

Jack-of-all-Reads

A newsletter for multi-hat-wearing C-suite leaders and their key constituents.



Back to School on Regulations and Research Software

Our newsletter, *Jack-of-all-Reads*, shares the latest and greatest insights in a brief read on a monthly basis. Please let us know of any comments or questions – we welcome and appreciate your continued partnership.

Industry Insights:

1. **Regulatory Update:** This is the most active SEC in a decade with rules converging to heighten reporting burdens for all managers. Main areas of focus include:
 - o **Getting to know the Private Funds Rule.** The SEC passed the finalized Private Funds Rule in mid-August with a 3-2 majority along party lines. This rule aims to “increase transparency, competition, and efficiency in the private funds market.” The main concerns are around transparency, interest, and governance. There were relatively significant changes to the original proposals due to the detailed consideration of feedback from manager and investors. A lot still remains to be seen as there has yet to be general consensus across different groups.
 - **Major Changes.** There were relatively significant changes to the original proposals due to the detailed consideration of feedback from manager and investors including:
 - Quarterly Statement Rule on Fees, Disclosure, and Performance
 - Mandatory Audit
 - Restricted Activities for Regulators
 - Restrictions on Preferential Treatment
 - o **New Marketing Rule, New Enforcements.** The SEC has brought on enforcement actions to marketing related material less than a year since its effective date. These enforcement actions covered hypothetical performance, including net performance wherever gross performance is mentioned, and ensuring the right “audience” can access performance.
 - o **SEC Examinations: New Entrant Exams.** The SEC has been taking a risk-based approach that centers around the manager’s level of transparency, number and severity of deficiencies, and how quickly they are addressed post-examination. There has been an increase in exams, primarily within 6 to 18 months of registration and the frequency of time in between exams seem to be getting shorter as well.

2. **Spotlight on Cyber Security.** A majority of funds are starting to place greater focus on cybersecurity. A recent study from Agio reported that 77% of firms had an increase in the frequency of cyber-attacks in 2023, up from 39% in 2022. SEC rules for cyber are set to be in place by the end of this year with the most prevalent part seeming to be around incident reporting.
 - o There has been an increase in interest from clients around selecting the right groups. Questions are posed around how to best manage the reporting timeline and relationships between MSPs, cyber consultants, and/or CTOs to proactively manage that.
 - Many groups are starting to leverage cyber consulting groups for cyber policy creation and monitoring.
 - Focus on service cyber security consultants being used.
 - There has been an increase in funds doing penetration testing.

Please reach out to your Jefferies contact for more information on any of the topics above.

Client Corner:



Increased Prevalence: Research Management Software. We’ve recently observed an increase in clients asking us about research management. Key benefits include: multi-tenant environments with capabilities to allow for various data permissions, views, and reporting. The ability to sync with the OMS system, house custom workflows, and potentially manage IR needs are also often utilized. There has been an increase in emerging managers leveraging these tools. Of note, more and more emerging managers are considering leveraging these solutions day one rather than further down the line. Our team has been doing research around the key players in the space, feel free to reach out to discuss further.

Spotlight on Content and Events:

From the Desk of BCS: 2023 Q3 Insights. The Jefferies Capital Intelligence team has compiled insights on key themes currently impacting the hedge fund industry. We focus on combining long-term industry data with current insights to drive strategic decisions and identify emerging trends to ensure each organization is contemplating the most strategic moves. Through engaging with clients, the ODD community, and attending conferences, the following topics are currently top of mind in the industry. Let us know if you’re interested in seeing or discussing this piece which includes topics like outsourcing, employment law, DEI, ODD, and AI.



Rising Star: Israel’s Arrival as a Global Tech Hub. By necessity, innovation permeates Israeli culture, powering more startups per capita than any other country and driving Israel’s unprecedented growth and success as a tech ecosystem. Against this backdrop, we are excited to share *Rising Star*, an insider’s analysis of the unique dynamics and drivers that have fueled the Israeli tech ecosystem and the nation’s rise to become a global tech hub. Developed with industry and country experts including many of Israel’s top investors, founders and tech leaders, *Rising Star* provides insight and perspectives into the exciting and increasingly critical role that Israel plays in the global technology landscape—and how the country is positioned to maintain its tech dominance in the future.

Interesting Service Provider Reads: Highlighting Topical Content from Industry Leaders

- Agio – [Cybersecurity Trends Report](#)
- Castle Hall – [The Biggest Change to Regulation Since 2012 - The SEC’s New Private Fund Rule](#)
- Seward and Kissel – [The SEC Adopts Final Rules Regarding the Regulation of Private Fund Advisers](#)
- Vigilant Compliance – [18 Compliance Trends Discovered By Vigilant In 2023](#)
- Verity – [Ready Day 1: Why Startup Funds Began Prioritizing Research Management](#)

Jefferies Prime Services Contacts:

Mark Aldoroty

Head of Jefferies Prime Services

maldoroty@jefferies.com

Erin Shea

Head of Business Consulting

eshea@jefferies.com

Barsam Lakani

Head of Sales for Prime Services

blakani@jefferies.com

Leor Shapiro

Head of Capital Intelligence

lshapiro@jefferies.com

Shannon Murphy

Head of Strategic Content

shannon.murphy@jefferies.com

Paul Covello

Global Head of Outsourced Trading

pcovello@jefferies.com

DISCLAIMER

THIS MESSAGE CONTAINS INSUFFICIENT INFORMATION TO MAKE AN INVESTMENT DECISION.

This is not a product of Jefferies' Research Department, and it should not be regarded as research or a research report. This material is a product of Jefferies Equity Sales and Trading department. Unless otherwise specifically stated, any views or opinions expressed herein are solely those of the individual author and may differ from the views and opinions expressed by the Firm's Research Department or other departments or divisions of the Firm and its affiliates. Jefferies may trade or make markets for its own account on a principal basis in the securities referenced in this communication. Jefferies may engage in securities transactions that are inconsistent with this communication and may have long or short positions in such securities.

The information and any opinions contained herein are as of the date of this material and the Firm does not undertake any obligation to update them. All market prices, data and other information are not warranted as to the completeness or accuracy and are subject to change without notice. In preparing this material, the Firm has relied on information provided by third parties and has not independently verified such information. Past performance is not indicative of future results, and no representation or warranty, express or implied, is made regarding future performance. The Firm is not a registered investment adviser and is not providing investment advice through this material. This material does not take into account individual client circumstances, objectives, or needs and is not intended as a recommendation to particular clients. Securities, financial instruments, products or strategies mentioned in this material may not be suitable for all investors. Jefferies is not acting as a representative, agent, promoter, marketer, endorser, underwriter or placement agent for any investment adviser or offering discussed in this material. Jefferies does not in any way endorse, approve, support or recommend any investment discussed or presented in this material and through these materials is not acting as an agent, promoter, marketer, solicitor or underwriter for any such product or investment. Jefferies does not provide tax advice. As such, any information contained in Equity Sales and Trading department communications relating to tax matters were neither written nor intended by Jefferies to be used for tax reporting purposes. Recipients should seek tax advice based on their particular circumstances from an independent tax advisor. In reaching a determination as to the appropriateness of any proposed transaction or strategy, clients should undertake a thorough independent review of the legal, regulatory, credit, accounting and economic consequences of such transaction in relation to their particular circumstances and make their own independent decisions.

© 2023 Jefferies LLC

Clients First—AlwaysSM

Jefferies.com