

New in RegTech:

Navigating Form PF, Outsourcing CCOs,
and Preparing for FinCEN's AML Rule

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Welcome to this Compliance Services edition of the RegTech Report. This month, we examine the rising regulatory tide as private fund advisors and RIAs find themselves at a crossroads. Deadlines are looming, new rules are kicking in, and firms must act now or risk falling behind.

For those grappling with the SEC's significant Form PF overhaul, the clock is ticking towards March 2025. This isn't just a routine update—fund managers must brace for more frequent and complex reporting requirements. Compliance is bound to become an overwhelming task without the right technology, making the need for scalable, automated solutions more urgent than ever.

But it's not just Form PF that has firms scrambling. The increased regulatory pressure on RIAs leads many to rethink how they handle compliance. Outsourcing the Chief Compliance Officer (CCO) role has emerged as a savvy solution for firms trying to stay ahead of the curve. Whether managing new SEC rules or adapting to FinCEN's latest AML requirements, outsourcing brings specialized expertise and scalability that in-house solutions often lack. With mock exams becoming a crucial tool to test regulatory readiness, it's clear that RIAs must stay proactive to navigate this evolving landscape.

Let's examine the impacts of these regulatory challenges and what firms can do to overcome them.

Deadline Fast Approaching: Form PF Compliance and Technology

The SEC's upcoming changes to Form PF mark the most significant overhaul in over a decade, leaving asset managers with a tight deadline and substantial new reporting obligations. With compliance due by March 2025, firms must act now to assess their current technology and processes or risk falling behind. The new rules require more frequent and detailed reporting, particularly affecting large hedge fund advisors who will now need to manage increased data complexity, including detailed reporting on fund structures and counterparty exposure.

One of the biggest challenges is the expanded scope of reporting, especially for funds with over \$500 million in net assets. These advisors will be required to report granular details about their master-feeder and parallel fund structures, and the top five counterparties. The new look-through requirements add another layer of complexity, forcing firms to track and report on investments within other funds. Without robust technology, manual processes will quickly become overwhelmed by the increased data and reporting demands.

To address these challenges, private fund advisors must adopt scalable, automated solutions that integrate data seamlessly. A solution like Confluence Omnia can handle the heavy data integration, automate filing reviews, and help ensure compliance with the new Form PF requirements. This type of platform offers exception-based reviews, reduces operational costs, and supports advisors in meeting regulatory demands more efficiently.

Automating these processes ensures accuracy and compliance, as well as provides firms with the flexibility to respond to future regulatory changes. The cloud-based delivery of solutions like Omnia ensures that firms can scale their operations, keep up with updates, and remain compliant without major disruptions. This is especially important as regulatory oversight continues to evolve, placing greater emphasis on data integrity and transparency.

With the **March 2025 deadline** fast approaching, private fund advisors should not delay upgrading their technology. Investing in scalable, automated solutions now will not only ease the burden of Form PF compliance but also position firms to stay ahead of future regulatory changes.

Outsourcing the CCO: A Smart Strategy for RIAs Facing Growing Regulatory Pressure

Research shows that once an RIA reaches the SEC's registration threshold of \$100 million of regulatory assets under management, that firm is more likely to seek outside support to keep up with the requirements associated with compliance.

As regulatory demands on registered entities increase, alongside trusted regulatory consulting, outsourcing the Chief Compliance Officer (CCO) role has become a strategic option for many firms. The continuous flow of proposed regulations, such as the Outsourcing Rule, and the adoption of rules across regulators, such as the FinCEN AML for Investment Advisers, demand heightened diligence in compliance processes. With these rules, and others, aimed to enhance transparency and security, RIAs must now carefully vet, oversee, and document their relationships with third-party service providers, including outsourced CCOs. This increased scrutiny places additional time and financial burdens on firms, making outsourcing a cost-effective solution.

One of the key advantages of outsourcing the CCO role is access to specialized talent and expertise that may not be available internally or locally. Outsourced CCOs bring extensive industry experience, helping firms navigate the complex regulatory landscape while allowing them to focus on their core responsibilities. In addition, outsourcing provides a flexible, scalable solution, enabling firms to maintain compliance without the overhead costs associated with hiring full-time in-house professionals.

Outsourcing ensures that compliance remains a primary focus and programs are evaluated with an independent and impartial eye. Unlike in-house CCOs who may juggle multiple roles, outsourced CCOs are entirely dedicated to compliance, which can lead to more efficient and effective regulatory oversight. This focus helps firms maintain robust compliance programs, reduce risk, and respond to evolving regulations with agility.

Furthermore, technology plays a critical role in outsourcing compliance functions. Compliance software solutions can automate processes such as recordkeeping, monitoring, and reporting, freeing up valuable time for firms. These tools allow outsourced CCOs to integrate seamlessly into an RIA's operations, ensuring continuous oversight and proactive compliance management.

As regulatory pressures mount, outsourcing the CCO role provides registered entities with the expertise, efficiency, and technological support needed to meet compliance demands. By carefully selecting the right service providers and conducting thorough due diligence, firms can build a stronger compliance framework, allowing them to focus on growth while remaining aligned with regulatory expectations.

"We've been with Confluence since our firm's inception, and their support has been invaluable. They expertly handled our initial registration and built a customized compliance program tailored to our needs, continuously evolving it to align with our business. Confluence's engagement, responsiveness, and expertise help ensure we confidently meet regulatory obligations. Their trusted guidance during our initial registration exam was particularly outstanding. For any investment advisory business seeking reliable and trustworthy compliance support, I highly recommend Confluence."

- Founder, SouthCol

FinCEN's New AML Rule for Investment Advisors: What RIAs Need to Know

FinCEN has issued a final rule, effective January 1, 2026, intended to reinforce anti-money laundering (AML) programs for investment advisers by including them in the definition of "financial institution" under the Bank Secrecy Act (BSA). The rule expands AML and countering the financing of terrorism (CFT) requirements to certain RIAs and exempt reporting advisers (ERAs). These advisers must implement risk-based AML/CFT programs, report suspicious activities, and adhere to recordkeeping rules. The rule excludes mid-sized advisers and pension consultants, aiming to focus on higher-risk entities.

This effort is part of a broader strategy to close gaps in the U.S. financial system and align with international anti-money laundering standards. Criminals, including foreign state actors, have exploited the investment adviser sector, raising national security concerns. The Securities and Exchange Commission (SEC) will oversee compliance with these new requirements, using its expertise to streamline the regulatory process.

Investment advisers will need to take regular steps before the January 1, 2026 effective date to update their programs to meet the new requirements. Additionally, they will need to name an AML officer, conduct internal training, familiarize themselves with the SAR process, and prepare for independent AML reviews.

Testing Your Readiness

Mock exams have become an increasingly important tool for RIAs looking to ensure their teams are well-prepared for regulatory scrutiny. While FINRA requires broker-dealers to undergo annual exams, investment advisers and other entities subject to oversight by the SEC experience examinations on a less predictable schedule. Mock exams help RIAs simulate the SEC's examination process, allowing firms to identify potential compliance issues and test their internal controls before they become actual problems.

In August, 26 firms were censured more than \$390 million combined to settle SEC charges for widespread recordkeeping failures. One of the major benefits of conducting mock exams is that they provide a way for RIAs to assess their compliance with regulatory requirements, including those related to the SEC's custody rule, advertising rule, and recordkeeping obligations. These simulations act like a regulatory dress rehearsal, helping firms discover weaknesses in their procedures and implement corrective measures before an actual SEC examination takes place. Experienced senior consultants from Confluence Compliance Services can lead regulator-like document examinations and staff question-and-answer sessions to prepare your team, while offering coaching and suggestions for improvement.

Mock exams serve as a powerful tool for training and testing the readiness of an RIA's compliance team. By engaging in a mock exam process, compliance officers and staff can become more familiar with exam experience, regulatory expectations and the types of documents and data regulators may request. This not only boosts the firm's overall preparedness but also increases the team's confidence in handling real-life regulatory interactions. Confluence applies its vast knowledge across a broad client base and deep experience with multiple types of annual exams to ensure mock exams resemble real-world scenarios.

While FINRA's exams are a yearly requirement for broker-dealers, and 206(4)-7 reviews must be completed at least annually, mock exams for RIAs are voluntary but highly recommended. They allow firms to stay proactive in addressing compliance gaps rather than reacting to deficiencies identified during a formal SEC examination. This proactive approach can significantly reduce the risk of fines, penalties, or reputational damage.

Incorporating mock exams into an RIA's compliance program demonstrates a commitment to maintaining regulatory standards and protecting clients' best interests. It also provides the firm peace of mind, knowing that they are better equipped to navigate the evolving regulatory landscape. Identifying weaknesses and receiving valuable recommendations can help enhance your readiness for an SEC exam.

"Its better to find the regulatory gap than get fined for the regulatory gap."

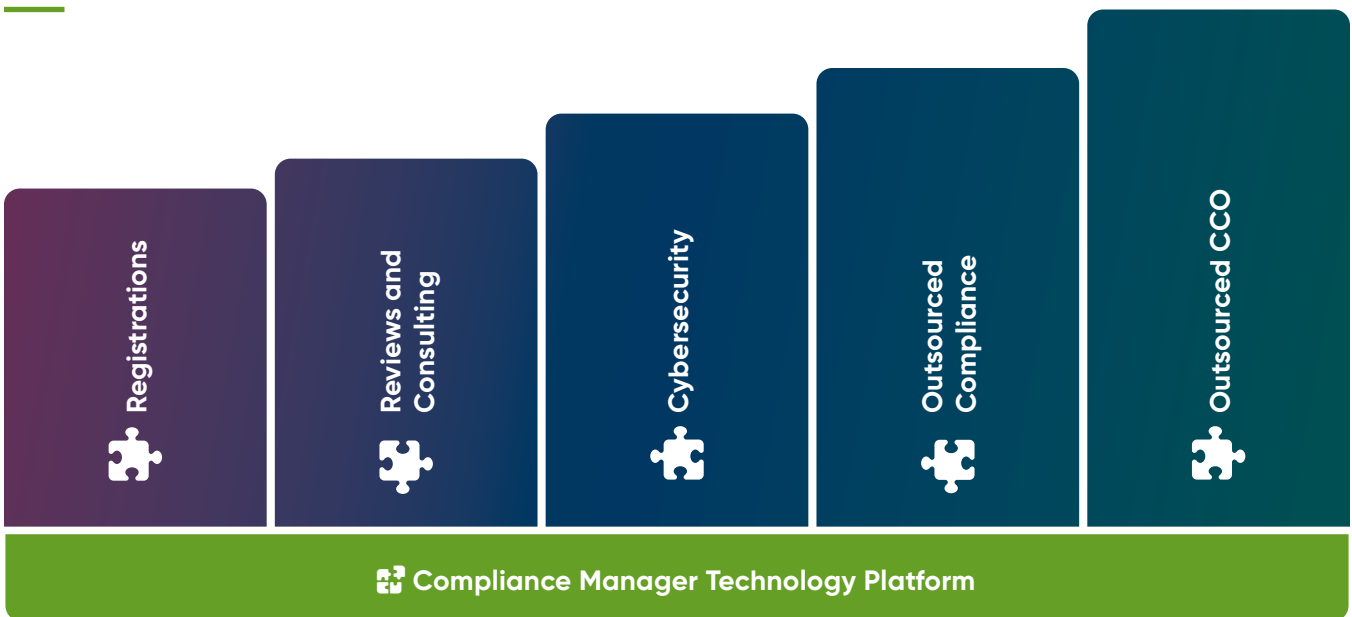
- Mamie Winkelman-Pearson, Senior Compliance Manager, Confluence

Make Our Experts Your Experts

Our team of regulatory experts, including former chief compliance officers and regulators, leverage their experience along with our compliance management and regulatory reporting tools to help your compliance team build, optimize, test and manage compliance programs tailored to your unique needs. Our broad industry expertise is your competitive advantage for greater efficiency and scalability.

[Learn more about how Confluence can help.](#)

End-to-End Solutions



About Confluence

Confluence is a leading global technology solutions provider committed to helping the investment management industry solve complex data challenges across the front, middle, and back offices. From data-driven portfolio analytics to compliance and regulatory solutions, including investment insights and research, Confluence invests in the latest technology to meet the evolving needs of asset managers, asset owners, asset servicers, and asset allocators to provide best-of-breed solutions that deliver maximum scalability, speed, and flexibility, while reducing risk and increasing efficiency. Headquartered in Pittsburgh, PA, with ~700 employees in 15 offices across the United Kingdom, Europe, North America, South Africa, and Australia, Confluence services over 1000 clients in more than 40 countries. For more information, visit confluence.com

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