

Distribution Integrity: Engineering Trust in the Moment That Matters Most

The 2026 Standard for Institutional-Grade
Distribution Verification

CO-AUTHORED BY



ABOUT THIS PAPER

This white paper is co-authored by qashqade and 6lock — two firms whose capabilities together span the full distribution integrity challenge. qashqade provides institutional-grade calculation infrastructure for private markets. 6lock delivers identity-first, secure money movement purpose-built for private equity. Together, we define the Institutional-Grade Distribution Verification Chain that leading firms are adopting as the 2026 operational standard.

About qashqade

qashqade is a purpose-built allocation management platform, giving private markets participants absolute confidence in every calculation. qashqade replaces fragile, manual processes with a tested, rule-based calculation engine — delivering the audit trails, version control, and contractual precision that private markets now require.

About 6lock

6lock is Verified Money Movement™ made for investment firms. Built on identity-first architecture, 6lock augments legacy bank rails with KYC/KYB verification, role-based controls, multi-party approval workflows, and real-time transaction visibility — closing the last-mile loophole where wire fraud, misdelivery risk, and operational failure hide in plain sight.



THE TRUST GAP IS WIDENING — AND LPS ARE WATCHING

Most firms running distributions today are not operating with controls that match the expectations of the LPs they serve. That gap is closing — and the firms that close it proactively will define the 2026 institutional standard.

Private markets have a distribution integrity problem — and it is not primarily a technology problem. It is a governance problem. Across the industry, capital is being returned to investors through workflows that combine spreadsheet-based calculations, email-based instruction management, and approval processes that rely on familiarity and habit rather than verifiable assurance.

In a lower-complexity environment, these practices may have been tolerable. Today, they are not. LP expectations have shifted. Operational due diligence has deepened. And the fraud environment targeting distribution workflows has fundamentally changed — with business email compromise attacks on capital calls increasing 40% year-over-year, and AI-enabled impersonation making manual verification less reliable with each passing quarter.

At the same time, the regulatory record is clear: firms that cannot demonstrate how their distribution amounts were calculated, and how their payment instructions were verified, face material exposure. The consequences are not theoretical. They are measured in SEC enforcement actions, in LP disputes, in audit findings — and in the quiet, compounding erosion of institutional trust.

This paper introduces the Institutional-Grade Distribution Verification Chain — a structured, four-layer approach to distribution integrity that leading private equity firms and fund administrators are adopting now. Drawing on calculation expertise from qashqade and transaction-risk infrastructure from 6lock, it defines what distribution integrity requires, what it costs to ignore it, and what the 2026 standard looks like in practice.

For any firm in the business of returning capital to institutional investors, the question is not whether to adopt structured distribution controls. It is whether to do so before or after an event that makes the decision unavoidable.

This paper covers:

- Why distributions have become a board-level governance risk
- The Institutional-Grade Distribution Verification Chain: the four-layer framework
- The structural fragility of spreadsheet-based calculation — and its real-world consequences
- How distribution fraud actually occurs — and why manual verification fails
- What leading firms are doing differently today
- A self-assessment tool: does your firm meet the 2026 standard?

WHY DISTRIBUTIONS ARE NOW A BOARD-LEVEL RISK

Distributions are no longer routine operational events. They are moments of custodial proof — occasions on which every GP is implicitly asked whether its internal controls, governance philosophy, and operational maturity align with the expectations of the investors it serves.

LPs may tolerate administrative friction during capital formation. They expect precision, security, and professionalism when capital is returned. The asymmetry matters: a firm can manage a slow capital call with a phone call and an apology. A distribution error — particularly one involving misdelivery — is rarely recoverable in reputational terms.

The reasons distribution risk has escalated to leadership agenda are interconnected:

- Fund complexity has increased. Layered waterfalls, side letters, parallel vehicles, and class-specific entitlements mean that distribution calculations are no longer straightforward. A single interpretation difference in an LPA can translate into millions in misallocation — and in multi-fund platforms, that error replicates.
- The fraud environment has changed irreversibly. AI-enabled impersonation, voice cloning, and business email compromise have made the human verification protocols that firms relied on a decade ago fundamentally inadequate. Phone callbacks — once considered prudent — are now themselves an attack surface.
- LP scrutiny has deepened structurally. Operational due diligence is no longer a compliance formality. According to survey data from institutional LP groups, the majority of LPs now rank operational transparency above historical performance track record when evaluating new manager commitments. Distribution workflows are among the most closely examined areas.

- Regulatory attention is intensifying. The SEC has repeatedly sanctioned private markets firms not for misconduct, but for calculation errors — fees that did not reflect the contract, allocations that could not be traced to governing documents. The message is consistent: trust us is no longer sufficient.

The convergence of these forces means that distribution integrity is no longer a back-office concern. It sits at the intersection of operational risk, regulatory compliance, LP relations, and fundraising competitiveness. The firms that recognize this early — and redesign their workflows accordingly — will be the ones that institutional LPs continue to back.

“When money goes out, that’s the moment your LPs decide whether you run a tight institutional operation—or whether you’re relying on hope and habit. Distribution integrity isn’t an ops issue anymore. It’s a leadership issue.”

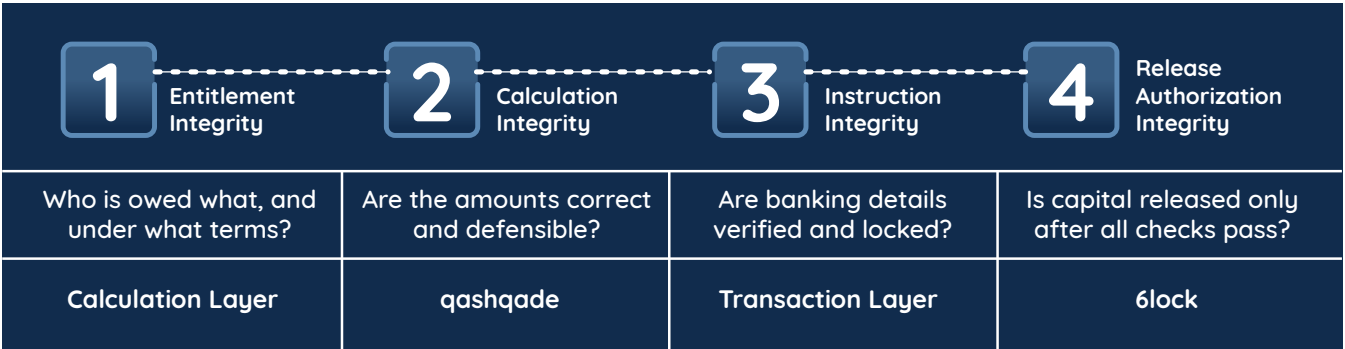
Todd Sorrel
CEO, 6lock



THE INSTITUTIONAL-GRADE DISTRIBUTION VERIFICATION CHAIN

Distribution integrity cannot be achieved through a single control, a single technology, or a single review at the point of release. It requires a sequence of independently verifiable layers — each of which must be satisfied before capital moves.

The Institutional-Grade Distribution Verification Chain defines four layers of control that together protect LP capital from the moment entitlements are established to the moment funds leave the firm. Each layer addresses a distinct failure mode. None can substitute for another.



Understanding why this is a chain — not a checklist — is important. A firm can have excellent calculation governance and still suffer a misdelivery event because its instruction verification process relies on email. A firm can have robust instruction verification and still face an LP dispute because its waterfall logic was never validated against the current fund documents. Each layer is necessary. The chain is only as strong as its weakest link.

Entitlement Integrity

Entitlement integrity is the foundation. Before a single distribution amount is calculated, the firm must be able to answer: which investors are entitled to participate? Do side letters alter standard waterfall participation? Are there preferred return thresholds that gate carried interest eligibility?

In practice, entitlement failures arise from gaps

between legal documentation and operational models. LPA amendments may not be reflected in calculation templates. Side letters negotiated at close may carry preferential terms that were never systematically embedded into distribution logic. Investor class definitions in the fund’s operating system may not align with governing documents.

Institutional-grade entitlement integrity means that investor rights are not reconstructed from memory or email threads at the time of distribution. They are structured, governed, and linked directly to the calculation engine that produces distribution outputs.

Calculation Integrity

Calculation integrity is where errors are most commonly introduced — and go undetected longest. When calculation logic is not controlled, not version-managed, and not validated against the LPA, distribution outputs cannot be reliably defended. Section 3 of this paper addresses the structural fragility of spreadsheet-based models in detail.

This layer requires that waterfall mechanics, preferred return accruals, carry thresholds, and class-specific allocations are derived from a single, governed source of logic — not assembled from inherited models and manual overrides. Every distribution output must be traceable: which LPA provision governs this allocation? What compounding convention was applied? Has this logic been validated against current fund documents?

Instruction Integrity

Instruction integrity ensures that LP banking details are independently verified, authenticated, and protected from unauthorized alteration before any distribution is initiated. This goes beyond confirming that an account number exists. It requires structured validation of ownership, documented confirmation of change requests, and clear governance around who can modify payment instructions and how those changes are approved.

In an environment where fraudulent instruction updates often mimic legitimate communications with near-perfect fidelity, reliance on email threads or institutional familiarity is insufficient. Instruction integrity establishes a controlled, auditable process that treats banking data as a critical asset — subject to verification, monitoring, and formal oversight.

Release Authorization Integrity

Release authorization integrity governs the final and most consequential step: the approval to move capital. It requires validated intent, documented approvals, and enforceable controls before funds are transmitted. This includes separation of duties between calculation, verification, and release functions; structured approval workflows; and immutable records demonstrating who authorized the transaction and under what authority.

The objective is not added friction. It is demonstrable assurance that capital leaves the firm only after all verification layers have been satisfied — and that this assurance can be produced on demand for auditors, regulators, or LP due diligence teams.



THE TWO RISKS THAT DEFINE DISTRIBUTION INTEGRITY

Within the Verification Chain, two distinct classes of risk must be managed. They originate differently, surface at different moments, and require different controls. Conflating them — or treating one as sufficient to address both — is among the most common governance gaps in distribution operations.

	Calculation Risk	Transaction / Misdelivery Risk
Origin	Upstream: fee logic, waterfall mechanics, LPA interpretation	Mid-process: instruction compromise, BEC, approval chain manipulation
Timing	Errors accumulate quietly over time; surface at distribution	Attacks occur at moments of urgency or high-volume events
Reversibility	Often correctable, but costly and visible	Frequently irreversible once funds leave the firm
Who detects it	Internal review, auditors, aggrieved LPs	Often detected too late — after funds are transferred
Primary consequence	Misallocation, regulatory exposure, reputational damage	Permanent capital loss, immediate reputational damage, fiduciary breach
Control type required	Governed calculation platform, LPA validation, audit trails	Identity verification, instruction governance, release authorization

The distinction matters operationally: a firm can invest heavily in calculation governance while leaving its instruction and release workflows exposed. Conversely, a firm that focuses exclusively on transaction security but relies on unvalidated spreadsheet models is protected against fraud but not against the equally costly consequences of misallocation.

Both risks must be engineered out of the process — not one at the expense of the other.



CALCULATION INTEGRITY: WHY SPREADSHEET-BASED MODELS CREATE SYSTEMIC RISK

Let's be precise: spreadsheets are not the enemy. Excel is one of the most powerful analytical tools ever built. It is flexible, intuitive, and for many financial tasks, completely appropriate. The same is true for AI. The ability to generate outputs at speed, identify patterns and process complexity is genuinely exciting.

But there is a fundamental difference between using a spreadsheet to analyze numbers and using it to determine who receives millions in capital. Waterfall calculations, fee models, and investor allocations are not exploratory. They are binding. They are audited. And at the moment of distribution, they become difficult to reverse.

Neither spreadsheets nor AI were designed for that level of institutional responsibility. And that's where the problem begins.

WHEN FLEXIBILITY BECOMES FRAGILITY

The same characteristics that make spreadsheets attractive — flexibility and adaptability — make them structurally fragile in a private markets context. Over time, models are extended across fund vintages. New tabs are added. Logic is amended. Exceptions are hard-coded. VBA scripts evolve differently across machines and software versions. What begins as customization gradually becomes opacity.

AI-enhanced spreadsheets do not resolve this. They deepen it. When AI is layered onto an ungoverned spreadsheet environment, the black box gets darker: logic is now distributed across formulas, scripts, and AI-generated outputs that may produce different results on different days, as underlying models update without notice. The tool becomes more powerful. The governance gap becomes wider.

There is rarely a single, governed version of the truth. The issue is not that Excel cannot calculate correctly. It is that it was not designed to serve as institutional infrastructure — replicating the economics of LPAs

with built-in governance, enforced controls, and a system-level memory of how logic evolved.

“Relying on spreadsheets in today's private markets is like building a house on sand. As firms grow and structures become more complex, the risk of operational failure increases exponentially.”

Oliver Freigang
CEO, qashqade



Spreadsheets – with or without AI assistance – have structural blind spots that are well-documented:

- Formulas can be overwritten without warning or audit trail.
- Versions multiply across inboxes, desktops, and shared drives.
- VBA code behaves differently across software environments.
- Institutional knowledge concentrates in the individual who built the file — and leaves when that person does.

“Resilience means that the bumps in the road don’t push you off the road. In private equity, that means if someone leaves the team, the knowledge doesn’t leave with them.”

Gregor Kreuzer
CPO, qashqade



THE REAL-WORLD CONSEQUENCES

Industry data consistently finds that the majority of complex spreadsheets contain material errors. In most business contexts, those errors are inconvenient. In private markets, a 1% discrepancy can mean millions in misallocated capital or incorrectly accrued fees.

qashqade has identified recurring patterns:

- In one large pension fund validation project covering close to 100 funds, discrepancies identified during independent review led to recalculations and amounts being credited back to the investor across multiple funds. The GP models were not wildly inaccurate — they were slightly misaligned. But in private markets, slight misalignment scales.
- **\$20M overpayment** : A single waterfall model error — a 10% deviation in calculation logic — resulted in a \$20 million overpayment. The error was not the result of misconduct. It was the predictable byproduct of using a tool not designed for fiduciary-grade precision.
- **Compounding errors**: Strict compounding discrepancies, hybrid waterfall miscalculations, and IRR vs. continuous compounding confusion have produced millions in under- or overpayments across fund lifetimes.

THE REAL-WORLD CONSEQUENCES

Over the past decade, regulators have repeatedly sanctioned private markets firms for calculation-related failures — not because capital was stolen, and not because systems were breached, but because the math did not reflect the contract. SEC enforcement cases have cited:

- **Excess management fees**: Incorrectly applied invested-capital rules leading to systematic overcharging.
- **Disproportionate expense allocation**: Undisclosed methodology changes that effectively increased costs charged to the fund.
- **Valuation errors**: Deficient procedures resulting in improper NAV calculations that affected fee and allocation outcomes.
- **Fee offset failures**: Duplicated reductions in transaction fee allocations that resulted in funds being overcharged management fees across multiple periods.

The regulatory message is consistent: “trust us” is no longer sufficient. The math must withstand scrutiny — and the process that produced it must be demonstrable.

“Spreadsheets are good for quick analysis, not for running fiduciary-grade operations. Using Excel to model a private markets LPA is like trying to build a skyscraper with a Swiss army knife. It might work — until scale, complexity, or scrutiny increases.”

Paul Foley
CTO, qashqade



WHAT CALCULATION INTEGRITY ACTUALLY REQUIRES

The move away from spreadsheet dependency is not about modernizing for its own sake. It is about recognizing that private markets have outgrown the tools they once relied on. Institutional-grade calculation integrity patterns:

- One governed source of truth for fee logic, waterfall mechanics, and allocation rules
- Controlled logic that cannot be silently altered without audit trail
- Version history that allows any distribution output to be traced back to the logic that produced it
- Role-based permissions that prevent unauthorized modification
- Continuous alignment with current LPA terms — not a model built at fund close and never revisited

Before capital can move securely, it must first be calculated in a way that can withstand scrutiny. Distribution integrity begins upstream — in the accurate, governed, contract-aligned calculation of entitlements.

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The firms that scale cleanly are the ones that remove ambiguity from their numbers. When calculations are systemized and defensible, you eliminate the rework, the internal friction, and the second-guessing that slow teams down.”

David Beisner
COO, 6lock



TRANSACTION INTEGRITY: THE HIDDEN RISK IN DISTRIBUTION WORKFLOWS

While calculation errors can often be detected and corrected before capital is released, transaction failures during distributions are far less forgiving. Once funds leave the firm, recovery is uncertain and, in many cases, impossible. Transaction integrity is one of the highest-impact risk surfaces in modern fund operations — and it is the one most commonly protected by controls that are no longer adequate.

HOW DISTRIBUTION FRAUD ACTUALLY OCCURS

Distribution fraud rarely resembles the dramatic external breaches portrayed in headlines. It most commonly exploits familiar processes, trusted relationships, and moments of operational urgency. The attack surface is not the bank's systems. It is the human workflow that sits between the calculation and the wire.

The most prevalent patterns targeting private equity distribution workflows:

- **Business Email Compromise (BEC):** Fraudsters impersonate LPs, fund administrators, or internal stakeholders to submit fraudulent banking change requests. With AI-enabled writing, these communications are increasingly indistinguishable from legitimate correspondence — in tone, format, and apparent sender identity.
- **Compromised instruction workflows:** Legitimate distribution details are altered mid-process through spoofed emails, manipulated approval chains, or compromised email accounts. The instruction that arrives for processing may look identical to the original — with a single changed digit in the account number.
- **Timing-based attacks:** Fraud is introduced deliberately during high-volume or time-sensitive distribution events when teams are under pressure to execute quickly. Capital calls and year-end

distributions are disproportionately targeted because urgency degrades verification discipline.

- **Voice cloning and deepfake impersonation:** As Sam Altman noted at a recent Federal Reserve conference, voice cloning represents a crisis-level threat to banking workflows. Callback verification — long considered a reliable control — is now an attack surface. A fraudster who can replicate an LP's voice can pass a callback.

These attacks succeed not because firms lack intent to verify — but because verification is informal, manual, and inconsistently applied. The 6lock platform has observed that investment firms are targeted at rates dramatically higher than comparable enterprises, precisely because the value of a single successful attack is so high.

“Callbacks aren't a control — they're a courtesy. Institutional firms need systems that verify intent before capital leaves the building.”

Todd Sorrel
CEO, 6lock



WHY MANUAL VERIFICATION FAILS AT SCALE

Many firms continue to rely on callback procedures, inbox-based approvals, and institutional memory as primary controls. These practices feel prudent. They are not sufficient.

The structural failures of manual verification:

- Callbacks rely on availability and accuracy: Phone-based verification breaks down when contacts are unavailable, when callback numbers are out of date, or when the person answering is not the authentic party. In the age of voice cloning, it provides no assurance of identity.
- Inbox-based approvals lack provenance: Email chains provide limited assurance that the approving party is authentic and acting with intent. An email confirmation is not a control — it is a record of an exchange that may itself have been compromised.
- Human judgment is exploitable by design: Social engineering attacks are specifically engineered to exploit familiarity, urgency, and trust. The more a team relies on their judgment of “whether something seems legitimate,” the more effectively a skilled attacker can manipulate that judgment.
- No system of record: Firms relying on informal controls are frequently unable to demonstrate — after the fact — that instructions were independently verified before release. This creates both legal exposure and audit vulnerability.

WHAT TRANSACTION INTEGRITY ACTUALLY REQUIRES

Effective transaction integrity in distribution workflows requires a shift from reactive verification to pre-release enforcement. The 6lock Verification Framework establishes that transaction integrity is achieved when:

- LP banking instructions are enrolled through a governed, identity-verified onboarding process — not collected via email
- KYC/KYB monitoring ensures that verified identities remain current and that any changes trigger a re-verification event
- Changes to banking instructions require out-of-band validation and formal approval — a change request received by email cannot be processed without independent verification through a separate channel

- Approval workflows are role-controlled and multi-party — no single individual can unilaterally authorize a distribution
- Every approval is captured with immutable, timestamped evidence of identity and intent
- Distribution release occurs only after all verification layers are satisfied — enforced at the system level, not dependent on individual discipline

From an LP perspective, misdelivery is not viewed as a technical failure. It is perceived as a breakdown in custodial responsibility. The firm’s obligation is not to attempt verification — it is to guarantee it.

6lock’s Transaction Integrity Architecture

- **Invite-only network:** Only enrolled, verified participants can initiate or receive fund transfers — dramatically shrinking the attack surface.
- **KYC/KYB:** AI-driven identity monitoring ensures all participants remain authenticated and screened against OFAC and restricted lists at all times.
- **Role-based controls:** Separation of duties is enforced at the platform level — no single individual can control a full transaction lifecycle.
- **Immutable approvals:** Every release authorization is captured with verified identity, timestamp, and audit-ready documentation.
- **Real-time visibility:** End-to-end tracking from instruction verification through fund settlement — eliminating the ‘blind’ period of traditional wire transfers.

FROM INSIGHT TO EXECUTION: WHAT LEADING FIRMS ARE DOING TODAY

The shift toward distribution integrity is not theoretical. Forward-looking GPs and fund administrators are already redesigning their workflows — not in response to an incident, but in anticipation of the standard that institutional LPs will impose.



The risk with basing your calculation on spreadsheets is risk of errors, and dependence on individuals and access. When scaling an administrative operation for a fund manager, we believe in introducing a third party rule-based engine early on, the benefit only increases with size and complexity. Our belief is that a comprehensive, properly connected solution is key, one where every calculation is systematized, traceable, and grounded in the actual fund agreement.

Jørgen Jensen Axelsen
CEO, ASK



Three observable patterns distinguish these firms:

SYSTEMIZING THE CALCULATION LAYER

Leading GPs and fund administrators are replacing spreadsheet-dependent models with structured calculation platforms that centralize fee logic and waterfall mechanics, eliminate version-control ambiguity, and create audit-ready records of how every distribution amount was derived.

The operational impact is immediate: teams spend less time reconciling conflicting model versions and more time executing. Disputes over distribution amounts decline — not because LPs become less demanding, but because the conditions that generate disputes are systematically removed.

FORMALIZING INSTRUCTION GOVERNANCE

Rather than relying on ad hoc email confirmations and memory-based controls, institutional firms are establishing structured processes for banking instruction validation, segregating duties between calculation, verification, and release, and introducing documented approval workflows that produce immutable evidence of intent.

These controls are designed not to slow distributions, but to remove uncertainty from them. A team that can demonstrate — on demand, to an auditor or an LP ODD team — exactly how every instruction was verified and every release was authorized operates with a qualitatively different level of confidence.

TMF Group, an early 6lock partner, provides an illustrative example of what structured verification delivers in practice. Working with PE firm Blue Sage and their LP base, TMF implemented 6lock's verification platform for capital calls and distributions. Capital call preparation time was cut in half. 25% of LPs contributed via the platform immediately upon enrollment. And an SEC-required post-transaction reconciliation report — previously completed manually just once a year due to its burden — became an automated, on-demand output.

DESIGNING FOR SEPARATION OF DUTIES

Mature organizations intentionally separate three distinct functions in the distribution lifecycle:

- The team that calculates entitlements and amounts
- The team that verifies banking instructions and identity
- The authority that releases capital

This layered approach reduces concentration risk, limits the blast radius of any single failure, and reinforces the principle that no single individual or informal process should control distribution outcomes. It also provides the structural basis for the audit trails that institutional LPs increasingly require.

Taken together, these practices signal a shift from process familiarity to engineered trust. The firms that have made this transition describe it not as an operational burden, but as a competitive advantage — a capability that strengthens LP relationships, simplifies audit processes, and positions them favorably in competitive fundraising.

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Since transitioning to 6lock, 35 South Capital has seen more than 80% of our LPs adopt the platform, significantly improving both the speed and security of our capital calls and distributions. What was once a highly manual, multi-step process is now streamlined and verified through 6lock, allowing us to assure our LPs that, with cutting-edge identity verification technology, their banking information is secure and funds are delivered securely and on time.”

Valorie Lerner
Managing Director
Investor Relations,
35 South Capital



THE LP TRUST DIVIDEND

Distribution integrity is not only about avoiding failure. When embedded into operations, it generates compounding benefits that extend well beyond risk reduction. We call these benefits the LP Trust Dividend — the measurable return that firms earn when their distribution operations consistently meet or exceed institutional expectations.

REDUCED DISPUTES AND OPERATIONAL FRICTION

Accurate calculations and structured verification reduce the need for post-distribution corrections, reconciliations, and reactive communications. Teams spend less time resolving exceptions and more time executing strategy.

Distribution disputes are rarely minor administrative nuisances. When an LP questions the accuracy of a received amount, the investigation that follows is time-consuming, expensive, and frequently visible — to auditors, to advisory boards, and in some cases to regulators. Reprocessing a distribution requires reconstructing calculation logic, identifying the source of the discrepancy, and issuing corrections that may require regulatory notification. In multi-fund platforms, a single methodological error can require recalculations across many investors simultaneously.

Firms that operate structured verification chains experience materially lower dispute rates — not because LPs become less demanding, but because the conditions that generate disputes are systematically reduced.

STRONGER LP RELATIONSHIPS AND LONG-TERM CAPITAL

LPs may never explicitly acknowledge robust operational controls — but they quickly notice inconsistency. Firms that deliver precise, timely, and secure distributions reinforce confidence in their

governance and operational discipline. Over time, this consistency becomes part of the firm's identity as a manager.

The LP relationship is built on a series of proof points, and distributions are among the most consequential. Capital commitments are made on trust — on the belief that the GP will manage the fund in accordance with its governing documents, that fees and carry will be calculated correctly, and that capital will be returned securely and on time. Every distribution event is an opportunity either to reinforce that trust or to quietly erode it.

“You wouldn't invest in a company without knowing how it runs. Why should a fund be any different?”

Oliver Freigang
CEO, qashqade

The institutional LPs with the deepest manager relationships are not simply those with the best historical returns. They are the managers whose operational predictability allows LPs to allocate with confidence rather than vigilance. This distinction becomes decisive at re-up time — and in competitive processes where two managers offer comparable return profiles but materially different operational standards.

IMPROVED AUDIT OUTCOMES

Audit processes become more predictable when both calculation logic and distribution release controls are transparent and demonstrable. A fund that can produce governed calculation records, version histories, and release authorization logs on demand provides auditors with material that is both easier to assess and easier to defend.

A fund that reconstructs its methodology from spreadsheets and email threads at audit time creates friction, uncertainty, and the risk of material weakness findings. The difference is not only in the outcome of any particular audit — it is in the ongoing relationship with auditors and the confidence with which the team approaches each cycle.

DISTRIBUTION INTEGRITY AS A FUNDRAISING CREDENTIAL

Institutional LPs are increasingly evaluating operational infrastructure as a decisive factor in allocation decisions. According to survey data from LP communities, the majority of large LPs have significantly deepened their operational scrutiny in recent years, with the majority reporting that poor fund administration quality has negatively impacted future investment decisions.

Distribution integrity sits directly in the center of this scrutiny. When an LP conducts operational due diligence, they are asking not just whether a firm has the right technology or staffing — they are asking whether capital flows are governed by documented, testable, and auditable processes. Distribution workflows are examined specifically: is calculation logic traceable? Do banking instruction changes require independent verification? Are release approvals captured with immutable evidence?

The implication is clear: distribution integrity is not just an operational improvement. It is a fundraising credential. Firms that can demonstrate a structured, layered verification process — from entitlement governance through release authorization — will pass operational due diligence with greater confidence and differentiate themselves in competitive fundraising processes where operational maturity increasingly determines allocation outcomes.

The LP Trust Dividend compounds over time. Fewer disputes, stronger relationships, cleaner audits, and more compelling ODD outcomes together produce a return that is not measured in basis points but in the durability and quality of institutional capital.



THE 2026 STANDARD: WHAT INSTITUTIONAL LPS WILL EXPECT

The 2026 standard for distribution integrity is not a compliance requirement — not yet. It is an emerging expectation. But emerging expectations in private markets have a well-established pattern: what leading LPs require today becomes what all LPs require tomorrow. Firms that adopt these practices proactively will define the standard. Those that wait will be catching up.

Based on the direction of LP operational due diligence, regulatory focus, and the fraud environment, the 2026 standard for institutional-grade distribution operations can be defined across four dimensions:

WHAT THE 2026 STANDARD REQUIRE

- Systemized, auditable calculation processes: Distribution amounts are derived from a governed, LPA-aligned calculation platform — not assembled from inherited spreadsheets. Every output is traceable to the logic that produced it, with version history and audit trail.
- Documented governance over banking instruction changes: No instruction change is processed without structured, out-of-band verification and formal approval. The process is documented, role-controlled, and produces immutable evidence.
- Clear separation of duties across distribution workflows: The teams responsible for calculating amounts, verifying instructions, and releasing capital are structurally separated — at the process level and the systems level.
- Immutable release authorization: No distribution is released without a documented, verifiable approval chain. The firm can demonstrate — on demand — who authorized the transaction, under what authority, and after what verification steps.

- Always-on demonstrability: Controls are not reconstructed for audit or ODD. They are embedded in the workflow and available for inspection at any time.

Legacy practices that rely on spreadsheets, email threads, and informal callbacks will increasingly be viewed as incomplete control environments — not because they are new risks, but because the standard of what “sufficient” means has changed.

THE MATURITY FRAMEWORK: WHERE DOES YOUR FIRM STAND?

The following framework defines three levels of distribution integrity maturity. Most firms operating today sit somewhere between Emerging and Institutional. The 2026 standard corresponds to Institutional or above across all six control areas.



Control Area	Calculation Risk	Institutional	Best-in-Class
Entitlement governance	LPA terms in emails / memory	Templates aligned to docs	Real-time, system-enforced
Calculation logic	Spreadsheet models, manual review	Centralized platform, versioned	Governed, LPA-validated, auditable
Instruction verification	Email confirmation, callbacks	Structured validation process	Out-of-band, role-controlled, monitored
Release authorization	Informal sign-off, inbox approvals	Documented approval workflow	Immutable approvals, full separation of duties
Audit readiness	Reconstruct at audit time	Documented logic available	Always-on, instantly demonstrable
LP ODD posture	Respond reactively	Prepare annual ODD packet	Proactively demonstrate controls

The maturity framework is not intended as a judgment. It is a navigation tool. Most firms have pockets of strength — calculation governance may be advanced while instruction management remains ad hoc. The Verification Chain framework makes these gaps visible and provides a clear path to addressing them.

SELF-ASSESSMENT: DOES YOUR FIRM MEET THE 2026 STANDARD?

Many firms continue to rely on callback procedures, inbox-based approvals, and institutional memory as primary controls. These practices feel prudent. They are not sufficient. The following questions reflect the controls that institutional LPs are increasingly including in operational due diligence questionnaires. A “No” or “Partial” answer to any question represents a gap that is either already visible to sophisticated LPs or will become so within the next 12–18 months.



Layer	Self-Assessment Question	Yes / No / Partial
Entitlement	Are all investor entitlements — including side letter terms — systematically embedded into your calculation engine, not reconstructed at distribution time?	_____
Entitlement	Can you demonstrate that LPA amendments are reflected in your calculation templates before each distribution cycle?	_____
Calculation	Is your waterfall calculation logic centralized and version-controlled, with a clear audit trail of any changes?	_____
Calculation	Can you trace every distribution amount back to a specific LPA provision without relying on institutional memory?	_____
Instruction	Are LP banking instructions stored in a governed system with role-based access controls — not managed via email or spreadsheet?	_____
Instruction	Is there a formal, documented process for validating banking instruction changes that includes out-of-band verification and approval?	_____
Release	Is there a documented separation of duties between the team that calculates amounts, the team that verifies instructions, and the authority that releases capital?	_____
Release	Are distribution approvals captured with immutable, auditable records of who authorized the transaction and under what authority?	_____
Release	Can you demonstrate — not merely assert — that no distribution was released without all verification layers being satisfied?	_____

Firms with fewer than 7 “Yes” answers have material gaps relative to the 2026 standard. Gap patterns differ by firm, but the underlying dynamic is consistent: distribution integrity requires strength across all four layers simultaneously. Partial investment — however deep in any single area — does not constitute an adequate control environment.

LP ODD QUESTIONS FIRMS SHOULD BE READY TO ANSWER

By 2026, the following questions are likely to be standard components of LP operational due diligence for institutional managers::

- Can you demonstrate how your waterfall calculations are governed and validated against current LPA terms?
- What controls govern changes to LP banking instructions, and can you produce an audit trail for the last 12 months?
- How do you verify that the person authorizing a banking change is who they say they are?
- What is your process for release authorization — and can you demonstrate separation of duties?
- If a distribution instruction were compromised mid-process, how would your controls detect and prevent misdelivery?
- Can you provide evidence — not assertion — that your last three distributions were released only after all verification steps were completed?

These are not hypothetical questions. They are the direction of travel in LP ODD. The firms that can answer them confidently will differentiate. The firms that cannot will be explaining themselves at precisely the moment when LP confidence matters most.

THE MOMENT OF PROOF

Distributions are not the end of the investment lifecycle. They are the moment it is judged.

Every distribution event is a proof point — a demonstration of whether a firm's internal controls, governance philosophy, and operational maturity align with the expectations it has made to its investors. The question is not whether a firm intends to protect its LPs. It is whether the systems it has built are capable of doing so, consistently, at scale, and under conditions of adversarial pressure.

Calculation integrity and transaction integrity are distinct disciplines. But they are inseparable in outcome. A firm that calculates correctly but delivers to the wrong account has failed. A firm that delivers securely on the basis of flawed calculations has also failed. Distribution integrity requires both — engineered in sequence, not addressed in isolation.

The 2026 standard is forming now. It is being defined by the LPs who are deepening their operational due diligence, by the regulators who are holding firms accountable for calculation accuracy, and by the fraud environment that has made informal verification permanently inadequate. The firms that define this standard — rather than respond to it — will be the ones that institutional capital continues to follow.

The Institutional-Grade Distribution Verification Chain is not a product. It is an architecture. It defines what must be true about a firm's operations before capital moves: that entitlements are governed, that calculations are defensible, that instructions are verified, and that release authorization is documented and enforced.

qashqade and 6lock together cover this architecture — qashqade governing the entitlement and calculation layers, 6lock securing the instruction and release layers. But the principle applies regardless of the tools a firm chooses. The chain must be complete.

Trust is not preserved through familiarity or habit. In private markets, trust is preserved through structure, transparency, and the demonstrable proof that you did what you said you would do — every time, for every LP, without exception.

“

In private markets, capital compounds. So does trust — and so does the damage when it breaks. The firms that earn enduring LP confidence are the ones that treat every distribution as a moment of proof, not a moment of hope.”

Todd Sorrel
CEO, 6lock





6lock™

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