Alpha

A Treasury Operating Model for the Scaling GP

What to build, what to buy, and what to outsource - by AUM tier

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Contents

Executive Summary

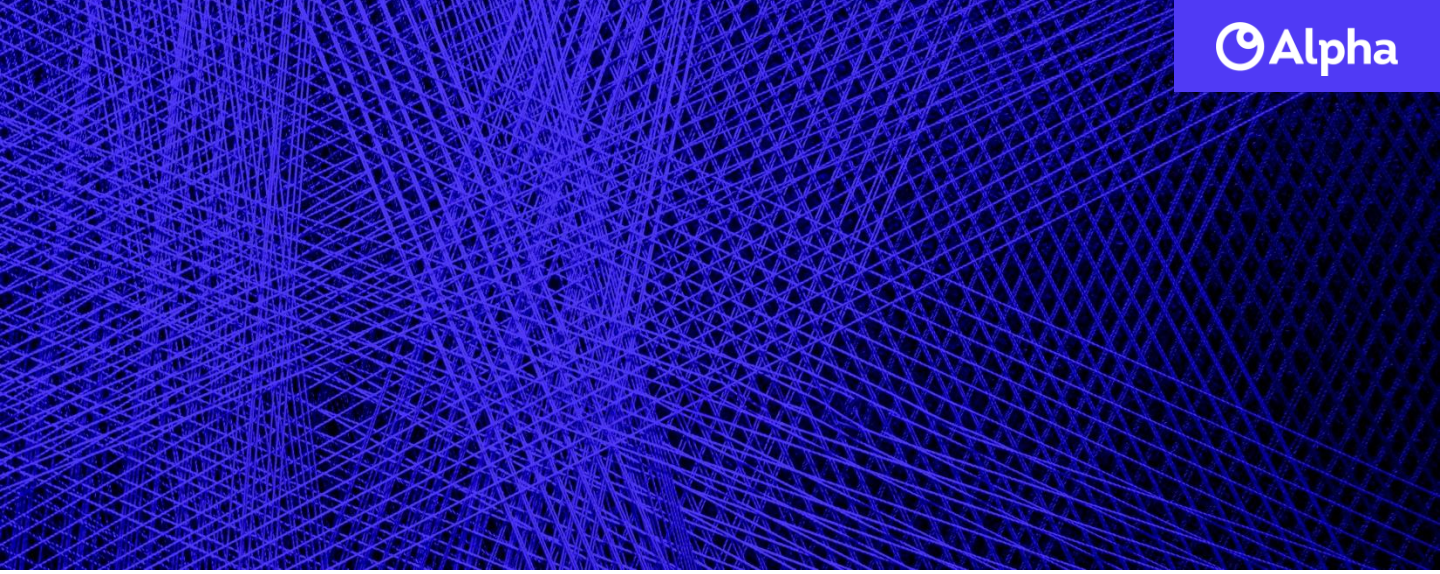
At most private markets managers, treasury is not a function anyone designed. It is what a CFO or Finance Director started out doing in a spreadsheet, through a bank portal, with instinct. That works for a while. Then a second fund closes, then a third. The entity list sprouts SPVs faster than anyone maintains a register. A fourth banking relationship appears. And one day an LP's operational due diligence team asks a question about cash controls that the spreadsheet cannot answer.

The move from founder-led cash management to an institutional treasury function is almost always forced rather than chosen. A payment nearly goes out the door to a fraudulent account. A key person is away during capital call week. An ODD questionnaire comes back with a gap the firm cannot close in time. None of these needs to be the trigger, because the curve that leads to them is visible well in advance. This paper is about reading that curve early and staging the build before an incident stages it for you.

The argument rests on two observations from the reviews run at Alpha. We've run more than 15 treasury reviews for managers between $2bn and $183bn in AUM since 2022. The first is that the pieces of a treasury function do not mature together. The pattern we see most often, and worry about most, is a manager with institutional-scale AUM still running the payment controls it had at £1bn. The second is that "we use a fund administrator" answers a different question from the one being asked. Administration tells you accurately what happened to the cash. It will not set your counterparty limits, put your idle balances to work, or take responsibility for authorising a payment. Those stay with you.

THE CORE MESSAGE

Fix the controls before you buy the technology. Controls are cheap, and they close the gaps that actually create risk.



The Founder's-Memory Problem

In the early life of a manager, cash is simple. One fund, a handful of investors, a single operating account, and a founder-CFO who carries the position in their head and moves money through a bank portal. Running it that way is the right call at that stage. Hiring a treasury team before there is any treasury to manage would just burn the management fee.

The trouble is how the arrangement ends. It does not degrade slowly and give you time to react. It holds, and holds, and then several pressures land at once:

- **More funds and vehicles.** Successor funds, co-investment vehicles and SMAs each add a distinct cash position to manage and reconcile.
- **More entities.** SPVs, holdcos, feeders and aggregators multiply faster than anyone keeps track of, and each one carries its own bank accounts and signatory lists.
- **More banks and jurisdictions.** Multi-currency deals and cross-border structures bring in new banking relationships, each with their own portal, cut-off times and quirks.
- **A sharper LP base.** As tickets grow and institutional allocators come in, operational due diligence stops being a formality. Payment controls, segregation of duties and counterparty risk all get tested.

In practice, the shift almost never happens because someone planned it. It happens because something goes wrong. At an £8bn manager we reviewed, the treasury position lived in one spreadsheet maintained by a single individual. The person who maintained it went on leave for a fortnight during a capital call period. Nobody else could tell the CFO how much cash was needed, and the call went out three days late.

This was foreseeable. The rest of this paper is about acting on the warning before an incident does it for you.

The Five Components of a Treasury Function

Setting up a treasury function is easier once you agree what one is made of. We look at five components. They are worth separating because they rarely develop at the same pace and pulling them apart shows you exactly where a function is strong and where it is exposed.

1 People and accountability

Who owns the cash position, who can initiate a payment, who can approve one, and whether those individuals are ever the same person. This is the part most managers leave unwritten, and it is the first thing an ODD team asks about.

2 Process

The repeatable mechanics: forecasting, the handling of capital calls and distributions, the payment and approval workflow, and the administration of banks and entities. Good process is what lets the function survive someone handing in their notice.

3 Policy and controls

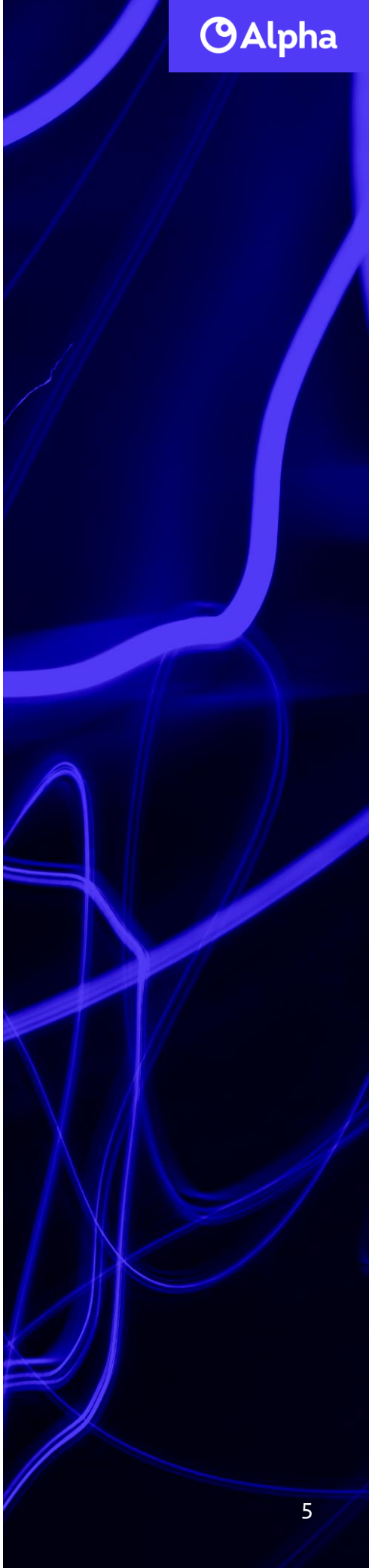
The written rules. A treasury policy, counterparty and concentration limits, investment guidelines for idle cash, and controls against fraud and unauthorised payments. Policy is how good judgement becomes a standard that holds when a key individual is on holiday.

4 Technology

The stack that carries the function, from bank portals through host-to-host connectivity to a full Treasury Management System. The useful question is not which TMS to buy. It is what the next step up would actually solve, and whether you are there yet.

5 Data and reporting

Cash visibility across every entity and currency, reporting for the board and LPs, and the piece almost everyone skips: tracking how accurate your forecast turned out to be. A treasury function that is unable to show its whole cash position on demand cannot really claim to manage it.



The Maturity Model - by AUM tier

The model below maps each component across three tiers of manager. Treat the AUM bands as a guide, not a rule. A multi-strategy manager at £4bn running dozens of SPVs may well need the controls of a £15bn single-strategy shop. Find where you sit, then read across to the next column.

Component	Emerging (<£2–3bn)	Scaling (£3–15bn)	Institutional (£15bn+)
Ownership	CFO / FD personally; single approver	Dedicated treasury lead; dual authorisation	Treasury team; segregation of duties by policy
Forecasting	Ad hoc or none	Rolling flow forecast	Multi-entity, scenario-based
Payments	Online banking, single approver	Dual authorisation, segregated roles	Host-to-host / TMS-driven workflow
Idle cash	Left in current account	MMF / deposit policy in place	Managed liquidity mandate
Technology	Excel + bank portals	Lightweight TMS or bank modules	Full TMS + bank connectivity
Counterparty risk	Managed ad hoc	Limits set and monitored	Framework with regular reporting
Reporting	Manual, on request	Standardised cash reporting	Automated, board- and LP-grade

Why the table is not the whole story

The natural instinct is to place yourself in a column and try to reach the next one across the board. Resist it. The components do not move together, and treating them as if they should is how managers end up carrying risk they cannot see.

Picture a manager whose AUM, headcount and deal complexity are all firmly institutional, but whose payment controls never left the emerging tier: one approver, shared login, no segregation of duties. We see this often. It is capability debt, and it is precisely what operational due diligence now looks for. Buying a system does not fix it. Fixing the controls does, and the controls are cheap. They close the three exposures that can sink a firm: fraud, error, and dependence on a single person.

HOW TO USE IT

Benchmark the model column by column, but plan it row by row. Advance each component on its own merits, and move the control rows first, whatever tier your technology sits in.

Build, Buy, or Outsource

Sooner or later every scaling GP asks where treasury should physically sit. The conversation tends to open, and too often close, on one line: "we use a fund administrator." That line is worth taking apart, because it settles less than people think.

"We have a fund administrator" is not a treasury strategy

Administration and treasury touch the same cash but do different jobs. Your administrator reconciles what already happened, accurately and after the event. Treasury decides what happens to the cash next and controls the act of moving it. An administrator will not set your counterparty and concentration limits, will not put your idle balances to work against a risk appetite you have defined, and will not carry responsibility for authorising a payment. Hand over the administration mandate and every one of those stays exactly where it was: with you.

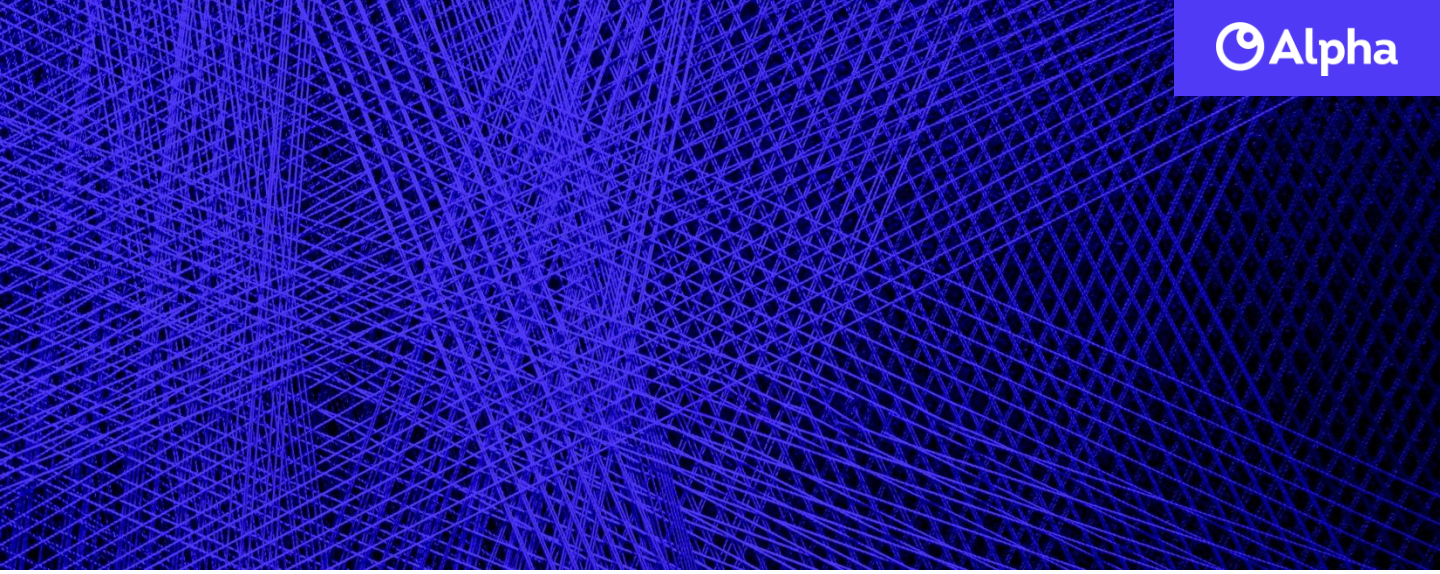
A decision framework by activity

Decide activity by activity rather than in one lump. The principle that holds up: outsourcing execution is fine, outsourcing control and judgement is where managers get burned.

Activity	Disposition	Rationale
Payment authorisation	Keep in-house	The point of maximum fraud and error risk; authority cannot be delegated to a third party.
Counterparty & concentration policy	Keep in-house	A risk-appetite decision that only the CFO / treasury can own; no administrator will set your limits.
Forecasting judgement	Keep in-house	Requires knowledge of the deal pipeline and fundraising that lives inside the GP, not the administrator.
Idle-cash mandate design	Keep in-house	Sets risk appetite and yield trade-off; execution can be delegated, the mandate cannot.
TMS & bank connectivity	Buy	Tooling, not judgement - licence proven platforms rather than building bespoke.
MMF / deposit portals	Buy	Commodity access to liquidity products; no advantage in building.
Reconciliation	Outsource	High-volume, rules-based, backward-looking - the administrator's core competence.
Certain reporting	Outsource	Standardised outputs the administrator already produces at scale.
Payment execution (not approval)	Outsource / Automate	The mechanical act can be automated or delegated once approval sits firmly in-house.

THE LINE TO HOLD

Outsource what is mechanical and backward-looking. Keep what requires judgement. The day you let someone else decide who authorises a payment or where your counterparty limits sit, you have given away the part that made it a treasury function.



Technology Inflection Points

Technology is where scaling GPs make their most expensive treasury mistakes, and they manage to make them in both directions. Buy a TMS too early and you have spent six figures and the better part of a year automating a problem a disciplined spreadsheet was handling fine. Leave it too late and the manual payment volume across dozens of entities stops being an inefficiency and becomes an operational risk.

Resist buying too early

You can get a long way on disciplined Excel and good bank connectivity, further than most vendors will admit. Where the real problem is simply cash visibility, host-to-host feeds or a bank aggregation portal often solve it for a fraction of the cost and disruption of a full TMS. Before you buy, make yourself name the specific thing the platform does that your current process cannot. If the answer comes out vague, you are not ready.

Recognise when you are too late

The other failure has its own tells. Payment volumes high enough that manual keying is a real source of error. A structure too complex to hold in a single view. Reconciliation that eats days rather than hours. And the one that gives it away: nobody can answer "what is our total cash position right now, across everything?" without a scramble. When those show up together, going without a system costs more than buying one.

What a generic TMS selection misses in private markets

A standard corporate-treasury RFP will not surface the requirements that matter most to a GP. Make the selection test three things specifically:

- Capital call and distribution logic. The platform has to model fund cash flows, not just corporate receivables and payables.
- Multi-entity and SPV hierarchies. You need to roll up and drill down through a deep structure of funds, holdcos and aggregators.
- Fund-administrator connectivity. Clean integration so treasury and the administrator are not keying the same data twice.

A NOTE ON SELECTION

A selection process that never tests capital call logic, entity hierarchies and administrator connectivity is a corporate RFP with a private-markets label on it.

The Sequencing Roadmap

You cannot flip institutionalisation on in one go, and nor should you try. Sequence the work by how much risk each step removes per pound or dollar spent, rather than by what happens to be easiest to buy. Over 12 months, the order that works looks like this

Phase 1 (months 0-3): Fix the cheap, high-risk gaps

Controls and cash visibility come first. Put segregation of duties and dual authorisation on payments. Pull together a daily view of cash across every entity. Write down a basic treasury policy. None of this costs much, and it clears the exposures that put firms at risk before you spend a penny on anything else.

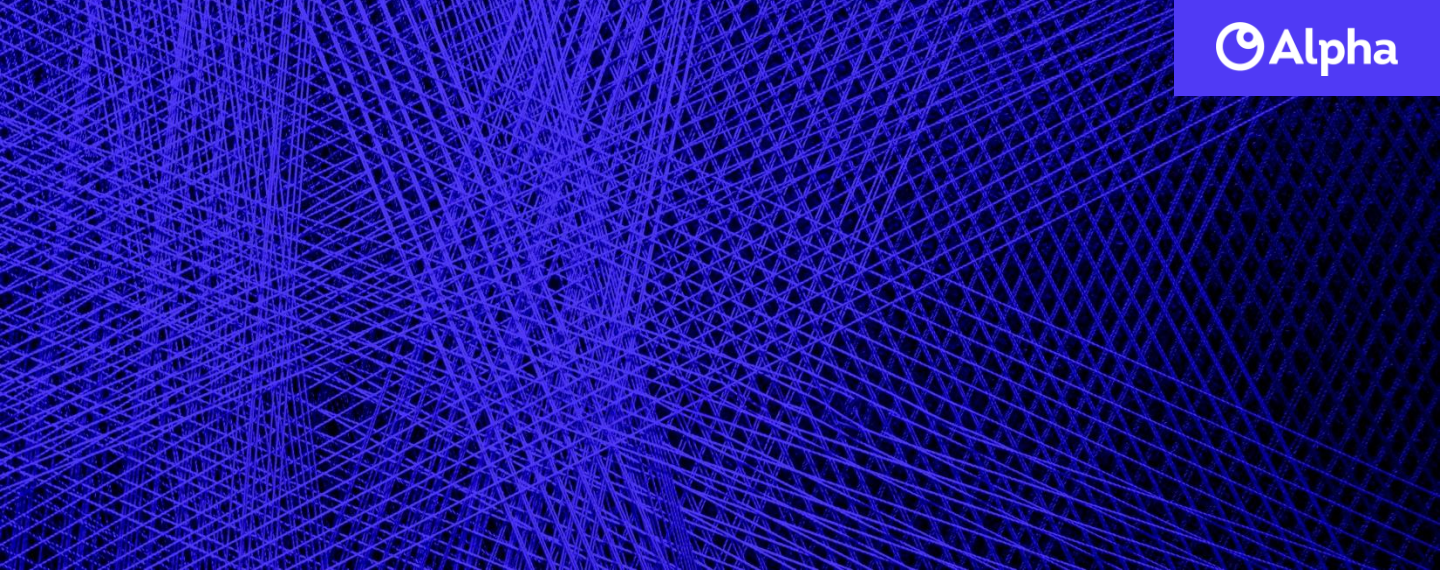
Phase 2 (months 3-6): Build the disciplines

With the controls in place, build the habits that make treasury earn its keep. A rolling cash-flow forecast shaped for lumpy fund flows. Counterparty and concentration limits that are actively monitored. An idle cash mandate that puts undeployed capital to work inside a defined risk appetite. This is the phase where the function stops being purely defensive and starts adding value.

Phase 3 (months 6-12+): Add the technology

Only now, with clean processes and a clear list of requirements, does a TMS come into view, and only if the signals in Section 5 are actually there. Automating a well-run manual process is money well spent. Automating a broken one just makes the mess arrive faster. Plenty of scaling GPs reach this point and find the honest answer is “not yet.” That is a good answer, not a failure.

Phase	Focus	Why this order
1 · 0-3m	Controls & cash visibility	Cheapest interventions, largest risk reduction - fraud, error, key-person
2 · 3-6m	Forecasting, policy, idle-cash mandate	Turns treasury from defensive hygiene into a value-adding function
3 · 6-12m+	Technology (TMS)	Automate a clean process, never a broken one - and only if the signals are there



A Maturity Self-Diagnostic

Score your own function against the card below, one component per row: 1 for emerging, 2 for scaling, 3 for institutional. The total matters less than the spread. A function that scores 3 on technology and 1 on controls is carrying exactly the capability debt this paper has been warning about. Wherever your control rows score lowest, that is where to start.

Component	1 - Emerging	2 - Scaling	3 - Institutional
Ownership & SoD	One person owns and approves	Dedicated lead; dual auth	Team; segregation by policy
Forecasting	None or ad hoc	Rolling flow forecast	Multi-entity scenarios
Payment controls	Single approver	Dual authorisation	TMS-enforced workflow
Idle cash	Uninvested balances	MMF / deposit policy	Managed mandate
Counterparty risk	Ad hoc	Limits monitored	Framework + reporting
Cash visibility	On request, manual	Standardised reporting	Real-time, all entities

The five questions behind the score

1. **Can any one person both create and release a payment?** If so, fix that before anything else on this list.
2. **Can you see your total cash position, across every entity and currency, today, without a scramble?** If not, visibility is your binding constraint.
3. **Do you have written counterparty and concentration limits, and does anyone actually check them?** A limit no one monitors is a document, not a control.
4. **Is undeployed capital earning a return inside a defined risk appetite?** With rates where they are, idle balances are a drag you can measure and avoid.
5. **Would the function survive its most knowledgeable person leaving tomorrow?** If the answer lives in one head, you have a single point of failure.

How Alpha FMC Can Help

We work with private markets managers to design and build treasury functions that fit the scale they are actually at. What we bring is drawn from experience of actual reviews conducted rather than from a generic consulting treasury template, which is why the patterns in this paper are the ones we keep meeting in practice.

In a 20-minute call, we'll walk through the five diagnostic questions and show you how other managers at your tier have scored. The pattern we see most often (institutional-scale technology with emerging controls) might be exactly where you are. If this resonates, we'll map what a deeper review would look like. Book a no obligation call today.

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