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Four Jobs. One Pattern. Why I started PROVEN.

Four institutional problems, one pattern, and the work PROVEN was founded to do.

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Foreword

Most white papers from early-stage companies either argue a market thesis or explain a product. This one does neither, at least not in the usual order. Before the thesis and before the product, there is the question of why this problem is being worked on by this person. The honest answer is that it is the fifth time the same work has come up in a career, and the four prior attempts taught the shape of it.

What follows is a walk through those four instances, Greenwich, Knight, Two Sigma, and Atom, and the fifth, which is PROVEN. The pattern that runs through them is not stated until the end. Readers who want the argument first should skip to Section 6. Readers who want to see it earned should start at Section 2.

1. The claim

The financial infrastructure that private markets rely on was not designed for the scale of capital now flowing through it. General ledgers, audit sampling, monthly close cycles, management reporting packages: each of these was engineered for a smaller, slower industry. They have been extended, patched, and augmented. They have not been rebuilt. And in private markets specifically, none of them independently verify what happened at the transaction level.

The missing layer is not a better dashboard, a smarter extraction tool, or a faster close. It is a reconstruction layer, one that rebuilds the income statement and cash flow statement from source evidence, underneath everything else. That is the layer PROVEN is being built to provide.

The case for why it is needed is argued in a separate paper on private credit underwriting. This paper is about something else: why the founder thinks this is a buildable problem, based on four prior times when a similar gap was identified and a new system was built to close it.

2. Greenwich Capital Markets

Risk monitoring when no system existed.

The seat

Reporting to the CFO and the Head of Risk at a fixed-income dealer active across US Treasuries, agency debt, mortgage-backed and asset-backed securitizations, CMBS, and the funding desks that supported all of it. In October 1996, GCM was acquired by a UK banking group, which meant the Bank of England was a new regulator alongside the US framework. The BoE required real-time risk monitoring across the firm's trading books. The deadline for having that monitoring in place was fixed.

The problem

The GCM risk system utilized a different risk framework than the BoE. There was no system to buy. Vendor tools existed for single asset classes; none covered the full mix of instruments GCM ran. There were no written requirements for how to build one. The regulatory letter described what had to be true, not what the software had to do. The firm could not trade the books without monitoring in place. Every day without a working system was a day closer to an enforcement problem.

What I did

I worked backwards from the regulatory requirement. The BoE wanted to know, at any moment, what the firm's exposure was across rates, credit, liquidity, and counterparty risk, both aggregated and net exposures, reconcilable to position records, and independently verifiable. I built the data model first: positions, risk factors, and the mapping between them. Then the aggregation layer. Then the reporting that went to risk management and the exception logic that fired when a desk breached a limit or when the data stopped matching between systems.

The system went live on time. It caught things. It was reconciled to position records daily, which is what made it defensible. When the BoE examiners came in, the conversation was short, because the system was the answer to their questions.

What it taught

A regulator asking for something that does not exist is not asking for magic. They are asking for the work to be done. When you read the requirement as a set of observable conditions, what must be true, and how you would prove it, the system design follows. The failure mode was to wait for a vendor product. The winning move was to build backwards from the evidence the regulator would need to see.

3. Knight Trading Group

Compressing the quarterly close from 12 days to 4.

The seat

SEC-licensed FINOP for two of Knight's broker-dealer subsidiaries, which meant Series 24 and Series 27 credentials and personal accountability for the quarterly FOCUS Reports filed with the SEC. FINOP is one of a small number of roles in finance where the regulator holds a named individual, not the firm, responsible for the accuracy of the filing. It is, in practical terms, the technical name for the CFO of a broker-dealer.

The problem

Knight was the largest market-maker in the world by the time I arrived in 2000. Trades were reconciled daily; they had to be, for a market-maker at that scale. The problem sat elsewhere, in the general ledger close. Most of what must be true for a set of financials to be reliable is not trade activity. It is accruals, intercompany, complex compensation formulas for the 300+ market making teams, regulatory capital computations, and the dozens of smaller items that only get touched at period end. Knight's quarter-end close ran 12 business days, which was ordinary for the industry and, for most CFOs, not something to relitigate.

The forcing function was personal. I had been admitted to Cornell's Executive MBA program, which held its on-campus sessions in Ithaca twice a year, in early January and early July, the exact two weeks of every year when Knight's quarter-end close was happening. If I wanted to attend, the close cycle had to be reduced from 12 business days to 4. The firm did not require a shorter close. I did.

What I did

I compressed the quarter-end close by moving its work forward in cadence. The work that had been done quarterly moved to monthly. The work that had been done monthly moved to weekly. The work that had been done weekly moved to daily. By the time a quarter ended, most of what used to happen at close had already happened during the quarter. The quarter-end close went from 12 business days to 4.

The work was not glamorous. Most of it was unwinding assumptions that had been baked into the close over years, reconciliations scheduled for month-end because that was when someone had time to do them, not because the underlying accounting required it. Each cadence compression required rebuilding the exception logic so the small problems surfaced immediately and the large ones escalated before they compounded.

What it taught

Cadence is a design decision, not a given. The reason close work sat at period end was that it had always sat at period end. When the volumes and the regulatory stakes changed, the cadence needed to change with them, but nothing about the underlying accounting required the work to wait for the period boundary. It was an artifact of when accounting was done by hand. The broader lesson: when a process is justified by “that’s how it is done,” the justification is worth testing. Usually, the process was designed for an earlier version of the business that no longer exists.

Sometimes the test arrives as an external constraint. In this case, a personal schedule. The constraint was specific to me; the lesson was not. The firm ended up with faster, cleaner FOCUS Reports, materially lower operating risk in the finance function, and a foundation it could scale on. The MBA was incidental.

4. Two Sigma

The second-administrator model.

The seat

CFO of Two Sigma. Responsible for all finance, operations, treasury, and reporting roles across the hedge fund, asset management, PE and VC funds, and broker-dealer businesses, and the working relationships with the service providers that made the funds and entities operate. Two Sigma at the time was one of the most operationally demanding hedge funds in the industry, with a research-driven culture that meant any process inside the firm was under scrutiny from people who were good at noticing what didn’t make sense.

The problem

Every institutional hedge fund of that size ran two parallel sets of books. One internal, produced by the firm’s own finance and operations team. One external, produced by the fund administrator as an independent record for the fund’s investors. At Two Sigma, the external administrator was Citco, and Citco’s books were the fund’s official record. Both sets independently reconciled to source, the bank, the counterparty, the exchange, which gave the fund a three-way reconciliation and a genuine control structure.

The question was not whether the reconciliation was a real control; it was. The question was the internal side of it. Two Sigma’s internal books-and-records at the time ran on Excel with sophisticated macros. Excel-macro systems at institutional scale work until

they don't. Manual processes and humans produce errors; at sufficient scale, every day is another draw from a distribution that includes a materially wrong NAV. That recognition, in my first week at the firm, was the urgency. The working solution had to begin immediately.

Fixing this at a firm like Two Sigma was harder than it looks. A proper books-and-records platform is a serious undertaking at any hedge fund, and at an engineering-led firm it carries an additional tradeoff: the internal engineering capacity required to evaluate, adopt, and operate such a platform is the same capacity the firm depends on for its client-facing, alpha-generating work. That tradeoff is real, and it is a reason firms like Two Sigma often run longer than outsiders would expect on interim internal systems. Excel with sophisticated macros, maintained by capable analysts, is a common interim state.

The industry-standard answer was a large build. License Advent Geneva as the internal books-and-records platform. Hire corporate tech to support it. Stand up a daily and monthly ops and accounting reconciliation team to run against Citco and against source. The up-front build cost and annual run cost added up to a material operating budget item, and every fund of comparable size was spending it. The timeline to stand it all up was measured in quarters, not weeks. That timeline was the problem. The Excel system was producing the kinds of events that would compound into something worse, and waiting for a build was not a responsible answer.

What I did

In September 2010, I began negotiating a materially different service model with HedgeServ in place of the Geneva build. Citco remained the official books-and-records administrator for the funds. HedgeServ took on the internal books-and-records function, on fixed cost, at a level comparable to what Geneva-plus-tech-plus-reconciliation-team would have cost the firm to build and run, with variable-cost features that let the arrangement scale as new funds and new products launched. What the firm bought for that spend was experts on day one. The alternative was quarters of continued Excel exposure while a new internal team ramped. The internal finance and operations team was restructured around exception review, investment operations, treasury, and the work that genuinely required firm accountability, and away from the parallel bookkeeping that HedgeServ and Citco, each independently reconciling to source, were already doing at institutional quality.

The outcomes were concrete. For the hedge fund and asset management businesses that HedgeServ and Citco serviced, NAV variance, the difference between estimated monthly NAV and final NAV, tightened to within approximately 1bp at a 95% confidence

interval, a precision level most institutional LPs do not see from their managers. Team morale flourished, because the work became analytical and high value-added rather than the daily reconciliation toil. Over the following four years during my tenure, the firm launched 15 new fund offerings, and AUM grew from approximately \$5 billion to over \$25 billion. Over 500% growth in both assets and revenue.

The model is still in place at Two Sigma more than fifteen years later. This second administrator model was subsequently adopted at Bridgewater Associates in 2012 and then at several other large hedge funds, and it changed how the fund administrator industry positioned its enterprise offering. What had been a back-office bookkeeping service became a strategic infrastructure layer.

What it taught

When the industry-standard build consists of licensing a commodity platform, staffing it internally, and running a team to do work that a specialist vendor is already doing at institutional quality, the buy-vs-build question deserves to be reopened. The instinct to build is usually an instinct about control, and sometimes about the relative importance that comes from managing large teams. Control can be preserved through contract terms, reconciliation design, and exception governance without having to own the underlying infrastructure. The dollars freed from the build funded higher-leverage work, and the speed freed from not having to staff and train an internal reconciliation team showed up as fund launches, AUM growth, and revenue growth.

I also learned that changing a structural convention is slow, political, and generally opposed by everyone whose role is defined by the old convention. That is not a reason not to do it. It is a reason to design the new operating model well enough that the people being moved around are moved toward work that is more interesting and higher-leverage than what they were doing before.

5. Atom Investors

Headcount is a design output, not an input.

The seat

Co-founder and COO of Atom Investors, a technology-driven multi-manager platform launched in 2018 with approximately \$1 billion in assets. Atom was built on the thesis that a multi-manager structure did not require the operational overhead that the

category had accumulated over the prior decade. I designed the accounting, operations, treasury, and reporting infrastructure.

The problem

By 2018 the multi-manager category had developed a characteristic cost structure: each portfolio manager pod required dedicated operations, risk, and accounting support. At scale, a platform with 40 pods might employ 40 or more operational staff, plus the management layer above them. The cost was real and the case for it was reasonable at the time it evolved. Each PM ran a different strategy, on different instruments, at different frequencies, and operational specialization reduced errors.

The implicit assumption in that model was that operational specialization had to be human. Once workflow automation and data infrastructure matured enough to handle the instrument and strategy variation inside software rather than inside headcount, the logic for the old structure weakened. Nobody in the industry had acted on that yet because the old model worked and changing it was hard.

What I did

I designed the platform around workflow, not headcount. Instrument coverage, pod onboarding, position reconciliation, trade break resolution, treasury operations, investor reporting: each was built as a repeatable process that did not require a dedicated human per pod. The staffing that resulted was a single Controller, a single Ops Manager, and a rotating set of part-time interns from UT Austin. That team ran roughly 40 pods for the first five years of the firm's life. Comparable platforms staffed the same work with teams an order of magnitude larger.

The platform scaled without the operational cost curve the category assumed was necessary. The headcount stayed flat through a period when competitors' operational costs grew linearly with pod count.

What it taught

Headcount is usually treated as an input to operational design. It is better understood as an output: the residual that falls out of the design, not the thing you start with. When you start with the workflow, ask what the workflow genuinely requires a human for, and then staff only those points, the answer is almost always smaller than what the category standard would suggest. The corollary: when a category has a consistent cost structure across firms, the cost structure is probably a convention, not a physical requirement.

6. The pattern, and why PROVEN follows it

Four seats, four different problems, and a pattern that I did not set out to follow but now find it easier to name.

At each of those stops, the standard response to the problem was one of three things: buy the vendor product, hire more people to do the work by hand, or accept that the gap was the cost of doing business. The standard response was wrong in each case. Not because the people recommending it were unskilled. Because the premise underneath it had expired. Vendor products that served the previous era of business were no answer to the new era. Headcount that served the old workflow was no answer to the new workflow. Conventional thinking that had served the smaller industry was not serving the larger one.

What worked was the same sequence in each case. First, identify what the requirement is, stripped of assumptions about which tool would satisfy it or how it has been done before. The regulator needs to verify that risk is within limits. The SEC filing needs to be accurate. The fund's books need to be independently reconcilable to source. The operations need to be correct and scalable. Those are the real requirements. Vendor products, headcount, and conventional processes are candidate solutions, not requirements.

Second, ask what has changed about the environment since the current solution was adopted. In every one of the four cases, the current solution was reasonable when it was adopted and had been outgrown by the time I arrived. Volumes had grown, regulatory expectations had risen, technology had improved, or all three. Most institutional processes are not wrong; they are stale. Recognizing the difference is most of the work.

Third, design the new solution around what is observable and verifiable. The Greenwich risk system was defensible because it reconciled to position records daily. The Knight quarter-end close was defensible because the work behind every line item had already been done and reconciled during the quarter. The Two Sigma administrator model was defensible because the administrator's books were independently produced from source. The Atom operational design was defensible because every process had a reconcilable output. Observability is not a feature. It is the thing that makes the system trustable by the people whose job it is to question it.

Private markets are the fifth case. The tools that make investment decisions in PE, VC, and private credit run on management-reported numbers that have not been independently verified against source. The general ledger, the audit workpapers, the

portfolio monitoring software, the LP reporting systems: all of them are downstream consumers of the same unverified data. Each does something useful with it. None question the numbers themselves.

The standard responses to this problem are the same three we have seen before. Buy a better version of one of the downstream tools. Hire more analysts to perform due diligence work by hand. Accept that the annual audit is the only independent verification and live with the gap between audits. None of those answers the actual requirement, which is an independently reconstructed, continuously updated record of what the portfolio company's financials show, built from source, not from the reports produced on top of source. And the annual audit is not continuous. The assumption that it is sufficient as the sole verification mechanism has quietly stopped being true at the scale private capital now operates.

What PROVEN is doing differently

PROVEN ingests source evidence directly from the source and rebuilds the income statement and the statement of cash flows from those inputs, with no reference to management's own numbers during the reconstruction. It then reconciles its rebuilt output against management's reported figures, line by line, and surfaces variances, classified, documented, and traceable back to the specific source transaction that produced them.

The work sits underneath the existing financial stack. The general ledger is not replaced. The annual audit is not replaced. The portfolio monitoring software is not replaced. What is added is the layer those tools have always assumed existed but never actually did: independent source-level reconstruction of the financial activity the tools above are reporting on. Every rebuilt figure traces back to a specific source transaction, counterparty, and date.

The decision to scope PROVEN to the income statement and cash flow statement was deliberate. The balance sheet has its own verification infrastructure in the form of custody, audit confirmations, and depository records. The income statement and cash flow statement do not. They are the two financial statements where management reporting and the underlying transactions most often diverge, and they are the two that matter most for private credit underwriting, PE investment committee decisions, and VC portfolio monitoring.

7. Closing

Private markets are ready for the verification layer they never had. The regulators will get there, the LPs will get there, and the GPs who see it first will be equipped when the rest of the market catches up. The ones who wait will be retrofitted under pressure.

Building the layer is the work. PROVEN is the company being built to do that work. The pattern that produced it is the same pattern that produced the compressed quarterly close at Knight, real-time risk monitoring at Greenwich, the second-administrator model at Two Sigma, and the workflow-first operational design at Atom. None of those were the obvious answer at the time. They became obvious in retrospect. This is the fifth one.

CONTINUE THE CONVERSATION

PROVEN is currently engaging with a small number of pilot partners across private credit, PE, and VC. If the argument here sharpens a problem your fund is already working on, or names one you would push back on, a conversation is the most direct next step.

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APPENDIX · ABOUT PROVEN

Proven Financials, Inc. is an institutional financial infrastructure company building continuous, source-reconstructed financial verification for the private markets: PE, VC, and private credit. PROVEN independently reconstructs the income statement and statement of cash flows from source documents, reconciling every line against management-reported figures to produce a verified financial record that investment committees, credit committees, and auditors can rely on, present, and defend.

PROVEN was founded in 2025 by John Cunningham: previously a CPA and auditor at Deloitte, a risk-systems builder at Greenwich Capital Markets, SEC-licensed FINOP at Knight Trading Group, co-founder of WR Capital Management, CFO of Two Sigma, and co-founder of Atom Investors. PROVEN is headquartered in Austin, Texas.

For pilot engagement inquiries, security package requests under NDA, or further discussion of the arguments in this paper:

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