

## Statement

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# Statement on Form PF



Chair Gary Gensler

**May 3, 2023**

Today, the Commission considers adopting a final rule amending Form PF, an important tool that the Commission uses to oversee private fund advisers. I am pleased to support the amendments because they will improve visibility into private funds, helping protect investors and promote financial stability.

History is replete with times when tremors in one corner of the financial system or at one financial institution spill out into the broader economy. When this happens, the American public—bystanders to the highway of finance—inevitably gets hurt.

Lest we forget, eight million Americans lost their jobs, millions of Americans lost their homes, and small businesses across the country folded as a result of the financial crisis of 2008. Systemic risk from the banking and non-bank sectors alike spilled out into the broader economy.

In response, Congress mandated that the SEC and the Commodity Futures Trading Commission (CFTC), working with the member regulators of the Financial Stability Oversight Council (FSOC), establish reporting requirements for private funds “as necessary and appropriate in the public interest and for the protection of investors, or for the assessment of systemic risk.”<sup>[1]</sup> Thus, in 2011, we created Form PF.

In the 12 years since we first adopted Form PF, private funds have evolved significantly in their business practices, complexity, and investment strategies. Private funds today are ever more interconnected with our broader capital markets.

Private funds nearly have tripled in size in the last decade.<sup>[2]</sup> Today, private funds managed by registered investment advisers hold approximately \$21 trillion of gross assets,<sup>[3]</sup> including \$20 trillion reported on Form PF<sup>[4]</sup>—nearly the size of the \$23 trillion U.S. commercial banking sector.<sup>[5]</sup> Including exempt reporting advisers, the entire private fund space is as large as \$25 trillion.<sup>[6]</sup>

This makes visibility into these funds ever more important. Thus, today’s final rule will enhance Form PF in two ways.

First, the final rule requires, for the first time, that large hedge fund and private equity fund advisers make current reports on certain events to the Commission. At present, advisers to private funds are required to file only periodic reports with the Commission. Under the final rule, these new, more-timely reports—within 72 hours from large hedge fund advisers and quarterly from private equity fund advisers—will inform financial regulators on certain events that may indicate significant stress or otherwise signal for systemic risk and investor harm. For large hedge fund advisers, current event reporting will include, among others, extraordinary investment losses, significant margin events, and counterparty defaults.

For private equity fund advisers, current reporting will include investor elections to remove a general partner, certain fund termination events, and the occurrence of adviser-led secondary transactions.

Second, today's final rule adds to the information that advisers to large private equity firms provide on their annual report. The rule will require that advisers to these large private equity firms include information relating to these firms' strategies, use of leverage, and clawbacks of a general partner's performance compensation or a limited partner's distributions.

Separately, last year, we jointly proposed with the CFTC updates to the quarterly periodic reporting for advisers to large hedge funds and annual periodic reporting for all private fund advisers.<sup>[7]</sup> Working with the CFTC, we continue to evaluate public comment on that joint proposal.

I think that this final rule—through the greater visibility into private funds it will provide to regulators—will help protect investors and promote financial stability.

I'd like to thank the members of the SEC staff who worked on this proposal, including:

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[1] 15 U.S.C. 80b-4(b); *see also* 15 U.S.C. 80b-11(e).

[2] Per Form ADV data from December 2012 through March 31, 2023.

[3] *Ibid.*

[4] Per Form PF data through 2022 Q3, *available at* <https://www.sec.gov/divisions/investment/private-funds-statistics>.

[5] See Board of Governors of the Federal Reserve System, "Assets and Liabilities of Commercial Banks in the United States" (April 28, 2023), *available at* <https://www.federalreserve.gov/releases/h8/current/default.htm>. Total assets of approximately \$22.9 trillion as of April 19, 2023 (Table 2, Line 33).

[6] Based on Form ADV filings through March 31, 2023. Represents sum of Registered Investment Adviser gross asset value and Exempt Reporting Adviser gross asset value, less estimated overlap of private funds reported by both registered and exempt advisers.

[7] See Securities and Exchange Commission, "SEC Proposes to Enhance Private Fund Reporting" (Aug. 10, 2022), *available at* <https://www.sec.gov/news/press-release/2022-141>.