



**CONVERGENCE**  
OPTIMAL PERFORMANCE

**RFQ™**

**Regulatory Filing Quality**

**April 2024**

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**What is Regulatory Filing Quality™ (RFQ™)** – It is an AI-driven comparison of your Form ADV, D, 13F, NCEN and NPORT filings to SEC rules and guidelines, benchmarked to the market or peers.

**What RFQ™ Tells You** – It reveals where your test scores are **consistent with, higher than or lower than** other filers in the market or against a select peer group.

**Why Filing RFQ™ Matters** – It creates an impression of your firm's compliance culture. Lower RFQ™ suggests a lower commitment to creating an effective compliance culture.

**The SEC Form ADV Warning** – **“Complete this form truthfully. False statements or omissions may result in denial of your application, revocation of your registration, or criminal prosecution. You must keep this form updated by filing periodic amendments.”**

**SEC Enforcement Actions** – Advisers with low RFQ™ incur more regulatory violations than higher RFQ™ advisers.

- Form ADV is the uniform form used by investment advisers to register with both the SEC and state securities authorities. The form consists of two parts, both of which are available to the public on the SEC's Investment Adviser Public Disclosure (IAPD) website.
- The SEC Form ADV is to allow clients and prospective clients to **evaluate the risks** associated with a particular investment adviser, **its business practices** and **its investment strategies**.
- The requirements of Part 2 are designed to provide new, prospective and existing clients with **clearly written, meaningful, current disclosure** of the **business practices, conflicts of interest, and background** of the investment adviser firm and the firm's employees who provide advice.
- It is essential that clients and prospective clients have **clear disclosures** that **they are likely to read and understand**. Part 2 of Form ADV requires investment advisers to provide new and prospective clients with a brochure and brochure supplements written in plain English.

***“Failure to file clear, readable and understandable Form ADVs  
can be considered fraudulent and misleading”***

## The Amended Compliance Rule

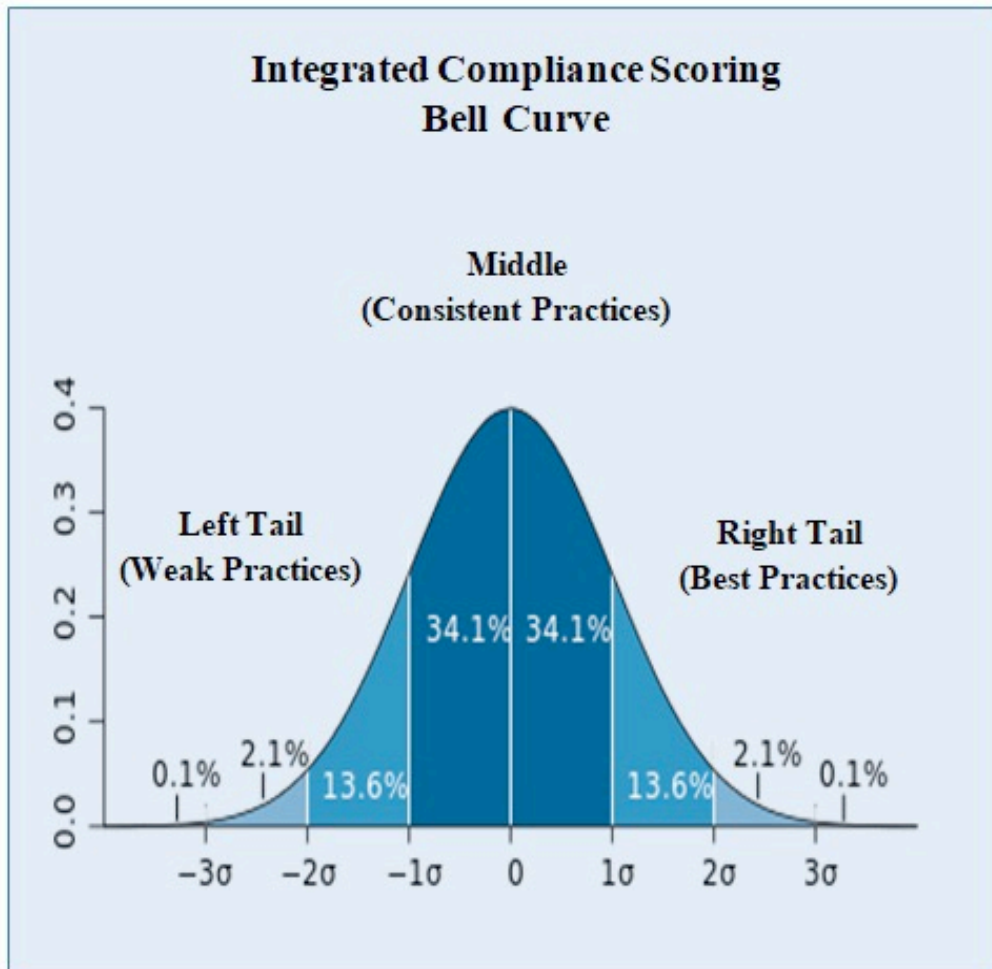
- February 29, 2024, is the effective date for implementing the amended compliance requirements within the “Private Fund Rule.”
- The SEC is likely to begin sweep exams in late 2024 to determine adoption practices.
- Advisers will likely document their annual updates yet will need help to objectively meet the effectiveness statements they need to make about their compliance programs.

## Where to Start and Why

- Measuring the effectiveness of your regulatory filings is a very good place to start.
- Why? – Because the same “cultural attributes” needed to create accurate and consistent filings are needed to make all your compliance policies effective. For example, an effective “Personal Trading Policy” requires:
  - *An educated and committed workforce – requires committed of time and effort*
  - *Shared goals and objectives – meaning everyone is committed to low-no exceptions*
  - *Individual cooperation and teamwork – it all boils down to individual attitudes*
  - *Data quality – garbage in means garbage out – the data drives the process*
- Your commitment to knowing and improving your regulatory filing quality is an attribute that the SEC and investors expect.
- Using Convergence’s data-driven insights to maintain or improve your filing quality demonstrates your commitment to making your compliance programs effective.

- **What we do:**
  - We test, score and benchmark the “quality” of 5 regulatory filings.
    - Form ADV Part 1A and 2A (“The Brochure”), Form D, Form 13F, Form NCEN and NPORT
    - Different quality tests exist for each filing and generally include tests for:
      - *Accuracy – Consistency – Frequency – Conciseness – Clarity – Disclosure Quality*
- **Why we do it:**
  - We want to help compliance officers and their firms create accurate, consistent, readable and understandable regulatory filings that follow SEC guidelines and are consistent with or better than their peers.
    - *Our studies of filings reveal that they contain material inaccuracies, omissions, inconsistencies and disclosure challenges. Many are easily correctable once identified.*
- **How we do it:**
  1. **We Collect** – We collect interim & annual Form ADV Parts 1A, 2A, 2B and others (10+ years of filings).
  2. **We Harvest the Data** – We parse and digitize 100% of the raw data contained in the filings.
  3. **We Normalize and Structure Harvested Data** – We standardize the raw data we harvest.
  4. **We Benchmark your Test Scores** – We use standard and/or customized peer groups.
  5. **We Analyze Quality** – Subject matter experts use AI to inject meaning into quality findings.
  6. **We Provide Insights** – We recommend specific actions to improve your test scores.
  7. **We Monitor** – We monitor your position within your peer group to ensure you maintain your position.

- The quality of regulatory filings can tell a story about your commitment to compliance.
- Poor quality filings increase regulatory and legal risks, are inefficient and add to costs.
- Convergence measures and benchmarks regulatory filing quality in a standard bell curve.



## What's your position in the RFQ™ Bell Curve?

A strong compliance culture creates benefits:

- 1. Improves fund raising**
- 2. Improves efficiency and lower costs**
- 3. Reduces regulatory and litigation risk**
- 4. Creates "esprit de corps"**
- 5. Fosters greater teamwork**
- 6. Is an asset to the firm**

- We recommend that you take Step 1 to define the quality of your scores across the three most common forms that you file today.
- This initial step will tell you where you sit in scoring “bell curve.”
  - **Right Tail of the Curve** – Best Practices – No further improvement needed
  - **Middle of the Curve** – Consistent Practices – Some improvement may be needed
    - Step 2 suggested if you are left of the mid-point
  - **Left Tail of the Curve** – Weaker Practices – Improvement Needed
    - Step 2 and Step 3 likely needed to create consistent quality scores

<p style="text-align: center;"><b>Step 1</b> <b>Regulatory Filing Scores</b> <b>“Initial Fly-By”</b></p> <hr/> <ul style="list-style-type: none"> <li>✓ <b>\$750</b> – Form ADV Analyzer-1A</li> <li>✓ <b>\$750</b> – Form 13F Analyzer</li> <li>✓ <b>\$750</b> – Form D Analyzer</li> <li>✓ <b>\$2,000</b> – All Three Scores</li> </ul>	<p style="text-align: center;"><b>Step 2</b> <b>Test Scores and Answers</b> <b>“Deeper Dive”</b></p> <hr/> <ul style="list-style-type: none"> <li>✓ <b>\$2,000</b> – Form ADV Analyzer</li> <li>✓ <b>\$1,500</b> – Form 13F Analyzer</li> <li>✓ <b>\$1,000</b> – Form D Analyzer</li> <li>✓ <b>\$4,000</b> – All Three</li> </ul>	<p style="text-align: center;"><b>Step 3</b> <b>Test Scores and Answers</b> <b>“Detailed Improvement Plan”</b></p> <hr/> <ul style="list-style-type: none"> <li>✓ <b>\$20,000</b> – Form ADV Analyzer</li> <li>✓ <b>\$5,000</b> – Form 13F Analyzer</li> <li>✓ <b>\$5,000</b> – Form D Analyzer</li> <li>✓ <b>\$25,000</b> – All Three</li> </ul>
<p style="text-align: center;"><b>Step 1A</b> <b>Regulatory Filing Scores</b> <b>“Curated Fly-By”</b></p> <hr/> <ul style="list-style-type: none"> <li>✓ <b>\$2,000</b> – Form ADV Part 2A</li> </ul>	<p style="text-align: center;"><b>Step 2A</b> <b>Regulatory Filing Scores</b> <b>“Deeper Dive”</b></p> <hr/> <ul style="list-style-type: none"> <li>✓ <b>\$4,000</b> – Form ADV Part 2A</li> </ul>	<p style="text-align: center;"><b>Step 3A</b> <b>Regulatory Filing Scores</b> <b>“Detailed Improvement Plan”</b></p> <hr/> <ul style="list-style-type: none"> <li>✓ <b>\$10,000</b> – Form ADV Part 2A</li> </ul>



# Leadership Team



## **John Phinney**

Chairman/CEO

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John Phinney is Chairman and CEO of Convergence Inc. a Data as a Service (DaaS) company founded on the principals of industry transparency and risk mitigation.

John spent his career working with leading asset managers to increase revenues, improve efficiency and manage investment and non-investment risk JPMorgan, Fidelity Investments, TRG Asset Management and Apollo Global Management pedigree.



## **George Evans**

President/Chief Revenue Officer

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George Evans is responsible for business development and the delivery of Convergence methodology, solutions, and advisory services to Convergence clients. George has a long history of assisting firms with forward thinking, market leading and innovative techniques to capitalize on short term opportunities while staying focused on long term success.

He has over 40 years of experience in the financial services industry, primarily in the traditional asset management, hedge, private equity, banking, and insurance verticals.



## **Warren Master**

Chief Technology Officer

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Warren Master is responsible for all technology research and development at Convergence.

He is an accomplished technology executive and hands on technology visionary with 40 years experience in financial services. Warren has business experience on the buy and sell side and the asset servicing at Chemical Bank, Chase Manhattan Bank, JPMorgan and TRG Asset Management pedigree.



## **George Gainer**

Head of Client Management

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George's career spans buy and sell side firms including Gravitas where he was a Finance & Business Performance Analyst and Apollo [through Gravitas] where he was responsible for Business Analysis & Reporting.

Prior to Apollo, George was at Iron Mountain as an Acquisition Accounting Manager, KPMG as Transaction Services Manager, and Deloitte where he was part of Audit Senior Staff.