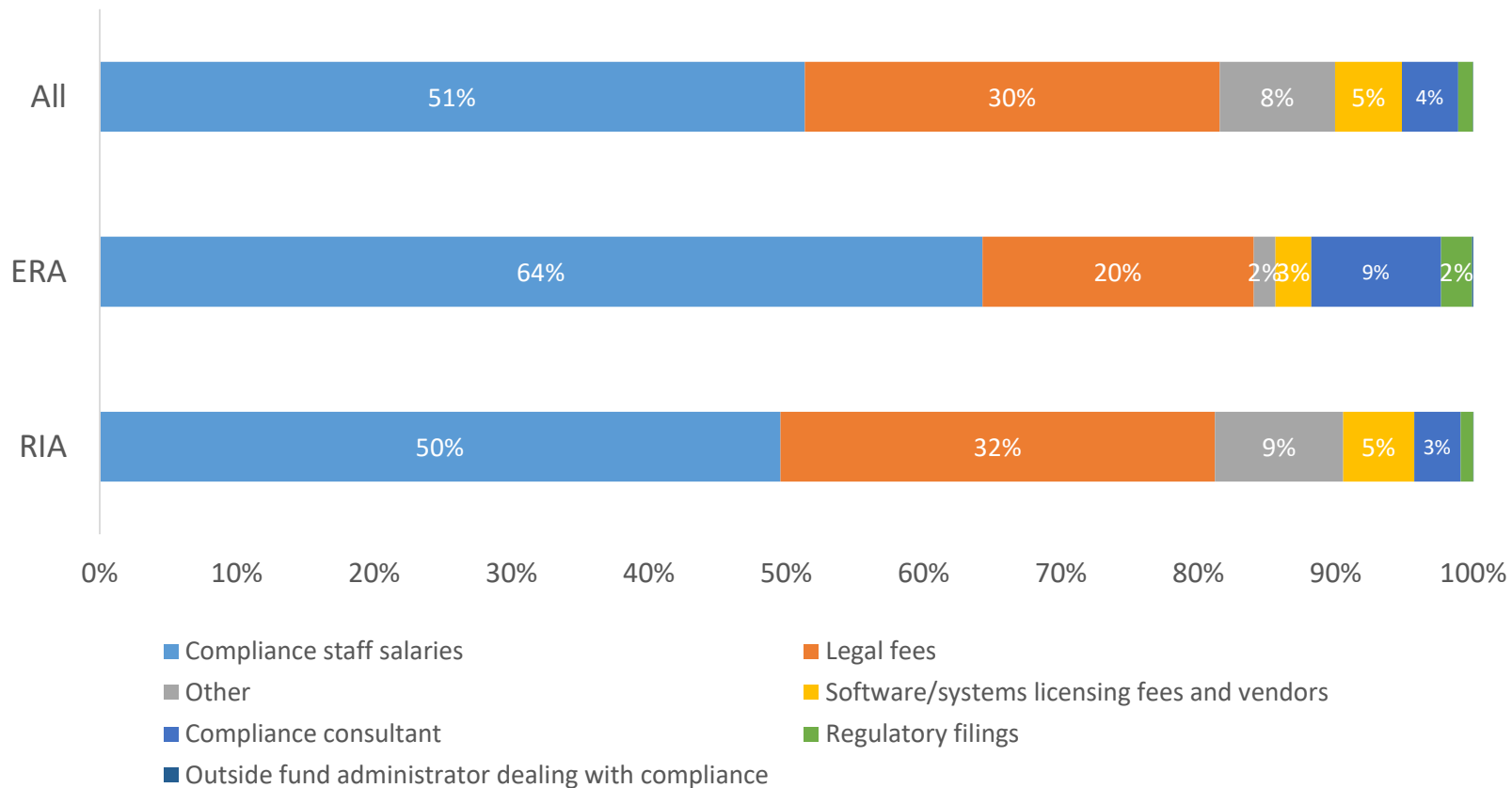
Overview of Compliance \$

Total Annual Compliance Cost for Most Recent Fiscal Year (2016)



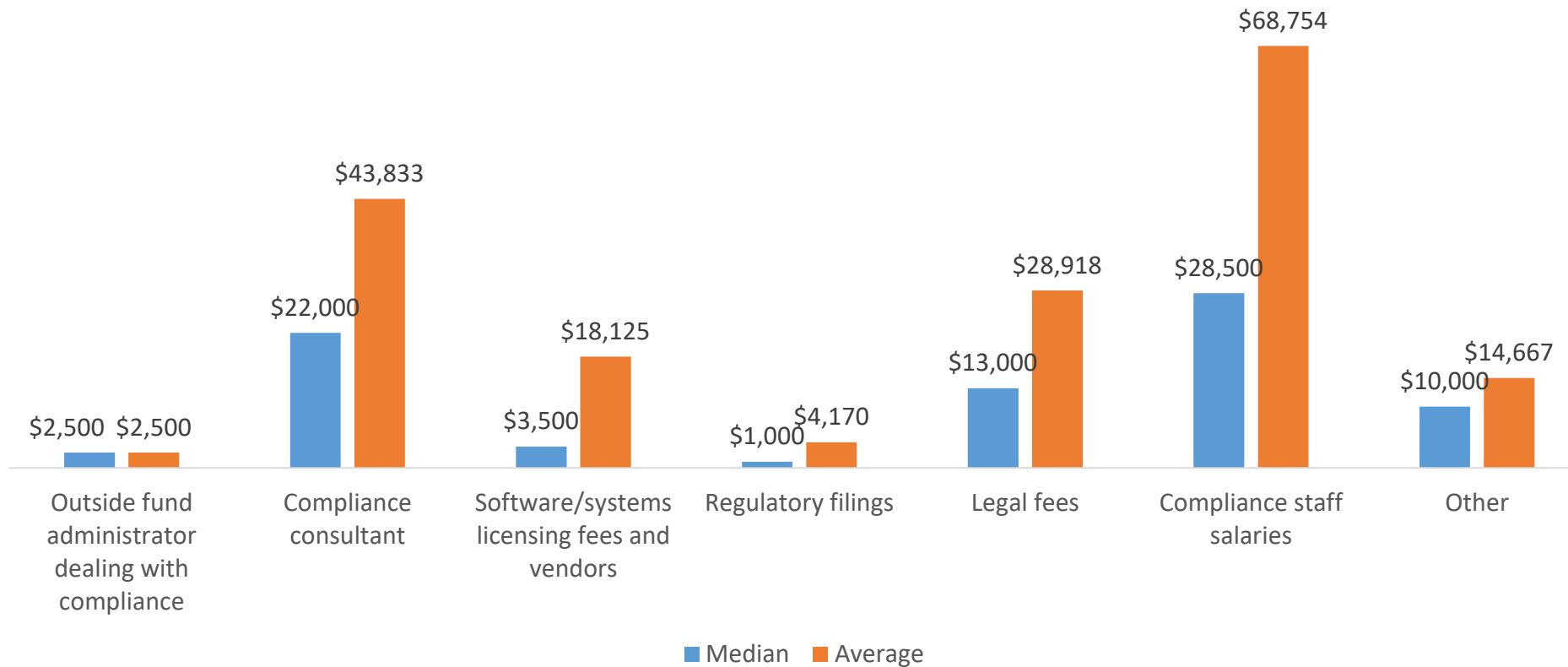
Breakdown of Compliance \$

Breakdown of Overall Compliance Costs for All Respondents by Type



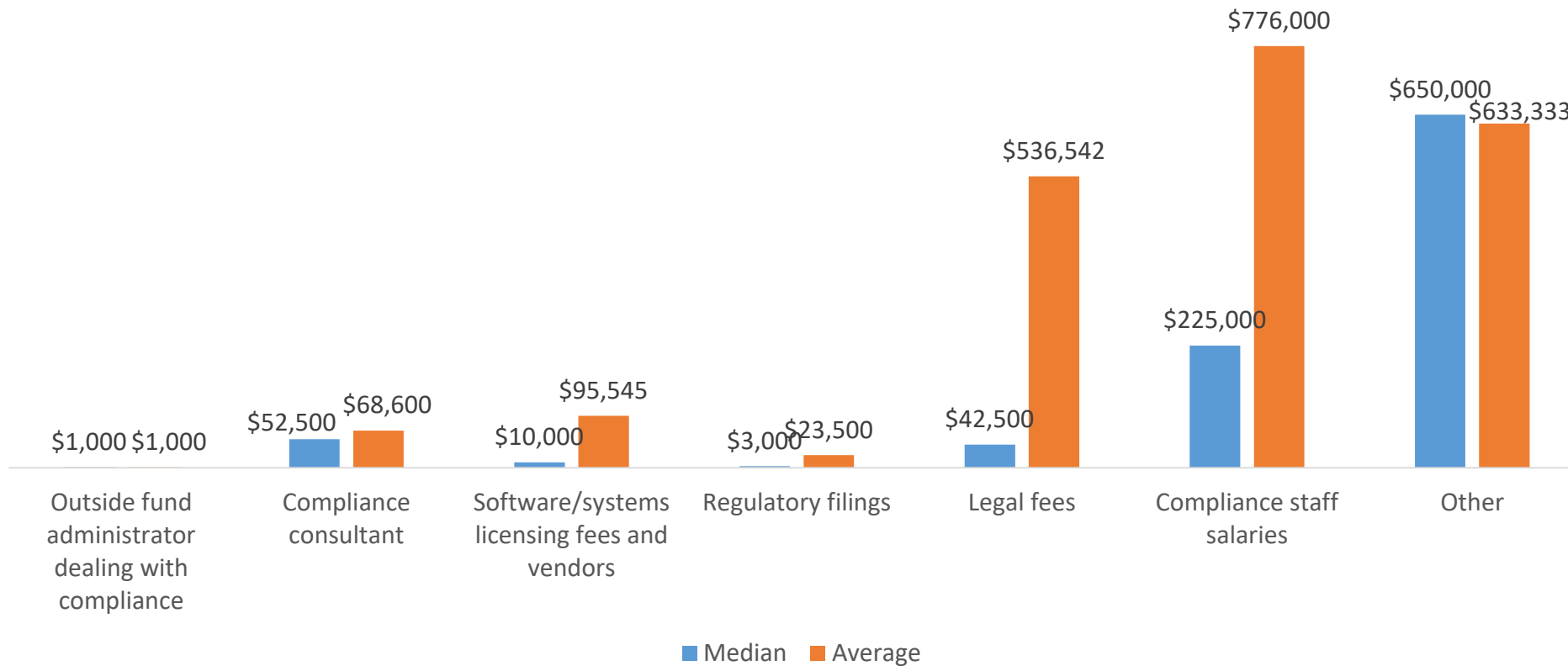
ERA Breakdown of Compliance \$

Median & Average Compliance Cost (\$) Breakdown for ERAs



RIA Breakdown of Compliance \$

Median & Average Compliance Cost (\$) Breakdown for RIAs

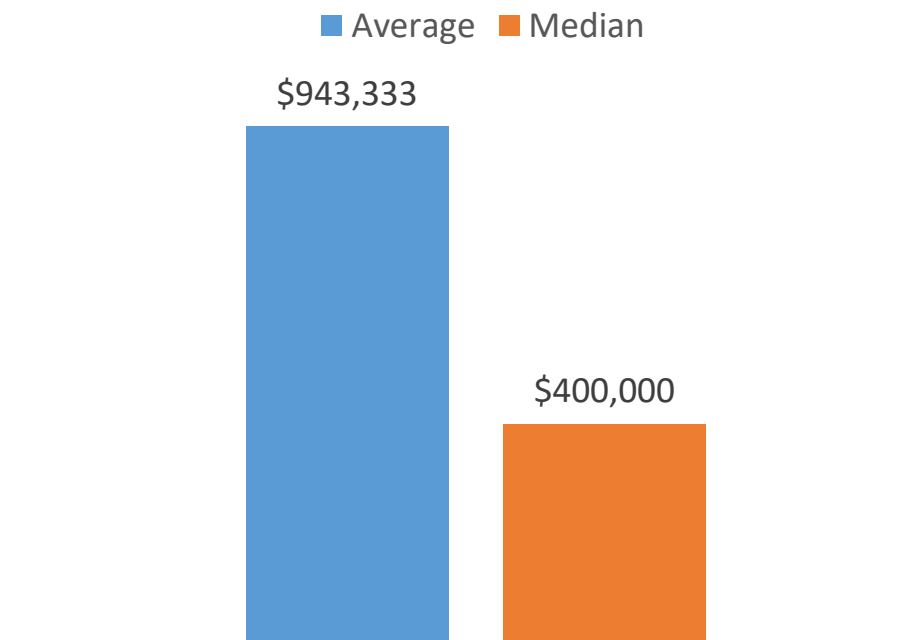


Cost of Compliance Specific w/RIA Reqs.

Hours/Month on Compliance w/RIA Requirements

	RIA
Average	163.9
Median	60.0

Approx. Annual Cost (\$) of Compliance with RIA Requirements for Most Recent Fiscal Year Completed (2016)



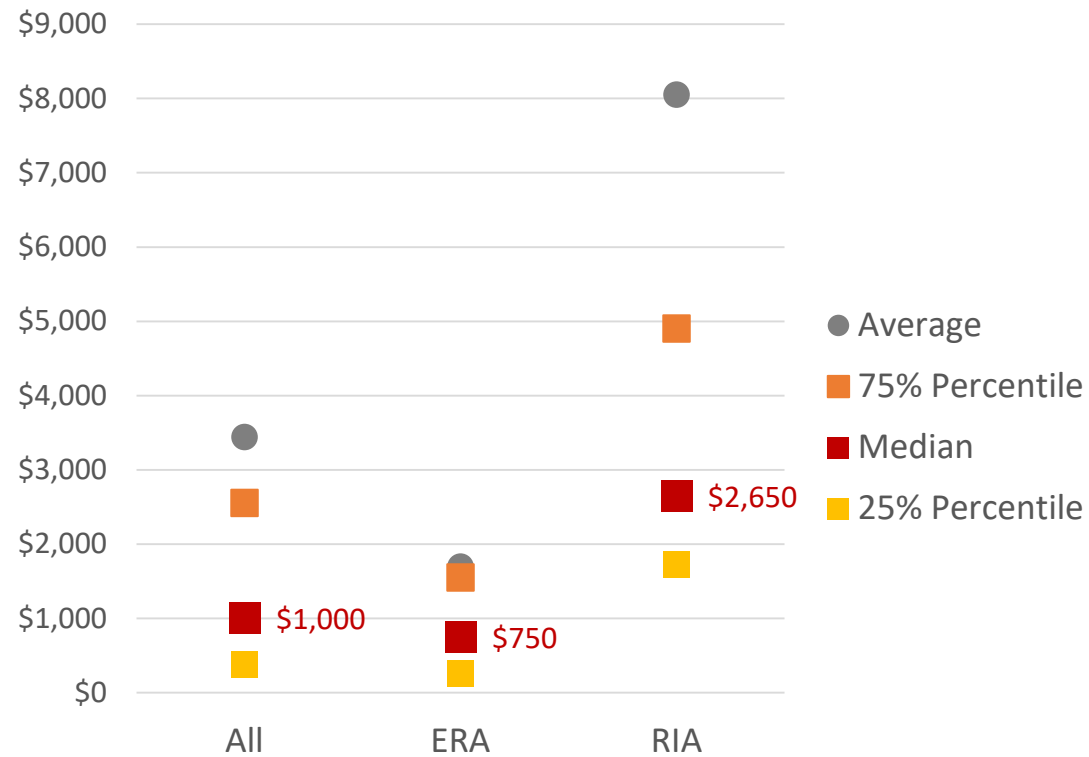
ERAs & Risk of Triggering RIA Status

Does Risk of Triggering RIA Status Prevent Your Firm from Engaging in Any Business Activities?

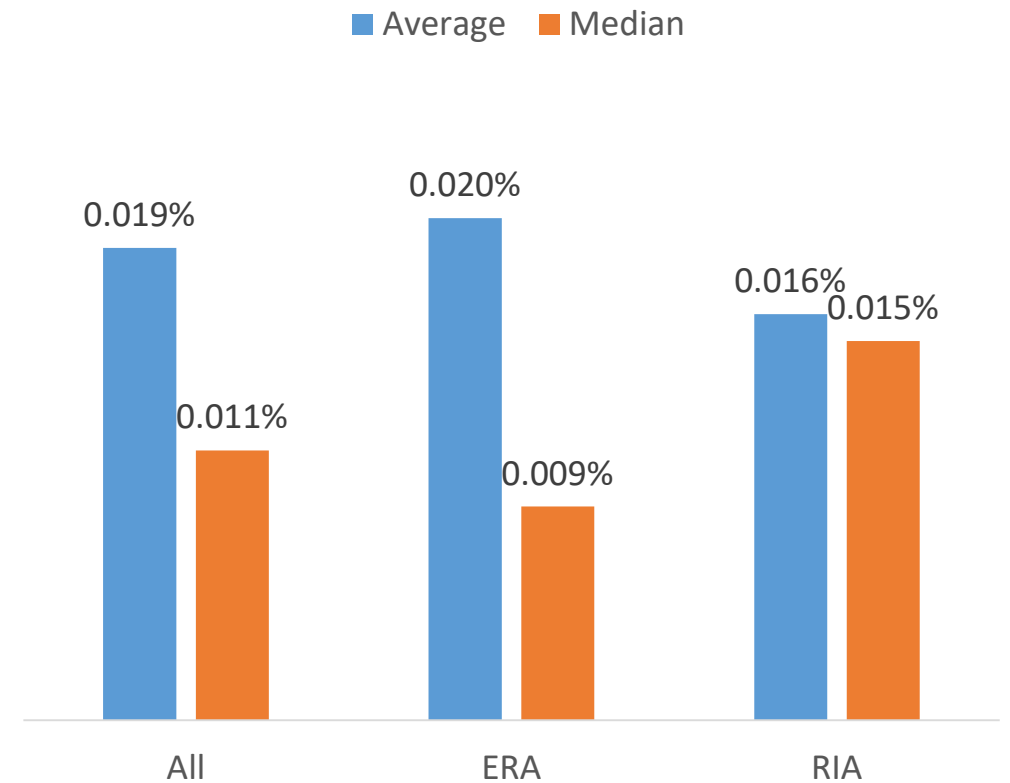


Compliance \$ vs. AUM

Firm AUM (\$M)

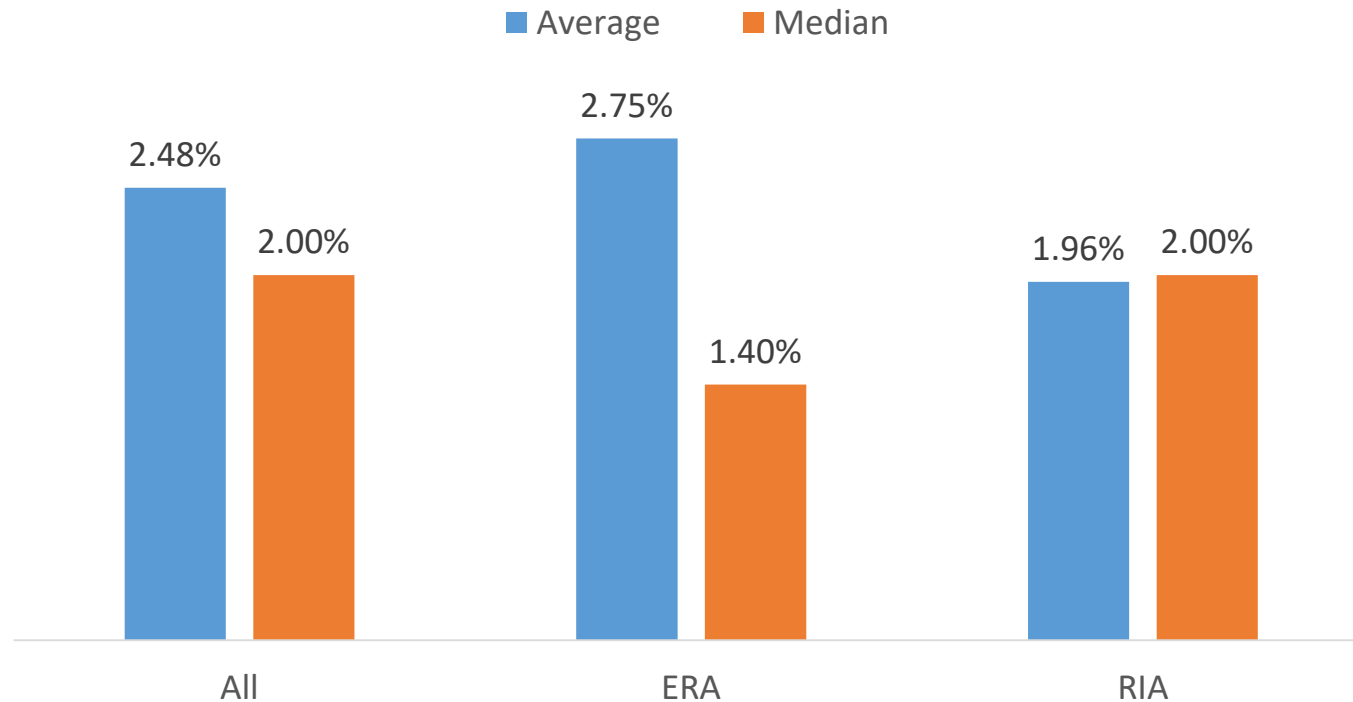


Compliance Cost as % of AUM



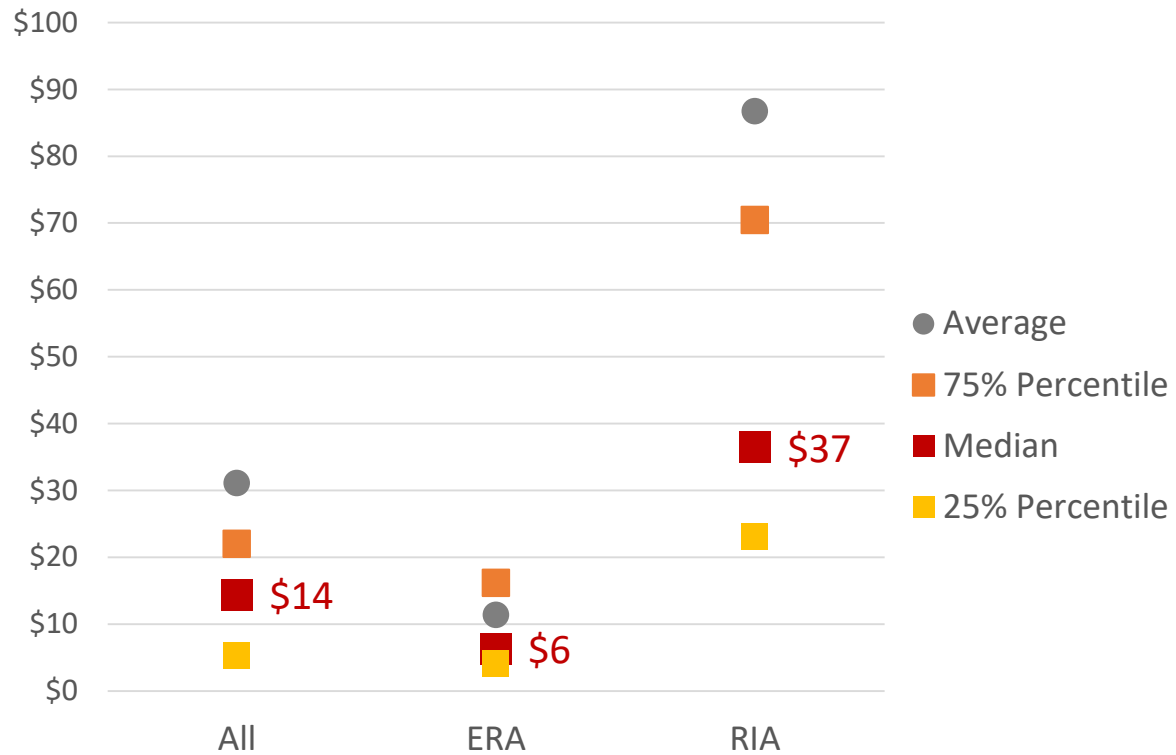
Compliance \$ vs. Operating Expenses

Compliance Cost as % of Management Company's Operating Expenses for Most Recent Fiscal Year Completed (2016)

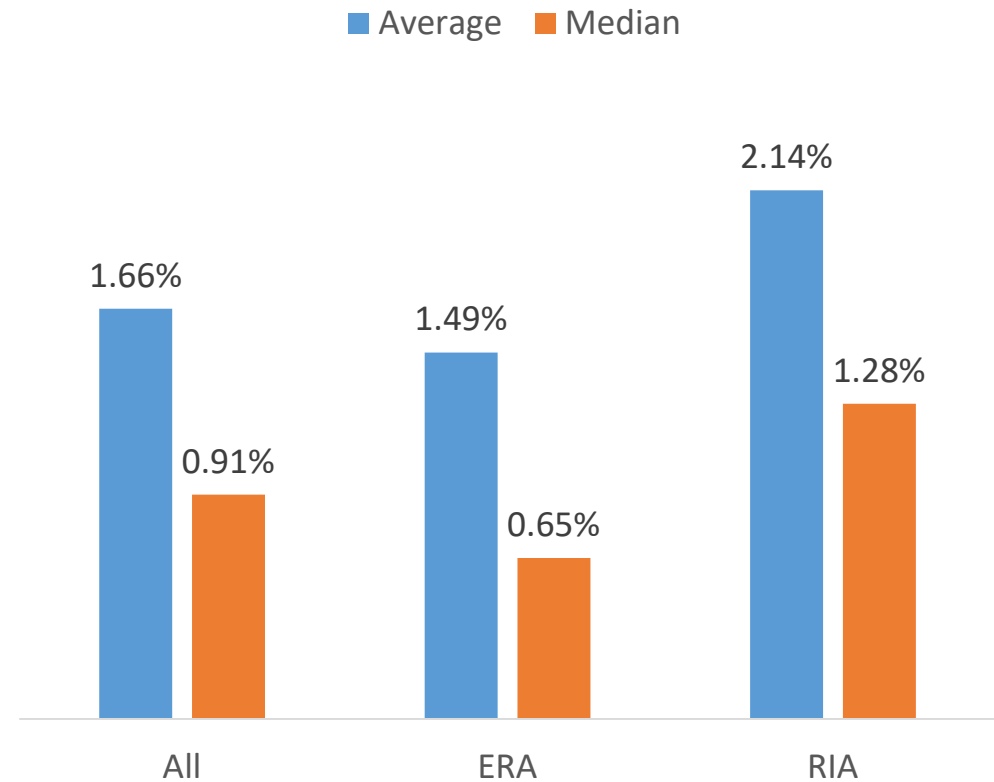


Compliance \$ vs. Management Fees

Firm's Total Management Fees (\$M) for Most Recent Fiscal Year Completed (2016)

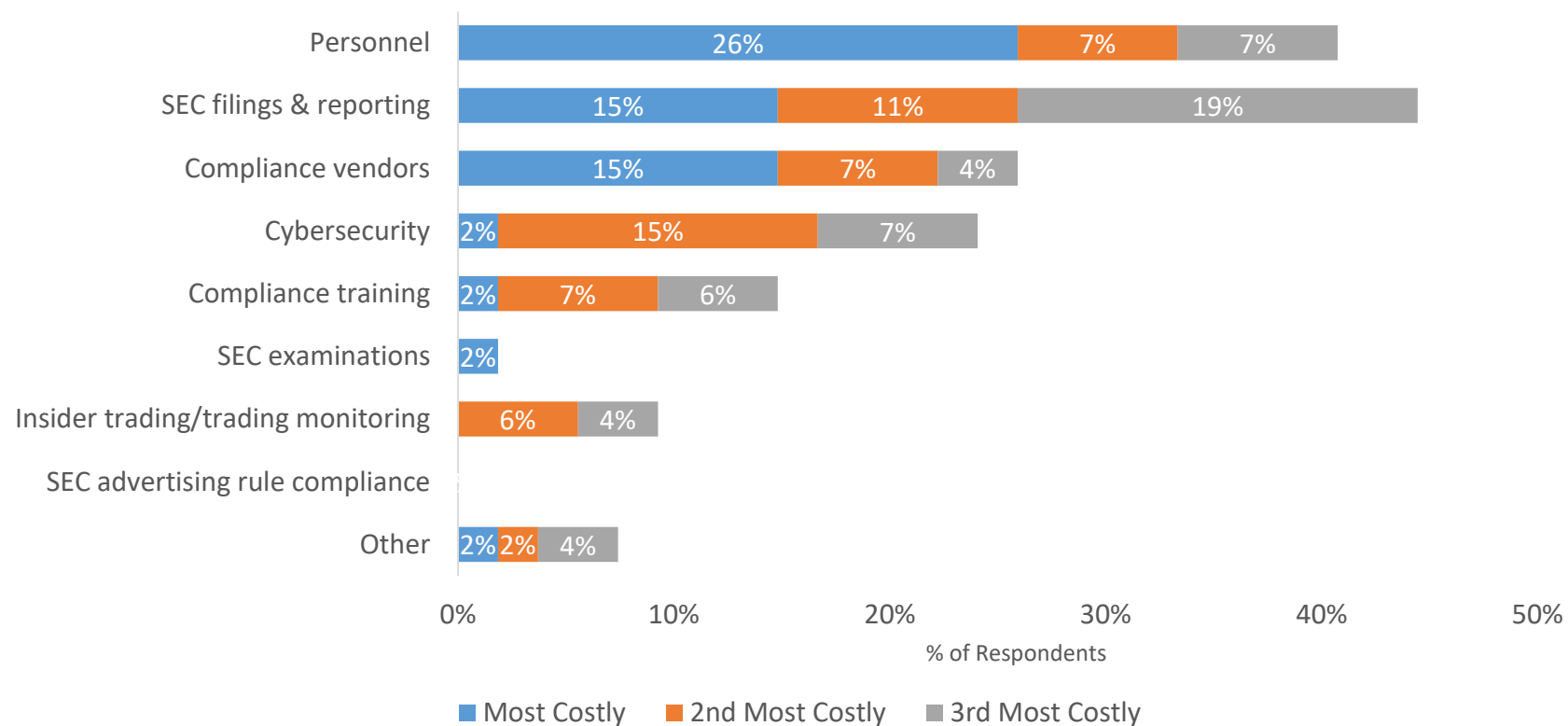


Compliance Cost as % of Management Fees



ERA: Ranking of Compliance Costs

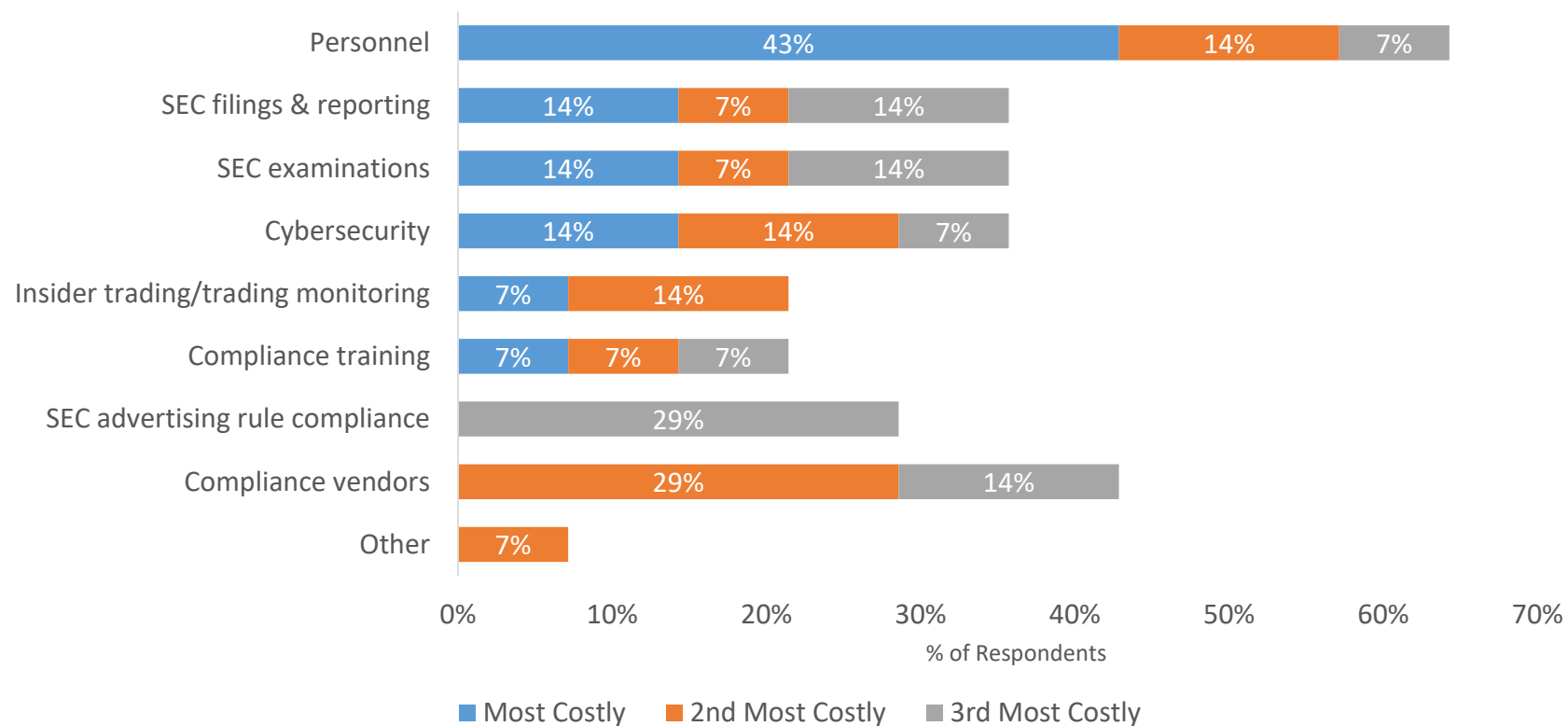
Top Three Most Costly Compliance Issues for ERAs, Ranked 1-3



Source: NVCA Compliance & Financial Reporting Costs Survey, conducted in Fall 2017.

RIA: Ranking of Compliance Costs

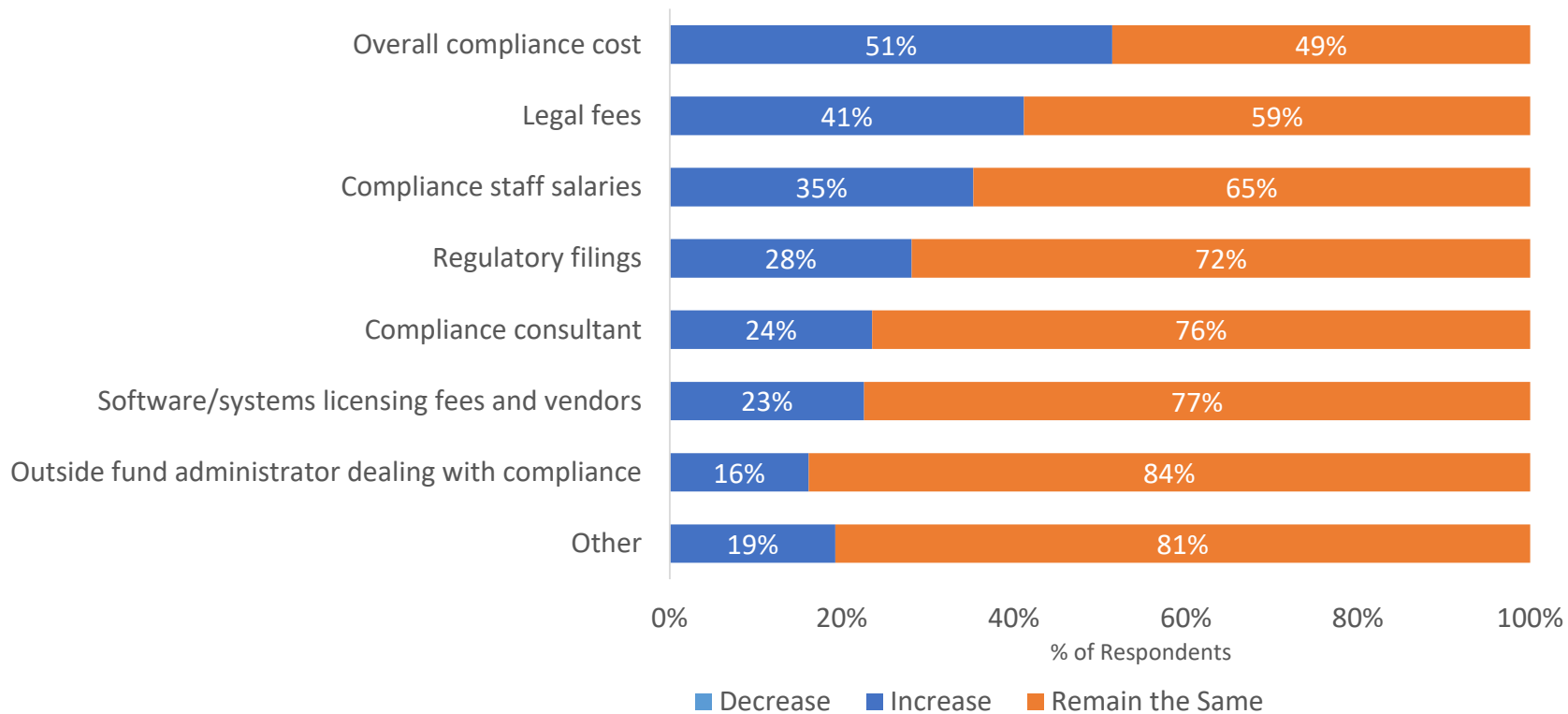
Top Three Most Costly Compliance Issues for RIAs, Ranked 1-3



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ERAs' Compliance \$ Expectations

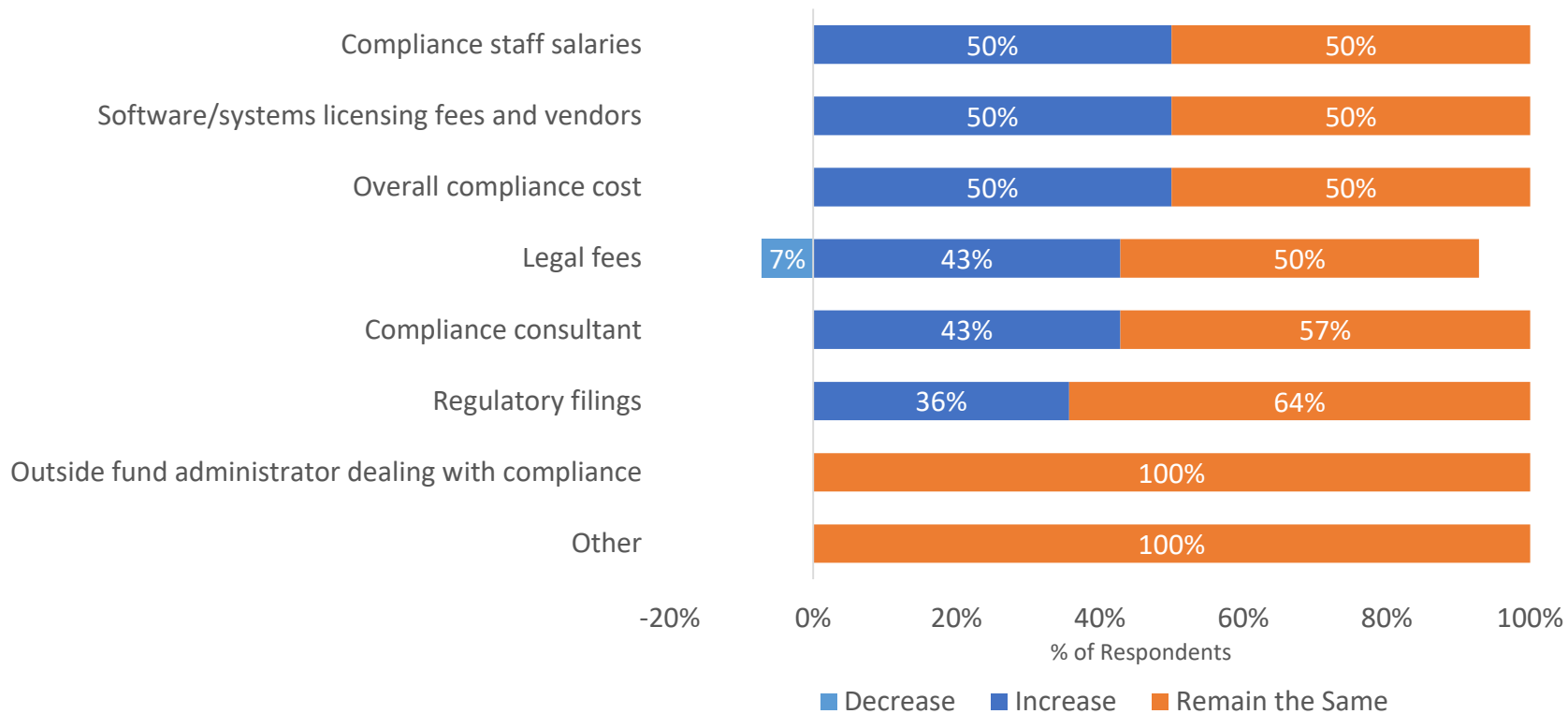
ERAs' Anticipated Compliance Cost Change for Current Fiscal Year (2017)



Note: "Decrease" was marked for none.

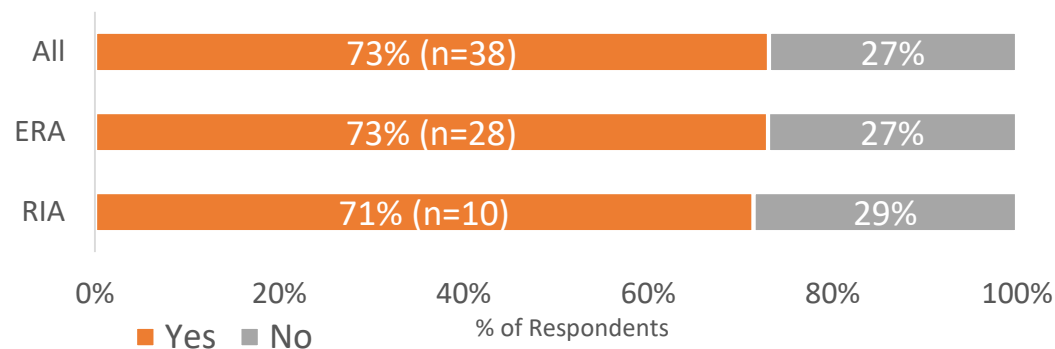
RIAs' Compliance \$ Expectations

RIAs' Anticipated Compliance Cost Change for Current Fiscal Year (2017)

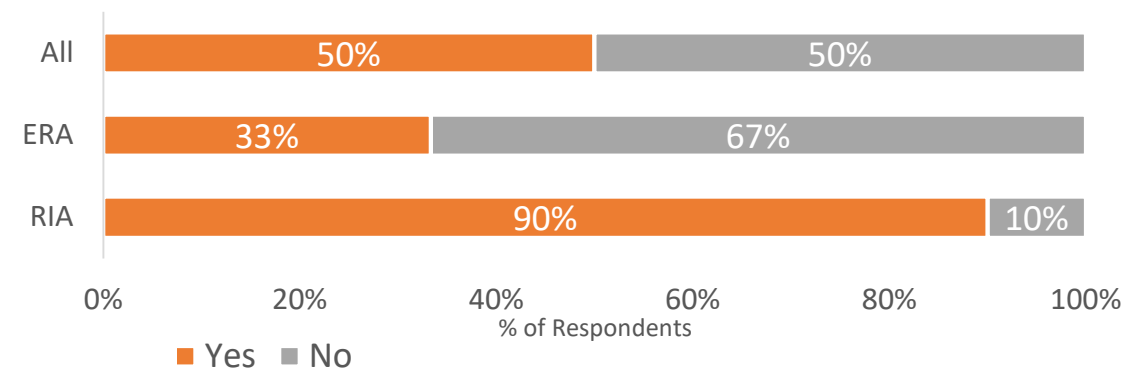


Compliance & LPs

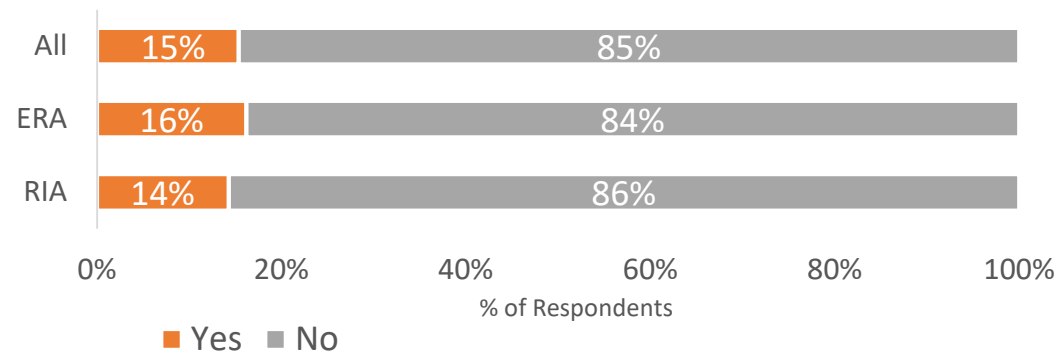
Firm Received Requests from Investors for Specific Compliance-related Policies & Activities?



...If Yes, Has Your Firm Developed Templates to Deal with These Requests?

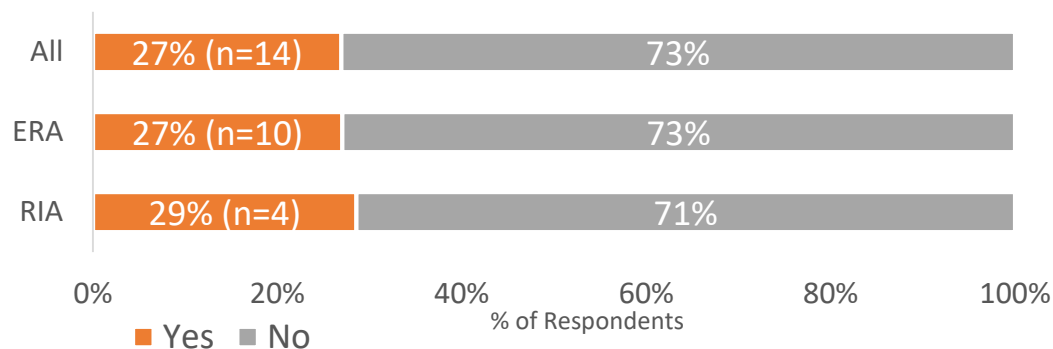


Is Regulatory Compliance Explicitly Defined as a Partnership Expense in Your LPA?

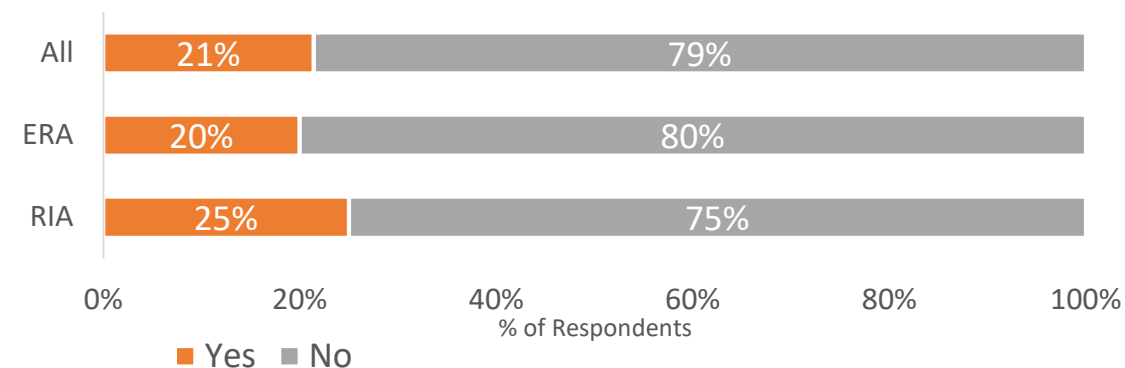


Other Compliance Support

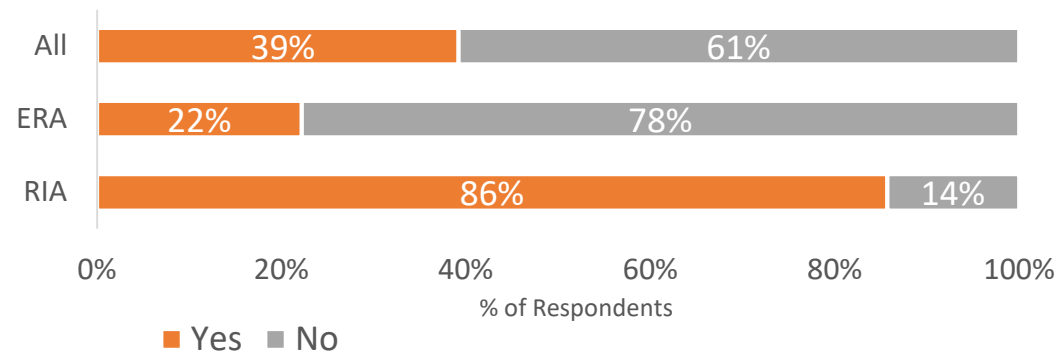
Use Fund Administrator?



...If Yes, Fund Administrator Handles Aspects of Compliance?



License Software/Systems or Use Vendors for Compliance?

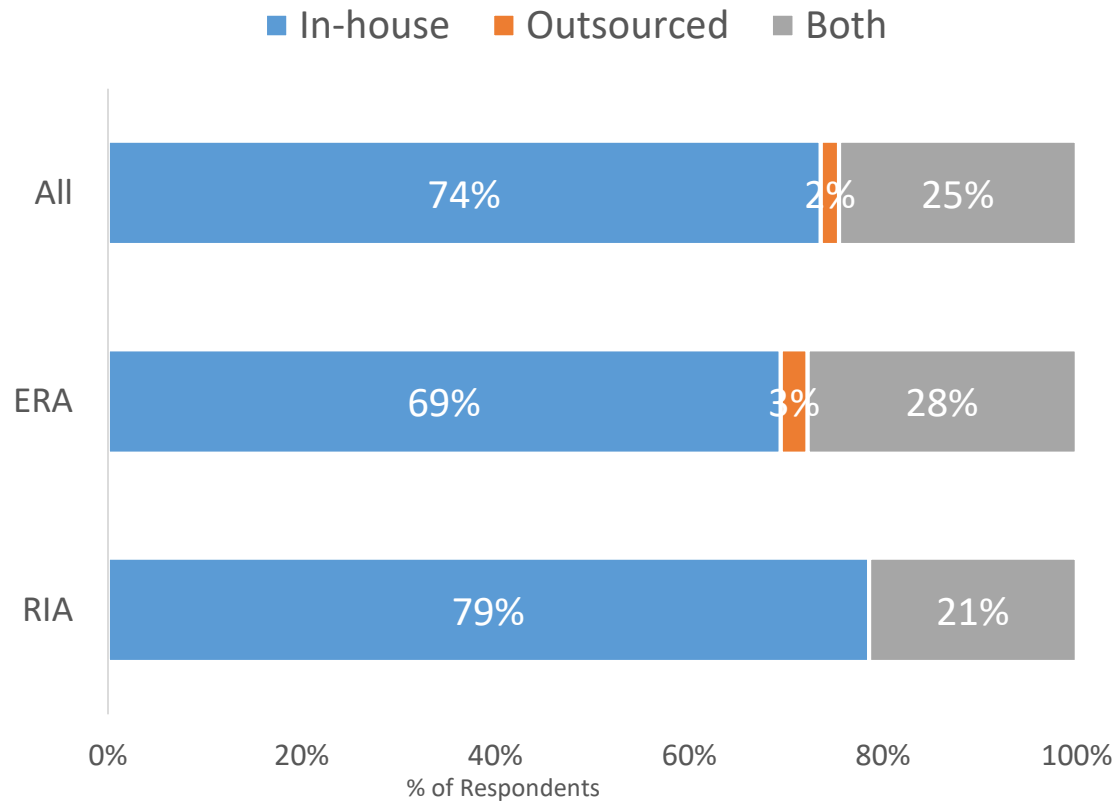




Financial Reporting Costs

Financial Reporting Approach: Outsourced via In-House

Firm's Financial Reporting Responsibilities are Handled...

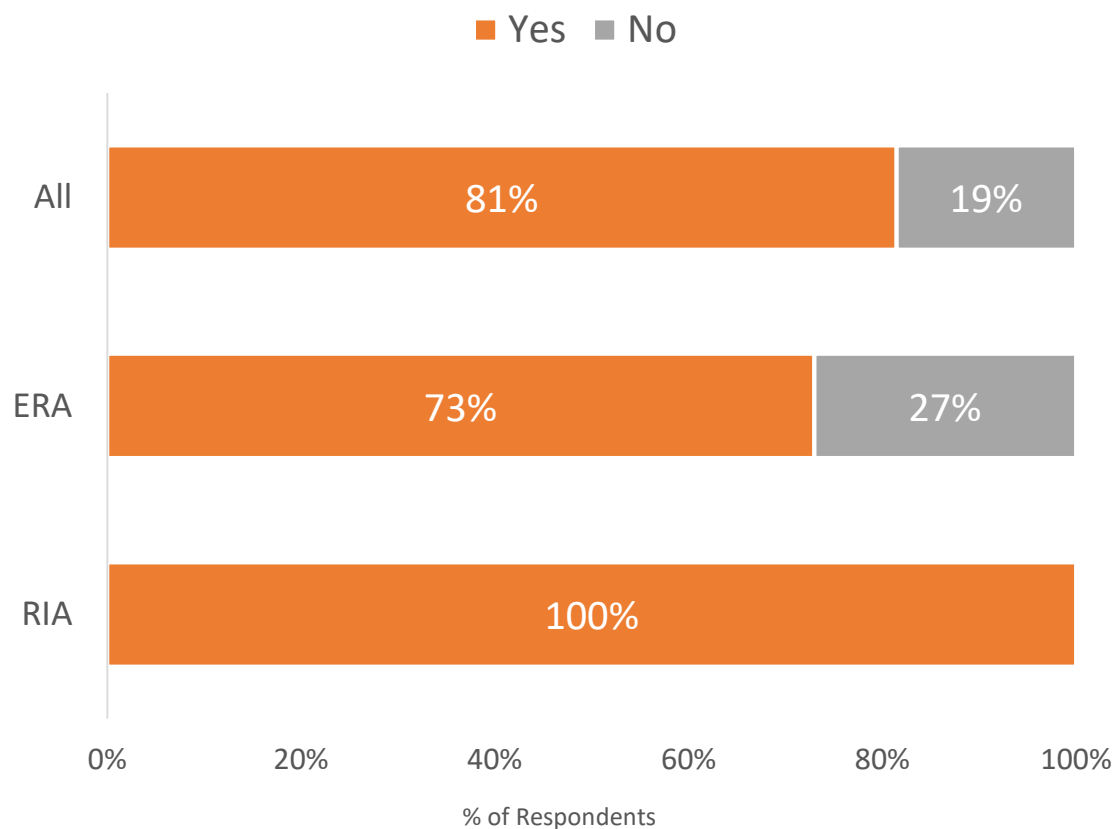


Hours/Week Firm Spends Overall on Financial Reporting

	All	ERA	RIA
Average	114.5	54.8	256.1
Median	37.5	25.0	110.0

Financial Reporting Staff & Hours

Have a Dedicated Person on Staff for Financial Reporting?

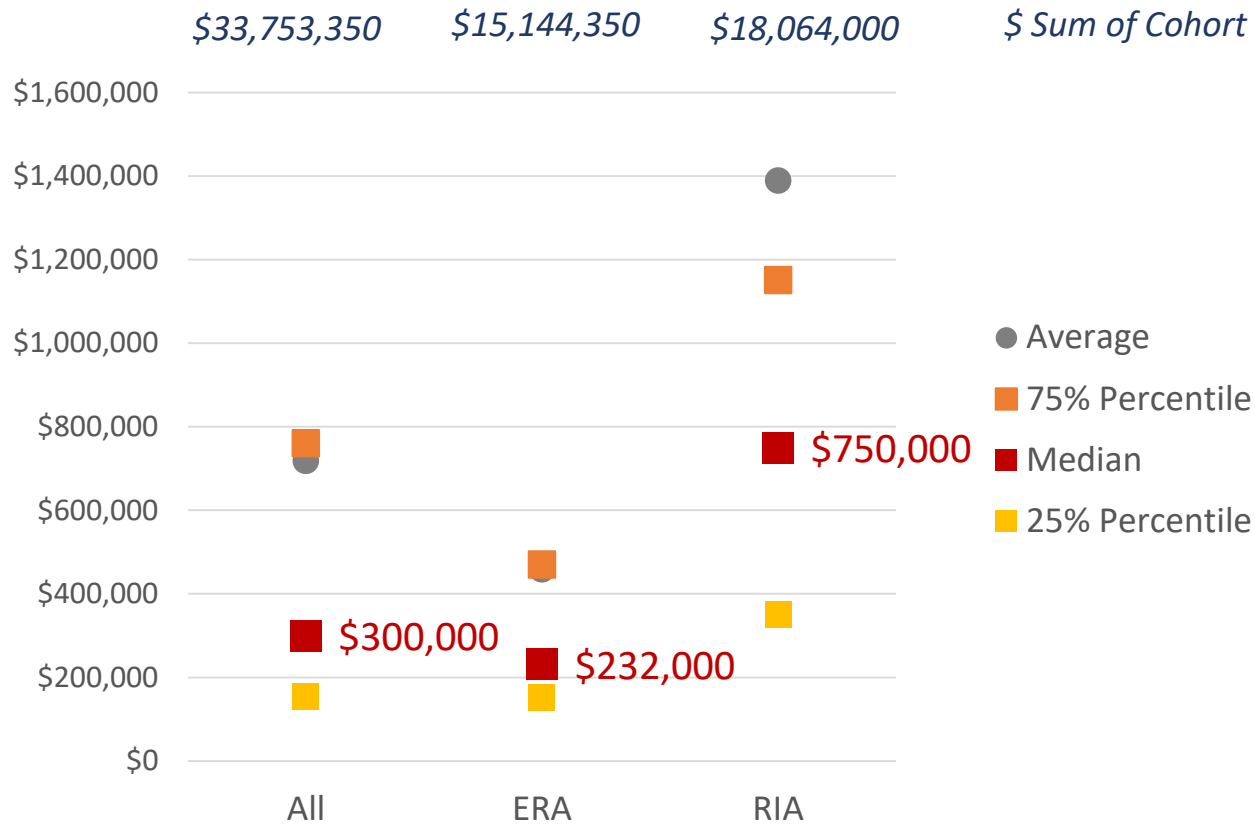


No. of FTEs on Staff that Dedicate Time to Financial Reporting

	All	ERA	RIA
Average	3.4	2.0	6.8
Median	2.0	1.0	4.2

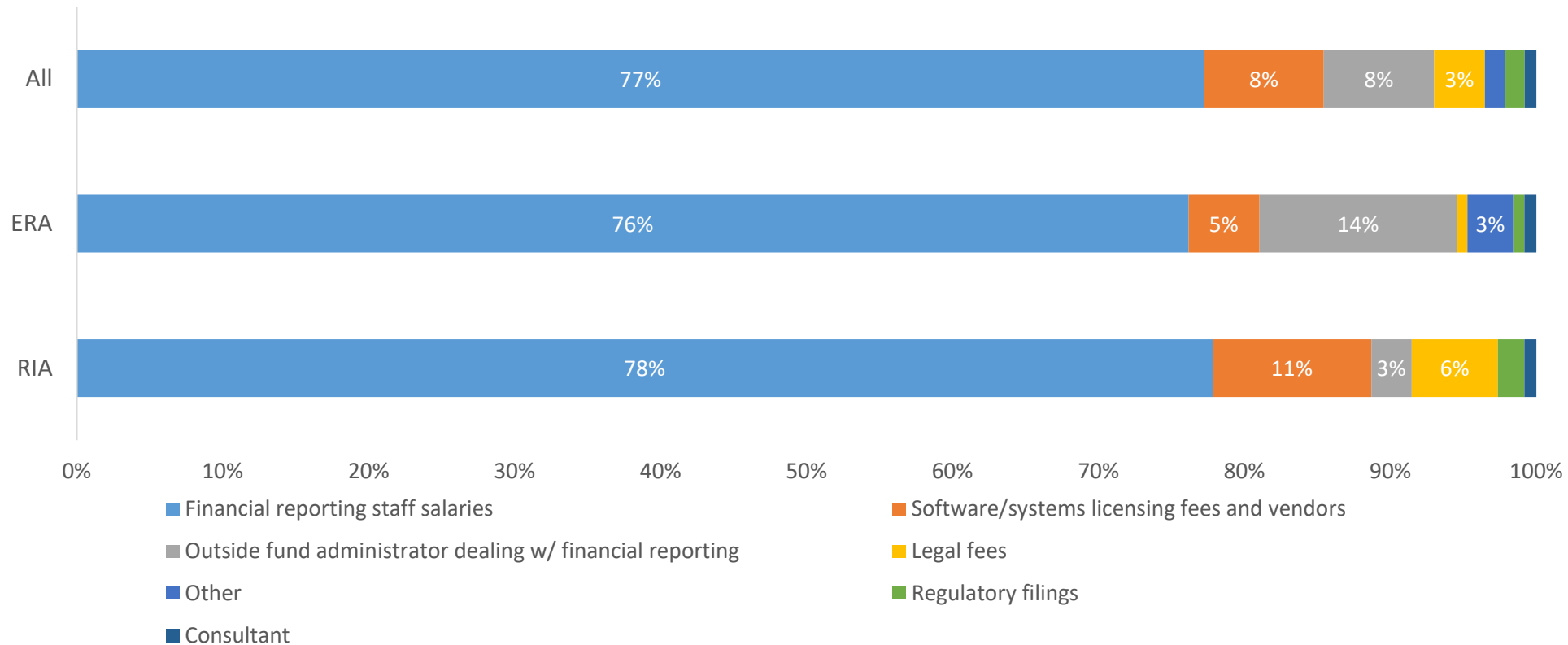
Overview of Financial Reporting \$

Total Financial Reporting Costs for Most Recent Fiscal Year (2016)



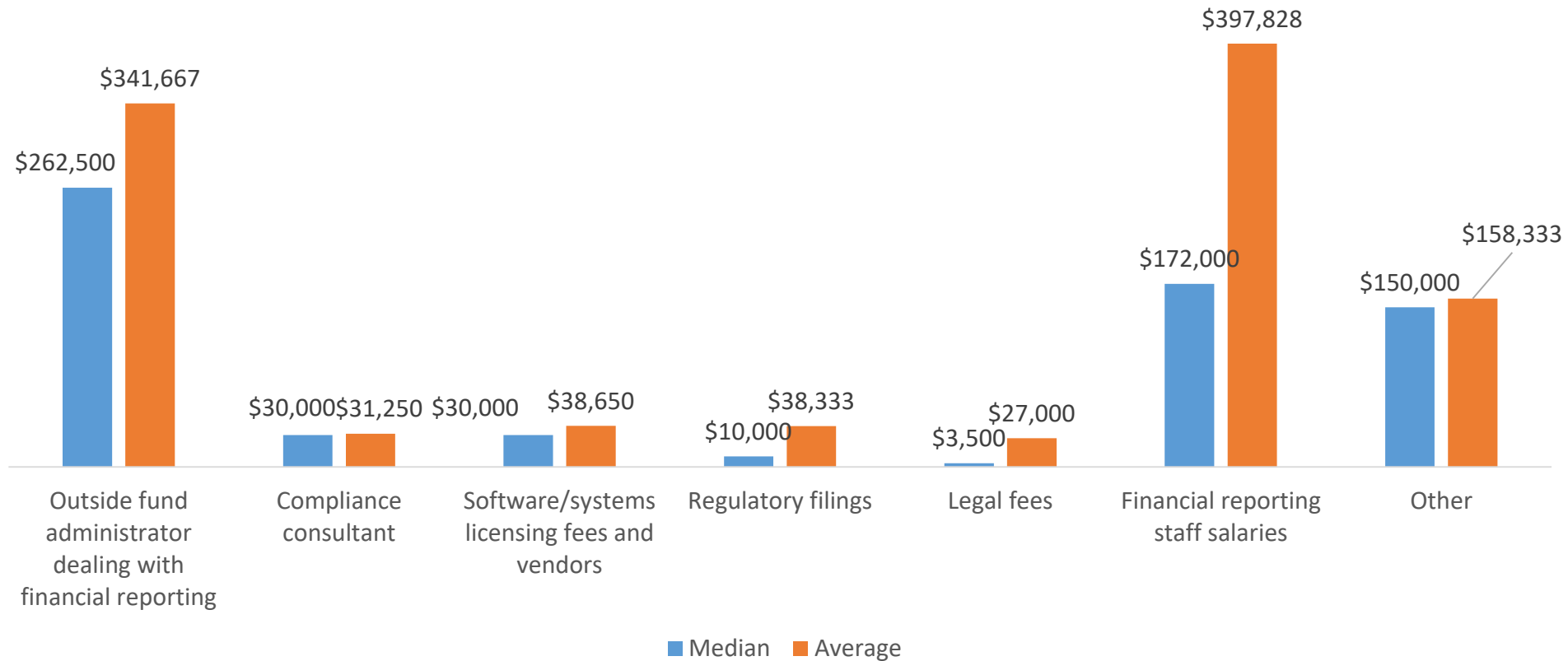
Breakdown of Financial Reporting \$

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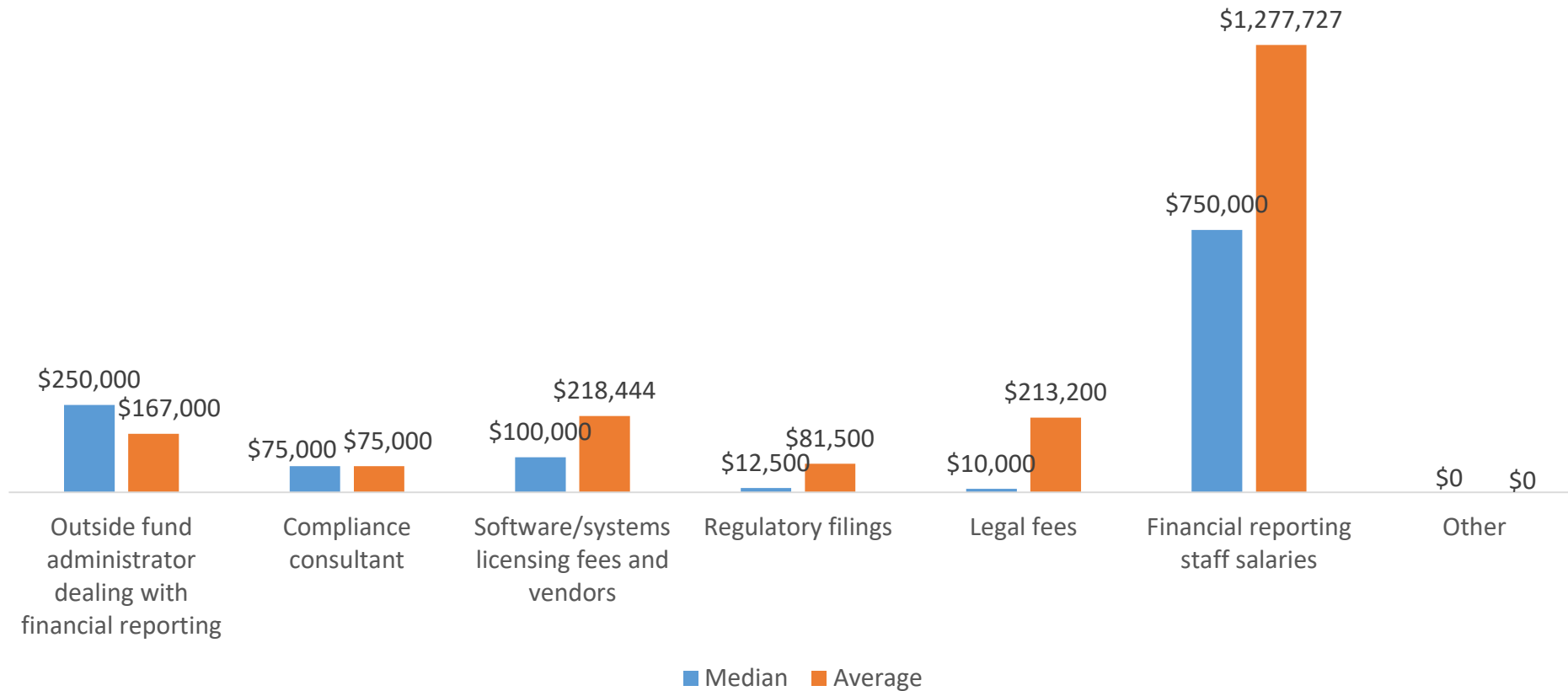
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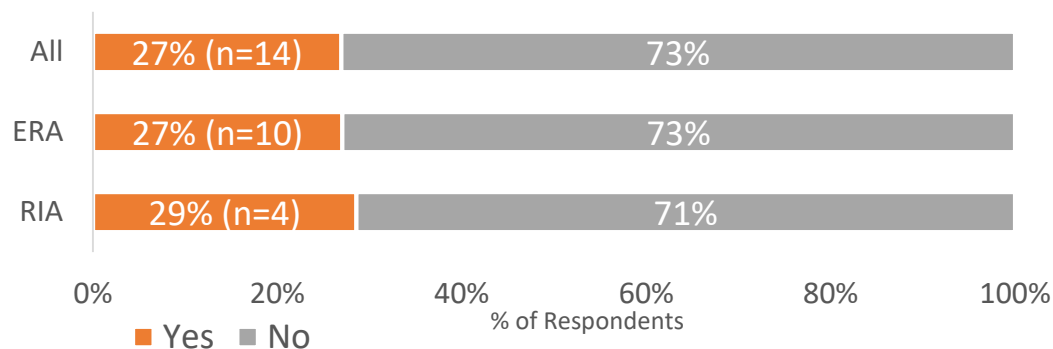
RIA Breakdown of Financial Reporting \$

Median & Average Financial Reporting Cost (\$) Breakdown for RIAs

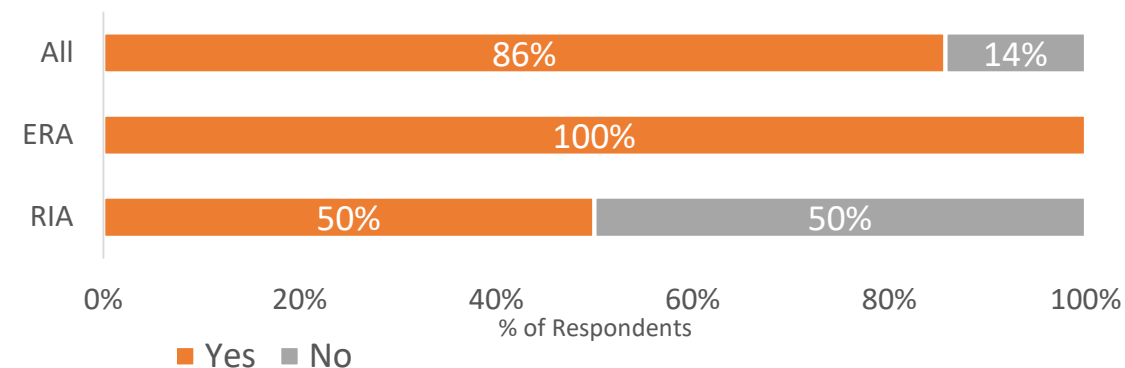


Other Financial Reporting Support

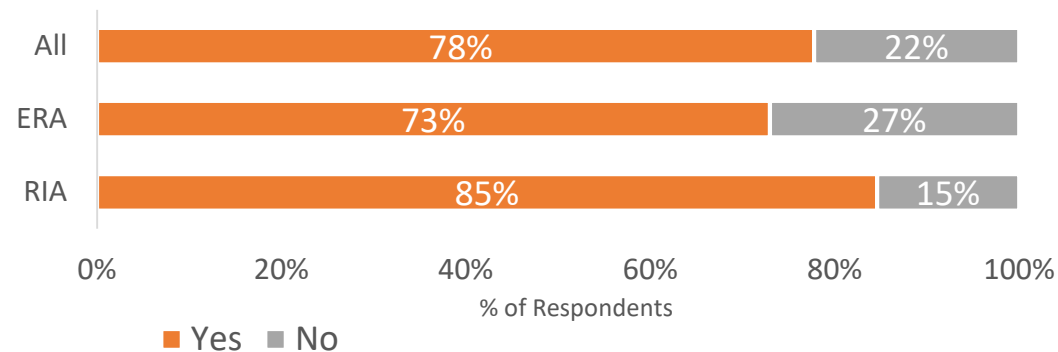
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...If Yes, Fund Administrator Handles Aspects of Financial Reporting?



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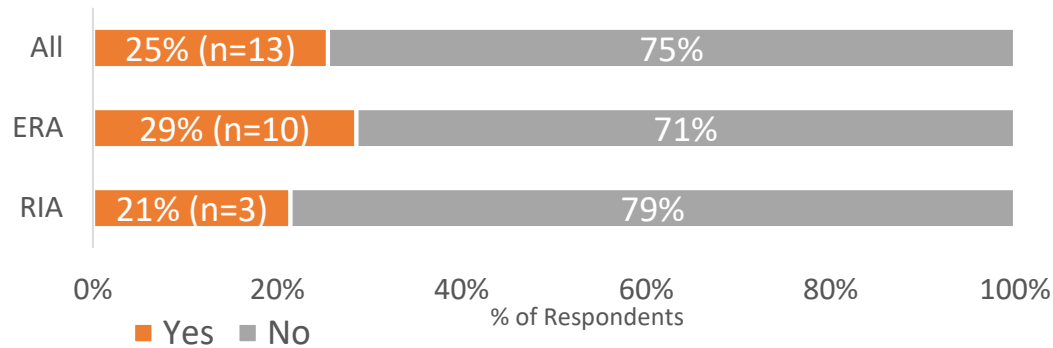




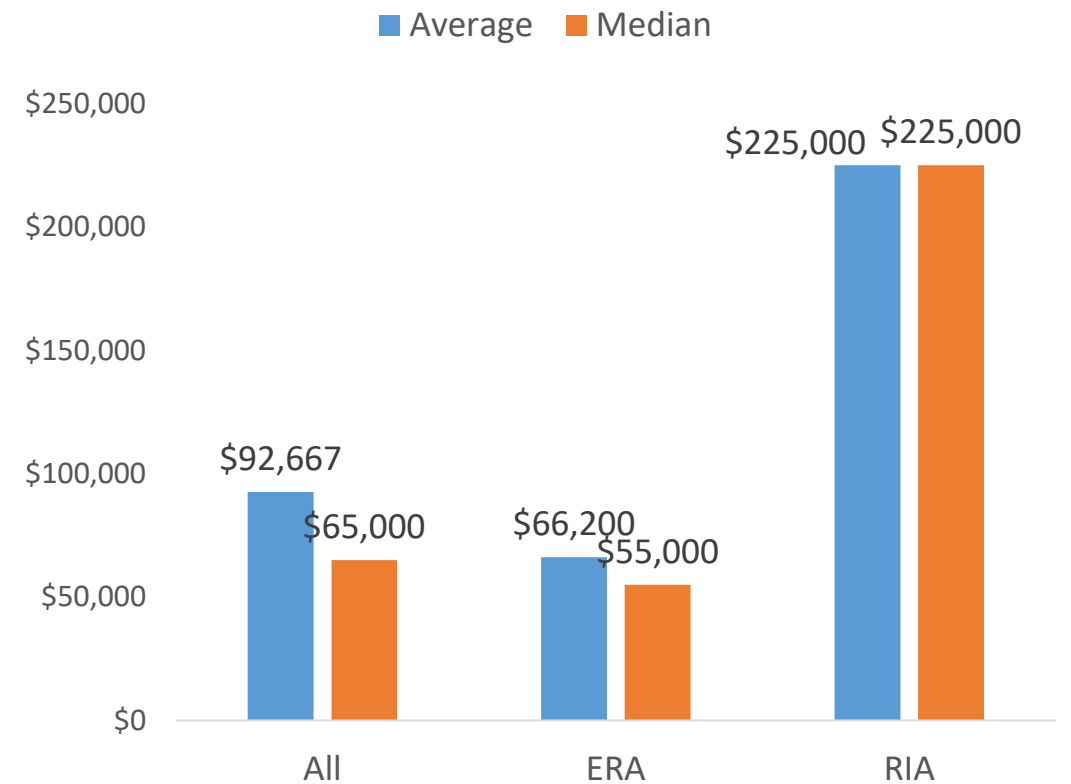
Financial Statement Audit & Tax Return Costs

Cost Associated w/Audit of Financial Statements

Management Company Audited?

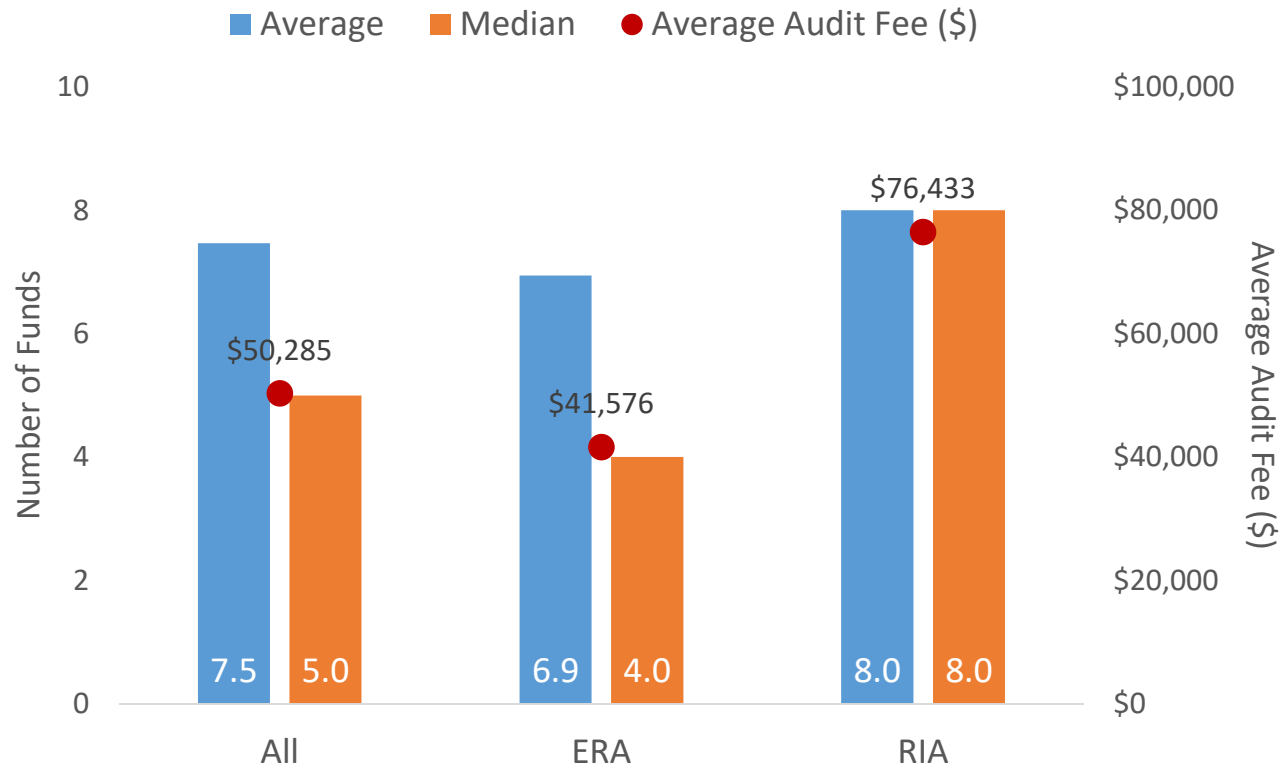


Audit Cost (\$) for Most Recent Fiscal Year Completed (2016)

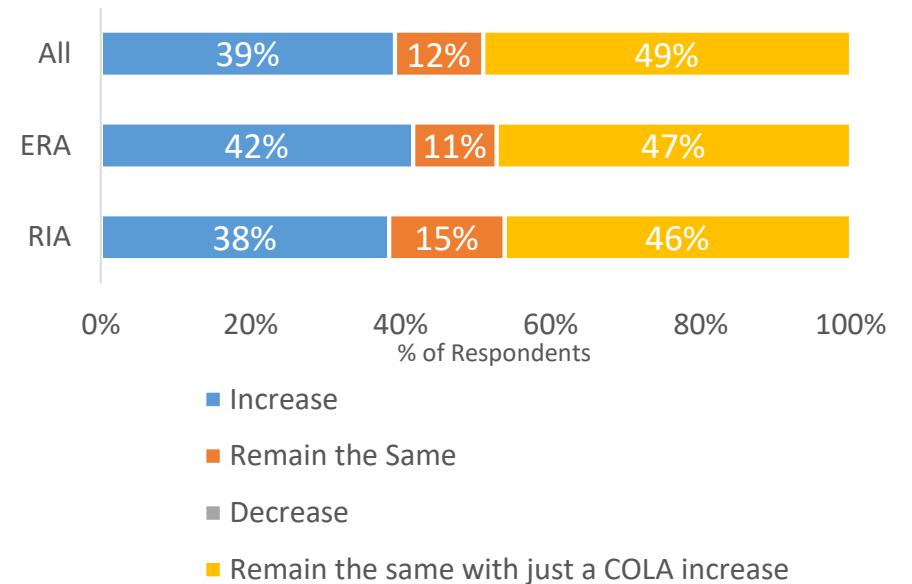


Costs Associated with Audit

No. of Funds Audited



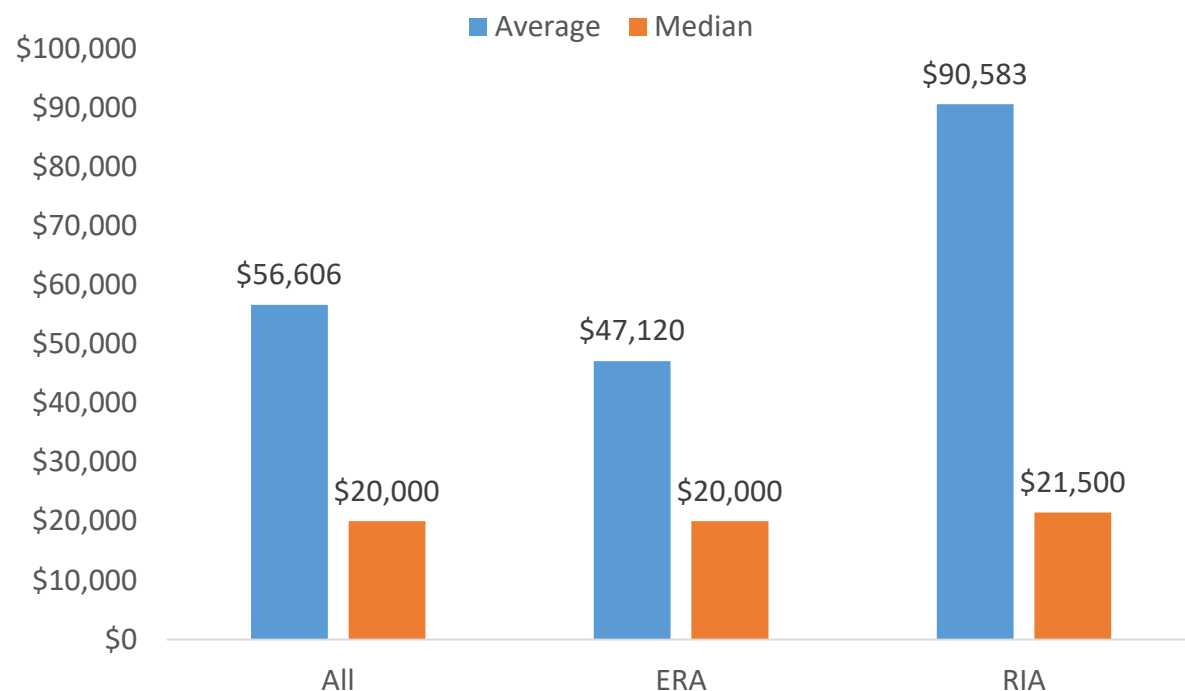
Anticipated Changed in Costs Related to Fund's Audit for the Current Fiscal Year (2017)



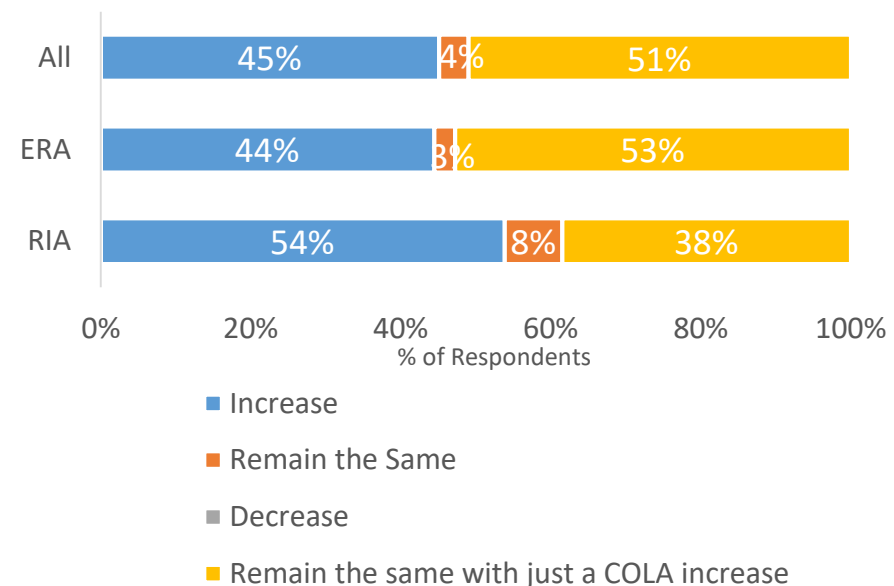
Note: "Decrease" was marked for none.

Costs Associated with Tax

Fund Tax Fee (\$)



Anticipated Change in Costs Related to Fund's Tax Return for the Current Fiscal Year (2017)



Note: "Decrease" was marked for none.

Questions? Feedback for Format & Analysis of Final/Full Results?

Contact: Maryam Haque
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