

Statement

Enhancing Financial Stability and Fulfilling Our Investor Protection Mandate



Commissioner Jaime Lizárraga

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Today, the Commission is updating a rule adopted after the 2008 financial crisis that strengthens our ability to assess risks in the private fund industry. In response to the catastrophic damage this crisis inflicted on our country, Congress enacted the Dodd-Frank Wall Street Reform and Consumer Protection Act, a landmark law designed to promote financial stability by improving accountability and transparency.

One key part of the Dodd-Frank Act addressed gaps in information and in the monitoring of risks in the private fund industry. The Act required advisers to certain private funds to file reports confidentially with the Commission.

Proponents of the Act's private fund framework spanned industry associations, investor advocacy organizations, and other regulatory bodies.

Since first adopting a rule in 2011 to implement that framework, the Commission and the interagency Financial Stability Oversight Council (FSOC) have gained a better view into the size, strategies, and positions of the private fund industry. With the benefit of more than a decade's worth of data, the Commission is taking appropriate action to update the reporting framework so as to meet the needs of current market realities.

As Chair Gensler noted in a recent speech, based on recent data, investment advisers now report more than \$25 trillion in private fund gross assets. Investors in private funds are not only well-resourced sophisticated investors, but also pension funds and non-profits. Behind those institutional investors are millions of families and retirement funds who deserve the protections of an updated and improved rule that is more effective for assessing potential risks to financial stability.

Today's amendments will enhance the Commission's and the FSOC's ability to assess these potential risks. Form PF will now require more timely reporting of events that could be harmful to investors or to the financial system. This is precisely the type of update that best serves the public interest.

Improved visibility into certain aspects of the private fund industry will help the Commission and the FSOC better identify patterns and potential systemic risks to our capital markets. It will also help regulators take appropriate action, if necessary, to protect investors with direct and indirect exposure to this market.

The Commission's staff in the Division of Investment Management has done an outstanding job of harnessing over 10 years' worth of data analysis to inform today's actions. I am pleased to support the adoption of today's improvements to Form PF, which strengthen the Commission's implementation of Congress' mandate to protect our capital markets against potential threats to financial stability.

