



**Medina Jett**  
Founder and President

Integrated Compliance Solutions Group is a regulatory compliance services firm specialising in providing compliance support to public pensions and financial services industry. They help their clients further their understanding of compliance and regulatory requirements within Africa, equipping them with right tools to make sound decisions.

**AVCA speaks with Medina Jett, Founder and President about the role of the global compliance trends on the African private equity (PE) industry and how raising the African PE compliance standards can change investor perceptions in a post Abraj world.**

## **Q: How was ICSGroup formed and what is the company's vision?**

I formed ICSGroup in 2008 at the very beginning of Wall Street Reform. I left a successful career both as an attorney and Chief Compliance Officer at several very large US institutional investment advisors, including Aetna, The Hartford, and Prudential Retirement to fulfill my dream of entrepreneurship. My vision was for ICSGroup to deliver compliance services to asset managers with a holistic approach that focused not only on complying with regulatory requirements but also on positioning our clients – many of whom tend to be emerging managers – with high caliber compliance and operational infrastructures that enable them to gain the trust of institutional investors and thereby access capital. African PE firms are in need of the same type of holistic support. It's important to point out that ICSGroup is not a third-party marketer, we are an advisory firm with a proven model that helps our clients meet their regulatory requirements and their capital raising goals.

## **Q: What are your flagship products and solutions in the private equity (PE) space?**

We help PE firms understand both the regulatory requirements as well as investor expectations that they need in order to be successful. This involves identifying and mitigating the regulatory, operational and reputational risks that firms face either because of their particular investment strategies, or because of the bad acts of others, including employees, placement agents, service providers. For our clients preparing for fundraising, we identify the areas

## **NAME OF PROFESSIONAL SERVICES FIRM**

Integrated Compliance Solutions

## **FIRM TYPE**

Regulatory Compliance Services

## **PROFESSIONALS FOCUSED ON AFRICA**

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that are of concern to institutional investors and assist them in developing and implementing these operational structures and controls. We also provide an Operational Due Diligence support service whereby we assist in the drafting of responses to ODD Questionnaires and RFPS that clearly and accurately reflect the compliance and operational infrastructures that they have implemented. Our services present a very holistic approach that has served our clients well.

## **Q: How has the global compliance landscape in the PE industry shifted in recent years and what is the outlook in the medium-term?**

The US tends to lead the way in terms of the global regulatory landscape. Since the passing of the Dodd-Frank Act in 2012, the PE industry in the US has been under increased regulatory requirements and oversight. Though we expected otherwise, there has been an increase in SEC enforcement actions under the current US administration. We see the trend of harsher oversight of the PE industry continuing both in the US and globally. In the medium-term, PE firms are being subjected to increasingly rigid

compliance frameworks. Anti-Money Laundering, the Foreign Corrupt Practices Act and Cybersecurity will continue to be top of mind for regulators across the global financial markets.

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**Q: What are some of the key regulatory and compliance trends you see in Africa?**

After Abraaj's governance weaknesses came to light, PE firms' governance policies and procedures are naturally subjected to much more intense scrutiny by Investors. The ability to manage conflicts of interest issues like the Foreign Corrupt Practices Act, the proper allocation of fees and expenses, investment allocations across multiple funds and outside business activities are trends that all PE firms should be thinking about doing something about. Cybersecurity and the safeguarding of electronic data and systems are issues that are also becoming more prevalent on the continent, as is ESG, which is more operational in nature but definitely an investor expectation.

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**Q: How do you help PE firms monitor and report their ESG performance?**

The African PE industry has a very rich ESG history given the important role DFIs have played on the continent. We help those firms without ESG programs to develop them by looking at what they are currently doing and helping them embed their policies more deeply within the investment selection process and to also establish ESG standards for the target companies. Communication is of utmost importance. We help PE firms communicate their ESG propositions on their website, in marketing materials, pitchbooks and due diligence responses, all of which are important areas that help articulate their commitment to ESG and how it has been implemented. ICSGroup also leads the implementation of ESG programmes and the monitoring of ESG integration across target companies through site visits to ensure compliance with the firm's objectives. At the core of ESG is our underlying belief that companies perform better when they are embedding ESG principles within their investment selection process and structures. We therefore take a very hands-on approach to helping firms create value through ESG implementation.

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**Q: What is the relationship between a firm's ability to excel in operational compliance and its investment performance?**

Prior to Wall Street Reform and the resulting increase in scrutiny of the private funds sector, a fund's investment performance was the primary factor that institutional investors were concerned with. The due diligence process around a firm's investment performance and the investment strategy

far outweighed the operational due diligence aspect. Investment teams are now equally focused on a fund's performance and its compliance program and operational controls. Increasingly, LPs are recognizing that their fiduciary obligations to their stakeholders require heightened scrutiny around compliance in order to avoid headline or reputational risk. PE firms without clearly detailed policies and procedures that ensure compliance will have a difficult time earning the trust of institutional investors. And firms that excel in investment performance and operational compliance find it easier to attract institutional capital than firms that excel in performance only. Institutional investors have a lot of choice as to where to invest, so it's only natural they will select firms that perform well in both areas. We're at a critical juncture where firms have to either adapt to the increased focus on operational compliance or risk being unable to compete for institutional capital going forward.

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**Q: How can the PE industry adopt lessons learnt from sectors that have strong compliance?**

The categorisation of sectors according to compliance strength isn't necessarily the best way of looking at the issue. At this point all investment advisors recognize the importance of strong compliance programs. We see a clear distinction among firms that have sufficient resources to implement strong compliance programs and those that don't. Firms with more AUM or more operating capital are naturally better able to make a larger investment in their compliance and operational infrastructures. Smaller firms looking to raise capital face the chicken and the egg conundrum: they are unable to develop a strong compliance infrastructure until they attain assets under management, yet they are unable to attract institutional capital until they can demonstrate a strong compliance program. ICSGroup is trying to break this cycle by offering cost-effective outsourcing solutions to help PE firms implement effective compliance infrastructures that appeal to institutional investors.

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**Q: With rapidly evolving legislation on the continent, investors may find themselves consistently having to adapt to changes around compliance. What proactive and tangible steps can they take to be ahead of this curve and be successful in their operations?**

My recommendation is to build to the highest common denominator. The regulatory trend on the continent is certainly toward more rigorous regulatory requirements and heightened scrutiny by regulators. Those are great developments for PE firms as a more aggressive regulatory regime tends to allay investor concerns that Africa is not on par with regulatory landscapes in other parts of the world. If African PE firms looked to the regulations

in other countries like China and the US, they would have a virtual road map of what's in store for them.

As far as what leads to success, we see a lot of firms moving towards an increased use of technology, which is a very tangible step to drive efficiency and minimize business disruption. Naturally, some aspects of compliance such as the review and approval of marketing materials or regulatory registration will always require significant human input, but technology offers a lot of efficiencies and consistency, which are vital components of an effective compliance programs.

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**Q: What are the biggest barriers – regulatory, or otherwise – that inhibit the flow of capital to the continent?**

Having spoken to many institutional investors in the US, I hear two issues most often. The first is the lack of short-term liquidity. The concern is that a PE fund could be invested in an infrastructure project with no exit opportunity for up to 7 or 8 years. That's too long for a lot of investors and they expect even greater IRR in exchange for the longer commitment. The second issue, fair or not, is that Africa suffers from a reputation for corruption. US investors in particular are very concerned about their fiduciary obligations to their stakeholders. Does a US pension fund feel that it can sufficiently vet an African PE fund to avoid the reputational and headline risk that fund administrators worry about? To a large extent, the perceptions about Africa are sensationalized. But unfortunately, perception is reality. African PE funds can start to change this perception by raising the standards by which they operate and by building compliance programs that go beyond what is required by the current regulatory regime. Over time, this will help to debunk the perception that investing in Africa is a risky proposition. It's important that we continue in our efforts to help change this perception, particularly when it is held by institutional investors who are reluctant to commit capital to the continent .

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**Q: What can PE firms do to mitigate against poor or non-existent compliance practices in target companies?**

The majority of target companies do not operate in highly regulated industries so the potential for non-existent compliance practices at target companies is a valid concern. For this reason, I would suggest that a target company's governance and compliance structures become the focus of the due diligence process. The use of industry experts and compliance consultants can be very valuable in helping PE firms understand how the target business operates and ensure that there are proper controls, standards and structures in place to mitigate any foreseeable risks. For instance, Nigeria has recently passed its

Federal Competition and Consumer Protection Bill and we see this as having a significant impact on the way businesses operate. In the context of this new legislation, PE firms should undertake a review of the target company's practices to ensure that they are in compliance with the new legislation and have effective controls in place to stay in compliance. Additionally, PE firms may find it prudent to have comprehensive due diligence documents that they can share with institutional investors that describe their due diligence processes and the specific outcomes for each target company.

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**Q: What are ICSGroup's aspirations on the African continent?**

Africa holds so much potential as one of the most promising emerging markets in the world. I am excited by the growth potential that will be fueled by investment in infrastructure across the continent, but primarily in Sub-Saharan Africa. The ability to increase the flow of capital on to the continent will be of critical importance. ICSGroup's knowledge of institutional investors coupled with our compliance and operational expertise, puts us in a unique position to have an impact. Our goal is to help increase those capital flows by helping African PE firms address the challenges they face from a compliance and operational perspective, and by helping them put their best foot forward in the fund raising process. I'm thrilled to be a new member of AVCA and are proud to have been recently appointed to AVCA's Compliance and Best Practices Committee. We look forward to engaging with other CBP Committee members in driving an increased focus on compliance and best practices for the industry.

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