

Amendments to Form PF



The Securities and Exchange Commission will consider adopting amendments to Form PF, the confidential reporting form for certain SEC-registered investment advisers to private funds. The final amendments would:

- Require current reporting by large hedge fund advisers regarding certain events that may indicate significant stress at a fund that could harm investors or signal risk in the broader financial system;
- Require quarterly event reporting for all private equity fund advisers regarding certain events that could raise investor protection issues; and
- Require enhanced reporting by large private equity fund advisers to improve the ability of the Financial Stability Oversight Council (FSOC) to monitor systemic risk and improve the ability of both FSOC and the Commission to identify and assess changes in market trends at reporting funds.

Why This Matters

Form PF provides the Commission and FSOC with important, confidential information about the basic operations and strategies of private funds and has helped establish a baseline picture of the private fund industry for use in assessing systemic risk. The amendments to Form PF will enhance FSOC's ability to monitor systemic risk and bolster the Commission's regulatory oversight of private fund advisers and investor protection efforts. The Commission's experiences with recent market events have highlighted the importance of receiving current and robust information from market participants.

How These Form Amendments Apply

The final form amendments would apply to:

- Large hedge fund advisers (*i.e.*, hedge fund advisers with at least \$1.5 billion in hedge fund assets under management);
- Private equity fund advisers (*i.e.*, investment advisers with at least \$150 million in private equity fund assets under management); and
- Large private equity fund advisers (*i.e.*, private equity fund advisers with at least \$2 billion in private equity assets under management).

What's Required

Current Reporting for Large Hedge Fund Advisers and Quarterly Event Reporting for All Private Equity Fund Advisers

Currently, advisers to private funds file Form PF on a quarterly or annual basis, depending on the size and type of private funds they advise. The amendments to Form PF would also require large hedge fund advisers to file a current report as soon as practicable, but no later than 72 hours from the occurrence of one or more trigger events. Such trigger events would include certain extraordinary investment losses, significant margin and default events, terminations or material restrictions of prime broker relationships, operations events, and events associated with withdrawals and redemptions.

All private equity fund advisers would be required to file an event report upon the occurrence of one or more trigger events within 60 days of each fiscal quarter end. Such trigger events would include the removal of a general partner, certain fund termination events, and the occurrence of an adviser-led secondary transaction.

This reporting would provide the Commission and FSOC with more timely information about large hedge funds that may indicate investor harm or present systemic risk, as well as about private equity funds that may indicate investor harm.

Revised Reporting Requirements for Large Private Equity Fund Advisers

The amendments would also improve FSOC's ability to monitor systemic risk and the ability of both the Commission and FSOC to evaluate material changes in market trends at large private equity funds by providing information on certain events that could significantly affect markets. For example, large private equity fund advisers would be required to report annually information pertaining to any general partner or limited partner clawback that occurred during the past year. The final amendments would also provide useful empirical data to FSOC, such as more information on fund strategies and the use of leverage, to better assess the extent to which private equity funds or their advisers might pose systemic risk and to inform the Commission's regulatory programs for the protection of investors.

What's Next

The final amendments, if adopted, will become effective six months after publication of the adopting release in the Federal Register for current and quarterly event reporting and one year after publication in the Federal Register for the remainder of the amendments.