

**SECURITIES AND EXCHANGE COMMISSION**

**17 CFR Parts 275 and 279**

**[Release No. IA-6297; File No. S7-01-22]**

**RIN 3235-AM75**

**Amendments to Form PF to Require Event Reporting for Large Hedge Fund Advisers and Private Equity Fund Advisers and to Amend Reporting Requirements for Large Private Equity Fund Advisers**

**AGENCY:** Securities and Exchange Commission.

**ACTION:** Final rule.

**SUMMARY:** The Securities and Exchange Commission (“SEC” or “Commission”) is adopting amendments to Form PF, the confidential reporting form for certain SEC-registered investment advisers to private funds to require event reporting upon the occurrence of key events. The amendments also require large private equity fund advisers to provide additional information to the SEC about the private equity funds they advise. The reporting requirements are designed to enhance the Financial Stability Oversight Council’s (“FSOC”) ability to monitor systemic risk as well as bolster the SEC’s regulatory oversight of private fund advisers and investor protection efforts.

**DATES:** *Effective date:* See section II.E. of this final rule.

*Compliance dates:* See section II.E. of this final rule.

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**SUPPLEMENTARY INFORMATION:** The Commission is adopting amendments to Form PF [17 CFR 279.9] and Rule 204(b)-1 under the Investment Advisers Act of 1940 [15 U.S.C. 80b] (“Advisers Act”).<sup>1</sup>

| <b>Commission Reference</b> | <b>CFR Citation</b> |
|-----------------------------|---------------------|
| Form PF                     | 17 CFR 279.9        |
| Rule 204(b)-1               | 17 CFR 275.204(b)-1 |

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<sup>1</sup> 15 U.S.C. 80b. Unless otherwise noted, when we refer to the Advisers Act, or any section of the Advisers Act, we are referring to 15 U.S.C. 80b, at which the Advisers Act is codified, and when we refer to rules under the Advisers Act, or any section of these rules, we are referring to title 17, part 275 of the Code of Federal Regulations [17 CFR 275], in which these rules are published.

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## I. Introduction

The Commission is adopting amendments to Form PF, the form that certain investment advisers registered with the Commission use to report confidential information about the private funds that they advise. Form PF provides the Commission and FSOC with important 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.<sup>2</sup> We now have almost a decade of experience analyzing the information collected on Form PF.<sup>3</sup> In that time, the

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<sup>2</sup> Advisers Act section 202(a)(29) defines the term “private fund” as an issuer that would be an investment company, as defined in section 3 of the Investment Company Act of 1940 (“Investment Company Act”), but for sections 3(c)(1) or 3(c)(7) of that Act. Section 3(c)(1) of the Investment Company Act provides an exclusion from the definition of “investment company” for any issuer whose outstanding securities (other than short-term paper) are beneficially owned by not more than one hundred persons (or, in the case of a qualifying venture capital fund, 250 persons) and which is not making and does not presently propose to make a public offering of its securities. Section 3(c)(7) of the Investment Company Act provides an exclusion from the definition of “investment company” for any issuer, the outstanding securities of which are owned exclusively by persons who, at the time of acquisition of such securities, are qualified purchasers, and which is not making and does not at that time propose to make a public offering of such securities. The term “qualified purchaser” is defined in section 2(a)(51) of the Investment Company Act. Since Form PF’s adoption Commission staff have used Form PF statistics to inform our regulatory programs and establish census type information regarding the private fund industry. *See* SEC 2022 Annual Staff Report Relating to the Use of Form PF Data (Dec. 2022), *available at* <https://www.sec.gov/files/2022-pf-report-congress.pdf>. Staff reports, statistics, and other staff documents (including those cited herein) represent the views of Commission staff and are not a rule, regulation, or statement of the Commission. The Commission has neither approved nor disapproved the content of these documents and, like all staff statements, they have no legal force or effect, do not alter or amend applicable law, and create no new or additional obligations for any person. The Commission has expressed no view regarding the analysis, findings, or conclusions contained therein.

<sup>3</sup> Form PF was adopted in 2011 as required by the Dodd-Frank Wall Street Reform and Consumer Protection

private fund industry has grown in size and evolved in terms of business practices, complexity of fund structures, and investment strategies and exposures.<sup>4</sup> Based on this experience and in light of these changes, the Commission and FSOC identified significant information gaps and situations where more granular and timely information would improve our understanding of the private fund industry and the potential systemic risk within it, and improve our ability to protect investors.<sup>5</sup> Accordingly, to enhance the FSOC’s monitoring and assessment of systemic risk and to collect additional data for the Commission’s use in its regulatory programs, in January 2022 the Commission proposed amendments to enhance the information advisers file on Form PF.<sup>6</sup>

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Act of 2010. Pub. L. 111-203, 124 Stat. 1376 (2010). *See* Reporting by Investment Advisers to Private Funds and Certain Commodity Pool Operators and Commodity Trading Advisors on Form PF, Advisers Act Release No. 3308 (Oct. 31, 2011) [76 FR 71128 (Nov. 16, 2011)], at section I (“2011 Form PF Adopting Release”). In 2014, the Commission amended Form PF section 3 in connection with certain money market fund reforms. *See* Money Market Fund Reform; Amendments to Form PF, Advisers Act Release No. 3879 (July 23, 2014) [79 FR 47736 (Aug. 14, 2014)] (“2014 Form PF Amending Release”). Form PF is a joint form between the Commission and the Commodity Futures Trading Commission (“CFTC”) only with respect to sections 1 and 2 of the Form; sections 3 and 4, were adopted only by the Commission. Current Form PF section 5, request for temporary hardship exemption, which will become new section 7, is adopted only by the Commission. We are adopting new sections 5 and section 6 and amending section 4, all of which are adopted only by the Commission.

<sup>4</sup> The value of private fund net assets reported on Form PF has almost tripled, growing from \$5 trillion in 2013 to nearly \$14 trillion through the second quarter of 2022, while the number of private funds reported on the form has increased by 110% in that time period. Unless otherwise noted, the private funds statistics used in this Release are from the Private Funds Statistics second quarter of 2022. Any comparisons to earlier periods are from the private funds statistics from that period, all of which are *available at* <https://www.sec.gov/divisions/investment/private-funds-statistics.shtml>. SEC staff began publishing the private fund statistics in 2015, including data from 2013. Therefore, many comparisons in this Release discuss the nine year span from the beginning of 2013 through the second quarter of 2022. Some discussion in this Release compares data from a seven year span, from the beginning of 2015 through the second quarter of 2022, because the SEC staff began publishing that particular data in 2016.

<sup>5</sup> We are adopting these amendments, in part, pursuant to our authority under section 204(b) of the Advisers Act, which gives the Commission the authority to establish certain reporting and recordkeeping requirements for advisers to private funds and provides that the records and reports of any private fund to which an investment adviser registered with the Commission provides investment advice are deemed to be the records and reports of the investment adviser.

<sup>6</sup> Amendments to Form PF to Require Current Reporting and Amend Reporting Requirements for Large Private Equity Advisers and Large Liquidity Fund Advisers, Advisers Act Release No. 5950 (Jan. 26, 2022) [87 FR 9106 (Feb. 17, 2022)] (“2022 Form PF Proposing Release”). The Commission voted to issue the 2022 Form PF Proposing Release on Jan. 26, 2022. The release was posted on the Commission website that day, and comment letters were received beginning that same date. The comment period closed on Mar. 21, 2022. We have considered all comments received since Jan. 26, 2022. In Aug. 2022, the Commission and the CFTC proposed amendments to Form PF regarding certain reporting requirements for all filers and

The Commission received a number of comment letters on the 2022 Form PF Proposing Release.<sup>7</sup> Some commenters generally supported the policy goals of the proposal, stating that the proposal would help the Commission and FSOC assess and respond to systemic risk as well as consider appropriate policy responses.<sup>8</sup> Other commenters generally asserted that the proposal was not the appropriate way of achieving FSOC and the Commission’s policy goals of assessing systemic risk and investor protection, respectively, due to the reporting and monitoring burdens they would impose.<sup>9</sup> Certain commenters stated that the reporting requirements are not indicative of systemic risk.<sup>10</sup> Some commenters argued that, instead, the proposed reporting requirements were more focused on supporting the Commission’s regulatory examination and enforcement functions, and that these requirements would overburden advisers (especially smaller advisers) with compliance costs that investors would likely bear and obscure data that is related to systemic risk.<sup>11</sup> Lastly, other commenters stated that the SEC should consider the proposed amendments in tandem with the 2022 Form PF Joint Proposing Release as the

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large hedge fund advisers. Form PF; Reporting Requirements for All Filers and Large Hedge Fund Advisers, Advisers Act Release No. 6083 (Aug. 10, 2022) [87 FR 35938 (Sept. 1, 2022)] (“2022 Form PF Joint Proposing Release”).

<sup>7</sup> The comment letters on the 2022 Form PF Proposing Release (File No. S7-01-22) are available at <https://www.sec.gov/comments/s7-01-22/s70122.htm>.

<sup>8</sup> *See, e.g.*, Comment Letter of The Predistribution Initiative (Mar. 21, 2022) (“PDI Comment Letter”); Comment Letter of Mark C. (Feb. 21, 2022) (“Mark C. Comment Letter”); Comment Letter of Public Citizen (Mar. 21, 2022) (“Public Citizen Comment Letter”); Comment Letter of Anonymous Retail Investor (Mar. 24, 2022) (“Anonymous Retail Investor Comment Letter”); Comment Letter of Better Markets (Mar. 21, 2022) (“Better Markets Comment Letter”); Comment Letter of Americans for Financial Reform Education Fund (Mar. 21, 2022) (“AFREF Comment Letter”).

<sup>9</sup> *See, e.g.*, Comment Letter of Alternative Investment Management Association Limited and the Alternative Credit Council (Mar. 21, 2022) (“AIMA/ACC Comment Letter”); Comment Letter of Real Estate Roundtable (Mar. 21, 2022) (“RER Comment Letter”); Comment Letter of Managed Funds Association (Mar. 21, 2022) (“MFA Comment Letter”); Comment Letter of Center for Capital Markets Competitiveness, U.S. Chamber of Commerce (Mar. 21, 2022) (“USCC Comment Letter”).

<sup>10</sup> *See, e.g.*, AIMA/ACC Comment Letter; RER Comment Letter; Comment Letter of the American Investment Council (Mar. 21, 2022) (“AIC Comment Letter”); Comment Letter of the Real Estate Board of New York (Mar. 21, 2022) (“REBNY Comment Letter”).

<sup>11</sup> *See, e.g.*, AIMA/ACC Comment Letter; AIC Comment Letter.

amendments to both may impact each other and create a collective compliance burden that potentially should be implemented at one time if adopted.<sup>12</sup>

We are adopting the amendments largely as proposed, but with certain modifications in response to comments received:

- First, we are adopting new current reporting requirements for large hedge fund advisers regarding their qualifying hedge funds.<sup>13</sup> We are modifying the proposal and eliminating the proposed current report for changes in unencumbered cash. Also, instead of reporting in one business day, as proposed, the amendments will require large hedge fund advisers to qualifying hedge funds to report as soon as practicable upon, but no later than 72 hours after, the occurrence of certain events that we believe may indicate significant stress or otherwise serve as signals of potential systemic risk implications or as potential areas for inquiry so as to mitigate investor harm.
- Second, in a modification from the proposal, we are also adopting event reporting

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<sup>12</sup> See, e.g., AIC Comment Letter (Oct. 11, 2022); MFA Comment Letter (Mar. 16, 2023). See discussion *infra* at section II.E.

<sup>13</sup> Currently, most private fund advisers report general information on Form PF, such as the types of private funds advised (e.g., hedge funds, private equity funds, or liquidity funds), fund size, use of borrowings and derivatives, strategy, and types of investors. Depending on their size, certain larger private fund advisers report more detailed information on the qualifying hedge funds, the liquidity funds and the private equity funds that they advise on a quarterly or annual basis. In particular, three types of “Large Private Fund Advisers” must complete certain additional sections of the current Form PF: (1) any adviser having at least \$1.5 billion in regulatory assets under management attributable to hedge funds as of the end of any month in the prior fiscal quarter (“large hedge fund advisers”); (2) any adviser managing a liquidity fund and having at least \$1 billion in combined regulatory assets under management attributable to liquidity funds and money market funds as of the end of any month in the prior fiscal quarter (“large liquidity fund advisers”); and (3) any adviser having at least \$2 billion in regulatory assets under management attributable to private equity funds as of the last day of the adviser’s most recently completed fiscal year (“large private equity fund adviser”). A qualifying hedge fund is defined in Form PF as “any hedge fund that has a net asset value (individually or in combination with any feeder funds, parallel funds and/or dependent parallel managed accounts) of at least \$500 million as of the last day of any month in the fiscal quarter immediately preceding your most recently completed fiscal quarter.”

for all private equity fund advisers, which would include quarterly reporting within 60 days after quarter ends for two of the proposed current reporting items: (1) adviser-led secondary transactions, and (2) general partner removals and investor elections to terminate a fund or its investment period. We are requiring annual large private equity fund adviser reporting, however, with respect to general partner or limited partner clawbacks,<sup>14</sup> which we had proposed to be reported on a current basis by all private equity fund advisers.<sup>15</sup>

- Third, with modifications from the proposal, we are adopting several additional reporting items as well as amendments to require large private equity fund advisers to report more detailed information regarding certain activities of private equity funds that are important to the assessment of systemic risk and for the protection of investors. We are also adopting tailored amendments to gather more information from large private equity fund advisers regarding fund strategies and use of leverage as well as other amendments. In a change from the proposal, we are not adopting a lower \$1.5 billion reporting threshold for large private equity fund advisers for purposes of reporting in section 4 and are instead retaining the existing \$2 billion threshold.

The Commission proposed amendments that would have required large liquidity fund advisers to report substantially the same information that money market funds would be required

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<sup>14</sup> We have made a global modification in Form PF to replace the term “private equity adviser” with “private equity fund adviser.” We believe that “private equity fund adviser” is the more precise term, but we do not view this modification as resulting in substantive differences.

<sup>15</sup> This item has also been moved from proposed section 6 to section 4 because it is now an annual reporting item for large private equity fund advisers.

to report on Form N-MFP under the Commission’s proposal to amend that form.<sup>16</sup> However, we are continuing to consider comments relating to the proposed large liquidity fund adviser amendments—and the proposed amendments to Form N-MFP on which they are based—and are not adopting amendments to Form PF concerning large liquidity fund advisers at this time.

The amendments we are adopting are important enhancements to the ability to monitor and assess systemic risk and to determine whether and how to deploy the Commission’s or FSOC’s regulatory tools.<sup>17</sup> The amendments will also strengthen the effectiveness of the Commission’s regulatory programs, including examinations, investigations, and investor protection efforts relating to private fund advisers. We consulted with FSOC to gain input on these amendments to help ensure that Form PF continues to provide FSOC with information it can use to assess systemic risk.

## **II. Discussion**

### **A. Current Reporting for Large Hedge Fund Advisers to Qualifying Hedge Funds**

We are adopting amendments that will require large hedge fund advisers to file a current report with respect to one or more current reporting events at a qualifying hedge fund that they advise.<sup>18</sup> We are modifying some of the proposed reporting events and eliminating the proposed unencumbered cash current report while also extending the reporting period from one business

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<sup>16</sup> See Money Market Fund Reforms, Investment Company Act Release No. 34441 (Dec. 15, 2021) [87 FR 7248 (Feb. 8, 2022)] (“Money Market Fund Proposing Release”).

<sup>17</sup> Accordingly, we are adopting the amendments the Commission proposed in the 2022 Form PF Proposing Release at this time to facilitate FSOC and the Commission’s assessment of systemic events and the Commission’s investor protection efforts through current reporting, and we are continuing to consider comments received in connection with the 2022 Form PF Joint Proposing Release. See discussion of compliance dates for respective sections of Form PF *infra* at section II.E.

<sup>18</sup> As proposed and in connection with the addition of new section 5 for current reporting, we are also making conforming changes to rule 204(b)-1 under the Advisers Act to re-designate current section 5, which includes instructions for requesting a temporary hardship exemption, as section 6.

day to as soon as practicable, but no later than 72 hours. Currently, large hedge fund advisers file Form PF quarterly, which could cause Form PF data to be stale during fast moving events that could have systemic risk implications or negatively impact investors. The current reporting requirements for qualifying hedge funds will provide important, current information to the Commission and FSOC to facilitate timely assessment of the causes of the current reporting event, the potential impact on investors and the financial system, and any potential regulatory responses.<sup>19</sup> More specifically, a timely notice could allow the Commission and FSOC to assess the need for potential regulatory action, and could allow the Commission to pursue potential outreach, examinations, or investigations in response to any harm to investors or potential risks to financial stability on an expedited basis before they worsen. The current reports will also enhance our analysis of information the Commission already collects across funds and other market participants, allowing FSOC and the Commission to identify patterns that may present systemic risk or that could result in investor harm, respectively. The Commission and its staff will be able to use the information contained in the current reports to assess the nature and extent of the risks presented, as well as the potential effect on any impacted fund and the potential contagion risks across funds and counterparties more broadly.

Some commenters generally supported the requirement to provide current reports for certain events that may signal systemic risk or trigger certain investor protection concerns and some, in particular, stated that the one business day requirement was necessary to formulate an

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<sup>19</sup> In a change from the proposal, we are replacing “reporting event” with “current reporting event” in the Form PF Glossary to highlight that these events are current events occurring at funds specific to section 5 reporting. “Current reporting events” includes any event that triggers the requirement to complete and file a current report pursuant to the items in section 5. We are defining “current report” to include a report provided pursuant to the items in section 5.

FSOC or Commission response to fast-moving market events.<sup>20</sup> Other commenters stated that some of the reporting items were not reflective of systemic risk concerns and did not directly connect the proposed reporting requirements with specific investor protection concerns.<sup>21</sup> For example, two commenters stated that extraordinary investment losses are not necessarily indicative of systemic risk and that losses are an investment risk that should not be conflated with investor protection.<sup>22</sup>

As discussed below, the current reporting events include extraordinary investment losses, certain margin events, counterparty defaults, material changes in prime broker relationships, operations events, and certain events associated with redemptions. We designed the current reporting events to indicate significant stress at a fund that could harm investors or signal risk in the broader financial system. For example, large investment losses or a margin default involving one large, highly levered hedge fund may have systemic risk implications. Counterparties to a fund in distress could react by increasing margin requirements, limiting borrowing, or forcing asset sales, and these responses could amplify the event and have potential contagion effects on the broader financial system. Similarly, reports of large investment losses at qualifying hedge funds (even if not the largest or most levered) may signal market stress that could have systemic effects.<sup>23</sup> Current reports would be especially useful during periods of market volatility and

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<sup>20</sup> See, e.g., PDI Comment Letter; AFREF Comment Letter; Mark C. Comment Letter; Public Citizen Comment Letter; Anonymous Retail Investor Comment Letter; Better Markets Comment Letter.

<sup>21</sup> See, e.g., Comment Letter of SIFMA (Mar. 21, 2022) (“SIFMA Comment Letter”) (stating that triggering events, like the extraordinary loss current report, premised on investor protection concerns such as “large, sharp, and sustained losses” should be viewed as part of the investment risks associated with any investing). See also IAA Comment Letter (stating that many of the items proposed to be reported on a current basis will not assist the Commission or FSOC in addressing systemic risk, that current reporting is not necessary to meet the Commission’s investor protection goals, and that the Commission appears to conflate investment protection with mitigation of investment risk and losses).

<sup>22</sup> *Id.*

<sup>23</sup> See, e.g., Better Markets Comment Letter (stating new reporting requirements will allow regulators to

stress, when the Commission and FSOC may receive a large number of current reports and ascertain the affected funds and gather information to assess any potential contagion or systemic impact. The Commission or FSOC may analyze the events and organize outreach to the impacted entities, funds, counterparties, or other market participants that the current reports and other data may indicate could be next in a contagion circumstance. For example, if one fund that was particularly concentrated in a deteriorating position or strategy reported an extraordinary loss or was terminated by its prime broker for reasons related to that position or strategy, Commission staff could potentially conduct outreach to fund counterparties or other similarly situated funds to assess whether any regulatory action could mitigate the potential for contagion or harm to investors. Though some commenters stated that the current reports were not properly focused on systemic risk and would instead subject advisers to regulatory examinations and enforcement actions, we continue to believe that the potential seriousness of the events warrants the collection of current reports that could indicate directly systemic risk and investor protection concerns.<sup>24</sup>

The current reporting events generally incorporate objective tests to allow advisers to determine whether a report must be filed. In response to comments, we either eliminated or further tailored the current reporting events both to decrease the reporting burden and to reduce

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determine whether an issue at a private fund potentially signals deteriorating market conditions that could cascade into a crisis, or whether an issue at a private fund is itself indicative of a crisis already underway and that, if the Commission or FSOC determines that a crisis is underway, current reporting with details of fund assets, its exposures, and its counterparties will give the Commission and FSOC crucial information about where a crisis may spread).

<sup>24</sup> See, e.g., AIMA/ACC Comment Letter (stating that the new reporting requirements go beyond Congress' mandate and the current Form PF Rule's stated objectives to foster the Commission's more general objectives: data collection to support examinations, and its regulatory and enforcement programs), and AIC Comment Letter (additional information that is merely potentially useful to the SEC as a compliance monitoring tool in administering its examination and enforcement programs is not an appropriate justification for significantly expanding reporting on Form PF and is inconsistent with the primary purpose of Form PF and the intent of Congress).

the possibility of reporting “false positives” (*i.e.*, incidents that trigger the proposed current reporting requirement but do not actually raise significant risks) for events that may not indicate the potential for systemic risk or investor harm.<sup>25</sup> We also addressed comments that indicated that we should limit or better explain proposed current reporting triggers that use materiality thresholds, like the proposed prime broker relationship termination and operations event current reporting items, and instead simplify the analysis required to determine if you need to report by making reporting dependent on binary events.<sup>26</sup> As a result, a number of the items continue to include quantifiable threshold percentage tests or have been further refined to trigger reporting for events that are likely indicative of severe stress at a fund or may have broader implications for systemic risk for which we seek timely information while minimizing the potential for false positives and multiple unnecessary current reports.

To supplement the objective triggers, several of the items include check boxes, largely as proposed, that will provide additional context and avoid requiring advisers to provide narrative responses during periods of stress under time pressure. These check boxes will allow the Commission and FSOC to review and analyze the current reports and screen false positives during periods in which they may be actively evaluating fast-moving market events and potentially prioritizing responses to certain affected funds, counterparties, or other market participants.

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<sup>25</sup> In some instances our refinement of questions to include more current statistics would also likely reduce the number of “false negatives.”

<sup>26</sup> See AIMA Comment Letter and SIFMA Comment Letter. Several commenters pointed to National Futures Association (“NFA”) Compliance Rule 2-50 as a form that provided more binary and limited types of reporting. NFA Notice 9080 - NFA Compliance Rule 2-50: CPO Notice Filing Requirements. The Interpretive Notice is *available at* <https://www.nfa.futures.org/rulebooksql/rules.aspx?Section=9&RuleID=9080>. See also discussions *infra* at sections II.A.4 and II.A.6.

The adopted amendments will establish new section 5 that will contain Items A through J. Section 5, Item A will require advisers to identify themselves and the reporting fund, including providing the reporting fund’s name, private fund identification number, National Futures Association identification number (if any), and Legal Entity Identifier (if any).<sup>27</sup> Section 5, Items B through I will set forth the current reporting events and the applicable reporting requirements for each event. Like the proposal, the amendments will have an optional repository for explanatory notes in section 5, Item I that the adviser may use to improve understanding of any information reported in response to the other section 5 items. The following sections discuss the timing for filing the current reports and each adopted current reporting event.

### **1. Timing of Hedge Fund Current Reports**

In a change from the proposal, the amendments will extend the time period for the filing of current reports. Instead of a one business day filing requirement, large hedge fund advisers to qualifying hedge funds are required to report as soon as practicable, but no later than 72 hours, upon the occurrence of certain events that we believe may indicate significant stress or otherwise serve as signals of potential systemic risk implications.

Some commenters expressed concern that the proposed requirement to file reports within one business day to the Commission would be burdensome and potentially lead to inaccurate or inadequate reporting at a time when advisers and their personnel are grappling with a potential crisis at the reporting fund.<sup>28</sup> More specifically, some commenters stated that advisers would

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<sup>27</sup> Form PF section 5, Item A would also require identifying information on the reporting fund’s adviser, including the adviser’s full legal name, SEC 801-Number, NFA ID Number (if any), large trader ID (if any), and large trader ID suffix (if any), as well as the name and contact information of the authorized representative of the adviser and any related person who is signing the current report.

<sup>28</sup> *See, e.g.*, Comment Letter of the Institutional Limited Partners Association (Mar. 21, 2022) (“ILPA Comment Letter”); AIMA/ACC Comment Letter; Comment Letter of State Street Corporation (Mar. 21, 2022) (“State Street Comment Letter”); Comment Letter of National Venture Capital Association (Mar. 21,

need to develop complicated internal operations capable of performing calculations on a daily basis that may not be applicable to illiquid or hard-to-value assets and that the resulting data may be of limited utility to regulators.<sup>29</sup> One commenter indicated that critical reporting of fast moving events could be delayed by weekends or holidays.<sup>30</sup> Some commenters suggested that advisers could notify the Commission of the occurrence of current reporting events using telephone or email in shorter time frames while delaying current reporting on Form PF to a later date.<sup>31</sup>

Receiving current reports on a timely basis will help address the Commission’s and FSOC’s need, discussed above, for current information. In order to allow advisers to qualifying hedge funds additional time to evaluate and obtain the necessary data to confirm the existence of a filing event, which will help improve the quality of the information contained in the report, the amendments will require advisers to file current reports for current reporting events as soon as practicable, but no later than 72 hours, upon the occurrence of a reporting event rather than one business day. We believe that shifting from a business day approach to one measuring elapsed hours after an event will address commenter concerns that critical reporting of fast moving events could be delayed by weekends or holidays.<sup>32</sup> We believe that this time period properly

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2022) (“NVCA Comment Letter”); RER Comment Letter; SIFMA Comment Letter; Comment Letter of Schulte Roth & Zabel LLP (Mar. 21, 2022) (“Schulte Comment Letter”); Comment Letter of the Investment Adviser Association (Mar. 21, 2022) (“IAA Comment Letter”); NYC Bar Comment Letter; REBNY Comment Letter.

<sup>29</sup> See, e.g., SIFMA Comment Letter and USCC Comment Letter. See also, *infra* discussion of daily fund value statistics in section II.A.2.

<sup>30</sup> See Comment Letter of Sarah A. (Mar. 11, 2022) (“Sarah A. Comment Letter”) and AIMA/ACC Comment Letter.

<sup>31</sup> See SIFMA Comment Letter and State Street Comment Letter.

<sup>32</sup> See Sarah A. Comment Letter and AIMA/ACC Comment Letter. We are amending Instructions 1, 3, 9, and 12 of the general instructions to reflect this new obligation for large hedge fund advisers. Specifically, we are amending Instruction 3 to identify new section 5 and Instruction 9 to address the timing of filing the current reports.

balances commenters' concerns with the Commission's need for timely information, while allowing advisers to collect information within 72 hours that may not be readily ascertainable at the event's immediate outset. The 72 hour period begins upon the occurrence of the current reporting event, or the time when the adviser reasonably believes that the event occurred, and, as proposed, the form requires the adviser to respond to the best of its knowledge on the date of the report. To illustrate, if an adviser determined that a current reporting event occurred on Monday at noon, it would have to file a current report, as soon as practicable, but no later than Thursday before noon.

By extending the time period from one business day to 72 hours, we believe that an adviser will have sufficient time to identify events and conduct sufficient analysis to review and file timely current reports. Though some commenters stated that certain current reports will be burdensome to establish systems and processes to identify triggering events, in our experience, advisers to qualifying hedge funds generally already maintain the sophisticated operations and resources necessary to provide these reports. Moreover, changes we have made to the metrics for the 20 percent extraordinary loss and margin thresholds should alleviate concerns about the burdens and uncertainties concerning the timely valuation of illiquid or hard-to-value assets.<sup>33</sup> Though some commenters suggested that current reporting could include informal telephoning or emailing of the Commission, we continue to believe that reporting through Form PF will provide the Commission and FSOC with a systematic means through which to assess the events underlying the reporting.<sup>34</sup>

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<sup>33</sup> See discussion at *infra* sections II.A.2. and II.A.3.a.

<sup>34</sup> Though we require filing reports using Form PF, we also encourage engagement with Commission staff from registrants in periods of stress or otherwise.

Lastly, advisers will be able to file an amendment to a previously filed current report to correct information that was not accurate at the time of filing in the event that information in a current report was inaccurate or was filed in error.<sup>35</sup> In a change from the proposal, to facilitate the filing of amendments, we are making a change to include the time of filing to enable the identification of previous filings.<sup>36</sup>

## 2. Extraordinary Investment Losses

We are adopting, largely as proposed, current reporting to require large hedge fund advisers, whose advised qualifying hedge funds experience extraordinary losses within a short period of time, to provide a current report describing the losses.<sup>37</sup> In a change from the proposal, reporting for extraordinary investment losses would be triggered by a loss equal to or greater than 20 percent of a fund’s “reporting fund aggregate calculated value” (“RFACV”), which we discuss further below, as opposed to the fund’s most recent net asset value (“MRNAV”), over a rolling 10-business-day period.<sup>38</sup> This current reporting event will capture, for example, a situation where the fund’s RFACV is \$1 billion and the fund loses \$20 million per business day for a consecutive 10 business days. It will also capture a loss of \$200 million in one business day as the rolling 10-business-day period is backward looking. We designed the threshold to capture a significant loss at the reporting fund over a relatively short rolling period as well as a

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<sup>35</sup> Instruction 16 explains that an adviser is not required to update information that it believes in good faith properly responded to Form PF on the date of filing even if that information is subsequently revised for purposes of the adviser’s recordkeeping, risk management or investor reporting (such as estimates that are refined after completion of a subsequent audit).

<sup>36</sup> See Form PF section 5, Item A. Item A also has an additional change to require advisers to enter a CRD number to help identify the adviser.

<sup>37</sup> See Form PF section 5, Item B.

<sup>38</sup> The Commission proposed to include a definition for “reporting fund aggregate calculated value” in the 2022 Form PF Joint Proposing Release. The comment letters on the 2022 Form PF Joint Proposing Release (File No. S7-22-22) are available at <https://www.sec.gov/comments/s7-22-22/s72222.htm>. The RFACV statistic will only apply to section 5 of Form PF.

precipitous loss without capturing immaterial losses that may not be indicative of stress at the fund.

Some commenters supported the extraordinary loss event.<sup>39</sup> One commenter stated that a 20 percent loss over a 10-day period would be a significant event for any hedge fund and may render some funds insolvent.<sup>40</sup> Other commenters questioned whether the 20 percent loss threshold was truly significant or indicative of actual stress, and stated that in volatile or broadly down markets, the Commission might receive a large number of reports of limited value.<sup>41</sup> Some commenters questioned the Commission's use of MRNAV and stated that the Commission base the loss threshold on a more current net asset value figure,<sup>42</sup> a net asset value figure compiled on a best efforts basis from their evaluation of fair-valued assets and unaudited figures,<sup>43</sup> or a month-end net asset value.<sup>44</sup>

We continue to believe that the extraordinary loss current reporting event will capture critical periods of hedge fund stress. Accordingly, we are adopting, as proposed, current reporting based on a 20 percent loss but, in a change from the proposal, are establishing the threshold by reference to the RFACV fund value statistic. As discussed below, RFACV is a more current statistic than the MRNAV filed on Form PF and will limit the potential for over or under-reporting. We believe that a 20 percent loss of RFACV over a 10-business-day period is sufficiently high to avoid over-reporting during periods of relative market stability, but

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<sup>39</sup> See, e.g., Better Markets Comment Letter. See also ICGN Comment Letter.

<sup>40</sup> Better Markets Comment Letter.

<sup>41</sup> See, e.g., AIMA/ACC Comment Letter. AIMA/ACC also stated that the 20% threshold may not properly account for volatile market strategies that funds may employ.

<sup>42</sup> Comment Letter of Anonymous (Feb. 25, 2022). Two commenters also criticized basing this threshold on a dated net asset value figure. See SIFMA Comment Letter and MFA Comment Letter.

<sup>43</sup> See MFA Comment Letter.

<sup>44</sup> See Schulte Comment Letter and MFA Comment Letter.

sufficiently low that it avoids under-reporting during periods of market stress.<sup>45</sup> It is also our understanding that prime brokers and other fund counterparties already track certain net asset value triggers over varying periods and routinely build them into the risk control provisions of their agreements (*e.g.*, prime broker agreements, total return swap agreements, or ISDA Master Agreements).<sup>46</sup> Such net asset value decline triggers typically range from 10 percent to 25 percent declines over a 30 day period.<sup>47</sup> Accordingly, we believe a 20 percent decline is appropriate considering that such a decline may have triggered or nearly triggered a contractual reporting threshold with credit and trading counterparties who view net asset value triggers as potential early warning indicators of hedge fund stress or potential liquidation. The reporting of large losses will provide notice to the Commission and FSOC of potential fund or market issues in advance of the occurrence of more downstream consequences, such as sharp margin increases, defaults, fund liquidations, or ramifications for other types of Commission registrants.<sup>48</sup> Such losses could signal a precipitous liquidation or broader market instability that could lead to secondary effects, including greater margin and collateral requirements, financing costs for the fund, and the potential for large investor redemptions.

Though commenters asserted that sharp broad-based market downturns may lead to a large number of reports from advisers, we believe that such reporting still will be useful to FSOC or the Commission during market instability. Moreover, in singular events, large, sharp, and

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<sup>45</sup> See discussion of thresholds at *infra* section IV.C.1.a.

<sup>46</sup> See, *e.g.*, Poseidon Retsinas, *How Fund Managers Can Mitigate NAV Triggers' Impact on Trading Agreements*, Hedge Fund Law Report (May 14, 2020) (“HFL Report”), available at <https://www.hflawreport.com/6769831/how-fund-managers-can-mitigate-nav-triggers-impact-on-trading-agreements.shtml>. See also discussion of the 20% threshold *infra* at text accompanying footnote 323.

<sup>47</sup> *Id.*

<sup>48</sup> For example, a hedge fund’s registered broker-dealer counterparties may be subject to large losses, or registered investment companies with similar portfolio exposures, though not necessarily as leveraged, might be at risk for future losses.

sustained losses suffered by one fund within this short period may signal potential concerns for similarly situated funds, allowing FSOC and the Commission to analyze the scale and scope of the event and whether additional funds that may have similar investments, market positions, or financing profiles are at risk.

The amendments use RFACV as a reference statistic in response to commenters' concerns that MRNAV was too dated of a statistic and could result in false positives.<sup>49</sup> RFACV also is responsive to commenters' assertions that the reference value statistic be compiled on a best efforts basis from an evaluation of fair-valued assets and unaudited figures. RFACV is defined as "every position in the reporting fund's portfolio, including cash and cash equivalents, short positions, and any fund-level borrowing, with the most recent price or value applied to the position for purposes of managing the investment portfolio" and may be calculated using the adviser's own methodologies and conventions of the adviser's service providers, provided that these are consistent with information reported internally.<sup>50</sup> The RFACV is a signed value calculated on a net basis and not on a gross basis. While the inclusion of income accruals is recommended, the approach to the calculation should be consistent over time.<sup>51</sup> This calculation is similar to the typical practices for computing daily profit and loss and generally should include

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<sup>49</sup> See Comment Letter of Anonymous (Feb. 25, 2022). Other commenters also criticized basing this threshold on a dated net asset value figure. See SIFMA Comment Letter and MFA Comment Letter.

<sup>50</sup> See section IV.C.2 *infra* (discussing the risks of unintended consequences of using RFACV statistics and the factors that mitigate those risks including the sharing of valuation policies with investors and that fund valuation is often outsourced to fund service providers with standardized methodologies).

<sup>51</sup> See Form PF Glossary. Those funds that do compute a daily net asset value may use it as their reporting fund aggregate calculated value. Where one or more portfolio positions are valued less frequently than daily, the last price used should be carried forward, though a current FX rate may be applied if the position is not valued in U.S. dollars. It is not necessary to adjust the RFACV for accrued fees or expenses. Position values do not need to be subjected to fair valuation procedures. While the RFACV definition permits funds to compute it excluding accrued fees and expenses, and without updating less frequently valued positions, these are optional, and intended to reduce burden for the funds. If the funds already calculate net asset value without these modifications on a daily basis, they can use it wherever RFACV is used.

all items at their most recent, reasonable estimate, which will be marked-to-market for all holdings that can reasonably be marked daily. These value estimates are appropriate because they are both guided by the reporting fund's valuation policies and procedures that are shared with fund investors and counterparties and are increasingly performed and provided by third-party administrators who specialize in position-level valuation and reporting.<sup>52</sup>

Using this statistic will be both more timely and less burdensome than a requirement to calculate a daily net asset value, which would necessarily require the adviser to make daily calculations of all of the fund's assets and liabilities, including accrued fees and expenses. Referencing a timelier statistic based on a daily estimate of the fund's value will provide a more current and accurate picture of large fund losses and also acknowledges that many funds do not perform daily net asset value calculations, because they may only strike a net asset value weekly, at month end, or at investor request, or because certain of their portfolio assets are only valued on a periodic basis.<sup>53</sup> The use of RFACV will be less burdensome than a daily net asset value figure to operationalize because, in our experience, it will rely on systems that many large hedge fund advisers already employ, while not requiring the adviser to adjust for accrued fees or expenses, subject position values to fair valuation procedures, or include income accruals. At the same time, we are allowing advisers to use their own internal methodologies or those of their service providers when calculating RFACV, provided that these are consistent with information reported internally.

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<sup>52</sup> See *infra* footnote 425.

<sup>53</sup> Advisers utilizing RFACV should rely upon the information available to them at that current point in time when filing this item. For example, if reporting on Friday, and the reporting fund knows it has a position mark that will not be updated until Sunday, the adviser should generally rely on the Friday number for purposes of the calculation and the determination of whether to file.

Under this current reporting event, the revised Item B requires reporting if “on any business day the 10-day holding period return of the reporting fund is less than or equal to -20 percent of reporting fund aggregate calculated value.” In a change from the proposal, “holding period return” and “daily rate of return” are new terms in the Form PF Glossary to help advisers calculate the daily rate-of-return and link those daily returns together to calculate a cumulative rate of return over the 10-day holding period to promote consistent responses to the current report.<sup>54</sup> When triggered, an adviser must file the following information: (1) the dates of the 10-business-day period over which the loss occurred, (2) the holding period return, and (3) the dollar amount of the loss over the 10-business-day period.<sup>55</sup> If the loss continues past the initial 10-business-day period, advisers will not report a second time until the fund has experienced a second loss of an additional 20 percent of the fund’s RFACV over a second rolling 10-business-day period to begin on or after the end date stated in the adviser’s initial Item B current report. This information will allow the Commission and FSOC to understand the scale of the loss and its potential effects both to investors in the reporting fund as well as the broader financial markets, particularly if current reports are filed by multiple advisers.

### 3. Significant Margin and Default Events

We are adopting, largely as proposed, current reporting of significant margin and default events that occur at qualifying hedge funds advised by large hedge fund advisers or at their

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<sup>54</sup> “Holding period return” is defined in the Form PF Glossary to mean the cumulative *daily rate of return* over the holding period calculated by geometrically linking the *daily rates of return*. Holding period return (%) =  $((1 + R_1) \times (1 + R_2) \dots (1 + R_{10}) - 1) \times 100$  where  $R_1, R_2 \dots R_{10}$  are the daily rates of return during the holding period expressed as decimals. “Daily rate-of-return” is defined as the percentage change in the reporting fund aggregate value from one day to the next and adjusted for subscriptions and redemptions, if necessary.

<sup>55</sup> “Dollar amount of loss over the 10-business-day period” is defined in the Form PF Glossary to facilitate reporting of the extraordinary loss current report and is equal to the reporting fund aggregate value at the end of the 10-business-day loss period less the reporting fund aggregate value at the beginning of the 10-business day loss period less the net of any subscriptions or redemptions during the 10-business-day period.

counterparties.<sup>56</sup> Significant increases in margin, inability to meet a margin call, margin default, and default of a counterparty are strong indicators of fund and potential market stress. The triggers and underlying thresholds are calibrated to identify stress at a fund that may signal the potential for precipitous liquidations or broader market instability that may affect similarly situated funds, or markets in which the fund invests.

**a. Increases in Margin**

We are requiring advisers to report significant increases in the reporting fund's requirements for margin, collateral, or an equivalent (collectively referred to as "margin") based on a 20 percent threshold.<sup>57</sup> In a change from the proposal, and consistent with our adopted amendments to the extraordinary loss current report, we are referencing a different fund value statistic, average daily RFACV. Average daily RFACV is a more current statistic than MRNAV and, accordingly, will increase the report's accuracy and limit the potential for over- or under-reporting. In particular, in response to commenters that stated that the daily computation of net asset value may be burdensome, we selected average daily RFACV, because it is comparatively less burdensome and does not require all the calculations (*e.g.* adjustments for accrued fees and expenses or fair valuation procedures) necessary for striking a daily net asset value.<sup>58</sup> The margin increase current report relies on RFACV outlined above in the extraordinary loss section, but is the average of the daily RFACV for the end of the business day on business days one through ten of the reporting period. As with the use of RFACV in the extraordinary loss current report, using the average daily RFACV will provide a more current daily number from which to

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<sup>56</sup> See Form PF section 5, Item C.

<sup>57</sup> An equivalent is any other type of payment or value understood to serve the same purposes as margin or collateral.

<sup>58</sup> See discussion in *supra* section II.A.2.

calculate margin increases as opposed to using a dated net asset value statistic reported on Form PF that may be in excess of 60 days old.

Current reporting of margin increases will provide FSOC and the Commission with valuable information that may provide early indications of stress at a fund before a potential default occurs triggering more widespread systemic impacts or harm to investors. Sudden and significant margin increases can have critical effects on funds that may be operating with large amounts of leverage and could serve as precursors to defaults at fund counterparties and eventual liquidation. Large, sustained margin increases also may effectively signal that counterparties are concerned about a fund's portfolio positions as well as the potential for future margin increases from the fund's other counterparties. Moreover, a number of margin increase reports from multiple funds that invest in certain securities or sectors through different counterparties will provide FSOC and the Commission with a broader picture of industry-wide risks and potential investor harms, respectively.

Some commenters supported the requirement as proposed.<sup>59</sup> One commenter stated that if the fund triggered a 20 percent margin increase it could be indicative of a risk to investors in the fund and should be reported.<sup>60</sup> Others opposed it, stating that the 20 percent threshold was too low or arbitrarily drawn without support,<sup>61</sup> would capture routine margin activity occurring in the normal course of business,<sup>62</sup> would likely cause excess reporting that would not be indicative of fund stress, and relied on a dated net asset value statistic that had the potential to

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<sup>59</sup> Comment Letter of International Corporate Governance Network (Mar. 21, 2022) (“ICGN Comment Letter”); AFREF Comment Letter.

<sup>60</sup> ICGN Comment Letter.

<sup>61</sup> AIMA/ACC Comment Letter; IAA Comment Letter.

<sup>62</sup> AIMA/ACC Comment Letter.

induce either over or underreporting.<sup>63</sup> Other commenters expressed concern that the terms “margin,” “collateral,” or “an equivalent” were not clearly defined.<sup>64</sup>

In response to commenters that questioned the 20 percent threshold and its reliance on a dated MRNAV statistic, the amendments will reference a more current value statistic while retaining the 20 percent increase. We are triggering reporting on whether the total dollar value of margin, collateral, or an equivalent posted by the reporting fund at the end of a rolling 10-business-day period less the total dollar value of margin, collateral, or an equivalent posted by the reporting fund at the beginning of the rolling 10-business-day period is greater than or equal to 20 percent of the average daily RFACV during the period.

We are adopting “average daily reporting fund aggregate calculated value” as a new defined term in the Form PF Glossary to help advisers calculate the amount of the margin increase and promote consistent responses to the current report.<sup>65</sup> This change away from the reference net asset value statistic (MRNAV) should lessen under- and over-reporting by providing a more current reference statistic, decreasing the potential for false positives. In response to comments that specifically questioned the 20 percent threshold, we believe a 20 percent increase based on the new RFACV statistic will improve our ability to capture truly large and sudden margin increase events.<sup>66</sup> Specifically, 20 percent is an appropriate threshold for reporting increases in margin because our experience and data suggests that a margin increase of this magnitude as a percentage of a fund’s market value could represent a significantly higher

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<sup>63</sup> AIMA/ACC Comment Letter; SIFMA Comment Letter.

<sup>64</sup> AIMA/ACC Comment Letter; MFA Comment Letter, SIFMA Comment Letter.

<sup>65</sup> The Form PF Glossary definition of “average daily reporting fund aggregate calculated value” references the “reporting fund aggregate calculated value” that is utilized by the Item B extraordinary loss question.

<sup>66</sup> *See supra* section II.A.2. discussion of RFACV.

percentage increase in margin itself.<sup>67</sup> Given that margin increases can happen quickly in volatile markets, reporting limited to large margin defaults alone would not allow the Commission and the FSOC to identify the extent of increasing liquidity constraints among market participants which could impair market function.<sup>68</sup>

We continue to believe that the terms “margin” and “collateral” are general terms that will allow advisers to apply the reporting trigger to their unique collateral requirements. Commenters requested a more detailed definition of both “margin” and “collateral,” but these terms are common terms for margin that we believe properly scope the margin activity for which we seek reporting without potentially narrowing or limiting reporting to certain types of margin requirements specific to certain funds and their counterparty agreements.<sup>69</sup> In our experience, “margin” and “collateral” generally refer to assets and cash that can be claimed by a fund counterparty, lender, or clearinghouse if needed to satisfy an obligation. These terms refer both to assets that have been physically transferred to an account outside the fund as well as those that remain in the fund’s accounts, but have been identified by custodians, prime brokers, and fund administrators as collateral for an obligation. The inclusion of “or an equivalent” is designed to provide increased flexibility to account for funds’ unique circumstances. In the event advisers

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<sup>67</sup> One estimate from the academic literature indicates that an increase in margin or collateral of 20% of the average daily RFACV over a ten-day period represents a substantially large increase in the actual level of margin or collateral, which would have potentially serious consequences for a fund depending on its circumstances. Based on a sample of large hedge fund advisers’ qualifying hedge funds from Q4 2012 to Q1 2017, the paper finds that the hedge funds in the sample had median collateral as a percentage of borrowings of 121%, median borrowings of \$.443 billion, and a median NAV of \$.997 billion. This indicates that a typical hedge fund in the sample has collateral as a percentage of NAV of approximately 54.1%. For such a hedge fund, an increase in margin/collateral of 20% of RFACV represents an almost 40% increase in the level of margin/collateral posted. See Mathias S. Kruttli, Phillip J. Monin & Sumudu W. Watugala, *The Life of the Counterparty: Shock Propagation in Hedge Fund-Prime Broker Credit Networks*, (Dec. 2022). See also discussion of the margin increase threshold *infra* section IV.C.1.a.

<sup>68</sup> See Review of Margining Practices, Bank for International Settlement, Basel Committee on Banking Supervision, Committee on Payments and Market Structure, Board of International Securities Commissions (Sept. 2022), available at <https://www.bis.org/bcbs/publ/d537.htm>.

<sup>69</sup> See AIMA Comment Letter and MFA Comment Letter.

have unique circumstances related to their margining practices and reporting of margin increases, advisers may use the explanatory notes section to explain their margin increase current report.

The adviser will be required to report (1) the dates of the 10-business-day period over which the increase occurred; (2) the total dollar amount of the increase; (3) the total dollar value amount of margin, collateral or an equivalent posted by the reporting fund at both the beginning and the end of the 10-business-day period during which the increase was measured (an addition from the proposal);<sup>70</sup> (4) the average daily RFACV of the reporting fund during the 10-business-day period during which the increase was measured (an addition from the proposal); and (5) the identity of the counterparty or counterparties requiring the increase(s). In a change from the proposal, we are requiring the disclosure of the average daily reporting fund aggregate calculated value of the reporting fund during the 10-business-day period during which the increase was measured to provide FSOC and the Commission with a fund value statistic that provides additional context for the margin increase. If the increases in margin were to continue past the initial 10-business-day period, advisers should not file another current report until on or after the next 10-business-day period beginning on or after the end date stated in the adviser's initial Item C current report. In circumstances where multiple counterparties are involved, advisers will list all counterparties who increased margin requirements. In addition, the adviser must use check boxes to describe the circumstances of the margin increase. Commenters stated that the margin increase item would capture margin activity that was within business as usual operations. As discussed above, this reporting item is triggered on a 20 percent increase in margin, which we

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<sup>70</sup> In a change from the proposal, we are requiring the total dollar value amount of margin, collateral or an equivalent posted by the reporting fund at the end of the 10-business-day period during which the increase was measured rather than a cumulative figure. We believe having the dollar value figure measured both at the beginning and at the end of the 10-business day period will provide more detailed and useful information to the Commission and FSOC.

believe is a significant increase that will not capture margin activity that is within business as usual operations. In addition, the amended form contains clearly defined check boxes for this item that will allow the Commission and FSOC to understand the cause of the margin increase reports that may help distinguish the levels of risk. These items are largely unchanged from the proposal and include: (1) exchange or central clearing counterparty<sup>71</sup> requirements or known regulatory action affecting one or more counterparties; (2) one or more counterparties independently increasing the reporting fund's margin requirements; (3) the reporting fund establishing a new relationship or new business with one or more counterparties; (4) new investment positions, investment approach or strategy and/or portfolio turnover of the reporting fund; (5) a deteriorating position or positions in the reporting fund's portfolio or other credit trigger under applicable counterparty agreements; and/or (6) a reason "other" than those outlined that, in a change from the proposal, will now require advisers to provide an explanation in the explanatory notes section.<sup>72</sup> This information, along with any information advisers include in the explanatory notes section, will provide useful context concerning the margin increase and will better enable the Commission and FSOC to both screen false positives for margin increases (*i.e.*, incidents that trigger the proposed current reporting requirement but do not actually raise significant risks) and assess significant margin events.

**b. Fund Margin Default or Inability to Meet Margin Call**

We are also requiring, as proposed, advisers to report a fund's margin default or inability to meet a call for margin, collateral, or an equivalent (taking into account any contractually

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<sup>71</sup> In a change from the proposal, we are including "central clearing counterparty" or "CCP" requirements in this check box to reflect better the types requirements that can be imposed by central counterparties or clearing houses and impact margin.

<sup>72</sup> In a change from the proposal we are requiring advisers that check "other" to provide an explanation of their use of other in the explanatory notes section to provide additional context to their current report.

agreed cure period).<sup>73</sup> Quickly identifying such events is important because funds that are in margin default or that are unable to meet a call for margin are at risk of triggering the liquidation of their positions at their counterparties, and this presents serious risks to the fund's investors, its counterparties, and potentially the broader financial system.

A commenter supported reporting related to margin defaults or inability to meet a call for margin if it was limited to circumstances where there was a written notice of default because counterparty agreements typically require written notice of default, and written notice provides a bright line test for determining whether a default occurred.<sup>74</sup> The same commenter also stated that only large defaults in excess of 5 percent of a fund's last reported net asset value adjusted for subscriptions and redemptions should be reported to avoid the possibility of immaterial defaults.<sup>75</sup> Other commenters asserted that if the Commission did adopt any of the current reporting items, it should focus on margin defaults and the inability to satisfy redemptions, as both were events that signaled potential stress to the financial sector by contributing to fire sales and counterparty exposure risk.<sup>76</sup> Another commenter stated that other market participants like major broker-dealers, banks, or other counterparties could more readily provide this information to the Commission.<sup>77</sup>

We are largely adopting this item, as proposed, because margin defaults or a determination of an inability to meet margin calls are risk events that may portend liquidation

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<sup>73</sup> See Form PF section 5, Item D. In situations where there is a contractually agreed upon cure period, an adviser will not be required to file an Item D current report until the expiration of the cure period, unless the fund does not expect to be able to meet the margin call during such cure period.

<sup>74</sup> See MFA Comment Letter.

<sup>75</sup> *Id.*

<sup>76</sup> See, e.g., AIMA Comment Letter.

<sup>77</sup> NYC Bar Comment Letter.

events that could trigger systemic risk or harm investors. While commenters indicated that we should limit this reporting to large margin defaults or collect this information from other market participants or registrants, we do not believe doing so would capture key indicators of fund risk. Default events in certain trades, strategies, or positions will provide insight into whether funds or counterparties facing similar positions may be at risk. Reporting limited to large margin defaults, conversely, may not provide the FSOC with sufficiently early or fulsome information to identify and help prevent potential contagion. Furthermore, we believe it is important to receive this confidential reporting directly from the advisers to these large qualifying hedge funds on Form PF, because a fund's broker-dealer or bank counterparties may only have limited visibility into a fund's stress rather than a comprehensive picture of a fund's overall counterparty risks. In addition, we believe that limiting reporting to only written notifications of a default may incentivize funds or their counterparties to avoid written notice of default, particularly when it may be less clear a party is in default. The amendments, like the proposal, will continue to require advisers to file a current report in situations where there is a dispute with regard to the margin call to avoid delays in reporting. Advisers will not be required to file a current report in situations where there is a dispute in the amount and appropriateness of a margin call, provided the reporting fund has sufficient assets to meet the greatest of the disputed amount. According this flexibility allows funds and advisers that are capable of meeting a margin call time to respond to and resolve a margin dispute with their counterparties.

Under the amendments, an adviser will report for each separate counterparty for which the event occurred: (1) the date the adviser determines or is notified that a reporting fund is in margin default or will be unable to meet a margin call with respect to a counterparty; (2) the dollar amount of the call for margin, collateral, or equivalent; and (3) the legal name and LEI (if

any) of the counterparty. In addition, the adviser will check any applicable check boxes that would describe the adviser's current understanding of the circumstances of the adviser's default or its determination that the fund will be unable to meet a call for increased margin.<sup>78</sup> These include: (1) an increase in margin requirements by the counterparty; (2) losses in the value of the reporting fund's portfolio or other credit trigger under the applicable counterparty agreement; (3) a default or settlement failure of a counterparty; or (4) a reason "other" than those outlined for which the adviser will be required to provide further information in the explanatory notes item.<sup>79</sup> These check boxes will enable the Commission and FSOC to identify and evaluate the circumstances underlying the inability to meet a call for margin. If the fund is unable to meet margin or defaulted with multiple counterparties on the same day, the adviser will file one current report broken out with details for each counterparty.

### **c. Counterparty Default**

The amendments, like the proposal, will require advisers to report a margin, collateral or equivalent default or failure to make any other payment in the time and form contractually required by a counterparty.<sup>80</sup> Counterparty defaults can have serious implications for transacting funds, the funds' investors, and the broader market. A current report of a counterparty default will help the Commission and FSOC identify funds or market participants that may be affected by a counterparty's default and analyze whether there are broader implications for systemic risk or investor protection.

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<sup>78</sup> Form PF section 5, Item D, Question 15.

<sup>79</sup> In a change from the proposal we are requiring advisers that check "other" to provide an explanation of their use of "other" in the explanatory notes section to provide additional context to their current report.

<sup>80</sup> See Form PF section 5, Item E.

One commenter supported the reporting of counterparty defaults,<sup>81</sup> while others believed this item should only capture larger counterparty defaults that accounted for a greater portion of the fund's net asset value than the proposed 5 percent threshold.<sup>82</sup> Some commenters stated that there should not be a percentage threshold associated with the counterparty defaults and that, if a percentage was relied upon, the Commission's five percent threshold was too low.<sup>83</sup> Another commenter argued that counterparty default reporting should not be required for all types of market participants, but should be limited to regulated broker-dealers and banks, while noting that the net asset value calculation for counterparty defaults should be amended to a timelier figure that accounts for interim subscriptions and redemptions.<sup>84</sup> Other commenters stated that the triggers for a counterparty default notification differ from the default provisions utilized in industry standard documents and that the definitions and default provisions in the standard documents be expressly incorporated into Form PF triggers.<sup>85</sup>

We are adopting the counterparty default event with minor amendments as counterparty defaults to hedge funds of the size of qualifying hedge funds would be central to any analysis of systemic risk or potential risk of investor harm. A single hedge fund counterparty, such as a large broker dealer, may have dozens of fund counterparties that may be subject to a pending default. Though some commenters stated that certain definitions and default provisions in industry standard documents should be expressly incorporated into the counterparty default current report trigger, based on our review of certain industry contracts we believe the adopted

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<sup>81</sup> AFREF Comment Letter.

<sup>82</sup> *See, e.g.*, SIFMA Comment Letter; AIMA/ACC Comment Letter; IAA Comment Letter; and NYC Bar Comment Letter.

<sup>83</sup> *See, e.g.*, AIMA/ACC Comment Letter and NYC Bar Comment Letter.

<sup>84</sup> MFA Comment Letter.

<sup>85</sup> NYC Bar Comment Letter.

reporting item will broadly capture default reporting triggers in many contracts. We also believe, given the variability we observed in industry contract default triggers, that it would be impractical to design a default trigger in the form that matches industry documents.

A current report for this item will be triggered if a counterparty to the reporting fund (1) does not meet a call for margin or has failed to make any other payment, in the time and form contractually required (taking into account any contractually agreed cure period); and (2) the amount involved is greater than five percent of RFACV. While we are not adopting a minimum threshold for reporting on a qualifying hedge fund's margin default given the potential implications of such a default, we are adopting a threshold for counterparty defaults that could affect a sizeable percentage of the fund's value. However, in response to comments that the MRNAV was not reflective of the current value of the fund, we are amending this item to reference the more current RFACV statistic that is employed in the extraordinary loss and margin event items.

While some commenters believed the five percent default trigger to be too low, we believe that the five percent of the timelier RFACV statistic is an appropriate threshold to trigger reporting because counterparty defaults of this size could have systemic waterfall effects, triggering forced-selling by the fund and identifying potential risks for other hedge funds that may transact with the same counterparty.<sup>86</sup> Moreover, the five percent threshold is a figure we have used in Form PF to measure and collect information regarding sizable exposures to

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<sup>86</sup> See Financial Stability Oversight Council, Update on Review of Asset Management Products and Activities (Apr. 2016), at 15-18, available at <https://www.treasury.gov/initiatives/fsoc/news/Documents/FSOC%20Update%20on%20Review%20of%20Asset%20Management%20Products%20and%20Activities.pdf> (noting that large highly interconnected counterparties play a role in whether hedge fund activities have financial stability implications).

creditors or counterparties.<sup>87</sup> We understand it also represents an often-used industry practice for measuring significant exposure at both the position level and the counterparty-exposure level. A default at this level could be a sign of issues at both the fund and counterparty making it well suited for systemic risk monitoring. Even if a five percent default is insignificant at a fund level, a high number of such reports across a number of hedge funds can be significant systemically, especially if it involves similar counterparties. Setting the threshold for counterparty defaults at five percent of the RFACV would limit the reports for *de minimis* or superficial defaults that may be the result of a short-lived operational error. We are not limiting reporting to defaults that occur only at regulated broker-dealer and bank counterparties because there are circumstances where large defaults with non-regulated market participants, such as foreign entities or private special purpose entities, may have direct impacts on the reporting fund and broader implications for systemic risk.

The amendments will require an adviser to report: (1) the date of the default; (2) the dollar amount of the default; and (3) the legal name and LEI (if any) of the counterparty. In the event that multiple counterparties to the fund default on the same day, the reporting item will allow an adviser to file a single current report broken out with details for each counterparty default. In the event that counterparties to the fund default on different days, the adviser would file a separate current report for each counterparty default that occurred. We did not provide check boxes for this item, because advisers to the funds are unlikely to have complete information regarding their counterparty's default and the responses would likely be speculative.

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<sup>87</sup> See current question 47 of Form PF: Identify each creditor, if any, to which the reporting fund owed an amount in respect of borrowings equal to or greater than 5% of the reporting fund's net asset value as of the data reporting date. For each such creditor, provide the amount owed to that creditor.

#### 4. Prime Broker Relationship Terminated or Materially Restricted

The prime broker current report we proposed would have required an adviser to report a material change in the relationship between the reporting fund and a prime broker.<sup>88</sup> In response to comments, we are adopting a modified reporting item to require an adviser to report only the termination or material restriction of the reporting fund’s relationship with a prime broker.<sup>89</sup> We have narrowed the focus of this current report trigger to exclude relationship changes that could be initiated by the fund for business reasons that may not be indicative of fund or market stress.

Some commenters supported a current report for material changes in the prime broker relationship.<sup>90</sup> Others opposed it, stating that prime brokers and funds would have difficulty discerning what constituted a “material” change in the relationship,<sup>91</sup> that both parties may terminate relationships for ordinary business reasons that are not indicative of fund or counterparty stress,<sup>92</sup> and that the Commission only should require reporting when the prime broker or the fund terminates the relationship for default or breach of the agreement, which would serve as a bright line.<sup>93</sup> Other commenters argued that the prime broker current reporting event was unnecessary or duplicative of the margin default current report<sup>94</sup> and, therefore, should be removed.<sup>95</sup> Another commenter stated that starting or terminating a relationship with a prime

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<sup>88</sup> See 2022 Form PF Proposing Release, *supra* footnote 6, at section II.A.1.c.

<sup>89</sup> See Form PF section 5, Item F.

<sup>90</sup> ICGN Comment Letter; AFREF Comment Letter.

<sup>91</sup> See, e.g., AIMA/ACC Comment Letter; MFA Comment Letter; NYC Bar Comment Letter; IAA Comment Letter; and USCC Comment Letter.

<sup>92</sup> See, e.g., AIMA/ACC; MFA Comment Letter; NYC Bar Comment Letter; IAA Comment Letter; and SIFMA Comment Letter.

<sup>93</sup> AIMA/ACC Comment Letter.

<sup>94</sup> See *supra* section II.A.3.

<sup>95</sup> See, e.g., AIMA/ACC Comment Letter and IAA Comment Letter.

broker occurs on a frequent basis and is not an indication of potential stress at the fund but, in most instances, is based on business imperatives.<sup>96</sup>

After considering comments that expressed concern with the broad scope of reporting any “material change” in the relationship with a prime broker, we generally are narrowing the prime broker reporting items from what was proposed by requiring reporting under two separate instructions. The first instruction requires reporting when the prime broker terminates the agreement or “materially restricts its relationship with the fund, in whole or in part, in markets where that prime broker continues to be active.” For example, if a prime broker will no longer conduct certain trades on behalf of a U.S. fund in a particular market, like a major foreign equities market, this, in our view, would constitute a “material restriction.” On the other hand, if the same prime broker ceases activities in a market for all customers, this should not trigger a current report for an individual fund affected by this action. To address commenters who expressed concern that discerning a “material change” was difficult, we believe a material restriction generally would include a prime broker imposing substantial changes to credit limits or significant price increases, or stating that it ceases to support the fund in an important market or asset type, even if it does not terminate the relationship. We are not limiting this reporting trigger to terminations, because there are certain circumstances indicating potential stress or investor protection concerns in which a prime broker may not explicitly terminate the relationship, but rather that significantly limits the fund’s ability to operate.

The prime broker current report includes a new second instruction that captures instances where there is a fund termination event as well as a cessation of the relationship whether initiated by the prime broker or the fund. The change narrows the circumstances that can give rise to a

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<sup>96</sup> AIMA/ACC Comment Letter.

report as the instruction states that termination events, as specified in the prime broker agreement or related agreements that are isolated to the financial state, activities, or other conditions solely of the prime broker should not be considered for purposes of the current report. Thus, a termination would need to be fund-specific and would not be reportable if the adviser understands that the termination was a part of a widespread change applicable to other of the prime broker's clients and isolated to the financial state, activities, or other characteristics solely of the prime broker. By narrowing the prime broker reporting items from the proposal, advisers would not be required to report when funds terminate or materially restrict prime broker relationships for ordinary course business reasons and would limit reporting to prime broker terminations or material restrictions that we believe are most clearly linked to potential fund stress and resulting systemic risk.

We also believe it is appropriate to leverage prime broker agreements to capture termination events that indicate stress at a fund. These agreements typically contain provisions, the violation of which may indicate stress at a fund, but may not as a matter of industry practice be immediately enforced resulting in the termination of the agreement or relationship between the prime broker and the reporting fund.<sup>97</sup> In our experience we believe it is important to capture circumstances in which a fund has, for example, repeatedly breached margin thresholds and is technically in default, but the prime broker has not terminated the relationship, and at a later date asks the fund to find prime brokerage services elsewhere. Accordingly, the item will also require

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<sup>97</sup> Similarly, we requested comment on prime broker agreements, specifically whether the agreements include termination events related to net asset value triggers. We did not receive specific comments on whether prime broker agreements specifically include termination events related to net asset value triggers. We do not believe it is necessary to include specific references to terminations related to net asset value triggers in the prime broker current report because, in our experience, net asset value triggers are included in some agreements already, but may not be used in many agreements depending upon the types of fund and strategies involved.

an adviser to report a termination of the relationship between the prime broker and the reporting fund if the relationship between the prime broker and the reporting fund was terminated in the last 72 hours or less in accordance with the section 5 current reporting period, and a “termination event” was activated in the prime brokerage agreement, or related agreements, within the last 12 months.<sup>98</sup> By leveraging the prime broker agreement, or other related agreements with termination events in the trigger for reporting, we will capture non-routine terminations that may be indicative of stress at a fund including, for example certain “key man” provisions, like the departure of a manager. While funds and their prime brokers might terminate their relationship over ordinary business terms, this current report will capture terminations or material restrictions that might indicate more serious issues for a fund. Lastly, this current reporting event is tied to termination events that may have been triggered in the past 12 months in recognition that a termination may take time to become finalized after a termination event was activated.

This current report will allow the Commission and FSOC, for example, to assess whether a particular termination would have a greater or lesser impact on the broader market or on investors and better understand what potentially caused the termination. Though some commenters stated the prime broker current report was duplicative of the margin default current report, we continue to believe that a prime broker-specific question is necessary in addition to the margin default current report because prime broker terminations may signal stress that did not lead to a margin default or may indicate other potential investor protection issues.

Terminations or material restriction of a reporting fund’s prime brokerage relationships of this type may signal that the fund or the brokers with whom the fund transacts are

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<sup>98</sup> Under this reporting item the 72-hour time period within which an adviser must report would begin to run upon the occurrence of the termination or a material restriction or when the adviser reasonably believed such an event occurred.

experiencing stress and may be subject to an increased risk of default or, in the case of the reporting fund, potential liquidation. In addition, a prime broker that is no longer willing to provide services to a fund client could be apprehensive of a fund's investment positions or trading practices and may consider the fund to be an unacceptable risk as a counterparty. Therefore, material restrictions upon such relationships may indicate potential stress at the fund that may have implications for investor harm and broader systemic risk concerns. In a modification from the proposal, the prime broker reporting item will require an adviser to provide the date of the termination or material restriction, the date of the termination event(s) if different, and the legal name and LEI (if any) of the prime broker involved. We are not adopting the check boxes that we proposed, because they are no longer needed in light of the narrower focus of the report on terminations or material restrictions. However, the explanatory notes item is available if advisers would like to provide more details. Lastly, the item will include a new note stating that if a prime broker changes the terms of its relationship with the reporting fund in a way that significantly limits the fund's ability to operate under the terms of the original agreement, or significantly impairs the fund's ability to trade, the adviser should consider it a "material restriction" that would require filing of the prime broker current report.<sup>99</sup> We believe this note is necessary to ensure that certain circumstances that amount to an effective "firing" of the fund are captured by the current report. Moreover, in response to commenters that had generally asserted that a "material change" to the prime broker agreement would be difficult to determine when considering filing this item, we are providing this note to provide specificity as to when there is a "material restriction."

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<sup>99</sup> See Form PF section 5, Item F.

## 5. Changes in Unencumbered Cash

In a departure from the proposal, we are not adopting a requirement that an adviser report a significant decline in holdings of unencumbered cash. In the proposal, a current report for changes in unencumbered cash would have been triggered if the value of the reporting fund's unencumbered cash declined by more than 20 percent of the reporting fund's most recent net asset value over a rolling 10-business-day period.

Some commenters supported the inclusion of this item, stating that unencumbered cash was an important metric for understanding hedge fund stability.<sup>100</sup> Other commenters challenged it, primarily on the grounds that it would capture new investments or routine cash movements in certain strategies resulting in some funds filing numerous reports over the course of a year.<sup>101</sup> Another commenter also stated that the definition of “unencumbered cash” in Form PF is inconsistent with how most advisers would calculate unencumbered cash internally.<sup>102</sup> Another commenter stated that the 2022 Form PF Joint Proposing Release's change of the definition of “cash equivalents” that excluded U.S. Treasury securities would create confusion for advisers seeking to comply with an unencumbered cash current report.<sup>103</sup>

We are not adopting this item after considering comments received, including those commenters that stated the unencumbered cash current report may result in a large number of false positives related to certain transactions that occur in the normal course of some strategies. For example, commenters stated that changes in unencumbered cash to purchase highly liquid

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<sup>100</sup> AFREF Comment Letter and ICGN Comment Letter.

<sup>101</sup> *See, e.g.*, AIMA/ACC Comment Letter; SIFMA Comment Letter; IAA Comment Letter; Schulte Comment Letter; TIAA Comment Letter; and MFA Comment Letter.

<sup>102</sup> AIMA/ACC Comment Letter.

<sup>103</sup> *See* MFA Comment Letter (Mar. 16, 2023) (stating that the proposed definition of “cash equivalents” was inconsistent with how financial markets generally and advisers treat short-term Treasury securities for risk management and cash management purposes).

sovereign bonds or to transfer cash between U.S. Treasuries and sovereign debt would result in a fund submitting 30-70 reports a year to the Commission.<sup>104</sup> Though we still believe that unencumbered cash levels could serve as a marker for fund health in periods of market volatility or stress, receiving such a potentially large number of reports annually that may not be indicative of fund stress does not align with our policy goals for current reporting. For example, it may be difficult to distinguish quickly for reporting purposes between increases of unencumbered cash that could be attributable to ordinary course trading activity versus substantial increases or decreases that are a direct result of fund losses or cash transactions that the fund undertook in response to increased market volatility. An additional difficulty is that different types of strategies utilize very different unencumbered cash levels making it difficult to find a single unencumbered cash indicator that is meaningful, without many false positives and negatives. Lastly, other current reporting items, especially the extraordinary loss, margin, and prime broker questions, will provide real time insight into fund stress and hedge fund stability, at which this proposed question was aimed.

## **6. Operations Events**

The proposed operations event current report would have required an adviser to report when the adviser or reporting fund experiences a “significant disruption or degradation” of the reporting fund’s “key operations,” whether as a result of an event at the reporting fund, the adviser, or other service provider to the reporting fund.<sup>105</sup> Under the proposal, key operations would have meant operations necessary for (1) the investment, trading, valuation, reporting, and risk management of the reporting fund; as well as (2) the operation of the reporting fund in

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<sup>104</sup> MFA Comment Letter.

<sup>105</sup> See 2022 Form PF Proposing Release, *supra* footnote 6, at section II.A.1.e.

accordance with the Federal securities laws and regulations. The proposal also would have defined “significant disruption or degradation” to mean a 20 percent disruption or degradation of normal volume or capacity. We are adopting, with certain changes from the proposal, the requirement for an adviser to report when the adviser or reporting fund experiences a “significant disruption or degradation” of the reporting fund’s “critical operations,” whether as a result of an event at the reporting fund, the adviser, or other service provider to the reporting fund.<sup>106</sup> As discussed below, in light of comments received, we are not adopting the proposed 20 percent threshold for the “significant disruption or degradation” definition.

We continue to believe that an operations event involving a qualifying hedge fund could have systemic risk implications if the fund is not able to trade as a result of such an event. In addition, notice of operations events from multiple advisers could provide an early indicator of market-wide operations events to both the Commission and FSOC. Such events could include a service provider outage that may affect the ability of multiple funds to trade, leading to negative implications for those funds’ investors and broader systemic risks.

Some commenters generally supported the Commission’s receiving current reports about operations events that affected private fund advisers, their funds, and their service providers.<sup>107</sup> For example, one commenter stated that operations events should be the subject of reporting because they can have systemic risk implications while also supporting the Commission’s policy goal of investor protection.<sup>108</sup> Others took issue with the proposal defining a “significant disruption or degradation” as a “20% disruption or degradation of normal volume or capacity,” generally arguing that quantifying the scale of a disruption would be both difficult and

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<sup>106</sup> See Form PF section 5, Item G. The Operations Events report was initially proposed as Item H.

<sup>107</sup> AFREF Comment Letter and ICGN Comment Letter.

<sup>108</sup> See CRINDATA Comment Letter.

operationally burdensome.<sup>109</sup> Some commenters indicated that the operations event item would be too difficult to respond to in one day under what may be potentially difficult operational circumstances in which the origin of the problem may still be undiscovered.<sup>110</sup> One commenter objected to the inclusion of service providers in the item, stating that naming a service provider in a filing to the Commission could violate confidentiality agreements or open the adviser or fund to legal liability from their service providers.<sup>111</sup> Other commenters stated that we should only require reporting in the event that an adviser initiated a disaster recovery or business continuity plan.<sup>112</sup> Some commenters questioned whether Form PF was the appropriate place for operations event reporting, stating that the Form PF operations event item may potentially conflict with, or be duplicative of, the Commission’s proposal relating to cybersecurity risk management.<sup>113</sup> One such commenter asserted that the operations item’s timing for reporting conflicted with the Commission’s recent cybersecurity proposal and also did not properly reflect the dichotomy between adviser and fund-level events, stating that events involving severe weather or cybersecurity issues appear to be adviser-level events as opposed to the other proposed key events, which are all fund-level specific.<sup>114</sup> Another commenter indicated that there were broad trends from other legislative and regulatory initiatives that the Commission

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<sup>109</sup> See, e.g., AIMA/ACC Comment Letter; CRINDATA Comment Letter; ICGN Comment Letter; MFA Comment Letter; IAA Comment Letter; Schulte Comment Letter; and SIFMA Comment Letter.

<sup>110</sup> See, e.g., AIMA/ACC Comment Letter; NYC Bar Comment Letter; and IAA Comment Letter.

<sup>111</sup> AIMA/ACC Comment Letter.

<sup>112</sup> See, e.g., Schulte Comment Letter; IAA Comment Letter; and MFA Comment Letter.

<sup>113</sup> See generally AIMA/ACC Comment Letter; USCC Comment Letter; Comment Letter of CRINDATA, LLC (Mar. 21, 2022) (“CRINDATA Comment Letter”). See Cybersecurity Risk Management for Investment Advisers, Registered Investment Companies, and Business Development Companies, Advisers Act Release No. 5956 (Feb. 9, 2022) [87 FR 13524 (Mar. 9, 2022)].

<sup>114</sup> AIMA/ACC Comment Letter, at 25 (stating that in another Commission proposal, Cybersecurity Risk Management, Strategy, Governance, and Incident Disclosure, certain advisers are required to disclose information, on amended Form 8-K, about a cybersecurity incident within four business days after it has determined that it has experienced a material cybersecurity incident).

should draw from in its approach to operations event reporting to help ensure Commission reporting works consistently with these other requirements.<sup>115</sup> The same commenter requested that, if the Commission adopted the operations report, it provide an additional mechanism to provide updates on the status of the significant disruption or degradation so as to provide ongoing details and eventual notice to the Commission and FSOC of the event’s resolution.

In response to comments, we are adopting much of the operations event current report as proposed, but are making two modifications: (1) re-titling “key operations” to be “critical operations”; and (2) not adopting the definition of a “significant disruption or degradation” which contained the 20 percent threshold. In response to commenter concerns that the operations item may be conflating adviser and fund-level events, we believe that the check boxes and associated reporting fund census data collected from Item A of the current report will allow us to properly determine whether this is an adviser-wide issue or fund-specific. We believe it is important to include adviser events in the operations report, because it will allow the Commission and FSOC to determine quickly whether all, or just some, of an adviser’s funds or other systems are significantly disrupted or degraded. Moreover, we believe that by including the adviser and the reporting fund in the current report, the report will be more tailored and capture situations in which only certain of an adviser’s reporting funds will have suffered a significant disruption or degradation. For example, this could include a situation in which only one of an adviser’s funds are impacted by an outage at a pricing provider that values certain asset

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<sup>115</sup> See CRINDATA Comment Letter. The letter discussed the recent enactment of the Cyber Incident Reporting for Critical Infrastructure Act of 2022 (“CIRCA”). See Cyber Incident Reporting for Critical Infrastructure Act of 2022, H.R. 2471, 116th Cong. (2022). The letter also discussed the 2021 Department of the Treasury and banking regulators rule. See Office of the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, and the Federal Deposit Insurance Corp., *Computer-Security Incident Notification Requirements for Banking Organizations and Their Bank Service Providers* (Nov. 18, 2021) [86 FR 66424 (Nov. 23, 2021)].

types specific to that fund's portfolio. In addition, we acknowledge that there are other government cybersecurity initiatives and our own proposed cybersecurity rulemaking as raised by commenters.<sup>116</sup> However, this reporting requirement relates to operations events that go beyond cybersecurity, and receiving such private fund specific operations event reporting with this particularity will inform the FSOC's and Commission's assessment of systemic risk and investor protection efforts.

In response to commenters' concerns that operations events may be difficult both to discern and accurately report within one business day, we are, as discussed above, extending the reporting period from one business day to as soon as reasonably practicable, but no later than 72 hours upon the occurrence of the event. In such circumstances, with this additional time, an adviser likely will be able to ascertain more information about the operations event and its impact(s) on the reporting fund. As a result, and to alleviate commenter concerns, the report will serve as an expedient means of notifying the Commission and FSOC with salient information about potential stress events rather than an alert that would need to be updated.

While some commenters stated that naming a service provider in operations reporting could open a fund or adviser to liability, we believe that identifying which service provider is contributing to the impairment of a reporting fund's operations may have implications for other advisers and funds that utilize the same service provider, the identification of which is critical for FSOC's ability to monitor systemic risk.<sup>117</sup> Moreover, Form PF is a non-public confidential reporting form, and any current reports identifying service providers involved in an operations event would be reported on a confidential basis.

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<sup>116</sup> See *supra* footnote 113.

<sup>117</sup> AIMA/ACC Comment Letter.

We are not triggering an operations current report only upon the initiation of a business continuity or disaster recovery plan as there are certain internal operations scenarios that may be indicative of fund stress, but may not necessarily cause an adviser to initiate firm-wide disaster or business continuity plans.<sup>118</sup> For example, there are situations that do not involve natural disasters or force majeure events, but involve more isolated adviser or fund specific events that would not trigger a business continuity plan like when certain key persons that are integral to certain of a fund’s operations or certain trading systems or software are unavailable and the adviser or fund is unable to perform its critical operations without them. The current report will include, as proposed, the check the box reporting to indicate whether the adviser has initiated a disaster recovery or business continuity plan relating to the operations event as this will provide greater context to the nature of the operations event and its impact on the adviser and fund.

Rather than “key operations,” in a change from the proposal, we will use a different term, “critical operations,” but maintain substantially the same underlying definition that we had proposed. “Critical operations” better reflects the nature and types of events for which we seek reporting. For this purpose, critical operations are operations necessary for (1) the investment, trading, valuation, reporting, and risk management of the reporting fund; or (2) the operation of the reporting fund in accordance with the Federal securities laws and regulations.<sup>119</sup> In response

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<sup>118</sup> One commenter stated that a business continuity plan would not appear to be a good proxy for receiving information sought by the operations event report. *See* CRINDATA Comment Letter.

<sup>119</sup> While the proposed definition of “key operations” included operations that are “necessary for (1) the investment, trading, valuation, reporting, and risk management of the reporting fund; *and* (2) the operation of the reporting fund in accordance with the Federal securities laws and regulations” (emphasis added), the Commission intended for each provision of the definition to be considered a key operation. *See* 2022 Form PF Proposing Release, *supra* footnote 6, at n.39 and accompanying text (“Key operations means, for this purpose, operations necessary for (1) the investment, trading, valuation, reporting, and risk management of the reporting fund; *as well as* (2) the operation of the reporting fund in accordance with the Federal securities laws and regulations” (emphasis added)). Accordingly, we are clarifying the definition of “critical operations” by defining the term as operations “necessary for (1) the investment, trading, valuation, reporting, and risk management of the reporting fund; *or* (2) the operation of the reporting fund in accordance with the Federal securities laws and regulations” (emphasis added). *See* Form PF Glossary.

to commenters' concerns about the practicality of the 20 percent threshold, we are not adopting the definition of a "significant disruption or degradation" which contained the threshold. After considering comments, we understand there may be circumstances where it would be difficult to quantitatively measure disruptions in critical operations. While we are not adopting the numeric threshold, we continue to believe that, in circumstances where operations are reasonably measurable, a 20 percent disruption or degradation of normal volume or capacity generally might be indicative of the types of stress for which reporting may be necessary. We understand that many large hedge fund advisers maintain sophisticated back office operations, or already engage service providers that reasonably would be able to measure whether an event has impaired their critical operations beyond a 20 percent threshold. For example, in most cases, operations event reporting would likely be required if a software malfunction at the adviser disrupted the trading volume of a reporting fund by 20 percent or more of its normal capacity. This item will require reporting in cases where an adviser's ability to value the fund's assets is significantly disrupted or degraded, for example, in connection with operational issues at a service provider. As another example, events such as a severe weather event causing wide-spread power outages that significantly disrupt or degrade critical operations also would require reporting.

As proposed, the operations event current report will require the date of the operations event (or an estimate of when it occurred), and the date the operations event was discovered. Also largely as proposed, the operations event current report will require the adviser to provide additional information concerning its current understanding of the circumstances relating to the operations event and its impact on the normal operations of the reporting fund using check

boxes.<sup>120</sup> These include whether: (1) the event occurred at a service provider;<sup>121</sup> (2) the event occurred at a reporting fund or reporting fund adviser or a related person; (3) the event is related to a natural disaster or other force majeure event; or (4) an unlisted “other” event occurred for which the adviser will be required to provide further information in the explanatory notes item.<sup>122</sup> In addition, this current report would require an adviser to indicate whether it has initiated a business continuity plan relating to the operations of the adviser or reporting fund as we believe this may provide additional appropriate context to the operations event.

As proposed, the operations event current report also will require the adviser to check a box to describe its current understanding of the impact of the operations event on the normal operations of the reporting fund, including whether the event resulted in the disruption or degradation of: (1) trading of portfolio assets; (2) the valuation of portfolio assets; (3) the management of the reporting fund’s investment risk; (4) the ability to comply with applicable laws, rules, and regulations; or (5) any “other” type of operational impact than those outlined, which an adviser is required to explain further in the separate explanatory notes item. We continue to believe that these explanatory check boxes, along with the separate explanatory notes item should advisers need to provide more detailed reporting, will provide appropriate context to current reports filed for operations events and allow the Commission and FSOC to evaluate quickly the potential level of risk to funds, advisers, and their service providers.

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<sup>120</sup> Form PF section 5, Item H, Questions 26 through 28.

<sup>121</sup> If the event occurred at a service provider, an adviser also must report the legal name of the service provider; the service provider’s LEI, if any; and the types of services provided by the service provider.

<sup>122</sup> As noted above, in a change from the proposal we are requiring advisers that check “other” to provide an explanation of their use of other in the explanatory notes section to provide additional context to their current report.

## **7. Large Withdrawal and Redemption Requests, Inability to Satisfy Redemptions, or Suspensions of Redemptions**

We are adopting, largely as proposed, reporting for large withdrawal and redemption requests, inability to satisfy redemptions or withdrawals, and suspensions of redemptions or withdrawals.<sup>123</sup> These current reports will provide more detailed and timely information to the Commission and FSOC indicating the potential for investor harm, forced selling in liquidations, or broader systemic risk.

### **a. Withdrawal and Redemption Requests**

We are adopting the large withdrawals and redemptions current report, largely as proposed. The current report will require an adviser to report if the fund receives cumulative requests for withdrawals or redemption exceeding 50 percent of the most recent net asset value (after netting against subscriptions or other contributions from investors received and contractually committed).<sup>124</sup> We believe that the obligation to redeem sizable withdrawal or redemption requests of 50 percent or more of a reporting fund's most recent net asset value, despite pre-existing gates or limitations, may present significant risks to the fund and increases the risk that it may be forced to liquidate assets (potentially at lower prices), disproportionately penalizing non-redeeming investors, and potentially impacting markets more broadly.<sup>125</sup>

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<sup>123</sup> See Form PF, section 5 Items H and I.

<sup>124</sup> As with the proposed use of “most recent net asset value” in other circumstances described above, this measure could result in over-reporting or under-reporting, but we believe that a simple to determine measure would ease the monitoring and reporting burden for advisers. In addition, the option for an adviser to add explanatory notes to its current report to explain the circumstances surrounding the redemptions mitigates these concerns.

<sup>125</sup> See George O. Aragon, Tolga Ergun, Mila Getmansky & Giulio Girardi, *Hedge Funds: Portfolio, Investor, and Financing Liquidity*, DERA White Paper (May 17, 2017), available at [https://www.sec.gov/files/dera\\_hf-liquidity.pdf](https://www.sec.gov/files/dera_hf-liquidity.pdf) (discussing hedge fund liquidity and the impact of redemptions).

Some commenters supported reporting for large withdrawal or redemption requests of 50 percent or more,<sup>126</sup> while another commenter felt it was an arbitrary and unsupported.<sup>127</sup> Others stated that withdrawals or redemptions of this magnitude may occur in the ordinary course, and the 50 percent threshold might therefore produce “false positives” in certain cases, such as single investor funds with large institutional investors, changes in client preference or commercial considerations, or scheduled structured withdrawals or redemptions.<sup>128</sup> One commenter believed that the current reporting event should have a minimum \$1 billion threshold, asserting that \$250 million in redemptions for a minimally sized \$500 million qualifying hedge fund is a relatively low number of systemic risk monitoring.<sup>129</sup> This commenter also suggested this reporting trigger not disregard any pre-existing gates or limitations as these often serve to prevent sudden large redemptions and such reports will significantly distort the risk posed by notified redemptions. The same commenter also asserted that the redemptions current report did not address the mismatch in timing between redemption requests, which are normally given anywhere from 30 to 90 days before the applicable redemption date, and subscriptions, which are usually contracted for in the two to five day period prior to the subscription date meaning that advisers would not be able to net subscriptions against redemption requests before having to report.<sup>130</sup>

We are maintaining the 50 percent threshold, as proposed. We continue to believe, and some commenters support, that funds receiving such large withdrawal or redemption requests in

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<sup>126</sup> AFREF Comment Letter (stating that by some estimates redemption requests leading up to the financial crisis indicated that a quarter of the hedge fund industry sold 40% or more of their equity portfolios and the average hedge fund during that time sold about 30% of its equity portfolio).

<sup>127</sup> AIMA/ACC Comment Letter.

<sup>128</sup> *See, e.g.*, AIMA/ACC Comment Letter; SIFMA Comment Letter; MFA Comment Letter; and NYC Bar Comment Letter.

<sup>129</sup> MFA Comment Letter.

<sup>130</sup> MFA Comment Letter.

between routine quarterly reports on Form PF may be subject to increased selling and liquidity pressures that could be particularly harmful to investors and may contribute to the potential for broader market implications, especially if the fund is invested in illiquid assets and engages in a fire sale of assets.<sup>131</sup> The 50 percent threshold represents what we believe is well accepted as a substantial withdrawal that could threaten the fund's health and potentially markets if it requires substantial portfolio sales. Indeed, one commenter that disagreed with the scope of the withdrawal and redemptions event for the assessment of systemic risk acknowledged such a withdrawal could indicate a run on a fund or stress at a particular fund.<sup>132</sup> Another commenter stated that substantial redemptions at a fund could signal that external or internal events are causing investors to lack confidence in the fund's adviser and that, if the fund is not able to handle the redemptions without selling assets, other investors that remain in the fund could be seriously harmed.<sup>133</sup> Moreover, we do not believe that this item should have a \$1 billion floor as substantial withdrawals from multiple qualifying hedge funds could indicate systemic risk that we believe warrants monitoring even if such withdrawals are less than \$1 billion at an individual qualifying hedge fund. We designed this item to capture large dollar-value redemption requests and avoid capturing routine redemptions in the ordinary course.

We considered the comment that this reporting item should not disregard pre-existing gates or other liquidity limitations. However, requests for redemptions of this size can have impacts despite liquidity limitations. For example, if it is public knowledge that a fund is facing large redemptions, other investors may submit withdrawals, which will pressure a gated fund to

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<sup>131</sup> AFREF Comment Letter. *See also* MFA Comment Letter. MFA noted that subject to certain conditions it supported the 50% withdrawal threshold, but that there should be a minimum dollar threshold of \$1 billion to trigger reporting.

<sup>132</sup> NYC Bar Comment Letter.

<sup>133</sup> ICGN Comment Letter.

liquidate or lead to a flood of asset sales once the gate is lifted due to pent up redemption pressures. If an adviser believes a report may be a “false positive” and the large withdrawals are occurring in the ordinary course of business for the fund, advisers may indicate the circumstances behind the large withdrawal(s) in the explanatory notes item. In addition, an event that one fund may consider a “false positive” may be more systemically significant if the conditions triggering it are amassed across a number of qualifying hedge funds. Commenters stated that a mismatch in timing between redemption requests and subscriptions could distort reporting of this item, but withdrawals or redemptions in excess of 50 percent in spite of subscriptions would still be a notable event for which notice would provide the Commission and FSOC with important insight.<sup>134</sup> Based on the above, timely notice of such events in this current report will allow the Commission and FSOC to analyze the potential implications for the fund’s investors and systemic risks should such withdrawals or redemptions precipitate large-scale liquidations.

Under the withdrawals and redemptions current report, an adviser will enter: (1) the date on which the net redemption requests exceeded 50 percent of the most recent net asset value; (2) the net value of redemptions paid from the reporting fund between the last data reporting date (the end of the most recently reported fiscal quarter on Form PF) and the date of the current report; (3) the percentage of the fund’s net asset value the redemption requests represent; and (4) whether the adviser has notified the investors that the reporting fund will liquidate.

**b. Inability to Satisfy Redemptions or Suspension of Redemptions**

We are adopting, largely as proposed, the requirement for an adviser to report if a qualifying hedge fund is unable to satisfy redemptions, or suspends redemptions for more than

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<sup>134</sup> MFA Comment Letter.

five consecutive business days. We have modified the form text from the proposal to state that an adviser would report in either of two cases: if the reporting fund (1) is unable to pay redemption requests, or (2) has suspended redemptions and the suspension lasts for more than 5 consecutive business days. One commenter stated that the proposed item was indicative of significant distress that could potentially lead to counterparty losses and that the five consecutive business day qualification period would appropriately limit reporting of temporary redemption suspensions that would have less of an impact on investors or the broader market.<sup>135</sup> Another commenter suggested that the trigger for reporting a failure to pay redemption requests should be five days following the due date specified for payment of redemption proceeds under a fund's governing documents and that hedge funds typically have a specified timeframe for paying redemption requests, and a filing should be triggered under this current report only after this timeframe has passed if a redemption remains unsatisfied.<sup>136</sup>

This reporting item will help the Commission and FSOC identify stress at a reporting fund and evaluate the effects of these circumstances on fund investors and the markets more broadly. We recognize that redemptions are governed by preexisting terms and conditions outlined in fund contracts and governing documents. However, we are not modifying the item in response to commenters stating that reporting should be triggered only after the period specified for payment of redemption proceeds under a fund's governing documents because reporting should be based on whether, as a factual matter, the fund has suspended redemptions for a period of five consecutive business days or not. The reporting of inability to satisfy redemptions or a prolonged suspension of redemptions will provide a potential early warning of the fund's

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<sup>135</sup> AIMA/ACC Comment Letter.

<sup>136</sup> MFA Comment Letter.

liquidation and potentially allow the Commission or FSOC to analyze or respond to any perceived harm to investors or systemic risks on an expedited basis before they worsen. The five consecutive business day period for suspensions is properly balanced so as to limit reporting of temporary redemption suspensions that we believe have less of an impact on investors or the broader market. Under this current report, the adviser is required to report: (1) the date the reporting fund was unable to pay redemption requests or suspended redemptions; (2) the percentage of redemptions requested and not yet paid; and (3) whether the adviser has notified the investors that the reporting fund will liquidate.

## **8. Explanatory Notes**

We are adopting the explanatory notes item, largely as proposed. This item will allow an adviser to provide a narrative response if it believes that additional information would be helpful in understanding the information reported in the current report(s). Current reports may benefit from additional context so that the Commission and FSOC can effectively evaluate them. This approach is consistent with other current reports filed with the Commission, where registrants have requested the flexibility to provide additional narrative information relating to the circumstances surrounding the current report.<sup>137</sup>

There were limited comments on this item. One commenter stated that this information would be helpful in understanding the information reported in response to any item in section 5, but that it is unlikely to be helpful if operations events do not require additional elaboration in the narrative response section.<sup>138</sup> As discussed above, we believe the operations event and its underlying reporting fields will capture enough data so as to enable the Commission and FSOC

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<sup>137</sup> See Part H of Form N-RN.

<sup>138</sup> CRINDATA Comment Letter.

to assess the event properly in circumstances where advisers do not think a narrative response would be helpful. However, in certain circumstances where advisers check an “other” box we are now requiring advisers to provide an additional explanation in the explanatory notes section. We believe that requiring additional context for the “other” items will allow the Commission and FSOC to assess current reports, and especially the operations event item, more readily. As reporting under this section is largely optional outside of instances where they check “other”, commenters will not need to respond to this item if additional elaboration is not helpful. The same commenter also stated that subsequent updates to the current report should provide more detail, including when the event is resolved. We are not, however, adopting a follow-up option for operations event reports as these current reports’ primary purpose is advance notice of a potential systemic risk event or potential harm to investors.

#### **B. Quarterly Private Equity Event Reports for All Private Equity Fund Advisers**

In a change from the proposal, we are modifying section 6 of the proposed Form PF to be filed on a quarterly basis rather than on a current basis and moving one of the proposed private equity event reports to annual reporting in section 4.<sup>139</sup> Under the proposal, private equity adviser current reporting events included: (1) execution of an adviser-led secondary transaction, (2) implementation of a general partner or limited partner clawback, and (3) investor election to remove a fund’s general partner or to terminate a fund’s investment period or a fund. We will require reporting of the adviser-led secondaries event and the investor election to remove a fund’s general partner or to terminate a fund’s investment period or a fund event, but in a change

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<sup>139</sup> All private equity advisers will need to report if any of these events occurred during the applicable quarter for each private equity fund they advise. Private equity fund advisers must only report each instance of a reporting event once on the section 6 filing that covers the quarter in which such instance occurred. It is not necessary to report the same instance of a reporting event again on future section 6 filings.

from the proposal, we are moving the general partner or limited partner clawbacks event to section 4, where it will be reported on an annual basis with the other large private equity fund adviser reporting.<sup>140</sup> The section 6 reports will be termed “private equity event reports” and advisers will file these reports within 60 days after the end of their fiscal quarters.<sup>141</sup> If a private equity event did not occur during a particular quarter, then an adviser would not be required to file a section 6 report for that quarter. Receiving this information on a quarterly basis will provide timely notice of these private equity events and important information for the Commission’s regulatory programs, including examinations, investigations, investor protection efforts, and policy relating to private fund advisers. It also will improve the Commission and FSOC’s ability to evaluate material changes in market trends at the reporting funds by providing information on certain events that could significantly affect both investors and markets more broadly.

Some commenters agreed that collecting this information from all private equity fund advisers would be beneficial<sup>142</sup> by, for instance, providing meaningful information to the Commission’s oversight efforts<sup>143</sup> and improving the Commission’s and FSOC’s ability to react to market events.<sup>144</sup> Other commenters argued that the proposal did not sufficiently demonstrate how this information is connected to systemic risk<sup>145</sup> or how the Commission would use this information to uphold investor protection.<sup>146</sup> One commenter stated that there was little

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<sup>140</sup> See discussion *infra* in section II.D.1.

<sup>141</sup> See Form PF Glossary (definition of “private equity event reports”).

<sup>142</sup> See, e.g., ILPA Comment Letter; ICGN Comment Letter; and Comment Letter of the Private Equity Stakeholder Project (Mar. 21, 2022) (“PESP Comment Letter”).

<sup>143</sup> See ILPA Comment Letter.

<sup>144</sup> See PESP Comment Letter.

<sup>145</sup> See, e.g., AIMA Comment Letter and Schulte Comment Letter.

<sup>146</sup> See, e.g., AIMA Comment Letter; NVCA Comment Letter; and AIC Comment Letter.

justification for one business day reporting for both the adviser-led secondary transactions event and the removal of a general partner, termination of the investment period or termination of a fund event and advocated for extending the time period.<sup>147</sup>

Several commenters asserted that a one-business-day reporting requirement may be unnecessary in certain instances for these private equity event reports. While some commenters recognized the importance of timely reporting through a one-business-day reporting regime for the events set forth in the proposal,<sup>148</sup> a number of other commenters criticized the proposed one-business-day reporting as being unnecessarily onerous.<sup>149</sup> Several commenters requested, as an alternative, an annual reporting requirement for these events.<sup>150</sup> Other commenters supported changing section 6 reporting from current reporting to quarterly reporting if there was an event to report, and that this delay would not diminish the Commission’s ability to investigate and, if appropriate, respond to protect investors.<sup>151</sup> Some commenters stated that some of the reporting events can occur in the ordinary course of business and do not require urgent action.<sup>152</sup>

After considering comments, we are requiring all private equity fund advisers reporting on Form PF to file reports on a quarterly basis upon (1) execution of an adviser-led secondary

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<sup>147</sup> See, e.g., AIMA Comment Letter.

<sup>148</sup> See, e.g., ICGN Comment Letter and PESP Comment Letter. One commenter requested that we consider using calendar days instead of business days to avoid delays in reporting. See Sarah A. Comment Letter.

<sup>149</sup> See, e.g., MFA Comment Letter and AIC Comment Letter.

<sup>150</sup> See, e.g., Comment Letter of Ropes and Gray LLP (Mar. 21, 2022) (“Ropes & Gray Comment Letter”) (recommending that if the Commission wishes event reporting on adviser-led secondaries, it be included as part of the regular annual reporting of large private equity advisers on Form PF) and IAA Comment Letter (generally objecting to the reporting of the current event items for private equity fund advisers but saying any reporting of such items should at a minimum be moved to section 4 of Form PF for annual reporting by large private equity fund advisers).

<sup>151</sup> See, e.g., NVCA Comment Letter (suggesting the Commission, instead of requiring current reports for private equity fund advisers, require quarterly event reports filed 60 days after the end of each fiscal quarter if those events occur) and MFA Comment Letter (suggesting quarterly reporting).

<sup>152</sup> *Id.*

transaction, or (2) investor election to remove a fund’s general partner or to terminate a fund’s investment period or a fund, rather than within one business day after a reporting event as proposed.<sup>153</sup> We recognize that removal of a general partner or the termination of a fund’s investment period or a fund may result from a stress event at a fund, but this may not come into effect until after the stress event occurs. For example, we understand that such an event could involve a longstanding decline in performance, a disagreement concerning the direction of the fund, or the replacement of key fund personnel, all of which are events that may have serious implications for investors, but would not necessarily indicate urgent harm or imminent systemic risk that would necessitate a current report. We also acknowledge that some adviser-led secondary transactions, may not inherently indicate that a fund is in urgent distress, and that such transactions do not occur rapidly, thus creating less of a need for a current report.<sup>154</sup> We remain concerned, however, that some of these events, which include a higher potential for conflicts of interest or fund distress generally may signal an investor protection issue at a particular fund. Moreover, these reports will enable the Commission to assess trends in these reporting events that may signal the exacerbation of conflicts of interest within the private equity industry. Though we are adopting quarterly reporting, we did consider requiring private equity fund advisers to file current reports within 72 hours instead of one business day as proposed. After considering comments, we view these reporting items as likely to reveal trends that emerge more slowly as compared to hedge funds because private equity funds typically invest in more illiquid assets over longer time horizons with more limited redemption rights.<sup>155</sup> Thus, we believe that

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<sup>153</sup> As discussed below, we are requiring reporting of the implementation of a general partner or limited partner clawback on an annual basis from large private equity fund advisers. *See infra* Section II.D.1.

<sup>154</sup> *See, e.g.*, Ropes & Gray Comment Letter and IAA Comment Letter.

<sup>155</sup> *See* discussion *infra* in section IV.B.2.

requiring reporting of these events on a quarterly basis appropriately balances the effects and burdens of imposing these reporting obligations on private equity fund advisers<sup>156</sup> while also enhancing the Commission’s investor protection efforts and FSOC’s ability to monitor for systemic risk.

Both of these reporting triggers are important events for a fund, and each one raises distinct conflicts of interest, which we discuss in greater detail below. As one example, we understand an investor election to terminate a fund’s investment period is often tied to a change in how management fees are calculated for the remainder of the fund’s life. Specifically, following the termination of an investment period, management fees generally “step down” to a percentage of invested capital, rather than a percentage of aggregate capital commitments. An adviser that fails to effectively administer such a change may overcharge management fees—a deficiency that the staff has observed in numerous instances.<sup>157</sup> Requiring reporting of these key events on a quarterly basis will allow the Commission to better identify such events and more carefully evaluate when conflicts of interests may be harming investors. In addition, because removals of general partners, terminations of a fund or its investment period, and adviser-led secondaries represent a significant potential for conflicts of interest and other sources of investor harm, we are not limiting reporting to only large private equity advisers in the annual reporting presented in Section 4. By requiring reporting of these events from all private equity fund advisers the Commission will receive broader reporting coverage of such transactions across the

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<sup>156</sup> See *infra* section IV.C.2 for a more detailed discussion of the changes in these anticipated costs.

<sup>157</sup> Risk Alert, *Observations from Examinations of Private Fund Advisers* (Jan. 27, 2022) available at <https://www.sec.gov/files/private-fund-risk-alert-pt-2.pdf> (noting that EXAMS staff observed private fund advisers that did not follow practices described in fund disclosures regarding the calculation of the fund-level management fee during a private fund’s Post-Commitment Period. EXAMS staff observed that such failures resulted in investors paying more in management fees than they were required to pay under the terms of the fund disclosures).

private equity industry to target its examination program more efficiently and better identify areas in need of more timely regulatory oversight and assessment, which should increase both the efficiency and effectiveness of its programs and, thus, increase investor protection.<sup>158</sup>

A few commenters requested additional private equity current reporting events, including where the adviser has indemnified itself from covering any penalties and/or legal costs and other “for-cause” key events.<sup>159</sup> While these events can be significant for a fund, we do not believe they are as critical for the FSOC to monitor systemic risk or for the Commission’s investor protection efforts and may be difficult to tailor for reporting purposes. Indemnification for penalties and/or legal costs can cover a litany of scenarios. It would likely be difficult to compare a specific indemnification event against another and, as a result, may be hard to determine greater trends in the financial condition of the private equity industry. Similarly, a “for-cause” key event can include a broad range of events that are difficult to compare. Trends in some of these events across large private equity fund advisers may be related to systemic risk and some of these events may relate to investor protection, but some—adviser-specific poor performance, for example—may be idiosyncratic. The reporting triggers we are adopting, on the other hand, are better tailored to our overall policy goals.

Some commenters requested an exception for reporting events that occur in the ordinary course of a private equity fund adviser’s business that are not suggestive of or do not give rise to concerns related to market stress or risks to investors.<sup>160</sup> While we acknowledge that some of these reporting events may not indicate a stress event for an individual fund, monitoring these

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<sup>158</sup> See discussion *infra* at section IV.C.1.b.

<sup>159</sup> See, e.g., ILPA Comment Letter and PESP Comment Letter.

<sup>160</sup> See, e.g., Ropes & Gray Comment Letter and IAA Comment Letter.

events will support the Commission’s investor protection efforts by better informing the Commission’s regulatory programs while assessing trends in the aggregate frequencies of these reporting events across the private equity industry will enhance FSOC’s monitoring of systemic risk. While a single adviser-led secondary transaction may not be significant on its own, an increase in the number of these transactions across the private equity industry could be significant.

### **1. Adviser-Led Secondary Transactions**

We are adopting proposed section 6 Item B, requiring private equity fund advisers to report any adviser-led secondary transactions, but with reporting on a quarterly basis within 60 days of the end of each fiscal quarter.<sup>161</sup> This item requires reporting upon the completion of an adviser-led secondary transaction, including the transaction closing date and a brief description of the transaction. As proposed, we are defining “adviser-led secondary transaction” as any transaction initiated by the adviser or any of its related persons<sup>162</sup> that offers private fund investors the choice to: (1) sell all or a portion of their interests in the private fund; or (2) convert or exchange all or a portion of their interests in the private fund for interests in another vehicle advised by the adviser or any of its related persons.<sup>163</sup> Transactions are only subject to reporting if they are initiated by a private equity fund’s adviser or a related person of the adviser.<sup>164</sup>

Some commenters supported the requirement to report adviser-led secondary transactions, including some that agreed that this reporting requirement will help the

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<sup>161</sup> See Form PF Section 6, Item B.

<sup>162</sup> See Form PF Glossary (definition of “related person”).

<sup>163</sup> See Form PF Glossary (definition of “adviser-led secondary transaction”).

<sup>164</sup> Whether a transaction is initiated by the adviser or its related persons requires a facts and circumstances analysis. However, we generally do not view a transaction to be initiated by the adviser or one of its related persons to the extent the adviser or one of its related persons, at the unsolicited request of an investor, participates in the secondary sale of such investor’s fund interest.

Commission fulfill its investor protection role.<sup>165</sup> Other commenters argued that adviser-led secondary transactions are not historically connected to systemic risk, and that they can represent a strengthening market in certain cases.<sup>166</sup>

We acknowledge that an adviser-led secondary transaction can indicate strength in a particular investment in certain cases. For instance, we understand an adviser-led secondary transaction can be used to extend or add on to a successful investment.<sup>167</sup> Nonetheless, adviser-led secondary transactions typically reflect a deviation from the traditional life cycle of a private equity investment. In some instances, an adviser may use an adviser-led secondary transaction to attempt to restructure an investment portfolio that is struggling.<sup>168</sup> In other instances, an adviser may use an adviser-led secondary transaction to extend an investment beyond the contractually agreed upon term of the fund that holds it.<sup>169</sup> In either case, an adviser-led secondary transaction can have a meaningful impact on the liquidity profile of a private equity investment and/or the private equity fund that held it originally. Additionally, we understand that these transactions may present conflicts of interest that merit timely reporting, particularly those conflicts that arise because the adviser (or its related person) is on both sides of the transaction with potentially different economic incentives.<sup>170</sup> As an example, in the continuation fund context, an investor

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<sup>165</sup> See, e.g., Better Markets Comment Letter and PDI Comment Letter.

<sup>166</sup> See, e.g., AIMA Comment Letter; AIC Comment Letter; and USCC Comment Letter.

<sup>167</sup> See, e.g., Ropes & Gray Comment Letter. See also, GP-led Secondary Fund Restructurings, Considerations for Limited and General Partners, Institutional Limited Partners Association (Apr. 2019), available at <https://ilpa.org/wp-content/uploads/2019/04/ILPA-Guidance-on-GP-Led-Secondary-Fund-Restructurings-Apr-2019-FINAL.pdf>.

<sup>168</sup> See, e.g., Rae Wee, Turnover surges as funds rush to exit private equity stakes, Reuters (Dec. 18, 2022) available at <https://www.reuters.com/business/finance/global-markets-privateequity-pix-2022-12-19/>.

<sup>169</sup> See, e.g., Madeline Shi, Investors up allocation to secondaries as GPs seek alternative liquidity sources, PitchBook (Sep. 15, 2022) available at <https://pitchbook.com/news/articles/investor-secondaries-growth-alternative-liquidity>.

<sup>170</sup> We recognize that other types of conflicted transactions, such as investment-level cross transactions, often

may be forced to liquidate a position it would otherwise wish to retain if it is unable to adequately conduct diligence or negotiate the terms of the continuation fund before its election is due. Requiring quarterly reporting of these complex transactions will allow the Commission to identify when such events have occurred and more carefully evaluate whether conflicts of interests have harmed investors.

Additionally, adviser-led secondary transactions can have implications for systemic risk assessment as they have become increasingly common in the private equity industry in recent years, and therefore could represent changes in the liquidity of the private equity market. For example, to the extent that an upward trend in adviser-led secondary transactions reflects a reduction in the liquidity of the private equity market stemming from private equity fund advisers' inability to sell portfolio companies to third-party buyers (or to sell those companies at existing valuations), transactions of this nature could be an indicator of a deflating investment bubble that may be important in informing systemic risk assessment. This quarterly event reporting will provide the Commission and FSOC with timely data regarding the frequency and circumstances surrounding these transactions and allow the Commission and FSOC to better assess market trends and potential market impacts.

One commenter stated that adviser-led secondary transactions can raise conflicts of interest, but that such conflicts of interest can be mitigated through thoughtful processes, disclosure and investor or advisory board consent where necessary.<sup>171</sup> While thoughtful processes, disclosure and investor or advisory board consent can be helpful, in the Commission's

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raise important conflicts of interest. However, we view adviser-led secondaries as presenting significant, intrinsic conflicts of interest due to their nature as fund-level conflicted transactions that often affect all investor capital in a fund.

<sup>171</sup> See AIMA Comment Letter.

experience, they are not always utilized and, even when used, do not always ameliorate investor protection concerns. For example, it is the Commission's observation that investors are often given very short timeframes in which to choose whether to cash out of their investment or participate in an adviser-led secondary transaction. Investors are not always able to sufficiently diligence the adviser-led secondary transaction before they must decide to whether to commit to it. As another example, some advisers seek advisory board consent for adviser-led secondary transactions, but such advisory boards are comprised of only the largest investors in the fund, and the adviser does not seek consent from the remaining investors. As a result, we believe it is appropriate and necessary to require reporting of adviser-led secondary transactions.

Another commenter suggested an ordinary course exception.<sup>172</sup> Ordinary course adviser-led secondary transactions are just as integral to the Commission's investor protection concerns as they still involve conflicts of interest. They also will be informative to FSOC's and Commission's assessment of systemic risk in monitoring broader liquidity trends in the private equity market.

## **2. Removal of General Partner or Election to Terminate the Investment Period or Fund**

We are adopting the requirement for all private equity fund advisers to report the removal of a general partner or election to terminate the investment period or fund item as an event reporting item, but, in a change from the proposal, advisers will report these events within 60 days after a fiscal quarter-end rather than within one business day. As proposed, this item will require all private equity fund advisers to report when a fund's investors have: (1) removed the adviser or an affiliate as the general partner or similar control person of a fund; (2) elected to

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<sup>172</sup> See IAA Comment Letter.

terminate the fund's investment period; or (3) elected to terminate the fund, in each case as contemplated by the fund documents. This item requires reporting of the effective date of the applicable removal or termination event and a description of such removal or termination event. This required reporting is triggered upon an adviser receiving notification of the investors' election in each case.

Some commenters supported the proposed requirement to report when investors remove a general partner, or elect to terminate an investment period or a fund.<sup>173</sup> Others criticized this reporting requirement as being unrelated to market conditions and/or likely to cause a disproportionate number of false positives.<sup>174</sup>

Investor removal of a general partner or election to terminate a fund's investment period or a fund itself are uncommon events. We understand that, generally, investors would prefer to avoid these actions unless unavoidable because the consequence of each could be damaging to a fund.<sup>175</sup> If a general partner is removed, there will likely be a gap in management of a fund as well as the risk that a new general partner may not be able to manage the fund as effectively. If investors elect to terminate the investment period of a fund or the fund itself, the entire investment strategy and planning of the fund can be disrupted and could indicate the occurrence of investor harm at the fund or other ongoing risks to investors. A collective increase in the number of any or all of these events occurring also could indicate a risk of market deterioration, particularly given the broader market impact of individual private equity funds due to the increase in the median fund size for the private equity asset class and rise in larger private equity

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<sup>173</sup> See, e.g., AFREF Comment Letter and Public Citizen Comment Letter.

<sup>174</sup> See, e.g., AIC Comment Letter; AIMA Comment Letter; and MFA Comment Letter.

<sup>175</sup> See, e.g., LPs Vote to Boot GP from Debut Fund, but the Real Challenge Lies Ahead, Buyout Insider (July 27, 2021) available at <https://www.buyoutsinsider.com/lps-vote-to-boot-gp-from-debut-fund-but-the-real-challenge-lies-ahead/>.

funds.<sup>176</sup> If the general partner of a large buy-out fund is removed, it could also increase risk for its portfolio companies if the adviser is no longer as willing to insert equity capital when needed. Requiring reporting of these events will provide the Commission and FSOC with notification of this event (of which we might otherwise be unaware at the time it is initiated), and allow for better evaluation and monitoring.

Furthermore, these trigger events are all indicative of critical circumstances for conflicts of interest that present increased risks to investors. Removal of a general partner presents an inherent conflict for private equity fund advisers. An election to terminate an investment period of a fund or a fund itself has numerous consequences for investors, such as changes to management fees and liquidation requirements, and the staff has often had insufficient visibility into these activities by private equity fund advisers, which may pose risks to fund investors.<sup>177</sup> Requiring reporting of these events will allow the Commission to identify such events and any associated investor protection concerns better, including by more carefully evaluating the inherent conflicts of interests that these events represent.

We recognize, however, that these events likely do not create the type of urgent distress that would necessitate current reporting, as we had proposed. We understand that these decisions are not arrived at suddenly and that the assets of the fund will still be held for a significant period of time if the fund is wound down. Thus, we believe that requiring reporting of these events on a quarterly basis appropriately balances the effects and burdens of imposing these reporting

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<sup>176</sup> See Private Market Mega-Funds Raise More than \$329B in 2021, PitchBook (Dec. 14, 2021) (“Pitchbook Article”), available at <https://pitchbook.com/news/articles/2021-largest-mega-funds-private-equity>.

<sup>177</sup> For example, we are aware that there have been instances where management fees were overcharged after certain triggering events like the write-off of specific portfolio investments. See, e.g., *In the Matter of ECP Manager LP*, Investment Advisers Act Release No. 5373 (Sep. 27, 2019) (settled action) (alleging that private equity fund adviser failed to apply the management fee calculation method specified in the limited partnership agreement by failing to account for write downs of portfolio securities causing the fund and investors to overpay management fees).

obligations on private equity fund advisers<sup>178</sup> while also enhancing the Commission’s investor protection efforts and FSOC’s ability to monitor for systemic risk.

Several commenters suggested limiting reporting for termination of a fund’s investment period to “for cause” terminations only.<sup>179</sup> We understand that general partner removals and investor elections to terminate a fund’s investment period or a fund are typically associated with a serious conflict between investors and the adviser or between different members of the adviser.<sup>180</sup> While not all instances of these events may be strictly “for cause,” they all represent serious departures from ordinary course operations. Additionally, we are not requiring reporting for *all* terminations of a fund’s investment period or of a fund. Rather, we are only requiring reporting when *investors elect* to terminate a fund’s investment period or a fund. We believe that events of this nature are rare, and accordingly, reporting will also be rare.

Similar to the explanatory notes item that we are adopting in section 5 for current reporting by large hedge fund advisers to qualifying hedge funds, section 6, Item D, will allow an adviser to provide an optional narrative response if it believes that additional information is helpful in explaining the circumstances of events reported in section 6. We proposed including an optional explanatory note question in the proposed Section 6, Item E as part of the current reports for private equity fund advisers. Since this explanatory note question is optional, we think it is appropriate to give private equity fund advisers the opportunity to provide any explanatory notes for section 6 quarterly reporting that they deem helpful. We did not receive

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<sup>178</sup> See *infra* section IV.C.2 for a more detailed discussion of the changes in these anticipated costs.

<sup>179</sup> See, e.g., MFA Comment Letter and NVCA Comment Letter.

<sup>180</sup> In our experience, advisers sometimes pursue these actions when there is disagreement between different investment professionals at an adviser that wish to separate their businesses. For example, one of these individuals may remain associated with the fund through a new general partner entity while the other individual leaves the adviser entirely.

specific comments on whether to include this section to allow an adviser to provide an optional narrative response. We continue to believe this will allow an adviser the ability to provide additional, helpful information where necessary.

### **C. Filing Fees and Format for Reporting**

Consistent with the proposal, we are requiring large hedge fund advisers to file current reports and private equity advisers to file quarterly private equity event reports through the same non-public filing system they use to file the rest of Form PF, the Private Fund Reporting Depository (“PFRD”).<sup>181</sup> Large hedge fund advisers will file current reports on section 5, and all private equity advisers will file event reports on section 6 of Form PF. Filers will not submit any other sections of Form PF at the time a either of these reports is filed. This requirement is designed to facilitate reporting of clear information in an efficient manner. Under the rule, advisers filing reports on section 5 and 6 are required to pay to the operator of PFRD fees that have been approved by the SEC. The SEC in a separate action will approve filing fees that reflect the reasonable costs associated with the filings and the establishment and maintenance of the filing system.<sup>182</sup> Advisers also will be able to amend their section 5 and 6 reports if they discover that information they filed was not accurate at the time of filing.<sup>183</sup>

One commenter stated that it could be counterproductive to require an adviser to pay a fee to report a potential operations event.<sup>184</sup> However, this approach is consistent with

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<sup>181</sup> See Instruction 12. See also rule 17 CFR 275.204(b)-1.

<sup>182</sup> See section 204(c) of the Advisers Act.

<sup>183</sup> Consistent with the current instructions for other types of Form PF filings, large hedge fund advisers are not required to update information that they believe in good faith properly responded to Form PF on the date of filing even if that information is subsequently revised for purposes of recordkeeping, risk management or investor reporting (such as estimates that are refined after completion of a subsequent audit). This requirement is designed to provide advisers with a way to correct current reports, just as all advisers can correct other types of Form PF filings. See Instruction 16.

<sup>184</sup> See CRINDATA Comment Letter.

established Form PF requirements, and we have not observed a correlation between filing fees and lower levels of filing Form PF in the past. Filing fees also support the system for Form PF filing, including cybersecurity and other technological supports, which we believe benefits filers.

#### **D. Large Private Equity Fund Adviser Reporting**

We are amending the requirements relating to reporting by large private equity fund advisers in section 4 of Form PF to: (1) add certain questions that are designed to improve FSOC’s ability to monitor systemic risk and FSOC’s and the Commission’s ability to evaluate material changes in market trends at the reporting funds; and (2) add new questions designed to enhance our understanding of certain practices of private equity fund advisers and amend certain existing questions to improve data collection.<sup>185</sup>

This reporting also will improve FSOC’s ability to monitor systemic risk and the Commission and FSOC’s ability to evaluate material changes in market trends at the reporting private equity funds by providing information on certain events and developments that could significantly affect both investors and markets more broadly. Reporting of this type on an annual basis by the largest private equity fund advisers has become increasingly important as private equity has continued to grow over the last decade and become a significant part of the economy and financial markets. Investors are increasingly exposed to the private equity industry as many pension funds and other institutional investors have allocated more assets to private equity investments. The number of investors<sup>186</sup> and median fund size<sup>187</sup> of private equity funds has

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<sup>185</sup> Consistent with the proposal, Item B is being split into three new items to be designated new Item B “Certain information regarding the reporting fund,” new Item C “Reporting fund and controlled portfolio company financing,” and new Item D “Portfolio company investment exposures.”

<sup>186</sup> Since 2013, the number of private equity funds has more than doubled from under 7,000 to nearly 19,000, private equity fund gross assets have quadrupled from \$1.6 trillion to \$6.4 trillion, and private equity fund net assets have also nearly quadrupled, increasing from \$1.5 trillion to \$5.7 trillion. *See* Private Funds Statistics, *supra* footnote 4.

<sup>187</sup> *See* Pitchbook Article, *supra* footnote 176.

increased. The number of larger private equity funds has risen.<sup>188</sup> These developments merit greater risk-based monitoring and oversight by the Commission and FSOC given the potential consequences for an increasing pool of private equity investors as well as financial markets broadly.

We proposed, but are not adopting, lowering the reporting threshold for large private equity fund advisers for purposes of section 4 of Form PF from \$2 billion to \$1.5 billion in private equity fund assets under management. A number of commenters criticized the proposal to lower this threshold as being arbitrary and/or not connected to systemic risk.<sup>189</sup> Some commenters stated that reducing this threshold would result in substantial burdens for small and mid-sized private equity fund advisers who will be newly covered.<sup>190</sup> Of these, one commenter argued that lowering this threshold could limit competition, as the smaller private equity fund advisers find it more difficult to compete against larger advisers, which can absorb the costs related to the additional filing requirements more easily due to scale.<sup>191</sup> Some commenters suggested increasing the threshold rather than reducing.<sup>192</sup> On the contrary, several commenters supported the reduction to the large private equity fund adviser reporting threshold, stating that it

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<sup>188</sup> *Id.*

<sup>189</sup> *See, e.g.*, IAA Comment Letter; AIC Comment Letter; and USCC Comment Letter.

<sup>190</sup> *See, e.g.*, Schulte Comment Letter; IAA Comment Letter; and RER Comment Letter.

<sup>191</sup> *See* Schulte Comment Letter.

<sup>192</sup> *See* RER Comment Letter and AIC Comment Letter.

is important for the Commission and FSOC to receive reporting from the same proportion of private equity funds, based on committed capital, as when Form PF was created.<sup>193</sup>

When Form PF was originally adopted in 2011, the \$2 billion reporting threshold was intended to capture 75 percent of the U.S. private equity industry based on committed capital.<sup>194</sup> At proposal, the existing \$2 billion threshold captured about 67 percent of the U.S. private equity industry.<sup>195</sup> However, in response to commenters, we have conducted additional analysis on the U.S. private equity industry and have observed recent accelerated growth in the relative percentage of large private equity fund advisers. The existing \$2 billion threshold now captures about 73 percent of the U.S. private equity industry.<sup>196</sup> If these trends continue, we expect the \$2 billion threshold to capture 75 percent or more of the U.S. private equity industry in the near future. As a result, at this time, we no longer believe it is appropriate to reduce this reporting threshold to \$1.5 billion to achieve the original intention for Form PF to capture 75 percent of the U.S. private equity industry.

One commenter stated that private equity fund advisers with less than \$1.5 billion in private equity fund assets under management have the potential to either make higher risk loans or take on higher risk borrowing.<sup>197</sup> While some smaller private equity fund advisers may

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<sup>193</sup> See, e.g., ICGN Comment Letter and Better Markets Comment Letter.

<sup>194</sup> See 2011 Form PF Adopting Release, *supra* footnote 3, at 32.

<sup>195</sup> Based on data reported on Form PF and Form ADV as of Dec. 2020.

<sup>196</sup> Based on data reported on Form PF and Form ADV as of June 2022.

<sup>197</sup> See PDI Comment Letter.

sometimes engage in risky behaviors, it is less likely that such practices by smaller advisers will lead to systemic risks based solely on their size.

Another commenter suggested using metrics other than assets under management to determine if a firm meets the threshold for reporting as a large private equity fund adviser.<sup>198</sup> We have considered using metrics other than assets under management for purposes of this threshold, but we anticipate that they would be more likely to lead to adverse incentives.<sup>199</sup> We believe that assets under management continues to be the appropriate metric and is less likely to create these adverse incentives. In sum, given the recent trends in the U.S. private equity industry discussed above, we believe that the existing threshold strikes an appropriate balance between obtaining information on a significant portion of the private equity industry and seeking to minimize the burdens imposed on private equity fund advisers.

#### **1. New Question on General Partner or Limited Partner Clawbacks**

We proposed to require all advisers to private equity funds to file a current report within one business day upon the implementation of a general partner or limited partner clawback in excess of an aggregate amount equal to 10 percent of a fund's aggregate capital commitments. Some commenters supported the requirement to report general and limited partner clawbacks.<sup>200</sup> Other commenters criticized this reporting requirement as being unrelated to declining market environments or systemic risk.<sup>201</sup>

Limited partner clawbacks could signal that a fund is under stress or is anticipating being under stress. For example, a limited partner clawback (or clawbacks) in an aggregate amount of

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<sup>198</sup> See Comment Letter of Michelle Katauskas (Jan. 27, 2022).

<sup>199</sup> For instance, if we were to define large private equity fund advisers based on number of employees, advisers may be incentivized to outsource operations and minimize compliance personnel.

<sup>200</sup> See, e.g., AFREF Comment Letter; Public Citizen Comment Letter.

<sup>201</sup> See, e.g., AIC Comment Letter; AIMA Comment Letter; and SIFMA Comment Letter.

more than 10 percent of a private equity fund's aggregate capital commitments might suggest that the fund is planning for a material event (*e.g.*, substantial litigation or legal judgment) that could negatively affect investors. While an individual limited partner clawback of this magnitude may be idiosyncratic, an upward trend in implementations of such limited partner clawbacks may be a reflection of stress in the market. Such potential impact merits regular reporting to allow for improved risk-based monitoring.

General and limited partner clawbacks also create complex conflicts of interests. Typically, the legal mechanics of general partner and limited partner clawbacks are negotiated early on in a fund's life, long before the inciting event occurs. Furthermore, fund advisers typically have significant control over the circumstances that eventually lead to a general partner or limited partner clawback. For instance, if a private equity fund adviser is concerned about over performance towards the beginning of a fund's life and under performance later on, it can delay realizing a portfolio investment to reduce the risk of a general partner clawback. Similarly, if a private fund adviser anticipates needing to initiate a limited partner clawback due to litigation, the private fund adviser is likely the one already responding to the litigation process and informing investors about it. Each of these circumstances raises critical conflicts of interest that may harm investors. Requiring reporting of general and limited partner clawbacks will allow the Commission to better identify such events and more carefully evaluate when and whether investors may have been harmed.

Additionally, we do not agree that general partner or limited partner clawbacks are unrelated to systemic risk. These clawbacks often occur when the fund has had successful investments earlier in the life of the fund, but the fund's later investments are less successful. Accordingly, while a single general partner clawback may not rise to a level of systemic

significance, the widespread implementation of general partner clawbacks may be a sign of a deteriorating market, which could have systemic risk implications. Given that the implementation of general partner clawbacks by private equity funds is typically rare, if there is an upward trend in funds implementing general partner clawbacks, such trend could be indicative of a distressed market. Reporting could help the Commission and FSOC identify particular markets, sectors or funds on which such a declining market environment could have an outsized impact and which may merit additional monitoring given the potential consequence for both investors and financial market stability.

After considering comments, as noted above,<sup>202</sup> we now are requiring information about clawbacks to be reported annually by large private equity fund advisers.<sup>203</sup> General partner clawbacks and certain limited partner clawbacks will be reported in response to new Question 82 in section 4.<sup>204</sup> Requiring reporting of clawbacks will enable the Commission and FSOC to monitor declining market conditions in the markets in which private equity invests, and will improve the Commission's visibility into circumstances involving clawbacks that may implicate investor protection risks.

After considering comments, we recognize that requiring reporting of clawbacks within one business day of the event could be unnecessary, particularly given that these events tend to build over the life of a private equity fund with a multi-year term.<sup>205</sup> As a result, we are

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<sup>202</sup> See *supra* section II.B.

<sup>203</sup> Large private equity fund advisers will need to report any of these private equity reporting events that occurred during the applicable reporting period of their filing for each private equity fund they advise. Large private equity fund advisers must only report each instance of a private equity reporting event once on the Form PF filing that covers the period in which such instance occurred. It is not necessary to report the same instance of a private equity reporting event again on future Form PF filings.

<sup>204</sup> We are also making conforming changes for its new placement in section 4 of Form PF.

<sup>205</sup> See, e.g., RER Comment Letter; SIFMA Comment Letter; AIMA Comment Letter.

requiring large private equity advisers to file these reports on an annual basis as part of their regular Form PF filing rather than one business day as proposed. We believe this timing better balances the Commission's need for the information to enhance its regulatory programs and the assessment of broader private equity trends and declining market conditions while also recognizing that general partner or limited partner clawbacks at a particular fund may occur during years-long investment horizons. However, we continue to believe that clawback reporting that indicated a large spike in the number of limited partner clawbacks across the private equity industry may raise systemic risk or investor protection concerns that the Commission would need to evaluate.

In another modification from the proposal, we are only requiring large private equity fund advisers to complete this question. While some commenters broadly supported the former current event reporting questions as proposed,<sup>206</sup> a number of other commenters criticized them, noting that the proposal did not require current reporting for smaller hedge fund advisers and stating that the burdens of this reporting would fall disproportionately on smaller private equity fund advisers.<sup>207</sup> Of these commenters, several suggested adding thresholds to these reporting questions to mitigate these burdens.<sup>208</sup> Requiring all private equity fund advisers to complete the clawbacks question would provide additional information to FSOC and Commission that may be helpful in the assessment of systemic risk, but after reviewing comments, we acknowledge that the clawback question pertains more to the monitoring of broader developing trends in private equity fund activities relevant to the protection of investors and to the assessment of systemic risk. As mentioned above, the widespread implementation of general partner clawbacks at large

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<sup>206</sup> See, e.g., ICGN Comment Letter; Public Citizen Comment Letter and PESP Comment Letter.

<sup>207</sup> See, e.g., IAA Comment Letter; SIFMA Comment Letter and AIC Comment Letter.

<sup>208</sup> See, e.g., SIFMA Comment Letter and TIAA Comment Letter.

private equity funds may signal deteriorating market trends, which could have systemic risk implications given the large size of the private equity funds involved. Accordingly, we believe that by focusing clawback reporting on large private equity fund advisers on an annual basis, we will be able to evaluate material changes in market trends and investor protection issues in private equity funds. This approach also preserves FSOC’s ability to monitor for systemic risk. The existing questions in section 4 are similarly intended to serve this purpose.<sup>209</sup>

Question 82 is substantively identical to the proposed current reporting requirement and will require reporting by large private equity fund advisers on the implementation of: (1) any general partner clawback or (2) a limited partner clawback (or clawbacks) in excess of an aggregate amount equal to 10 percent of a fund’s aggregate capital commitments. This reporting includes the effective date of the clawback and the reason for the clawback.<sup>210</sup>

We are defining, as proposed, a “general partner clawback” as any obligation of the general partner, its related persons, or their respective owners or interest holders to restore or otherwise return performance-based compensation to the fund pursuant to the fund’s governing agreements.<sup>211</sup> For example, if the general partner of a fund is entitled to performance-based

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<sup>209</sup> See 2011 Form PF Adopting Release, *supra* footnote 3, at text accompanying nn. 94-95. The relative percentage of large private equity fund advisers in the U.S. private equity industry has also broadly trended upwards over time. As a result, a growing portion of private equity fund advisers are required to complete the reporting in section 4. For example, based on staff review of Form ADV filings and data from Private Fund Statistics reports, section 4 covered approximately 67% of private equity gross assets in 2020 and covers 73% of private equity gross assets today. See Private Funds Statistics, *supra* footnote 4.

<sup>210</sup> Question 83 pertains to both general partner clawbacks and limited partner clawbacks. This question also requires filers to specify the type of clawback implemented (*i.e.*, whether it is a general partner clawback or limited partner clawback).

<sup>211</sup> See Form PF Glossary (definition of “general partner clawback”). We are defining “performance-based compensation” as any allocations, payments, or distributions of capital based on the reporting fund’s (or its investments’) capital gains, capital appreciation and/or profit. This definition includes cash or non-cash compensation, including in-kind allocations, payments, or distributions of performance-based compensation. See *also* Form PF Glossary (definition of “performance-based compensation”). We have slightly revised this definition from the proposal—and removed “portfolio investment” as a defined term—to more precisely capture performance-based compensation in the private fund space. We do not view these slight revisions as substantive changes from what was proposed.

compensation equaling 20 percent of the fund’s profits over the life of the fund and the fund distributes such compensation to the general partner periodically based on the profitability of the fund at the time of distribution, the general partner may have received distributions of performance-based compensation over the life of the fund *in excess* of 20 percent of the fund’s aggregate profits. In this situation, under the fund’s governing documents, the fund’s general partner is required to return the excess performance-based compensation it received to the fund.<sup>212</sup>

We are also defining, as proposed, “limited partner clawback” (sometimes referred to as a limited partner “giveback”) as an obligation of a fund’s investors to return all or any portion of a distribution made by the fund to satisfy a liability, obligation, or expense of the fund pursuant to the fund’s governing agreements.<sup>213</sup> This required reporting is triggered when the aggregate limited partner clawbacks over the course of a fund’s life exceed 10 percent of such fund’s aggregate capital commitments at such time. Advisers generally should file for each additional limited partner clawback, regardless of its size, over the course of such fund’s remaining life once such fund’s aggregate limited partner clawbacks have exceeded this 10 percent threshold.<sup>214</sup> Requiring this minimum threshold is appropriate because we believe a clawback of this magnitude is more likely to be associated with an event that could have a significant negative impact on a fund’s investors.

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<sup>212</sup> Specifically, this required reporting is triggered *at the time the general partner becomes obligated* to return to the fund performance-based compensation in excess of the amount it was ultimately entitled to receive under the fund’s governing documents regardless of when such compensation is actually returned.

<sup>213</sup> See Form PF Glossary (definition of “limited partner clawback”).

<sup>214</sup> For example, if a fund has a life of 10 years and has a limited partner clawback equal to 4% of its aggregate capital commitments each and every year of its life, this required reporting will be triggered in each of years 3, 4, 5, 6, 7, 8, 9, and 10.

One commenter suggested that, like for limited partner clawbacks, we should limit reporting on general partner clawbacks to those that are in excess of 10 percent of the fund's aggregate capital commitments.<sup>215</sup> However, it is our understanding that private fund advisers generally should have greater control over the circumstances leading to a general partner clawback than a limited partner clawback. We understand that limited partner clawbacks, on the other hand, are often associated with lawsuits or other unforeseen events which the adviser may be able to influence but may not be able to prevent, even if the amount of the limited partner clawback is small. Accordingly, we believe it is important to require reporting on all general partner clawbacks but to limit reporting of limited partner clawbacks to those exceeding a minimum size threshold.

Similar to section 5, Item J and the proposed section 6, Item E, Question 83 will allow an adviser to provide an optional narrative response if it believes that additional information is helpful in explaining the circumstances of its responses in section 4. We had proposed including an optional explanatory note question in the proposed section 6, Item E as part of the current reports for private equity fund advisers. Since we are including the general partner or limited partner clawbacks in the reporting for large private equity fund advisers as part of section 4, we are adding an optional explanatory note question for section 4. Since this explanatory note question is optional, we think it is appropriate to give large private equity fund advisers the opportunity to provide any explanatory notes for section 4 that they deem helpful. We did not receive specific comments on whether to include this section to allow an adviser to provide an optional narrative response. We continue to believe this will allow an adviser the ability to provide additional, helpful information where necessary.

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<sup>215</sup> See NVCA Comment Letter.

## 2. Other Amendments to Large Private Equity Fund Adviser Reporting

*Private Equity Fund Investment Strategies.* As proposed, we are adding Question 66 to section 4 to collect information about private equity fund investment strategies.<sup>216</sup> Form PF does not currently collect data on private equity fund strategies. Question 66 is structured similarly to Question 20, which collects information about hedge fund strategies and includes common strategies employed by private equity funds. This question requires advisers to choose from a list of strategies by percent of deployed capital even if the categories do not precisely match the characterization of the reporting fund’s strategies. To facilitate completion of this question and alleviate challenges filers face in choosing among a limited list of investment strategy types, in a modification from the proposal, filers will be able to choose from a drop-down menu that includes all investment strategy categories for Form PF. If a reporting fund engages in multiple strategies, the adviser will have to provide a good faith estimate of the percentage the reporting fund’s deployed capital represented by each strategy.

Question 66 also includes an “other” category for advisers to select in cases where a reporting fund’s strategy is not listed, but an adviser selecting “other” in response to this question must explain why. This requirement is designed to improve data quality by providing context to an adviser’s selection of the “other” category. It also should help ensure that advisers are not selecting the “other” category when they should be reporting information in a different strategy

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<sup>216</sup> For purposes of this question, which is to be completed by Form PF filers that fill out section 4, private equity fund investment strategies generally include private credit (and associated sub-strategies such as distressed debt, senior debt, special situations, etc.), private equity (and associated sub-strategies such as early stage, buyout, growth, etc.), real estate, annuity and life insurance policies, litigation finance, digital assets, general partner stakes investing, and others. In connection with this question, we are also adding one new term to the Form PF Glossary of Terms for “general partner stakes investing” to provide specificity regarding the reporting of this term and to improve data quality. *See* Form PF Glossary of Terms. We proposed adding “digital assets” as a new term to the Form PF Glossary of Terms. The Commission and staff are continuing to consider this term and are not adopting “digital assets” as part of this rule at this time.

category. Question 66 is designed to allow FSOC to filter data for targeted analysis, monitor trends in the private equity industry, analyze potential systemic risk, and to support the Commission’s oversight of advisers to the private equity industry and investor protection efforts.

Some commenters supported adding this investment strategy reporting requirement as being beneficial to the FSOC and Commission’s oversight of advisers to the private equity industry.<sup>217</sup> Other commenters argued that this investment strategy reporting requirement is too burdensome relative to its nexus to systemic risk.<sup>218</sup>

Due to the growth in the industry since adoption of Form PF and the diversity of strategies currently employed by private equity funds, it is important that we collect this investment strategy information. Different strategies carry different types and levels of risk for the markets and financial stability. Reporting on investment strategies will allow the Commission and FSOC to understand and better assess the potential market and systemic risks presented by the different strategies to both markets and investors. A shift in the reporting of private equity assets towards riskier strategies, for instance, could provide valuable information about emerging systemic risks. Similarly, this information will allow the Commission and FSOC to better assess private equity funds’ increasing role in providing credit to companies.

While we recognize that adding this question will create some additional burdens for large private equity fund advisers, these burdens should be small relative to the benefits discussed above. We do not believe that a large private equity fund adviser providing a good faith estimate of its investment strategies by percentage will require substantial, additional accounting or other compliance work. We have also included the “other” category to allow large

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<sup>217</sup> See, e.g., ICGN Comment Letter and PDI Comment Letter.

<sup>218</sup> See, e.g., REBNY Comment Letter and RER Comment Letter.

private equity fund advisers some flexibility with respect to reporting these investment strategies provided that they explain their use of this category.

One commenter suggested requiring more granular disclosure of private equity fund investment strategies, including requiring the disclosure of industries included in each strategy.<sup>219</sup> Types of industries are generally more amorphous than investment strategies, and many industries also overlap—for example, an investment in a healthcare technology company could be interpreted as either a healthcare or technology investment. It is also difficult to correlate risk with specific industries, as subcategories within industries may vary widely in terms of risk. Accordingly, we are not requiring reporting of industries at this time.

*Fund-Level Borrowings.* As proposed, we are adding Question 68 to require advisers to report additional information on any fund-level borrowing. If a fund engages in fund-level borrowing, this question requires the adviser to provide (1) information on each borrowing or other cash financing available to the fund,<sup>220</sup> (2) the total dollar amount available, and (3) the average amount borrowed over the reporting period. Consistent with the requirements for hedge fund reporting on borrowing in Form PF, private equity fund advisers that are required to complete this question in section 4 may skip Question 12 in section 1b.<sup>221</sup>

Some commenters supported adding this fund-level borrowing reporting requirement, stating that it will help the Commission and FSOC better identify and monitor the use of leverage

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<sup>219</sup> See PDI Comment Letter.

<sup>220</sup> We are including other cash financing available to the fund as part of this question to capture instances in which a fund has access to capital that would not be considered borrowing, for example, where a private equity fund adviser agrees to provide a cash infusion to a fund it advises.

<sup>221</sup> Consistent with the requirements for hedge fund reporting on borrowing in Form PF, we have integrated the components of question 12 into this Question 68 that were not already included at proposal.

within private equity funds.<sup>222</sup> Other commenters argued that this reporting requirement is unrelated to systemic risk.<sup>223</sup>

We understand that fund-level borrowing—particularly subscription lines of credit—have become increasingly important to the operation of private equity funds since the adoption of Form PF.<sup>224</sup> Funds vary in how they employ these facilities and their impacts can often be opaque for investors. While some private equity funds use subscription lines appropriately, we have observed some funds seeking to take advantage of these arrangements. For instance, certain funds may use subscription lines to inflate the performance metrics—such as the internal rate of return—that are reported to investors. Other funds may not appropriately inform investors about the costs that investors must bear in connection with the use of a subscription line. Additionally, funds that allow large unpaid amounts to remain on their subscription lines over an extended period of time may be exposed to greater liquidity risk which may have knock-on effects for their investors and portfolio investments. We believe that the prevalence of these subscription lines of credit could raise important systemic risk and investor protection concerns, and therefore it is important that the Commission and FSOC receive more detailed information on them.

*Events of Default, Bridge Financing to Controlled Portfolio Companies, and Geographic Breakdown of Investments.* As proposed, we are amending three existing questions in section 4. First, we are amending existing Question 74 to require advisers to provide more granular information about the nature of reported events of default, such as whether it is a payment

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<sup>222</sup> See, e.g., ICGN Comment Letter; PDI Comment Letter; and TIAA Comment Letter.

<sup>223</sup> See, e.g., IAA Comment Letter; and NYC Bar Comment Letter.

<sup>224</sup> See, e.g., Enhancing Transparency Around Subscription Lines of Credit, Institutional Limited Partners Association (June 2020), available at [https://ilpa.org/wp-content/uploads/2020/06/ILPA-Guidance-on-Disclosures-Related-to-Subscription-Lines-of-Credit\\_2020\\_FINAL.pdf](https://ilpa.org/wp-content/uploads/2020/06/ILPA-Guidance-on-Disclosures-Related-to-Subscription-Lines-of-Credit_2020_FINAL.pdf).

default of the private equity fund, a payment default of a CPC, or a default relating to a failure to uphold terms under the applicable borrowing agreement (other than a failure to make regularly scheduled payments).<sup>225</sup> This more detailed information will help the Commission and FSOC better assess the impact of default events to both investors and markets more generally and may indicate emerging potential systemic risks.

Second, we are amending existing Question 75, which requires reporting on the identity of the institutions providing bridge financing to the adviser's CPCs and the amount of such financing, to add additional counterparty identifying information (*i.e.*, LEI (if any) and if the counterparty is affiliated with a major financial institution, the name of the financial institution).<sup>226</sup> This information should be readily available to advisers, and will provide globally standardized identification information about counterparty entities reported in this question that will enhance the Commission's and FSOC's ability to analyze exposure data for purposes of assessing systemic risk.

Third, we are amending existing Question 78, which requires reporting on the geographical breakdown of investments by private equity funds, by moving away from reporting based on a static group of regions and countries and towards identifying a private equity fund's greatest country exposures based a percent of net asset value.<sup>227</sup> These changes to existing Question 78 will improve the usefulness of data collected, as reporting is currently limited to exposure by region with additional reporting on a limited number of countries of interest. For example, information obtained from this question could provide insight into whether a critical mass of private equity funds have investments concentrated in a country that is experiencing

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<sup>225</sup> We would redesignate Question 74 as Question 77.

<sup>226</sup> We would redesignate Question 75 as Question 78.

<sup>227</sup> We would redesignate Question 78 as Question 67.

significant political instability or a natural disaster, which could be important for systemic risk assessments. We have found the existing reporting approach lacks precision because the regions are not uniformly defined and although countries of interest change over time, the form is not dynamic in this regard. This amendment will require advisers to report all countries (by ISO country code<sup>228</sup>) to which a reporting fund has exposure of 10 percent or more of its net asset value. We believe this exposure threshold represents significant country exposure, while balancing the burden that the question would create for advisers. Advisers will have to follow Instruction 15 for purposes of calculating the information in the proposal, including reporting the exposure in U.S. dollars which will improve data comparability across funds. Advisers also will categorize investments based on concentrations of risk and economic exposure. We are also removing regional level reporting because we are now able to analyze regional exposure using the country level information.

Several commenters supported amending these questions to require more granular information, agreeing with the proposal that these amendments will improve the FSOC and Commission's assessment of systemic risk.<sup>229</sup> Commenters otherwise generally did not specifically address these proposed amendments. We continue to believe that we should amend these questions as proposed for the reasons set forth above.

*Not Adopting Certain Proposed Large Private Equity Fund Adviser Questions.* In response to commenters, we are not adopting the following proposed large private equity fund adviser questions at this time: (1) restructuring/recapitalization of a portfolio company;<sup>230</sup> (2)

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<sup>228</sup> This is similar to reporting on Form N-PORT and will improve the comparability of data between Form PF and Form N-PORT.

<sup>229</sup> See ICGN Comment Letter and PDI Comment Letter.

<sup>230</sup> Proposed as Question 70 in section 4.

investments in different levels of a single portfolio company’s capital structure by related funds;<sup>231</sup> (3) financing of portfolio companies;<sup>232</sup> (4) floating rate borrowings of controlled portfolio companies;<sup>233</sup> and (5) controlled portfolio companies owned by private equity funds.<sup>234</sup>

Some commenters supported adopting these proposed questions on the belief that they would be beneficial to the FSOC and Commission’s assessment of systemic risk.<sup>235</sup> Of these, one commenter argued that some of these questions would be particularly helpful to understand systemic risk related to leverage and credit.<sup>236</sup> Another commenter stated that these questions will improve monitoring of where risks might be building up in the industry as a whole, in particular funds, at fund investors, and in the portfolio companies of private equity funds.<sup>237</sup> On the other hand, some commenters criticized these questions as being burdensome and unrelated to systemic risk.<sup>238</sup> Several commenters emphasized the additional difficulty that these questions pose due to the complexity and administrative expense inherent in collecting the necessary information at the portfolio-company-level.<sup>239</sup> A few commenters stated that a private equity fund may not have a controlling interest in all of its portfolio company investments and thus may not be able to collect the required information.<sup>240</sup> Several commenters also argued that the scope

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<sup>231</sup> Proposed as Question 71 in section 4.

<sup>232</sup> Proposed as Question 74 in section 4.

<sup>233</sup> Proposed as Question 82 in section 4.

<sup>234</sup> Proposed as Question 67 in section 4.

<sup>235</sup> *See, e.g.*, ICGN Comment Letter; PDI Comment Letter; and AFREF Comment Letter.

<sup>236</sup> *See* PDI Comment Letter.

<sup>237</sup> *See* Better Markets Comment Letter.

<sup>238</sup> *See, e.g.*, IAA Comment Letter; RER Comment Letter; and SIFMA Comment Letter.

<sup>239</sup> *See, e.g.*, SIFMA Comment Letter; RER Comment Letter; and MFA Comment Letter.

<sup>240</sup> *See, e.g.*, SIFMA Comment Letter and REBNY Comment Letter. The SIFMA Comment Letter also stated that the existence of minority investors in a single portfolio company may result in duplicative reporting for certain of these proposed questions.

of some of these questions is too broad and that they would capture minor and/or ordinary course transactions.<sup>241</sup>

While we continue to believe that these questions would provide benefits to the FSOC's and Commission's assessment of systemic risk and the Commission's investor protection efforts for the reasons described above, we acknowledge the concerns raised by some commenters. For example, each of these questions is focused on collecting information at the portfolio company-level rather than the fund-level. As stated by commenters,<sup>242</sup> private equity funds may not have a controlling interest in any or all of their portfolio company investments. In such cases, a private equity fund may not be able to obtain or accurately report the portfolio company information that was proposed. Depending on size and strategy, many private equity funds also have ten or more portfolio company investments and some may have hundreds or more. As a result, as some commenters argued,<sup>243</sup> we recognize that the costs associated with collecting this information may be far higher than collecting information at the fund itself. Additionally, we understand that some of these questions may capture ordinary course transactions in certain instances. We believe that narrowing these questions in a productive and meaningful way will require further study and analysis.

We considered, but are not adopting, a modification of these questions, in each case, to only require reporting of *controlled* portfolio companies. However, this modification would reduce the value of this reporting because non-controlling investments in portfolio companies can still be substantial and have systemic consequences. Accordingly, we have decided to adopt the proposed questions that are at the fund-level, but not adopt these proposed questions that

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<sup>241</sup> See, e.g., TIAA Comment Letter; SIFMA Comment Letter; and MFA Comment Letter.

<sup>242</sup> See, e.g., SIFMA Comment Letter and REBNY Comment Letter.

<sup>243</sup> See, e.g., SIFMA Comment Letter; RER Comment Letter; and MFA Comment Letter.

focus on a fund's portfolio investments at this time. We believe this approach strikes the right balance between collecting beneficial information and minimizing the burdens placed on private equity funds and their advisers.

#### **E. Effective and Compliance Dates**

In order to provide time for advisers to prepare to comply with the amendments, including reviewing the requirements, building the appropriate internal reporting and tracking systems, and collecting the required information, as well as to simplify the compliance process, the effective dates for the amendments are the same as the compliance dates. A commenter noted that different compliance dates for these amendments as well as those proposed in the 2022 Form PF Joint Proposing Release may lead to inconsistent reporting as well as additional compliance burdens.<sup>244</sup> We acknowledge that having separate effective and compliance dates could cause reporting that is inconsistent since we are amending certain existing questions in Form PF. If a period exists during which some advisers may be completing the old version of these questions and other advisers are completing the amended versions, they may be providing different types of information. For example, private equity fund advisers might provide different categories of information with respect to geographical breakdowns of investments due to the amendments to Question 67 during this interim period. This information could be difficult to compare and thus would limit its value for the FSOC and our assessment of systemic risk.

We are, however, adopting two separate effective/compliance dates. For new sections 5 and 6, the effective/compliance date is [INSERT DATE 180 DAYS AFTER DATE OF PUBLICATION IN THE FEDERAL REGISTER], which is six months after the date of publication of the rules; and for the amended, existing sections, the effective/compliance date is

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<sup>244</sup> See MFA Comment Letter (Mar. 16, 2023).

[INSERT DATE 365 DAYS AFTER DATE OF PUBLICATION IN THE FEDERAL REGISTER], which is one year from the date of publication of the rules. We are requiring an earlier effective/compliance date for the new Form PF sections 5 and 6, because it requires reporting based on distinct event triggers, and it is important that the Commission and FSOC begin receiving this information as soon as practicable to improve their assessment of systemic risk. Similarly, we are adopting these changes to the Commission's sections of Form PF separately and before any changes proposed in the 2022 Form PF Joint Proposing Release because it is important that the Commission and FSOC begin receiving this information, especially hedge fund current reporting and private equity event reporting, on a more expedited basis to improve the assessment of systemic risk and investor protection. We are adopting a later effective/compliance date for the amended, existing sections to provide advisers with additional time to review the amendments, build the appropriate internal reporting and tracking systems, and collect the required information.

One commenter requested a compliance period of at least 18 months after the effective date for all amendments to Form PF.<sup>245</sup> We are providing a six-month period before the simultaneous compliance/effective date for the new current and quarterly reporting in sections 5 and 6, as indicated above, because this information is imperative to FSOC and our assessment of systemic risk as well as the Commission's investor protection mission. After reviewing comments, we believe it is necessary that the Commission and FSOC begin receiving these current and quarterly reports in a shorter six-month time frame to promptly improve their assessment of systemic risk. Additionally, while we recognize that preparing to complete the amended, existing sections will require additional time, we believe that providing a one-year

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<sup>245</sup> See IAA Comment Letter.

period to do so is sufficient given the modifications of this rule from the proposal. Accordingly, beginning six months after the date of this rule’s publication in the Federal Register, any adviser that is required to file sections 5 or 6 of Form PF must do so. Starting one year after the date of publication of the rule in the Federal Register, any adviser that is required to file Form PF must complete the fully amended form.

The amendments we adopt relate to different sections of Form PF than those proposed in the 2022 Form PF Joint Proposing Release and, because they are separate, we believe that the compliance periods are appropriate. If the Commission adopts amendments proposed in the 2022 Form PF Joint Proposing Release, the Commission may address any potential issues or concerns with the compliance date at that time.

### **III. Other Matters**

Pursuant to the Congressional Review Act, the Office of Information and Regulatory Affairs has designated these rules as not a “major rule” as defined by 5 U.S.C. 804(2).

The requirements for reporting by hedge funds, including the amendments adopted today, function independently from those governing reporting by private equity funds. As explained above, each set of amendments addresses particular concerns of the Commission focused on the context in which they function, and provide benefits in furtherance of the Commission’s mission of investor protection and systemic risk monitoring by FSOC. If any of the provisions of these rules, or the application thereof to any person or circumstance, is held to be invalid, such invalidity shall not affect other provisions or application of such provisions to other persons or circumstances that can be given effect without the invalid provision or application.

## **IV. Economic Analysis**

### **A. Introduction**

The Commission is mindful of the economic effects, including the costs and benefits, of the final amendments. Section 202(c) of the Advisers Act provides that when the Commission is engaging in rulemaking under the Advisers Act and is required to consider or determine whether an action is necessary or appropriate in the public interest, the Commission shall also consider whether the action will promote efficiency, competition, and capital formation, in addition to the protection of investors.<sup>246</sup> The analysis below addresses the likely economic effects of the final amendments, including the anticipated and estimated benefits and costs of the amendments and their likely effects on efficiency, competition, and capital formation. The Commission also discusses the potential economic effects of certain alternatives to the approaches taken in these final amendments.

Many of the benefits and costs discussed below are difficult to quantify. For example, the Commission cannot quantify how regulators may adjust their policies and oversight of the private fund industry in response to the additional data collected under the final amendments. Also, in some cases, data needed to quantify these economic effects are not currently available and the Commission does not have information or data that would allow such quantification. For example, costs associated with the final amendments may depend on existing systems and levels of technological expertise within the private fund advisers, which could differ across reporting persons. While the Commission has attempted to quantify economic effects where possible, much of the discussion of economic effects is qualitative in nature. The Commission has sought comment on all aspects of the economic analysis, especially any data or information that would

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<sup>246</sup> 15 U.S.C. 80b-2(c).

enable a quantification of economic effects, and the analysis below takes into consideration relevant comments received.

## **B. Economic Baseline and Affected Parties**

### **1. Economic Baseline**

The Commission adopted Form PF in 2011, with additional amendments made to section 3 along with certain money market reforms in 2014.<sup>247</sup> Form PF complements the basic information about private fund advisers and funds reported on Form ADV.<sup>248</sup> Unlike Form ADV, Form PF is not an investor-facing disclosure form. Information that private fund advisers report on Form PF is provided to regulators on a confidential basis and is nonpublic.<sup>249</sup> The purpose of Form PF is to provide the Commission and FSOC with data that regulators can deploy in their regulatory and oversight programs directed at assessing and managing systemic risk and protecting investors both in the private fund industry and in the U.S. financial markets more broadly.<sup>250</sup>

Private funds and their advisers play an important role in both private and public capital markets. These funds, including hedge funds and private equity, currently have more than \$17.0

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<sup>247</sup> See *supra* footnote 3.

<sup>248</sup> Investment advisers to private funds report on Form ADV general information about private funds that they advise. This includes basic organizational, operational information, and information about the fund's key service providers. Information on Form ADV is available to the public through the Investment Adviser Public Disclosure System, which allows the public to access the most recent Form ADV filing made by an investment adviser. See, e.g., Form ADV, INVESTOR.GOV, available at <https://www.investor.gov/introduction-investing/investing-basics/glossary/form-adv>; see also SEC, *Investment Adviser Public Disclosure*, available at <https://adviserinfo.sec.gov/>. Some private fund advisers that are required to report on Form ADV are not required to file Form PF (for example, exempt reporting advisers and advisers with less than \$150 million in private fund assets under management). Other advisers are required to file Form PF and are not required to file Form ADV (for example, commodity pools that are not private funds). Based on the staff review of Form ADV filings and the Private Fund Statistics, less than 10% of funds reported on Form ADV but not on Form PF in 2022. See *infra* footnote 284.

<sup>249</sup> Commission staff publish quarterly reports of aggregated and anonymized data regarding private funds on the Commission's website. See Division of Investment Management, *Private Fund Statistics*, available at <https://www.sec.gov/divisions/investment/private-funds-statistics.shtml>; see also *supra* footnote 4.

<sup>250</sup> See *supra* section I.

trillion in gross private fund assets.<sup>251</sup> Private funds invest in large and small businesses and use strategies that range from long-term investments in equity securities to frequent trading and investments in complex instruments. Their investors include individuals, institutions, governmental and private pension funds, and non-profit organizations.

Before Form PF was adopted, the Commission and other regulators had limited visibility into the economic activity of private funds and their advisers, and relied largely on private vendor databases about private funds that covered only voluntarily provided private fund data and are not representative of the total population.<sup>252</sup> Form PF represented an improvement in available data about private funds and their advisers, both in terms of its reliability and completeness.<sup>253</sup> Generally, investment advisers registered (or required to be registered) with the Commission with at least \$150 million in private fund assets under management must file Form PF.<sup>254</sup> Smaller private fund advisers and all private equity fund advisers file annually to report general information such as the types of private funds advised (*e.g.*, hedge funds or private equity funds), fund size, use of borrowings and derivatives, strategy, and types of investors.<sup>255</sup> Large private equity fund advisers also provide data about each private equity fund they manage.

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<sup>251</sup> These estimates are based on staff review of data from the Private Fund Statistics report for the first quarter of 2022, issued in Jan. 2023. Private fund advisers who file Form PF currently have \$20.1 trillion in gross assets. *See* Division of Investment Management, *Private Fund Statistics* (Jan. 3, 2023), available at <https://www.sec.gov/divisions/investment/private-funds-statistics.shtml>. As discussed above, not all private fund advisers are required to file Form PF. *See supra* footnote 248.

<sup>252</sup> *See, e.g.*, SEC, 2020 ANNUAL STAFF REPORT RELATING TO THE USE OF FORM PF DATA (Nov. 2020), available at <https://www.sec.gov/files/2020-pf-report-congress.pdf>.

<sup>253</sup> *Id.*

<sup>254</sup> Registered investment advisers with less than \$150 million in private funds assets under management, exempt reporting advisers, and state-registered advisers report general private fund data on Form ADV, but do not file Form PF. *See supra* footnote 248.

<sup>255</sup> *Id.*

Large hedge fund advisers also provide data about each reporting fund they manage, and are required to file quarterly.<sup>256</sup>

The Commission and FSOC now have almost a decade of experience with analyzing the data collected on Form PF. The collected data has helped FSOC establish a baseline picture of the private fund industry for the use in assessing systemic risk<sup>257</sup> and improved the Commission's oversight of private fund advisers.<sup>258</sup> Form PF data also has enhanced the Commission and FSOC's ability to frame regulatory policies regarding the private fund industry, its advisers, and the markets in which they participate, as well as more effectively evaluate the outcomes of regulatory policies and programs directed at this sector, including the management of systemic risk and the protection of investors.<sup>259</sup> Additionally, based on the data collected through Form PF filings, regulators have been able to regularly inform the public about ongoing industry statistics and trends by generating quarterly Private Fund Statistics reports<sup>260</sup> and by making publicly available certain results of staff research regarding the characteristics, activities, and risks of private funds and their advisers.<sup>261</sup>

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<sup>256</sup> See *supra* footnotes 13, 254.

<sup>257</sup> See, e.g., OFFICE OF FINANCIAL RESEARCH (OFR), 2021 ANNUAL REPORT TO CONGRESS (Nov. 2021), available at <https://www.financialresearch.gov/annual-reports/files/OFR-Annual-Report-2021.pdf>; and FINANCIAL STABILITY OVERSIGHT COUNCIL (FSOC), 2020 ANNUAL REPORT (2020), available at <https://home.treasury.gov/system/files/261/FSOC2020AnnualReport.pdf>.

<sup>258</sup> See *supra* footnote 252.

<sup>259</sup> See *supra* footnotes 257, 258.

<sup>260</sup> See *supra* footnotes 4, 249.

<sup>261</sup> See, e.g., David C. Johnson & Francis A. Martinez, *Form PF Insights on Private Equity Funds and Their Portfolio Companies*, Off. Fin. Res. Brief Series 18-01 (June 14, 2018), available at <https://www.financialresearch.gov/briefs/2018/06/14/form-pf-insights-on-private-equity-funds/>; DANIEL HILTGEN, PRIVATE LIQUIDITY FUNDS: CHARACTERISTICS AND RISK INDICATORS, DERA White Paper (Jan. 27, 2017) (“Hiltgen Paper”), available at <https://www.sec.gov/files/2017-03/Liquidity%20Fund%20Study.pdf>; GEORGE O. ARAGON, TOLGA ERGUN, MILA GETMANSKY & GIULIO GIRARDI, HEDGE FUNDS: PORTFOLIO, INVESTOR, AND FINANCING LIQUIDITY, DERA White Paper (May 17, 2017), available at [https://www.sec.gov/files/dera\\_hf-liquidity.pdf](https://www.sec.gov/files/dera_hf-liquidity.pdf); GEORGE O. ARAGON, A. TOLGA ERGUN & GIULIO GIRARDI, HEDGE FUND LIQUIDITY MANAGEMENT: INSIGHTS FOR FUND PERFORMANCE AND

However, this decade of experience with analyzing Form PF data has also highlighted certain limitations of information collected on Form PF, including information gaps and situations where additional and timelier information would improve the Commission and FSOC’s understanding of the private fund industry and the potential systemic risk relating to its activities, and improve regulators’ ability to protect investors.<sup>262</sup> The need for additional and timelier information collected on Form PF is further heightened by the increasing significance of private fund advisers to financial markets and to the broader economy, and resulting regulatory concerns regarding potential risks to U.S. financial stability from this sector.<sup>263</sup>

## 2. Affected Parties

The final rule amends and introduces new reporting requirements for the advisers to

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SYSTEMIC RISK OVERSIGHT, DERA White Paper (Mar. 23, 2022), *available at* <https://ssrn.com/abstract=3734596> (retrieved from Elsevier SSRN database); Mathias S. Kruttli, Phillip J. Monin & Sumudu W. Watugala, *The Life of the Counterparty: Shock Propagation in Hedge Fund-Prime Broker Credit Networks*, 146 J. FIN. ECON. 965 (2022) (“Kruttli, Monin & Watugala”); Mathias S. Kruttli, Phillip J. Monin, Lubomir Petrsek & Sumudu W. Watugala, *Hedge Fund Treasury Trading and Funding Fragility: Evidence from the COVID-19 Crisis*, Fed. Res. Bd., Fin. & Econ. Discussion Series 2021-038 (Apr. 2021), *available at* <https://www.federalreserve.gov/econres/feds/hedge-fund-treasury-trading-and-funding-fragility-evidence-from-the-covid-19-crisis.htm>; Mathias S. Kruttli, Phillip J. Monin & Sumudu W. Watugala, *Investor Concentration, Flows, and Cash Holdings: Evidence from Hedge Funds*, Fed. Res. Bd., Fin. & Econ. Discussion Series 2017-121 (Dec. 15, 2017), *available at* <https://doi.org/10.17016/FEDS.2017.121>.

<sup>262</sup> See *supra* section I.

<sup>263</sup> The private fund industry has experienced significant growth in size and changes in terms of business practices, complexity of fund structures, and investment strategies and exposures in the past decade. See *supra* footnote 4.

hedge funds<sup>264</sup> and private equity funds.<sup>265</sup>

Hedge funds are one of the largest categories of private funds,<sup>266</sup> and as such play an important role in the U.S. financial system due to their ability to mobilize large pools of capital, take economically important positions in a market, and their extensive use of leverage, derivatives, complex structured products, and short selling.<sup>267</sup> While these features may enable hedge funds to generate higher returns as compared to other investment alternatives, the same features may also create spillover effects in the event of losses (whether caused by their investment and derivatives positions or use of leverage or both) that could lead to significant stress or failure not just at the affected fund but also across financial markets.<sup>268</sup>

In the second quarter of 2022, there were 9,733 hedge funds reported on Form PF, managed by 1,857 advisers. Hedge fund advisers that are required to file Form PF had investment discretion over approximately \$9.4 trillion in gross assets under management, which

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<sup>264</sup> Form PF defines “hedge fund” broadly to include any private fund (other than a securitized asset fund) that has any of the following three characteristics: (1) a performance fee or allocation that takes into account unrealized gains, or (2) a high leverage (*i.e.*, the ability to borrow more than half of its net asset value (including committed capital) or have gross notational exposure in excess of twice its net asset value (including committed capital)), or (3) the ability to short sell securities or enter into similar transactions (other than for the purpose of hedging currency exposure or managing duration). Any non-exempt commodity pools about which an investment adviser is reporting or required to report are automatically categorized as hedge funds. Excluded from the “hedge fund” definition in Form PF are vehicles established for the purpose of issuing asset backed securities (“securitized asset funds”). *See* Form PF Glossary.

<sup>265</sup> Form PF defines “private equity fund” broadly to include any private fund that is not a hedge fund, liquidity fund, real estate fund, securitized asset fund or venture capital fund and does not provide investors with redemption rights in the ordinary course. Private funds that have the ability to borrow or short securities have to file as a hedge fund. *See* Form PF Glossary.

<sup>266</sup> *See supra* footnote 251.

<sup>267</sup> *See, e.g.*, Lloyd Dixon, Noreen Clancy & Krishna B. Kumar, *Hedge Fund and Systemic Risk*, RAND Corporation (2012); John Kambhu, Til Schuermann & Kevin Stiroh, *Hedge Funds, Financial Intermediation, and Systemic Risk*, Fed. Res. Bank of N.Y. Staff Rpt. No. 291, July’s Econ. Policy Rev. (2007).

<sup>268</sup> *See supra* footnotes 257, 263; *see also infra* section IV.C.1.a.

represented almost half of the reported assets in the private fund industry.<sup>269</sup> Currently, hedge fund advisers with between \$150 million and \$2 billion in regulatory assets (that do not qualify as large hedge fund advisers) file Form PF annually, in which they provide general information about funds they advise such as the types of private funds advised, fund size, their use of borrowings and derivatives, strategy, and types of investors. Large hedge fund advisers with at least \$1.5 billion in regulatory assets under management attributable to hedge funds file Form PF quarterly, in which they provide data about each hedge fund they managed during the reporting period (irrespective of the size of the fund). Large hedge fund advisers must report more information on Form PF about qualifying hedge funds<sup>270</sup> than other hedge funds they manage during the reporting period. In the second quarter of 2022, there were 2,059 qualifying hedge funds reported on Form PF, managed by 598 advisers. These advisers had \$7.9 trillion in gross assets under management, which represented approximately 84 percent of the reported hedge fund assets.<sup>271</sup>

Private equity funds are another large category of funds in the private fund industry. In the second quarter of 2022, there were 18,987 private equity funds reported on Form PF, managed by 1,635 advisers. Advisers to private equity funds had investment discretion over approximately one third of the reported gross assets in the private fund industry.<sup>272</sup> Many private

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<sup>269</sup> See *supra* footnote 251. In the second quarter of 2022, hedge fund assets accounted for 47% of the gross asset value (“GAV”) (\$9.4/\$20.1 trillion) and 35% of the net asset value (“NAV”) (\$4.9/\$13.9 trillion) of all private funds reported on Form PF.

<sup>270</sup> See *supra* footnote 13.

<sup>271</sup> See *supra* footnote 251. In the second quarter of 2022, qualifying hedge fund assets accounted for 84% of the GAV (\$7.9/\$9.4 trillion) and 80% of the NAV (\$3.9/\$4.9 trillion) of all hedge funds reported on Form PF.

<sup>272</sup> See *supra* footnote 251. In the first quarter of 2022, private equity assets accounted for 32% of the GAV (\$6.4/\$20.1 trillion) and 41% of the NAV (\$5.7/\$13.9 trillion) of all private funds reported on Form PF.

equity funds focus on long-term returns by investing in a private, non-publicly traded company or business—the portfolio company—and engage actively in the management and direction of that company or business in order to increase its value.<sup>273</sup> Investments in private equity funds are often more illiquid with more limited redemption rights as a result.<sup>274</sup> Other private equity funds may specialize in making minority investments in fast-growing companies or startups.<sup>275</sup>

While all fund advisers are subject to fiduciary duties to their clients, private equity funds' long-term investment horizons and various relationships with affiliates and portfolio companies mean that there exist opportunities for fund advisers to pursue transactions or investments despite conflicts of interest and also to extract private benefits at the expense of the funds they manage and, by extension, the limited partners invested in the funds.<sup>276</sup> The Commission has brought several enforcement actions against private equity fund advisers that allegedly received undisclosed fees and expenses,<sup>277</sup> impermissibly shifted and misallocated

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<sup>273</sup> After purchasing controlling interests in portfolio companies, private equity fund advisers frequently get involved in managing those companies by serving on the company's board; selecting and monitoring the management team; acting as sounding boards for CEOs; and sometimes stepping into management roles themselves. *See, e.g., Private Equity Funds*, INVESTOR.GOV, available at <https://www.investor.gov/introduction-investing/investing-basics/investment-products/private-investment-funds/private-equity>.

<sup>274</sup> *Id.*

<sup>275</sup> *Id.*

<sup>276</sup> Private equity fund advisers may be managing multiple private equity funds and portfolio companies. The funds typically pay the private equity fund adviser for advisory services. Additionally, the portfolio companies may also pay the private equity fund adviser for services such as managing and monitoring the portfolio company. Affiliates of the private equity fund adviser may also play a role as service providers to the funds or the portfolio companies. *See, e.g., SEC, Office of Compliance Inspections and Examinations, Risk Alert, Observations from Examinations of Investment Advisers Managing Private Funds* (June 23, 2020), available at [https://www.sec.gov/files/Private%20Fund%20Risk%20Alert\\_0.pdf](https://www.sec.gov/files/Private%20Fund%20Risk%20Alert_0.pdf); Andrew Ceresney, Director, SEC Division of Enforcement, Securities Enforcement Forum West 2016 Keynote Address: Private Equity Enforcement Securities and Exchange Commission (May 12, 2016) (“Ceresney Keynote”), available at <https://www.sec.gov/news/speech/private-equity-enforcement.html>.

<sup>277</sup> *See, e.g.,* In the Matter of Blackstone Management Partners, L.L.C., et. al., Advisers Act Release No. 4219 (Oct. 7, 2015) (settled action).

expenses,<sup>278</sup> or failed to disclose conflicts of interests adequately.<sup>279</sup> In addition, private equity funds' increasingly extensive use of leverage for financing portfolio companies and a significant increase in the use of private credit strategies both raise systemic risk concerns.<sup>280</sup>

Currently, all private equity fund advisers registered with the Commission who are required to file Form PF must do so annually. Private equity fund advisers with between \$150 million and \$2 billion in regulatory assets under management attributable to private equity funds must provide general information while large private equity fund advisers with at least \$2 billion in regulatory assets under management must report more detailed data about the private equity funds they manage (section 4 of Form PF).<sup>281</sup> In the second quarter of 2022, there were 18,987

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<sup>278</sup> See, e.g., In the Matter of Cherokee Investment Partners, LLC and Cherokee Advisers, LLC, Advisers Act Release No. 4258 (Nov. 5, 2015) (settled action); In the Matter of Lincolnshire Management, Inc., Advisers Act Release No. 3927 (Sept. 22, 2014) (settled action).

<sup>279</sup> See, e.g., In the Matter of Mitchell J. Friedman, Advisers Act Release No. 5338 (Sept. 4, 2019) (settled action).

<sup>280</sup> See *Moody's Warns of 'Systemic Risks' in Private Credit Industry*, FIN. TIMES (Oct. 26, 2021), available at <https://www.ft.com/content/862d0efb-09e5-4d92-b8aa-7856a59adb20>. One commenter argues that this Moody's report is "more speculative than informative . . . Investors have significant transparency on how leverage might be employed by the investment manager as part of their due diligence process prior to investing. This will include any appropriate leverage limits, risk management systems, the source of financing as well as the collateral required. Leverage providers, typically banks but also some pension funds or insurers, will also undertake their own analysis before providing financing to private credit funds. Their risk appetite therefore plays a significant role in determining the availability of leverage for private credit funds." The commenter argues that "[t]he actual observations of that report do not match the Commission's conclusion," based on a quote that "vehicles balance [...] risks through portfolio diversity and stronger creditor protections in loan agreements than for institutional loans." AIMA/ACC Comment Letter. However, while we agree that it is important to distinguish leverage at the fund level and portfolio company leverage, we believe that the commenter's statements do not engage with key conclusions of the Moody's study, namely that "private credit also heightens credit risks via reduced transparency, rising leverage and lender concentrations. Additionally, its rapid growth and the disintermediation of regulated financial institutions are sweeping a mounting tide of leverage into a less-regulated grey zone, with systemic implications. Risks that are rising beyond the spotlight of public investors and regulators may be difficult to quantify, even as they come to have broader economic consequences." Moody's Investors Service, *As Private Credit Continues to Grow, Risks are Getting Swept Into Grey Zone* (Oct. 25, 2021), available at <https://live.moody's.io/global-banking-series-america-edition/global-investment-banks-navigating-a-changing-world/as-private-credit-continues-to-grow-risks-are-getting-swept-into-grey-zone>. For additional discussion of leveraged lending and systemic risk, see, e.g., Rod Dubitsky, *CLOs, Private Equity, Pensions, and Systemic Risk*, 26 J. STRUCTURED FIN. 8 (2020), available at <https://jsf.pm-research.com/content/26/1/8>.

<sup>281</sup> See *supra* footnote 13.

private equity funds reported on Form PF, managed by 1,635 advisers, with \$6.4 trillion in gross assets under management.<sup>282</sup> Of those, 6,644 funds were private equity funds managed by 435 large private equity fund advisers with discretion over nearly \$4.9 trillion in gross assets, representing 77 percent of the reported private equity assets.<sup>283</sup> However, because not all private equity fund advisers file Form PF, section 4 private equity fund advisers represent less than 77 percent of total private equity fund regulatory assets. Currently, the \$2 billion reporting threshold captures 73 percent of the entire private equity industry.<sup>284</sup>

Private funds are typically limited to accredited investors and qualified clients such as pension funds, insurance companies, foundations and endowments, and high income and net worth individuals.<sup>285</sup> Retail U.S. investors with exposure to private funds are typically invested in private funds indirectly through public and private pension plans and other institutional investors.<sup>286</sup> In the second quarter of 2022, public pension plans had \$1,871 billion invested in reporting private funds while private pension plans had \$1,341 billion invested in reporting private funds, making up 13.5 percent and 9.7 percent of the overall beneficial ownership in the

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<sup>282</sup> See *supra* footnote 251.

<sup>283</sup> *Id.*

<sup>284</sup> Based on staff review of Form ADV filings, in 2022, the aggregate regulatory assets under management under the discretion of private equity fund advisers were \$6.7 trillion. According to the Private Fund Statistics Report, this aggregate estimate includes approximately \$6.4 trillion (95%) in gross assets under management by private equity fund advisers that file Form PF, \$4.9 trillion of which were under the discretion of large private equity fund advisers. This represents 73% of the industry. See *supra* footnote 251.

<sup>285</sup> See *supra* footnote 273; see also *Hedge Funds*, INVESTOR.GOV, available at <https://www.investor.gov/introduction-investing/investing-basics/investment-products/private-investment-funds/hedge-funds>.

<sup>286</sup> See *supra* footnotes 251, 285.

private equity industry, respectively.<sup>287</sup> Private fund advisers have also sought to be included in individual investors' retirement plans, including their 401(k)s.<sup>288</sup>

## **C. Benefits and Costs**

### **1. Benefits**

The final amendments are designed to facilitate two primary goals the Commission sought to achieve with reporting on Form PF as articulated in the original adopting release, namely: (1) facilitating FSOC's understanding and monitoring of potential systemic risk relating to activities in the private fund industry and assisting FSOC in determining whether and how to deploy its regulatory tools with respect to nonbank financial companies; and (2) enhancing the Commission's ability to evaluate and develop regulatory policies and improving the efficiency and effectiveness of the Commission's efforts to protect investors and maintain fair, orderly and efficient markets.<sup>289</sup>

Specifically, the final amendments include amendments to section 4 of Form PF, which will enhance and provide more specificity regarding the information collected on large advisers of private equity funds, including new annual reporting for certain triggering events that were originally proposed as current reporting requirements for all private equity fund advisers. The final amendments also introduce new section 5 of Form PF, which will require advisers to qualifying hedge funds to provide current reporting to the Commission when their funds are facing certain events that may signal stress or potential future stress in financial markets or implicate investor protection concerns. In addition, the final amendments include improvements

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<sup>287</sup> *Id.*

<sup>288</sup> *See, e.g.,* Dep't of Labor, Information Letter (June 3, 2020), *available at* <https://www.dol.gov/agencies/ebsa/about-ebsa/our-activities/resource-center/information-letters/06-03-2020>.

<sup>289</sup> *See supra* footnote 3.

to definitions and existing questions aimed to reduce their ambiguity and improve data quality. Below we discuss benefits associated with the specific elements of the amendments.

**a. Current Reporting Requirements for Large Hedge Fund Advisers to Qualifying Hedge Funds (Section 5 of Form PF)**

The final amendments introduce new section 5 of Form PF requiring large hedge fund advisers to qualifying hedge funds (*i.e.*, hedge funds with a net asset value of at least \$500 million) to file a current report with the Commission when their funds experience certain stress events: (1) extraordinary investment losses, (2) significant margin events and default events, (3) a prime broker relationship being terminated or materially restricted, (4) operations events, and (5) certain events associated with withdrawals and redemptions at the reporting hedge fund.<sup>290</sup> These events may serve as signals to the Commission and FSOC about significant stress at the reporting fund and potential risks to financial stability. Advisers will be required to file current reports within 72 hours of the occurrence of such an event.<sup>291</sup> Advisers will also be allowed to provide a narrative response if they believe that additional information would be helpful in understanding the information reported in the current report(s).<sup>292</sup>

The reporting of these stress events is designed to assist the Commission and FSOC in assessing potential risks to financial stability that hedge funds' activities could pose due to the complexity of their strategies, their interconnectedness in the financial system, and the limited regulations governing them.<sup>293</sup> There are two main channels through which stress events at an

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<sup>290</sup> See *supra* section II.A.1. In a departure from the proposal, we are not adopting a requirement that an adviser report a significant decline in holdings of unencumbered cash.

<sup>291</sup> This is a departure from the proposal, which required advisers to file a current report within one business day of the occurrence of such an event. As discussed above, advisers should consider filing a current report as soon as possible following such an event. See *supra* section II.A.1.

<sup>292</sup> See *supra* section II.A.8.

<sup>293</sup> See *supra* sections II.A., II.A.1.

individual hedge fund may pose risks to broader financial stability: forced liquidation of assets, which could depress asset prices, and spillover of stress to the fund's counterparties, which could negatively impact other activities of the counterparties.

First, when a large hedge fund experiences significant losses, a margin default, or faces large redemptions, it may be forced to deleverage and liquidate its positions at substantially depressed prices. Forced liquidation of assets by the hedge fund at depressed prices may affect other investors and financial institutions holding the same or similar assets.<sup>294</sup> Consequently, more investors and financial institutions may then face increased stress from margin calls and creditor concerns. This could lead to more sales at depressed prices, potentially causing stress across the entire financial system. Second, large hedge funds that use leverage through loans, derivatives, or reverse repurchase agreements with other financial institutions as counterparties may cause significant problems at those financial institutions in times of stress.<sup>295</sup> This in turn may force those institutions to scale back their lending efforts and other investment and financing activities with other counterparties, thereby potentially creating stress for other market participants.<sup>296</sup>

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<sup>294</sup> For example, because financial institutions base asset valuations in part on recent transaction prices for comparable assets, when assets are sold at depressed prices, forced liquidations at depressed prices could lead to lower valuations for entire classes of similar assets. *See, e.g.,* Andrei Shleifer & Robert Vishny, *Fire Sales in Finance and Macroeconomics*, 25 J. ECON. PERSPECTIVES 29 (2011), available at <https://pubs.aeaweb.org/doi/pdfplus/10.1257/jep.25.1.29>; *see also* Fernando Duarte & Thomas Eisenbach, *Fire-Sale Spillovers and Systemic Risk*, 76 J. FIN. 1251, 1251-1256 (2021), available at <https://onlinelibrary.wiley.com/doi/full/10.1111/jofi.13010>; Wulf A. Kaal & Timothy A. Krause, *Hedge Funds and Systemic Risk*, in HANDBOOK ON HEDGE FUNDS (Oxford Univ. Press 2016).

<sup>295</sup> For example, a lender to a hedge fund may view its loans as increasingly high risk as the hedge fund's balance sheet deteriorates. *See, e.g.,* Mark Gertler & Nobuhiro Kiyotaki, *Chapter 11 - Financial Intermediation and Credit Policy in Business Cycle Analysis*, in HANDBOOK OF MONETARY ECONOMICS (2010), available at <https://eml.berkeley.edu/~webfac/obstfeld/kiyotaki.pdf>.

<sup>296</sup> For example, if a bank has a large exposure to a hedge fund that defaults or operates in markets where prices are falling rapidly, the bank's greater exposure to risk may reduce its ability or willingness to extend credit to worthy borrowers. To the extent that these bank-dependent borrowers cannot access alternative sources of funding, their investment and economic activity could be curtailed. *See, e.g.,* Reint Gropp, *How*

As a result, a stress event at one large hedge fund may potentially spill over to the fund's lenders, counterparties, and across the entire financial system, carrying with it significant economic costs and the loss of confidence of investors. We believe that a timely notice about stress events could provide an early warning of the fund's assets liquidation and risk to counterparties. Such a timely notice could allow the Commission and FSOC to assess the need for a regulatory policy response, if any, and could allow the Commission to pursue potential outreach, examinations, or investigations, in response to any harm to investors or potential risks to financial stability on an expedited basis before those harms or risks worsen.

In addition, current reporting of stress events at multiple qualifying hedge funds may indicate broader market instability with potential risks for similarly situated funds, or markets in which these funds invest. Current reports will allow the Commission and FSOC to assess the prevalence of the reported stress events based on the number of funds filing in a short time frame, and identify patterns among similarly situated funds and common factors that contributed to the reported stress events. In that regard, current reports will be especially useful during periods of market volatility and stress, when the Commission and FSOC are actively and quickly ascertaining the affected funds, gathering information to assess systemic risk, and determining whether and how to pursue regulatory responses, if any, and when the Commission is actively determining whether and how to pursue outreach, examinations, or investigations. We anticipate that the current reporting requirement will improve the transparency to the Commission and

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*Important Are Hedge Funds in a Crisis?*, FRBSF Econ. Letter (Apr. 14, 2014), available at <https://www.frbsf.org/economic-research/files/el2014-11.pdf>. Even banks and financial institutions that are not directly harmed by the forced liquidation of assets by hedge funds may contribute to a system-wide lending contraction in response to hedge fund crises, to the extent they withdraw capital from lending to exploit distressed prices. See, e.g., Jeremy Stein, Member of the Board of Governors of the Federal Reserve System, *Workshop on 'Fire Sales' as a Driver of Systemic Risk in Tri-Party Repo and Other Secured Funding Markets* (Oct. 4, 2013), available at <https://www.bis.org/review/r131007d.pdf>.

FSOC of hedge fund activities and risk exposures, which will enhance systemic risk assessment and investor protection efforts.

We believe that those efforts will be beneficial for hedge fund advisers, hedge funds, and hedge fund investors, as well as for other market participants, as the new and timely information about stress events at hedge funds will help the Commission and FSOC to assess emerging risk events proactively, and will help the Commission further evaluate the need for outreach, examinations, or investigations, in order to minimize market disruptions. In turn, this could help develop robust resolution mechanisms for dealing with the stress at systemically important hedge funds, which could lead to more resilient financial markets and instill stronger investor confidence in the U.S. hedge fund industry and financial markets more broadly.<sup>297</sup> The Commission may also use this information to further advance investor protection efforts.

We also anticipate that the current reporting requirements might incentivize some hedge fund managers to enhance internal risk controls and reporting, which could support more effective risk management for these funds.<sup>298</sup> However, some investment advisers commented that they did not believe that a current reporting regime would provide any incentive for enhanced internal controls.<sup>299</sup> We disagree with the assertion that there will be no additional incentives to enhance internal risk controls. We believe that at the margin there may be such enhanced incentives. To the extent these enhanced internal risk controls and reporting improve

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<sup>297</sup> See, e.g., Jón Danielsson, Ashley Taylor & Jean-Pierre Zigrand, *Highwaymen or Heroes: Should Hedge Funds Be Regulated? A Survey*, 1 J. FIN. STABILITY 522 (2005).

<sup>298</sup> For example, fund advisers may not internalize all of the benefits that enhanced risk reporting provides other fund advisers and investors to other fund advisers. Current reporting requirements may result in reporting practices that are more consistent with fund advisers considering the impact of their internal risk reporting on the broader market.

<sup>299</sup> See, e.g., MFA Comment Letter.

managers' ability to monitor and respond to potential stress events, we believe this could provide market-wide benefits to funds, their investors, and financial markets more broadly.

Additionally, other commenters stated that under the current reporting regime, investors may demand additional reporting themselves, knowing that reporting systems are being developed for Commission and FSOC reporting.<sup>300</sup> To the extent investors secure this additional reporting, those investors would benefit from enhanced information on potential risks associated with their investments.<sup>301</sup>

Furthermore, requiring hedge fund advisers to report stress events on Form PF will support regulatory efficiency because all eligible hedge fund advisers will be required to file information about certain stress events on a standardized form. Advisers will also be allowed to provide a narrative response if they believe that additional information would be helpful in understanding the information reported in the current report(s).<sup>302</sup> Having standardized information, plus additional potential narrative detail explaining additional context behind the standardized reporting, will provide a more complete record of significant stress events in the hedge fund industry that can be used by the Commission and FSOC to identify regulatory tools and mechanisms that could potentially be used to make future systemic crises episodes both less likely to occur as well as less costly and damaging when they do occur.<sup>303</sup> The observations

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<sup>300</sup> See, e.g., SIFMA Comment Letter; AIMA Comment Letter.

<sup>301</sup> These benefits would be partially offset by the additional costs to funds of this reporting, and those costs may be passed on to investors. See *infra* section IV.C.2.

<sup>302</sup> See *supra* section II.A.8.

<sup>303</sup> For instance, a more complete record would allow the staff to more accurately assess the prevalence of the reported stress events, identify patterns among affected funds, and detect factors that contributed to the reported stress events. The observations from this research could be used to identify causes for, and implications of, possible future similar stress events, or causes of, and implications for, investor harm, thus enabling the Commission and FSOC to better assess such future events.

from this research could help inform and frame regulatory responses to future market events and policymaking.

Some investment adviser groups raised three categories of concerns with respect to current reporting, which we will discuss in turn: First, some commenters broadly question whether current reporting can provide useful data indicative of systemic risk or market stress at all.<sup>304</sup> Second, as a closely related matter,<sup>305</sup> one commenter questioned whether the Commission would be able to take relevant actions using the data from the current reporting regime in the event of systemic risk or market stress.<sup>305</sup> Lastly, some commenters questioned the Commission's analysis in the particular threshold choices of the trigger events in the current reporting regime.<sup>306</sup>

First, some commenters more broadly questioned the benefits of current reporting. For example, one commenter stated that “there is no policy justification for the proposed amendments which would seek to impose unnecessary and disproportionate compliance and operational burdens on advisers.”<sup>307</sup> Commenters also stated, broadly, that the events the Commission requests reporting on are not indicative of systemic risk and market disruption,<sup>308</sup> or that the data produced will have little utility in assessing actual systemic risks.<sup>309</sup> We disagree. As an initial matter, the above literature supports a view that extraordinary investment losses (or other systemic stress events) at one large hedge fund may potentially spill over to the fund's lenders, counterparties, and across the entire financial system. We believe the broader criticisms

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<sup>304</sup> AIMA/ACC Comment Letter; MFA Comment Letter.

<sup>305</sup> AIMA/ACC Comment Letter.

<sup>306</sup> AIMA/ACC Comment Letter; MFA Comment Letter.

<sup>307</sup> AIMA/ACC Comment Letter.

<sup>308</sup> *Id.*

<sup>309</sup> MFA Comment Letter.

by commenters do not dispute these results. These commenters also do not dispute that the current reporting regime will facilitate outreach, examinations, or investigations.

Moreover, other commenters support the stated benefits. For example, one commenter stated that “[t]he Financial Crisis Inquiry Commission in 2011 cited the lack of transparency into the non-bank sector numerous times as a major contributor to the financial crisis of 2008. To prevent additional financial instability stemming from a lack of visibility for regulators into hedge fund holdings, and to enable the FSOC and policy makers to consider appropriate policy responses, the Commission and FSOC both need to have this critical data.”<sup>310</sup> Another commenter supported the current reporting disclosures, stating that they believed the systemic risk posed by private funds ought to be monitored.<sup>311</sup> As a final example, a third commenter specifically described the risks from extraordinary investment losses at a hedge fund as being able to impact markets, necessitating intervention to protect markets and investors, and stating broadly that the rest of the triggering events are similarly important.

Certain revisions to the final amendments are in response to comments that specific elements of the proposed current reporting triggers were redundant or likely to result in false positive reports that were not indicators of systemic stress, and thus preserve the benefits of the proposal while removing unnecessary costs as compared to the proposed current reporting triggers. For example, some commenters stated that parties may terminate prime broker relationships for ordinary business reasons that are not indicative of fund or counterparty stress,

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<sup>310</sup> AFREF Comment Letter; *see also supra* section II.A.

<sup>311</sup> Public Citizen 50 Comment Letter (“We support these additional disclosures. Because the scope of private funds is so large, the systemic risk they pose must be monitored with greater care. We specifically support the urgent reporting of losses. Losses of 20% or more may indicate stress at the fund or even the markets where the fund participates.”); *see also supra* section II.A.

among other related concerns.<sup>312</sup> After considering comments, we are narrowing the prime broker reporting items to only apply when the prime broker terminates the agreement or materially restricts its relationship with the fund, in whole or in part, in markets where that prime broker continues to be active,<sup>313</sup> or when there is a termination of the relationship between the prime broker and the reporting fund if a “termination event” was activated in the prime brokerage agreement, or related agreements, in the last 12 months.<sup>314</sup> Similarly, with respect to changes in unencumbered cash, some commenters argued that the proposed current reporting trigger would capture routine cash movements in certain strategies resulting in some funds filing numerous reports over the course of a year.<sup>315</sup> We are persuaded by commenters and are not adopting this item after considering comments received.<sup>316</sup> Lastly, some commenters argued that the proposed extraordinary investment loss and margin increase reporting based on outdated NAV figures would yield unreliable current reports. For example, an extraordinary investment loss current report regime based on an outdated NAV figure would yield excessive reports during upward-trending markets, when current fund values greatly exceed last quarter’s NAV and subsequent losses are therefore overly likely to exceed 20 percent of last quarter’s NAV.<sup>317</sup> The final amendments instead require reporting based on the more timely RFACV measure.<sup>318</sup> We believe these changes preserve the benefits of the final amendments while reducing the costs relative to the proposal.

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<sup>312</sup> See *supra* section II.A.4.

<sup>313</sup> This instruction excludes termination events related to the financial state, activities or other characteristics solely of the prime broker. See *supra* section II.A.4.

<sup>314</sup> See *supra* section II.A.4.

<sup>315</sup> See *supra* section II.A.5.

<sup>316</sup> See *supra* section II.A.5.

<sup>317</sup> See *supra* section II.A.2.

<sup>318</sup> See *supra* sections II.A.2, II.A.3.

Second, in addition to questioning whether the trigger events in the current reporting regime are useful as relevant indicators of systemic risk or market stress, one commenter questioned whether the Commission had demonstrated an ability to intervene to avoid a subsequent systemic event using current reporting data.<sup>319</sup> However, again, this commenter broadly does not dispute that the current reporting trigger events will facilitate outreach, examinations, or investigations. We have also discussed above the other potential responses that would be facilitated by the timely notices of a stress event under the current reporting regime, such as FSOC and the Commission analyzing the scale and scope of the event and identifying whether additional funds that may have similar investments, market positions, or financing profiles are at risk.<sup>320</sup> For example, as noted above, if one fund that was particularly concentrated in a deteriorating position or strategy reported an extraordinary loss or was terminated by their prime broker for reasons related to that position or strategy, Commission staff could potentially conduct outreach to fund counterparties or other similarly situated funds to assess whether any regulatory action could mitigate the potential for contagion or harm to investors.<sup>321</sup>

Third, some commenters argue that benefits of certain current reports will be mitigated where other triggering events have already provided pertinent information.<sup>322</sup> We agree that this may be true in certain cases. For example, for extraordinary losses that result from adverse movements against short positions, the reporting fund will, in general, be required to post additional margin or collateral. The benefits from the subsequent margin, collateral, or

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<sup>319</sup> AIMA/ACC Comment Letter.

<sup>320</sup> *See supra* sections II.A., II.A.2.

<sup>321</sup> *See supra* section II.A.

<sup>322</sup> *See, e.g.*, AIMA/ACC Comment Letter; MFA Comment Letter.

equivalent increase may be limited by the Commission having already received an extraordinary investment loss current report. However, we believe that the current reporting triggering events all offer unique benefits. For example, margin, collateral, or equivalent increases may result from increased volatility before defaults actually occur, providing early warning indicators of hedge fund stress or potential liquidation, much like extraordinary investment losses.

Lastly, commenters questioned the Commission’s analysis in several of the particular parameter choices of the current reporting regime. We discuss these parameter choices each in turn.

First, some commenters questioned whether the extraordinary investment loss current report threshold should be set at 20 percent, or some higher threshold.<sup>323</sup> While the Commission requested comment on the choice of threshold,<sup>324</sup> no commenter offered data or analysis targeted at estimating a different threshold for extraordinary investment losses. Only one commenter suggested an alternative threshold of 50 percent, but did so with no data or analysis defending this alternative threshold as more optimal than a 20 percent threshold, besides the fact that it would generate fewer current reports.<sup>325</sup> Moreover, other commenters supported the extraordinary loss current reporting regime as proposed, with a 20 percent threshold.<sup>326</sup> As noted

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<sup>323</sup> See *supra* section II.A.2; see also, e.g., AIMA/ACC Comment Letter (“[T]he Proposing Release does not elaborate on its ‘experience’ nor does it provide robust data or examples of hedge funds experiencing equal or greater losses than 20 percent of the fund’s most NAV reported on Form PF that would justify inclusion of the quantitative threshold.”); MFA Comment Letter (“For reports required under section 5.B. (Extraordinary Investment Loss), raise the threshold of extraordinary losses to 50 percent. . . . A higher reporting threshold will reduce the ‘noise’ of a large number of reports that are based on temporary market events.”).

<sup>324</sup> 2022 Form PF Proposing Release, *supra* footnote 6, at 19, 116.

<sup>325</sup> MFA Comment Letter.

<sup>326</sup> See *supra* section II.A; see also, e.g., Better Markets Comment Letter (“[A] 20 percent loss in value over such a short term would certainly rattle investors, spook markets, and necessitate an urgent and hard look by regulators into a variety of issues related to the fund to protect markets and investors.”); Public Citizen 50 Comment Letter (“Losses of 20 percent or more may indicate stress at the fund or even the markets where the fund participates.”).

above, it is also our understanding that NAV decline triggers in risk control provisions of prime broker agreements or ISDA master agreements typically range from 10 percent to 25 percent declines over a 30 day period.<sup>327</sup> We are not aware of any data or literature that would suggest a flaw in a choice of a 20 percent threshold. We therefore continue to believe that the benefits stated above will be achieved with an extraordinary loss current reporting regime based on a 20 percent loss threshold.

Nevertheless, in further response to the comment file's concerns regarding the parameter choice for extraordinary investment losses, we are able to examine existing Form PF's monthly reports of gross and net performance. While there are no existing data on how often extraordinary investment loss current reports would be received under the final amendments to Form PF, we have examined the number of times a qualifying hedge fund's monthly gross and net performance, as reported on the existing Form PF, crossed thresholds of 10 percent through 35 percent from 2013-2021.<sup>328</sup> We believe that, in general, a hedge fund reporting a monthly loss of X percent in historical Form PF data indicates that, had a current reporting regime with a threshold of X percent for extraordinary investment losses been in place in the past, that hedge fund would have generated a current report in that month. Therefore, the frequency of hedge funds reporting monthly losses of different percentages in historical data represents a useful proxy for how often current reports are likely to be generated in the future.

Before analyzing the data, we evaluate two reasons why these data may differ from the rate that current reports will be generated. First, the reference statistics used for extraordinary

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<sup>327</sup> See *supra* section II.A.2; see also, e.g., HFL Report, *supra* footnote 46.

<sup>328</sup> A qualifying hedge fund is defined in Form PF as "any hedge fund that has a net asset value (individually or in combination with any feeder funds, parallel funds and/or dependent parallel managed accounts) of at least \$500 million as of the last day of any month in the fiscal quarter immediately preceding your most recently completed fiscal quarter." Monthly gross and net performance results are reported in Section 1b, Item C, Question 17. See *supra* footnote 13.

investment loss current reporting do not require the deduction of all fees and expenses or the inclusion of income accruals. Therefore, the rate of reporting under the current reporting regime will likely be in the range of, but not necessarily equal to, the gross and net performance loss threshold crossing rates provided above. Second, while statistical models and literature vary in terms of whether they indicate 10-day hedge fund losses are likely to be greater or less than monthly losses, as a leading matter, standard deviations of many statistical processes increase with time horizon. We therefore believe that both the gross and net performance tables as presented below, which are based on monthly performances, likely overstate the rate at which hedge fund losses under the current reporting regime would be triggered by each of the above thresholds. This would indicate that a 20 percent threshold is conservatively high and is likely to reduce costs from false positive reports during periods where there is no market stress, potentially at the expense of generating fewer current reports during a systemic risk episode.

We first tabulate the number of private funds in Form PF with performance data. This is provided in Table 1. The third and fourth columns demonstrate that the majority of funds and advisers in all years report 12 months of performance data.

Table 1:

| Year | Number of Funds | Number of Advisers | Number of Funds with 12 Months of Performance Data | Number of Advisers with 12 Months of Performance Data |
|------|-----------------|--------------------|--|---|
| 2013 | 1369            | 469                | 1041   | 402   |
| 2014 | 1515            | 514                | 1207   | 450   |
| 2015 | 1570            | 522                | 1241   | 458   |
| 2016 | 1572            | 509                | 1241   | 455   |
| 2017 | 1699            | 528                | 1345   | 474   |
| 2018 | 1718            | 538                | 1394   | 471   |
| 2019 | 1684            | 525                | 1388   | 472   |
| 2020 | 1722            | 526                | 1272   | 454   |

2021      1727      561      1430      509

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We next examine two key features of Form PF monthly performance data: The number of threshold crossings during periods where there is no market stress, and the number of threshold crossings during periods of market stress. Tables 2 and 3 display the number of times a qualifying hedge fund's monthly gross and net performance, as reported on the existing Form PF, crossed thresholds of 10 percent through 35 percent separately in 2020 and then in the years 2013-2019 and 2021.

Table 2:

| Year(s)         | Average Number of Instances Per Year of Qualifying Hedge Fund<br>Monthly Net Performance Losses Greater Than Threshold |      |      |      |      |      |
|-----------------|--|------|------|------|------|------|
|                 | -10%   | -15% | -20% | -25% | -30% | -35% |
| 2013-2019, 2021 | 127  | 49   | 27   | 17   | 11   | 8    |
| 2020            | 885  | 443  | 229  | 135  | 90   | 63   |

Table 3:

| Year(s)         | Average Number of Instances Per Year of Qualifying Hedge Fund<br>Monthly Gross Performance Losses Greater Than Threshold |      |      |      |      |      |
|-----------------|--|------|------|------|------|------|
|                 | -10%   | -15% | -20% | -25% | -30% | -35% |
| 2013-2019, 2021 | 133  | 48   | 27   | 16   | 11   | 9    |
| 2020            | 902  | 446  | 230  | 132  | 91   | 63   |

Thresholds of 10 percent and 15 percent demonstrate substantially high rates of crossing of these thresholds in all years, including periods with no indicators of market stress. This indicates a high likelihood that extraordinary investment loss current reporting thresholds set at 10 percent or 15 percent would yield a large number of current report filings every month,

regardless of market conditions. Thresholds of 30 percent and 35 percent demonstrate few crossings of these thresholds even in 2020, indicating a risk that extraordinary investment loss current reporting with a 30 percent (or higher) threshold would fail to generate a sufficiently broad sample that would allow FSOC and the Commission to analyze the scale and scope of any future systemic events and whether additional funds that may have similar investments, market positions, or financing profiles are at risk. This risk is exacerbated by the fact that Tables 3 and 4 are likely conservative estimates of the number of current reports that would be generated by each threshold choice.

While the thresholds of both 20 percent and 25 percent yield relatively few crossings of thresholds prior to 2020, and a large number of threshold crossings in 2020, we believe the additional current reports generated in 2020 using a period of 20 percent will lead to substantially improved systemic risk assessment. As noted above, one commenter suggested a threshold of 50 percent.<sup>329</sup> However, it is clear from Tables 2 and 3 that any threshold greater than 35 percent would substantially or completely erode the benefits of the current reporting system by producing negligible numbers of current reports even in a systemic crisis. To the extent that that these tables overstate the rate at which hedge fund losses under the current reporting regime would be triggered by each of the above thresholds, as noted above, we believe that a 20 percent threshold is conservatively high. To the extent we have selected a conservatively high threshold, the choice will reduce costs from false positive reports during periods where there is no market stress, potentially at the expense of reduced benefits if the current reporting regime generates fewer current reports during a systemic risk episode.

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<sup>329</sup> See MFA Comment Letter.

Similar concerns from commenters arose with respect to threshold choices for significant margin increases, default events, and withdrawals and redemptions.<sup>330</sup>

With respect to margin increases, as an initial matter, margin increases may be viewed as potential hedges by a counterparty against future possible losses of an investment portfolio. From that perspective, we believe that it is reasonable to use the same threshold for margin increases as for extraordinary investment losses. Moreover, as with extraordinary investment losses, while the Commission requested comment on the appropriateness of this threshold choice,<sup>331</sup> no commenter offered data or analysis targeted at estimating a different threshold, or indicated any data or literature that would suggest a flaw in our threshold choices.

In further response to commenter concerns, we have also re-evaluated the literature on margin increases. One recent estimate from the academic literature indicates that an increase in margin or collateral of 20 percent of the average daily RFACV over a 10-day period represents a substantially large increase in the actual level of margin/collateral.<sup>332</sup> Specifically, this estimate from the literature, based on a sample of large hedge fund advisers' qualifying hedge funds from Q4 2012 to Q1 2017, finds that the hedge funds in the sample had median collateral as a percentage of borrowings of 121 percent, median borrowings of \$.443 billion, and a median NAV of \$.997 billion. This indicates that a typical hedge fund in the sample has collateral as a percentage of NAV of approximately 54.1 percent.<sup>333</sup> For such a hedge fund, an increase in margin/collateral of 20 percent of RFACV represents an almost 40 percent increase in the level

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<sup>330</sup> See *supra* sections II.A.3, II.A.7.

<sup>331</sup> 2022 Form PF Proposing Release, *supra* footnote 6, at 27.

<sup>332</sup> Kruttli, Monin & Watugala, *supra* footnote 261.

<sup>333</sup>  $1.21851 * .443 / .997 = .541$ .

of margin/collateral posted.<sup>334</sup> We believe this represents a substantially large increase in the level of margin/collateral.

The distributions of fund borrowings and collateralization in the sample are right-skewed, and so the results for the largest hedge funds in the data differ from the results for the median hedge fund.<sup>335</sup> The 75<sup>th</sup> percentile fund NAV in the data is \$2 billion, the 75<sup>th</sup> percentile of fund borrowings is \$1.3 billion, and the 75<sup>th</sup> percentile for collateral as a percentage of borrowings is 183.8 percent.<sup>336</sup> Such a hedge fund has collateral as a percentage of NAV of approximately 119.47 percent. For such a hedge fund, an increase in margin/collateral of 20 percent of RFACV represents a 16.7 percent increase in the level of margin/collateral, compared to almost 40 percent for the median hedge fund. This indicates that the largest hedge funds may be required to file current reports for smaller increases in the level of their margin/collateral as compared to smaller hedge funds. However, for such a fund, an increase in margin/collateral of 20 percent of RFACV represents a \$400 million increase in margin/collateral, and we believe such large increases in margin/collateral at the largest hedge funds are likely still to be indicative of potential systemic risk, especially if multiple such increases are reported to the Commission and FSOC.

Default events and withdrawals/redemptions also have associated parameter choices.

Counterparty defaults must be reported that accounted for a greater portion of the fund's NAV

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<sup>334</sup> Kruttli, Monin & Watugala, *supra* footnote 261. While there is not reliable data on the average level of margin/collateral increases by bilateral intermediaries during the Covid-19 financial turmoil, we note that a 40% increase in the level of margin/collateral is consistent with how much central counterparties increased their initial margin requirements during this period. *See, e.g.*, BASEL COMMITTEE ON BANKING SUPERVISION, COMMITTEE ON PAYMENTS AND MARKET INFRASTRUCTURES, BOARD OF THE INTERNATIONAL ORGANIZATION OF SECURITIES COMMISSIONS, CONSULTATIVE REPORT, REVIEW OF MARGINING PRACTICES (Oct. 2021), available at <https://www.bis.org/bcbs/publ/d526.pdf>.

<sup>335</sup> Kruttli, Monin & Watugala, *supra* footnote 261.

<sup>336</sup> *Id.*

than a 5 percent threshold, and withdrawals/redemptions must be reported when they exceed 50 percent of the most recent net asset value (after netting against subscriptions or other contributions from investors received and contractually committed).<sup>337</sup>

There are no data currently available that we are aware of, in Form PF or otherwise, that would provide an estimate as to how often counterparty default or withdrawal/redemption current reports are likely to be received. While the Commission requested comment on the appropriateness of these threshold choices,<sup>338</sup> no commenter offered data or analysis targeted at estimating a different threshold, or indicated any data or literature that would suggest a flaw in our threshold choices. However, as discussed above, we believe that the counterparty default threshold represents an often-used industry practice for measuring significant exposure at both the position level and the counterparty-exposure level. A default at this level could be a sign of issues at both the fund and counterparty making it well suited for systemic risk monitoring. Even if a five percent default is insignificant at a fund level, a high number of such reports can be significant systemically.<sup>339</sup> We also believe that withdrawals/redemptions exceeding 50 percent of a fund net asset value is well accepted as a substantial withdrawal that threatens a fund's health and potentially markets if it requires substantial portfolio sales.<sup>340</sup>

**b. Quarterly Private Equity Event Reports for All Private Equity Advisers**

In a change from the proposal, the final amendments will require section 6 of Form PF to be filed on a quarterly basis and will narrow the scope of events included in this reporting to only

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<sup>337</sup> See *supra* sections II.A.3, II.A.7.

<sup>338</sup> 2022 Form PF Proposing Release, *supra* footnote 6, at 29, 41.

<sup>339</sup> See *supra* section II.A.3.

<sup>340</sup> *Id.*

include (1) execution of an adviser-led secondary transaction, and (2) investor election to remove a fund's general partner or to terminate a fund's investment period or a fund.<sup>341</sup>

Although advisers to private equity funds have become an essential part of the U.S. financial system,<sup>342</sup> there is only partial and insufficient information about their funds' governance, strategies, performance, and volatility available to regulators. Moreover, because private equity funds' investments are mostly in private companies and businesses, there is limited information available on the performance of these investments, on the performance and volatility of private equity funds, and therefore on potential harms investors may face.<sup>343</sup> As a result, significant events at private equity funds that could have substantial consequences for a fund's investors—namely a removal of a general partner, termination of a fund or its investment period, or the occurrence of an adviser-led secondary—may not be known to the Commission or FSOC early enough to enable any effective regulatory response, outreach, examinations, or investigation that could effectively further investor protection.

These new quarterly reporting requirements for private equity fund advisers will provide a timelier alert to the Commission on significant developments at the reporting funds that could potentially cause investor harm and loss of investor confidence. Such alerts will enable the Commission to assess in a reasonably prompt time-frame the severity of the reported events at the reporting private equity fund and, to the extent the reported event may cause significant

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<sup>341</sup> The required reporting of these events was initially proposed as a current reporting requirement. *See supra* section II.B.

<sup>342</sup> *See supra* section IV.B.2.

<sup>343</sup> Even when the updated valuations of private equity portfolio companies are available, these valuations may appear relatively uninformative as they tend to respond slowly to market information and could be artificially smoothed. *See* Tim Jenkinson, Miguel Sousa & Rüdiger Stucke, *How Fair are the Valuations of Private Equity Funds?* (Feb. 2013) (unpublished manuscript), available at <https://www.psers.pa.gov/About/Investment/Documents/PPMAIRC%202018/27%20How%20Fair%20are%20the%20Valuations%20of%20Private%20Equity%20Funds.pdf>; Robert Harris, Tim Jenkinson & Steven Kaplan, *Private Equity Performance: What Do We Know?*, 69 J. FIN. 1851 (Mar. 27, 2014).

investor harm and loss of investor confidence, these alerts will allow the Commission to frame potential regulatory responses.

The Commission could also use the information provided in these quarterly reports to target its examination program more efficiently and better identify areas in need of more timely regulatory oversight and assessment, which should increase both the efficiency and effectiveness of its programs and, thus, increase investor protection. For example, the removal of a fund's adviser or affiliate as general partner, termination of a fund's investment period, or termination of a fund could signal the liquidation of the fund earlier than anticipated, which could present risks to investors and potentially certain markets in which the fund assets were invested, as the entire investment strategy and planning of the fund can be disrupted.<sup>344</sup> We understand that, because the consequence of each of these actions could be damaging to a fund, investors would generally prefer to negotiate with a fund's adviser to avoid the adviser pursuing any of these actions.<sup>345</sup> Quarterly reports of these events from private equity fund advisers of any size may therefore reflect potential areas for Commission outreach, examinations, or investigations.

As another example, a report about an adviser-led secondary transaction may signal to the Commission a potential area for inquiry to prevent investor harm and protect investors' interests, as such transactions may present fund-level conflicts of interest, such as those that arise because the adviser (or its related person) is on both sides of the transaction in adviser-led secondary transactions with potentially different economic incentives.<sup>346</sup> Reporting about such events could alert the Commission to specific investor protection issues at the fund's adviser, including potential conflicts of interest, and therefore merit targeted oversight and assessment. Quarterly

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<sup>344</sup> *See supra* section II.B.

<sup>345</sup> *Id.*

<sup>346</sup> *Id.*

reporting about such events could alert the Commission to specific investor protection issues at the fund's adviser, including potential conflicts of interest that merit more timely targeted oversight and assessment.

These events may also signal to the Commission and FSOC the presence of significant changes in market trends and potential developing or growing risks to broader financial markets, as well as indicate potential areas for the Commission to pursue outreach, examinations, and investigations designed to prevent investor harm and protect investors' interests. Private equity fund investors will benefit, as the new and timely information about private equity funds and their advisers would help the Commission and FSOC to assess risks as they emerge and address them with appropriate regulatory responses, if any, thereby minimizing potential investor harms and market disruptions, as well as limiting potential damages and costs associated with them. Data on these events may also may help inform and frame any regulatory response to future market events and future policymaking.

Also, multiple reports about removals of general partners, terminations of a fund's investment period, or terminations of a fund itself may reflect rising market stress. In particular, these events may pose risks for private equity portfolio companies, who may face liquidity challenges from removal of the private equity fund's capital, for example if the adviser is no longer as willing to insert equity capital when needed once key GPs are removed.<sup>347</sup> Similarly, multiple reports about adviser-led secondary transactions such as a fund reorganization may serve as a warning to the Commission and FSOC about deteriorating market conditions that may prevent private equity managers from utilizing more traditional ways to exit their portfolio

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<sup>347</sup> *Id.*

companies and realize gains.<sup>348</sup> These events also can represent risks for private equity portfolio companies, who may face liquidity risks from removal of a private equity fund’s capital.

A number of commenters stated that private equity reporting of these events does not need to be done within one business day in order for the information to be actionable for the Commission and FSOC.<sup>349</sup> We agree with these commenters in part, for example that these reporting items as likely to reveal trends that emerge more slowly as compared to hedge funds because private equity funds typically invest in more illiquid assets over longer time horizons with more limited redemption rights,<sup>350</sup> and have revised the reporting requirement timeline to instead be quarterly, within 60 days of the end of the quarter.<sup>351</sup> However, because we believe that these events represent more timely risks of conflicts of interest between advisers and their investors, we do not agree that the investor protection benefits from these quarterly reporting events could be substantially achieved with an annual reporting requirement, unlike general partner and limited partner clawbacks, for which we are replacing the proposed current reporting requirements with annual reporting requirements.<sup>352</sup> As discussed below, general partner and limited partner clawbacks represent the realization of risk that develop over the life of a private

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<sup>348</sup> For example, private equity exits have been adversely affected by the global Covid-19 pandemic as the three traditional ways for private equity fund advisers to exit portfolio companies – trade sales, secondary buy-outs and initial public offerings (“IPOs”) – became unattainable or unattractive for some advisers. *See, e.g.,* Alastair Green, Ari Oxman & Laurens Seghers, *Preparing for Private-Equity Exits in the COVID-19 Era*, McKinsey & Co., Private Equity & Principal Investors Insights (June 11, 2020), available at <https://www.mckinsey.com/industries/private-equity-and-principal-investors/our-insights/preparing-for-private-equity-exits-in-the-covid-19-era>. Conversely, during the same period, there was an increase in the adviser-led secondary transactions. *See, e.g.,* Nicola Chapman, Martin Forbes, Colin Harley & Sherri Snelson, *Private Equity Turns to Fund Restructurings in COVID-19 Slowdown*, White & Case Debt Explorer (Feb. 8, 2021), available at <https://debtexplorer.whitecase.com/leveraged-finance-commentary/private-equity-turns-to-fund-restructurings-in-covid-19-slowdown#!>.

<sup>349</sup> *See, e.g.,* MFA Comment Letter; AIC Comment Letter; *see also supra* section II.B.

<sup>350</sup> *See supra* section IV.B.2.

<sup>351</sup> *See supra* section II.B. One commenter suggested quarterly reporting as an alternative for private equity current reports. *See* MFA Comment Letter.

<sup>352</sup> *Id.*, *see also infra* section IV.C.1.c.

equity fund, potentially over several years, and so do not represent sources of investor harm requiring more frequent reporting than annual.<sup>353</sup>

We similarly believe that, because removals of general partners, terminations of a fund or its investment period, and adviser-led secondaries represent potentially significant potential for conflicts of interest and other sources of investor harm, that limiting reporting to only large private equity advisers would substantially reduce the benefits of the required reporting. We believe that the investor protection benefits associated with these events require reporting from all private equity fund advisers.

Some advisers' comment letters asserted that these events in private equity funds do not reflect areas of systemic risk or investor harm.<sup>354</sup> However, other comment letters from investors agreed with our description of benefits in the proposing release and stated that reporting of these private equity events are relevant for systemic risk and investor protection.<sup>355</sup> Moreover, the comment letters disputing the relevance of private equity reporting benefits do not address the above facts demonstrating that the private equity industry can be a relevant source of investor harm or systemic risk. Commenters also did not dispute the increasing number of investors in private equity funds and the increasing exposure of public pension plans to private equity.<sup>356</sup> It is also the Commission's view that quarterly reporting of these events may provide insight into key events in the private equity industry and allow the Commission and FSOC to

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<sup>353</sup> *Id.*

<sup>354</sup> *See, e.g.*, AIMA/ACC Comment Letter; Schulte Comment Letter.

<sup>355</sup> *See, e.g.*, ILPA Comment Letter; ICGN Comment Letter; PESP Comment Letter.

<sup>356</sup> *See supra* sections II.B, IV.B.2.

identify sources of investor harm and potential risks, as they emerge, in the private equity space that might otherwise be obscured.<sup>357</sup>

**c. Reporting of General Partner or Limited Partner Clawbacks for Large Private Equity Fund Advisers**

The final amendments introduce a new annual reporting event into section 4 of Form PF requiring all large advisers of private equity funds to file a report with the Commission on an annual basis disclosing whether an implementation of a general partner or limited partner clawback occurred at one or more funds that they manage.<sup>358</sup> An adviser would also be permitted to provide an optional narrative response if it believes that additional information is helpful in explaining the circumstances of its responses in section 4, including general partner or limited partner clawbacks.<sup>359</sup>

As discussed above,<sup>360</sup> although advisers to private equity funds have become an essential part of the U.S. financial system,<sup>361</sup> there is only partial and insufficient information about their funds' governance, strategies, performance, and volatility available to regulators.<sup>362</sup> As a result, general partner and limited partner clawbacks at private equity funds that could have substantial consequences for the fund's investors may not ever be known to the Commission or FSOC, preventing any possible regulatory response, outreach, examinations, or investigations that could further investor protection. The final rule will also enable the Commission and FSOC to identify trends in the use of clawbacks and any resulting potential systemic risk and investor

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<sup>357</sup> *Id.*

<sup>358</sup> The required reporting of these events was initially proposed as a current reporting requirement. *See supra* section II.D.

<sup>359</sup> *See supra* section II.D.

<sup>360</sup> *See supra* section IV.C.1.b.

<sup>361</sup> *See supra* section IV.B.2.

<sup>362</sup> *See supra* footnote 343 and accompanying text.

protection concerns. The observations from this research could potentially inform and frame any regulatory response to future market events and policymaking related to use of clawbacks.

Reports of general partner or limited partner clawbacks may signal to the Commission and FSOC the presence of significant changes in market trends surrounding liquidity or credit conditions, and potential developing or growing risks to broader financial markets, as well as indicate potential areas for the Commission to pursue outreach, examinations, and investigations designed to prevent investor harm and protect investors' interests. For example, an implementation of a limited partner clawback may signal that the fund is planning for a material event such as substantial litigation or a legal judgment that could negatively impact the fund's investors and potentially other market participants. This information could also be used to target its examination program more efficiently and effectively and better identify areas in need of regulatory oversight and assessment, which should increase both the efficiency and effectiveness of its programs and, thus, increase investor protection.

In addition, reporting of clawbacks at multiple private equity funds may indicate broader market instability that negatively affects similarly situated funds, or markets in which these funds invest. For example, widespread implementation of general partner clawbacks among private equity funds may be a sign of an emerging market-wide stress episode, worsening of economic conditions contributing to the underperformance of the funds' portfolio companies, or deteriorating private equity credit environments. Because limited partner clawbacks may signal increasing rates of litigation or legal judgment, widespread increased rates of such clawbacks may also indicate stress in the market as evidenced by higher rates of legal judgments.<sup>363</sup>

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<sup>363</sup> See *supra* section II.D.1.

These reports will therefore allow the Commission and FSOC to assess the prevalence of clawbacks and identify patterns among similarly situated funds and any common factors that contributed to the reported events. We anticipate that the improved transparency of private equity fund activities as a result of the final reporting requirements to the Commission and FSOC will enhance regulatory systemic risk assessment and investor protection efforts. Because an adviser will also be allowed to provide a narrative response if it believes that additional information would be helpful in understanding the information reported in new section 4 reporting questions on clawbacks,<sup>364</sup> the Commission's and FSOC's efforts will benefit from additional potential narrative detail explaining the context behind the reporting events.

A number of commenters stated that private equity reporting of these events does not need to be done within one business day in order to achieve these benefits.<sup>365</sup> Unlike the quarterly reporting requirements discussed above,<sup>366</sup> for general partner and limited partner clawbacks we agree that the principal benefits from reporting of these events accrue from revealing the frequency of these reporting events and an enhanced ability for the Commission to examine potential conflicts of interest across the private equity industry.<sup>367</sup> In particular, we believe that these events tend to build over the life of a private equity fund with a multi-year term.<sup>368</sup> In particular, the legal mechanics of general partner and limited partner clawbacks are negotiated early on in a fund's life, long before the inciting event occurs.<sup>369</sup> Then, an inciting

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<sup>364</sup> *Id.*

<sup>365</sup> *See, e.g.,* MFA Comment Letter; AIC Comment Letter; *see also supra* section II.D.1.

<sup>366</sup> *See supra* section IV.C.1.b.

<sup>367</sup> *See supra* section II.D.1.

<sup>368</sup> *See supra* section II.B.2; *see also, e.g.,* RER Comment Letter; SIFMA Comment Letter; AIMA Comment Letter.

<sup>369</sup> *Id.*

event for a clawback actually occurs, typically, when the fund has had successful investments earlier in the life of the fund, but the fund's later investments are less successful.<sup>370</sup> Thus, we believe that many of the benefits of private equity reporting of these events that we described in the proposing release will be maintained with annual reporting, and that annual reporting (rather than current reporting or quarterly reporting) will substantially mitigate the burden on private equity fund advisers, relative to the proposal.

We believe the benefits of the new annual reporting events will be substantially preserved, relative to the proposal to have these events be current reports. We believe that annual reporting of clawbacks will substantially preserve the benefits of the required reporting because it will still produce data on trends in these reporting events, and upwards trends may represent rising systemic stress at private equity funds and rising conflicts of interest within the private equity industry. Unlike the quarterly reporting events,<sup>371</sup> we believe that measurement of annual trends is sufficiently informative for the Commission's and FSOC's systemic risk assessment and investor protection efforts, as we believe general partner and limited partner clawbacks currently do not represent more immediate systemic risks or risks of investor harm. General partner and limited partner clawbacks represent the realization of risk that develop over the life of a private equity fund, potentially over several years, and so we believe that they do not represent sources of investor harm requiring more frequent reporting than annual.<sup>372</sup>

We have also limited the reporting requirements to large private equity fund advisers only. While the threshold for which private equity fund advisers must file section 4 of Form PF captures approximately 73 percent of assets held by private equity funds, preserving the majority

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<sup>370</sup> *Id.*

<sup>371</sup> *See supra* section II.B.

<sup>372</sup> *See supra* section II.D.1.

of systemic risk assessment and investor protection benefits, the investor protection benefits will be reduced by the loss of reporting of these events for smaller private equity fund advisers.<sup>373</sup> However, the staff's understanding is that general partner and limited partner clawbacks are comparatively rare, and so we believe the losses of benefits from this reduction in reporting are likely to be small, while the reduction in burden will be comparatively larger from narrowing the scope to only large private equity advisers.<sup>374</sup>

Some advisers' comment letters asserted that these events in private equity funds do not represent areas of systemic risk or investor harm.<sup>375</sup> However, other comment letters from investors agreed with the benefits articulated in the proposing release, and stated that reporting of these private equity events are relevant for systemic risk monitoring and investor protection.<sup>376</sup> Moreover, as discussed above,<sup>377</sup> the comment letters disputing the relevance of private equity reporting benefits did not address the above facts motivating these private equity events as a relevant source of information on potential rising systemic risks over time. Commenters also do not dispute the increasing number of investors in private equity funds and the increasing exposure of public pension plans to private equity.<sup>378</sup> It is also the Commission's view that reporting of these events may thus provide insight into key trends in the private equity industry

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<sup>373</sup> Moreover, this coverage has broadly trended upwards over time. For example, based on staff review of Form ADV filings and data from Private Fund Statistics reports, section 4 covered approximately 67% of private equity gross assets in 2020 and covers 73% of private equity gross assets today. See Division of Investment Management, *Private Fund Statistics* (Jan. 3, 2023), available at <https://www.sec.gov/divisions/investment/private-funds-statistics.shtml>; see also *supra* sections II.B., IV.B, footnotes 251, 284. Lastly, limiting the reporting to only large private equity fund advisers means that smaller private equity fund advisers will face no increased burdens under the final amendments.

<sup>374</sup> See *infra* sections IV.C.2, V.C.

<sup>375</sup> See, e.g., AIMA/ACC Comment Letter; Schulte Comment Letter.

<sup>376</sup> See, e.g., ILPA Comment Letter; ICGN Comment Letter; PESP Comment Letter.

<sup>377</sup> See *supra* section IV.C.1.b.

<sup>378</sup> See *supra* sections II.D.1, IV.B.2.

and potentially enable the Commission and FSOC to identify risks in the private equity space that might otherwise be obscured.<sup>379</sup>

**d. Other Amendments to Reporting for Large Private Equity Fund Advisers**

The final amendments to section 4 of Form PF include requirements for additional information that large private equity fund advisers must provide regarding their activities, risk exposures, and counterparties on an annual basis.<sup>380</sup> The final amendments will further improve the transparency of private equity fund activities and risks to the Commission and FSOC and help in developing a more complete picture of the markets where private equity funds operate. In turn, this will enhance the Commission’s and FSOC’s ability to assess potential systemic risks presented by private equity funds, as well as the potential for loss of investor confidence should conflicts of interest in private equity funds materialize. Specifically, new information about private equity funds will assist regulators in understanding the diversity of and trends in investment strategies employed by advisers to private equity funds,<sup>381</sup> as well as their fund-level borrowings.<sup>382</sup> The final amendments will also provide for more information regarding risks

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<sup>379</sup> *Id.*

<sup>380</sup> *See supra* section II.D.2.

<sup>381</sup> The final amendments introduce a new Question 66 that asks advisers to provide information about their private fund strategies by choosing from a mutually exclusive list of strategies, allocating the percent of capital deployed to each strategy, even if the categories do not precisely match the characterization of the reporting fund’s strategies. If a reporting fund engages in multiple strategies, the adviser would provide a good faith estimate of the percentage the reporting fund’s deployed capital represented by each strategy. We believe that analysis of trends from this question, and resulting systemic risk assessment, will also benefit from allowing advisers to choose from a drop-down menu that includes all investment strategy categories for Form PF. We believe this will increase the likelihood that advisers will be able to easily identify a selection that accurately reflects their fund’s strategy. *See supra* section II.D.2. Along with this question, the final amendments will define “general partner stakes investing” in the glossary, providing specificity regarding the reporting of this term and improving data quality. *See supra* footnote 216 and accompanying text.

<sup>382</sup> The final amendments introduce a new Question 68 that requires advisers to report additional information on fund-level borrowing. *Id.*

from default,<sup>383</sup> risks from counterparty exposures,<sup>384</sup> and risks from outside the U.S.<sup>385</sup> An adviser would also be permitted to provide an optional narrative response if it believes that additional information is helpful in explaining the circumstances of any of its responses in section 4.<sup>386</sup> This improved understanding will aid the Commission and FSOC in effectively and efficiently assessing new systemic risks and other potential sources of investor harm, as well as informing the Commission's and FSOC's broader views on the private equity landscape.

Overall, the amendments to section 4 of Form PF will ultimately assist the Commission and FSOC in better identifying and assessing risks to U.S. financial stability and pursuing appropriate regulatory policy in response, and will further assist the Commission in determining the potential need for outreach, examinations, and investigations, thereby enhancing efforts to protect investors and other market participants. We expect that the new information about large private equity fund advisers and funds they manage will enable the Commission and FSOC to better assess potential risks to financial markets and investor harm.

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<sup>383</sup> The final amendments amend existing Question 74 to require advisers to provide more information about the nature of reported events of default, such as whether it is a payment default of the private equity fund, a payment default of a CPC, or a default relating to a failure to uphold terms under the applicable borrowing agreement (other than a failure to make regularly scheduled payments). *Id.*

<sup>384</sup> The final amendments amend existing Question 75, which requires reporting on the identity of the institutions providing bridge financing to the adviser's CPCs and the amount of such financing, to add additional counterparty identifying information (*i.e.*, LEI (if any) and if the counterparty is affiliated with a major financial institution, the name of the financial institution). *Id.*

<sup>385</sup> The final amendments amend existing Question 78, which asks advisers to report the geographical breakdown of investments by private equity funds. The new requirement asks for a private equity fund's greatest country exposures based on a percent of net asset value. *Id.*

<sup>386</sup> *See supra* section II.D.

Some commenters argued that investment strategy reporting requirement is too burdensome relative to its nexus to systemic risk.<sup>387</sup> Other commenters also argued that the new fund-level borrowing reporting requirement is unrelated to systemic risk.<sup>388</sup>

However, as noted above,<sup>389</sup> some commenters supported the benefits from these two new reporting requirements, stating that adding investment strategy reporting requirement as being beneficial to the FSOC and Commission's oversight of advisers to the private equity industry.<sup>390</sup> One commenter suggested requiring more granular disclosure of private equity fund investment strategies, including requiring the disclosure of industries included in each strategy.<sup>391</sup> Some commenters also supported adding the additional fund-level borrowings reporting requirement, stating that it will help the Commission and FSOC identify and assess the use of leverage within private equity funds.<sup>392</sup>

Moreover, we believe both of these new reporting requirements offer specific insight that contribute to systemic risk and investor protection benefits. First, different investment strategies carry different types and levels of risk for the markets and financial stability. Second, advisers to private equity funds vary in their use of fund-level borrowing, in particular with certain funds using subscription credit facilities to boost performance metrics, with investors bearing the cost of interest on the debt used and potentially suffering lower total returns.<sup>393</sup> Moreover, large

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<sup>387</sup> See, e.g., REBNY Comment Letter; RER Comment Letter.

<sup>388</sup> See, e.g., IAA Comment Letter; NYC Bar Comment Letter.

<sup>389</sup> See *supra* section II.D.2.

<sup>390</sup> See, e.g., ICGN Comment Letter; PDI Comment Letter.

<sup>391</sup> See PDI Comment Letter.

<sup>392</sup> See, e.g., ICGN Comment Letter; PDI Comment Letter; TIAA Comment Letter.

<sup>393</sup> See, e.g., JAMES F. ALBERTUS & MATTHEW DENES, DISTORTING PRIVATE EQUITY PERFORMANCE: THE RISE OF FUND DEBT, FRANK HAWKINS KENAN INSTITUTE OF PRIVATE ENTERPRISE REPORT (June 2019), available at [https://www.kenaninstitute.unc.edu/wp-content/uploads/2019/07/DistortingPrivateEquityPerformance\\_07192019.pdf](https://www.kenaninstitute.unc.edu/wp-content/uploads/2019/07/DistortingPrivateEquityPerformance_07192019.pdf).

unpaid borrowings that remain on subscription lines can pose additional liquidity risks during periods of market stress, potentially contributing to systemic risks. The additional private equity reporting in the final amendments will therefore allow the Commission and FSOC to understand and better assess these risks, and will further allow the Commission to analyze new areas of potential investor harm to determine any necessary outreach, examination, or investigation.

Lastly, as noted above,<sup>394</sup> several comments supported the benefits from amendments requiring more information, and commenters otherwise did not specifically address those amendments.<sup>395</sup>

## **2. Costs**

The final amendments to Form PF will lead to certain additional costs for private fund advisers. These costs are broadly most likely to be borne by private funds, and therefore by private funds' investors, though some portion of these costs may be borne by advisers. These costs will vary depending on the scope of the required information and the frequency of the reporting, which is determined based on the size and types of funds managed by the adviser. For the current reporting requirements for hedge funds and the new quarterly and annual reporting requirements for private equity funds on the occurrence of reporting events, the costs will also vary depending on whether funds experience a reporting event and the frequency of those events. Generally, the costs will be lower for private fund advisers that manage fewer private fund assets or that do not manage types of private funds that may be more prone to financial stress events.

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<sup>394</sup> See *supra* section II.D.2.

<sup>395</sup> See, e.g., ICGN Comment Letter; PDI Comment Letter.

These costs are quantified, to the extent possible, by examination of the analysis in section V.C.<sup>396</sup>

We anticipate that the costs to advisers will be comprised of both direct compliance costs and indirect costs. Direct costs for advisers will consist of internal costs (for compliance attorneys and other non-legal staff of an adviser, such as computer programmers, to prepare and review the required disclosure) and external costs (including filing fees as well as any costs associated with outsourcing all or a portion of the Form PF reporting responsibilities to a filing agent, software consultant, or other third-party service provider).<sup>397</sup>

We believe that the direct costs associated with the final amendments will be most significant for the first updated Form PF report that a private fund adviser will be required to file because the adviser will need to familiarize itself with the new reporting form and may need to configure its systems to efficiently gather the required information. In addition, we believe that some large private fund advisers will find it efficient to automate some portion of the reporting process, which will increase the burden of the initial filing. In subsequent reporting periods, we anticipate that filers will incur significantly lower costs because much of the work involved in the initial report is non-recurring and because of efficiencies realized from system configuration and reporting automation efforts accounted for in the initial reporting period. This is consistent with the results of a survey of private fund advisers, finding that the majority of respondents identified the cost of subsequent annual Form PF filings at about half of the initial filing cost.<sup>398</sup>

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<sup>396</sup> A 2015 survey of SEC-registered investment advisers to private funds affirmed the Commission's cost estimates for smaller private fund advisers' Form PF compliance costs, and found that the Commission overestimated Form PF compliance costs for larger private fund advisers. *See* Wulf Kaal, *Private Fund Disclosures Under the Dodd-Frank Act*, 9 BROOK. J. CORP., FIN., AND COMM. L. (2015).

<sup>397</sup> *See infra* section V.C. (for an analysis of the direct costs associated with the new Form PF requirements for quarterly and annual filings).

<sup>398</sup> *Id.*

We anticipate that the final amendments aimed at improving data quality and comparability will impose limited direct costs on advisers given that advisers already accommodate similar requirements in their current Form PF and Form ADV reporting and can utilize their existing capabilities for preparing and submitting an updated Form PF. We expect that most of the costs will arise from the requirements for large private equity fund advisers to report additional information on Form PF,<sup>399</sup> as well as new current reporting requirements for advisers to qualifying hedge funds as well as new quarterly and annual reporting requirements for private equity funds on the occurrence of reporting events.

For existing section 4 filers, the direct costs associated with the final amendments to section 4 will mainly include an initial cost to set up a system for collecting, verifying additional information, and limited ongoing costs associated with periodic reporting of this additional information.<sup>400</sup> Certain elements of the final adopted amendments to section 4 are designed to mitigate these costs. For example, we believe that allowing advisers to choose from a drop-down menu that includes all investment strategy categories for Form PF will reduce the burden of strategy reporting by making it easier for advisers to identify a selection that reflects their fund

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<sup>399</sup> These costs will be substantially mitigated, in comparison to the proposing release, by the removal of several items from the final amendments in response to comment letters. For example, we do not believe that a large private equity fund adviser providing a good faith estimate of its investment strategies by percentage will require substantial additional accounting or other compliance work. *See supra* section II.D.2.

<sup>400</sup> Based on the analysis in section V.C., direct internal compliance costs for section 4 filers associated with the preparation and reporting of additional information is estimated at \$13,905 per annual filing per large private equity fund adviser, and includes the new costs associated with new annual event reporting. This is calculated as the cost of filing under the proposal of \$41,730 minus the cost of filing prior to the proposal of \$27,825. *See* Table 8. It is estimated that there will be no additional direct external costs and no changes to filing fees associated with the final amendments to section 4. *See* Table 10.

strategy.<sup>401</sup> We have also removed certain questions from the final amendments in response to commenters' concerns on the burden of those questions.<sup>402</sup>

The direct costs associated with the new current reporting requirements for the advisers of qualifying hedge funds and quarterly reporting for private equity funds on the occurrence of reporting events will include initial costs required to set up a system for monitoring significant events that are subject to the reporting requirement as well as filing fees (the amount of which would be determined by the Commission in a separate action).<sup>403</sup> We anticipate these initial costs to be limited because the reporting events were tailored and designed not to be overly burdensome and to allow hedge fund advisers and private equity fund advisers to use existing risk management frameworks that they already maintain to actively assess and manage risk. For example, for private equity fund advisers, we believe that every private equity fund adviser already has systems for documenting the occurrence of an adviser-led secondary transactions. In particular, advisers will use the same PFRD non-public filing system as used to file the rest of Form PF.<sup>404</sup> The subsequent compliance costs will depend on the occurrence of the reporting events and frequency with which those events occur.<sup>405</sup> To the extent that the reporting events occur infrequently, we anticipate the costs to be limited as hedge fund advisers and private equity

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<sup>401</sup> See *supra* section II.D.2.

<sup>402</sup> *Id.*

<sup>403</sup> See *infra* section V.

<sup>404</sup> *Id.*

<sup>405</sup> Based on the analysis in section V.C., direct internal costs associated with the preparation and filing of current reports is estimated at \$5,160 per report for large hedge fund advisers and \$2,024 per quarterly filing of a private equity event report for all private equity fund advisers. See Table 9. In addition, large hedge fund advisers and all private equity fund advisers will be subject to an external cost burden of \$1,695 per report associated with outside legal services and additional one-time cost ranging from \$0 to \$15,000 per adviser associated with system changes. See Table 12. Additionally, there will be a filing fee per current report for hedge fund advisers and all private equity fund advisers that is yet to be determined. See Table 12.

fund advisers will not be required to file reports in the absence of the events. For example, during periods of normal market activity, we expect relatively few filings for this part of Form PF. The costs associated with the amendment, however, will increase with the frequency of stress events at the adviser's hedge funds.

We believe that the corresponding initial costs associated with the final annual reporting requirements of general partner or limited partner clawbacks for private equity fund advisers, which was previously proposed as a reporting event requiring a current report, will be limited.<sup>406</sup> This is because we are requiring the reporting only from large private equity fund advisers on an annual basis, which we believe will allow those advisers to modify existing systems and processes—rather than generate new ones—as these advisers are already collecting and reporting information specific to private equity funds on an annual basis. We similarly anticipate these initial costs to be limited because we believe that every private equity fund adviser already has systems for documenting the occurrence of general partner or limited partner clawbacks. Also, limiting the reporting to only large private equity fund advisers means that smaller private equity fund advisers will face no increased burdens under the final amendments.<sup>407</sup>

Some commenters stated that there would be substantial burden including initial set-up costs, external costs, and ongoing costs associated with the current reporting regime.<sup>408</sup> More

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<sup>406</sup> Based on the analysis in section V.C., the initial direct internal costs associated with the preparation of annual reporting of general partner or limited partner clawbacks for large private equity fund advisers, previously required as current event reporting, is \$3,965 per year over three years (given by the additional direct initial costs relative to the proposal, or \$32,592 - \$26,775, which includes an amortization over three years). *See* Table 7. Similarly, the direct ongoing annual costs for the former current event reporting questions for large private equity fund advisers is \$6,480 (given by the additional direct internal costs relative to the proposal, or \$41,730 - \$35,250). *See* Table 8. Private equity fund advisers will no longer face an additional external cost burden associated with the annual event reporting items. *See* Table 11.

<sup>407</sup> *See infra* section V.C.

<sup>408</sup> *See, e.g.*, MFA Comment Letter (stating, among other concerns, that “private fund managers and their administrators will have to bear the costs of building and maintaining systems that would have to monitor aspects of their funds’ investments, redemptions, margin and collateral positions, and other aspects of fund

specifically, commenters expressed concern that the proposed requirement to file reports within one business day to the Commission would be burdensome and potentially lead to inaccurate or inadequate reporting at a time when advisers and their personnel are grappling with a potential crisis at the reporting fund.<sup>409</sup> Some commenters also stated that advisers would need to develop complicated internal operations capable of performing calculations on a daily basis that may not be applicable to illiquid or hard-to-value assets and that the resulting data may be of limited utility to regulators.<sup>410</sup> Some commenters identified specific elements of the proposed current reporting regime as costly, such as the proposed requirements that required a daily NAV calculation.<sup>411</sup> One commenter lastly expressed concerns with the costs needed to build these systems in time to meet the proposed compliance date timeline, requesting an 18 month transition period instead.<sup>412</sup>

Certain changes in the final amendments are in response to these comment file considerations on the costs of the proposal, including the changes to current reporting for extraordinary investment losses, margin events, prime broker relationship changes, and operations events, the decisions to extend hedge fund adviser current reporting to 72 hours, the decision to extend private equity fund adviser reporting of general partner removals and fund terminations to quarterly reporting, and the decision to switch reporting of general partner and

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operations on a daily basis to determine whether a report is required.”); *see also, e.g.*, AIMA/ACC Comment Letter.

<sup>409</sup> ILPA Comment Letter; AIMA/ACC Comment Letter; State Street Comment Letter; NVCA Comment Letter; RER Comment Letter; SIFMA Comment Letter; Schulte Comment Letter; IAA Comment Letter; NYC Bar Comment Letter; REBNY Comment Letter.

<sup>410</sup> SIFMA Comment Letter and USCC Comment Letter.

<sup>411</sup> *See, e.g.*, MFA Comment Letter; SIFMA Comment Letter.

<sup>412</sup> MFA Comment Letter. Our estimates of quantified costs, including costs for one-time system changes, consider the need to build systems in time for compliance dates for current and private equity event reporting. *See infra* section V.

limited partner clawbacks from current to annual reporting limited to large private equity fund advisers.<sup>413</sup> We believe that these changes to the final amendments will help avoid unnecessary burdens on advisers. For example, we specify that we believe the RFACV reference statistic for current reporting of extraordinary investment losses and margin events will in general be governed by existing fund valuation policies and procedures.<sup>414</sup> We have also narrowed the scope of current reporting of prime broker relationship changes.<sup>415</sup> The final amendments have also changed the current reporting required timing for hedge funds from one business day to 72 hours, changed the reporting timing for adviser-led secondaries, removal of a general partner, and election to terminate a fund or its investment period from current reporting to quarterly reporting, changed the reporting timing and scope for reporting of clawbacks by private equity funds from current reporting for all private equity funds within one business day to annual reporting only for large private equity fund advisers, and removed the current reporting regime for changes in unencumbered cash altogether.<sup>416</sup>

Some commenters also stated that certain terms associated with the current reporting regime are potentially ambiguous. These commenters specifically requested more precise definitions associated with “margin” and “collateral.”<sup>417</sup> We believe that any such costs associated with the ambiguity of the terms “margin” and “collateral” will be de minimis, because (1) we believe these are common terms with accepted industry definitions,<sup>418</sup> and (2) the Form PF instructions on the current reporting of increases in margin include language designed to

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<sup>413</sup> See *supra* sections II.A, II.B, II.D.1.

<sup>414</sup> See *supra* sections II.A.2, II.A.3.

<sup>415</sup> See *supra* section II.A.4.

<sup>416</sup> See *supra* sections II.A, II.A.5, II.B, II.D.1.

<sup>417</sup> See AIMA Comment Letter; MFA Comment Letter; see also *supra* section II.A.3.

<sup>418</sup> See *supra* footnote 69 and accompanying text.

provide increased flexibility to account for funds' unique circumstances.<sup>419</sup> Commenters' concerns could also be relevant for the term "termination event" as applied in the current report triggering event for prime broker relationship termination.<sup>420</sup> We similarly believe in this instance that any costs associated with ambiguity of the term "termination event" will be de minimis, because we understand such termination events to be commonly understood clauses in prime broker contractual relationships in the industry.<sup>421</sup>

Indirect costs for advisers will include the costs associated with additional actions that advisers may decide to undertake in light of the additional reporting requirements. Specifically, to the extent that the final amendments provide an incentive for advisers to improve internal controls and devote additional time and resources to managing their risk exposures and enhancing investor protection, this may result in additional expenses for advisers, some of which may be passed on to the funds and their investors.<sup>422</sup> For example, as discussed above, some commenters stated that under the current reporting regime, investors may demand additional reporting themselves, knowing that reporting systems are being developed for Commission and FSOC reporting.<sup>423</sup> While this additional reporting may benefit investors, the costs of this

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<sup>419</sup> See *supra* section II.A.3.

<sup>420</sup> See *supra* section II.A.4.

<sup>421</sup> See, e.g., David S. Mitchell, William C. Thum, Aaron S. Cutler & Eduardo Ugarte II, *Trading Agreements and NAV Termination Triggers – Avoiding Unexpected Landmines*, BLOOMBERG LAW REPORTS, 2009, available at <https://www.friedfrank.com/uploads/siteFiles/Publications/576038144C948759E3DBB1410957B03B.pdf>; *The Credit and Legal Risks of Entering Into an ISDA Agreement*, THINKADVISOR (Jan. 3, 2005), available at <https://www.thinkadvisor.com/2005/01/03/the-credit-and-legal-risks-of-entering-into-an-isd-master-agreement/>; HFL Report, *supra* footnote 46.

<sup>422</sup> As discussed above, the length of the reporting period is intended to mitigate costs associated with advisers needing to both respond to the reporting event and file the required current report. See *supra* section II.A.

<sup>423</sup> SIFMA Comment Letter; AIMA Comment Letter. See *supra* section IV.C.1.a.

additional reporting represent an additional cost of the rule, and these costs may be passed on to investors.

Indirect costs for investors may also include unintended negative consequences where advisers change their behavior in response to the final reporting requirements.<sup>424</sup> First, there may be unintended changes in adviser behavior associated with extraordinary investment loss current reporting based on the RFACV measure. Because the RFACV measure requires reporting based on the most recent price or value applied to the position for purposes of managing the investment portfolio, advisers may have an incentive to change their valuation methodologies for purposes of managing the investment portfolio in order to circumvent required reporting of extraordinary investment losses, and these changes may be to the detriment of fund investors. For example, the RFACV measure allows advisers who do not value a position daily to carry forward the last price when calculating RFACV, and advisers may cease certain daily valuations in response.

However, we believe there are two key factors that mitigate, but may not eliminate, this concern. First, advisers must document their valuation principles and methodologies in investor-facing documents.<sup>425</sup> Investors are advised by industry literature to closely scrutinize these

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<sup>424</sup> Whether respondents may want to change their behavior in response to reporting requirements, in an effort to influence what they must report, is referred to as the “incentive compatibility” of the reporting regime. An incentive compatible reporting regime is one where respondents do not change their behavior in response to reporting requirements. See, e.g., ANDREU MAS-COLELL, ET. AL., *Chapter 13, in MICROECONOMIC THEORY* (Oxford Univ. Press, 1995), for a discussion of incentive compatibility.

<sup>425</sup> See, e.g., Erin Faccone, *The Essential Guide to Third-Party Valuations for Hedge Fund Investors* 1, CAIA (2018), available at <https://caia.org/sites/default/files/essentials.pdf> (“Starting from the top, every fund manager must have a written valuation policy in place that is used to price the portfolio.”); PWC, *GUIDE TO SOUND PRACTICES FOR THE VALUATION OF INVESTMENTS* 4 (2018 ed.), available at <https://www.sec.gov/comments/s7-07-20/s70720-7464497-221255.pdf> (“In advance of a fund’s launch, a summary of practical and workable pricing and valuation practices, procedures and controls should be enshrined in a Valuation Policy Document and approved by the fund governing body in consultation with the investment manager and other relevant stakeholders. The Valuation Policy Document, which may be based in whole or in part on the investment manager’s and/or the valuation service provider’s valuation policies, should address the universe of instruments in which the fund may invest, and should be reviewed

manuals and evaluate the fund’s valuation practices.<sup>426</sup> Second, we understand that many advisers outsource the back office functionality of valuation and other position-level reporting to fund administrators, and these administrators would be unlikely to revise their valuation services to aid an adviser in avoiding filing a current report.<sup>427</sup>

As a second example, there may be unintended consequences associated with current reporting of margin/collateral increases. This current reporting trigger event increases the incentives for hedge funds to attempt to convince their counterparties to forego calling more collateral in the opening stages of a systemic risk event, so that the hedge fund can avoid filing a current report. Because counterparties calling more collateral can be a prophylactic, systemic-risk-reducing measure, this response by hedge funds carries a risk of making subsequent

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at least annually (and more frequently where the circumstances warrant) by the investment manager and the fund governing body. Regardless of how simple a fund’s valuation procedures may appear, proper documentation of the valuation process removes the scope for dispute or uncertainty in the future and provides a clear framework for governance in the area.”).

<sup>426</sup> *Id.* See also, e.g., IOSCO, PRINCIPLES FOR THE VALUATION OF HEDGE FUND PORTFOLIOS FINAL REPORT, A REPORT OF THE TECHNICAL COMMITTEE OF THE INTERNATIONAL ORGANIZATION OF SECURITIES COMMISSIONS 1 (Nov. 2007), available at <https://www.iosco.org/library/pubdocs/pdf/IOSCOPD253.pdf>, (“This paper is focused on principles for valuing the investment portfolios of hedge funds and the challenges that arise when valuing illiquid or complex financial instruments. The principles are designed to mitigate the structural and operational conflicts of interest that may arise between the interests of the hedge fund manager and the interests of the hedge fund. Hedge funds may use significant leverage in their investment strategies, the impact of which increases the importance of establishing appropriate valuations of a hedge fund’s financial instruments. . . . Investors need to be vigilant with respect to any hedge fund that does not exhibit these principles throughout all aspects of its valuation process. Investors should satisfy themselves that the management and governance culture promotes the application of the principles to the extent practicable. While the adoption and compliance with these principles should benefit investors, the measures themselves will not reduce the need for investors to conduct appropriate initial and ongoing due diligence with respect to their interests in hedge funds.”).

<sup>427</sup> See, e.g., PWC, *Asset Management Benchmarking – Fund Administration 8* (July 2015), available at <https://www.pwc.com/gx/en/asset-management/benchmarking-hub/assets/pwc-am-fund-administration.pdf#:~:text=More%20than%20half%20of%20hedge%20funds%20and%20hybrid.of%20the m%20to%20outsource%20some%20back%20office%20functions.%C2%B2> (“In recent PwC study on Hedge Fund Administration, from 2006 to 2013, the percentage of hedge fund AUM outsourced to administrators increased dramatically from 50 percent to 81 percent.”); *Fund Administration Services*, SS&C Tech, available at <https://www.ssctech.com/outourcing-services/fund-administration-services> (describing handling of NAV calculations, supplemental NAV transparency reporting, income and expense accruals, and other services); *Fund Services*, STP Investment Services, available at <https://stpis.com/services/fund-services/> (offering a variety of fund services including a service to “Price portfolio holdings based upon your valuation policy”).

systemic risk episodes more damaging. While we believe the risk of this unintended consequence is low, because hedge funds already have substantial incentives to attempt to avoid margin/collateral increases and we do not believe this rule substantially increases those incentives, at the margin it may occur. Hedge funds may also have an increased incentive to avoid prime broker terminations in response to the current reporting requirements, but we again believe these potential costs are likely to be low, because hedge funds already have a strong incentive to avoid prime broker terminations.

Form PF collects confidential information about private funds and their trading strategies, and the inadvertent public disclosure of such competitively sensitive and proprietary information could adversely affect the funds and their investors. Some commenters expressed concerns over these risks of potential inadvertent public disclosures.<sup>428</sup> However, we anticipate that these adverse effects will be mitigated by certain aspects of the Form PF reporting requirements and controls and systems designed by the Commission for handling the data. For example, with the exception of select questions, such as those relating to restructurings or recapitalizations of portfolio companies and investments in different levels of the same portfolio company by funds advised by the adviser and its related person,<sup>429</sup> Form PF data generally could not, on its own, be used to identify individual investment positions. The Commission has controls and systems for the use and handling of the final modified and new Form PF data in a manner that reflects the sensitivity of the data and is consistent with the maintenance of its confidentiality. The Commission has substantial experience with the storage and use of nonpublic information

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<sup>428</sup> See, e.g., AIMA Comment Letter.

<sup>429</sup> See *supra* section II.D.2.

reported on Form PF as well as other nonpublic information that the Commission handles in its course of business.

**D. Effects on Efficiency, Competition, and Capital Formation**

We anticipate that the increased ability for the Commission's and FSOC's oversight, resulting from the final amendments, will promote better functioning and more stable financial markets, which would lead to efficiency improvements. The additional and timelier data collected on the amended Form PF about private funds and advisers will help reduce uncertainty about risks in the U.S. financial system and inform and frame regulatory responses to future market events and policymaking. It will also help develop regulatory tools and mechanisms that could potentially be used to make future systemic crises episodes less likely to occur and less costly and damaging when they do occur.

Also, we believe that the final amendments will improve the efficiency and effectiveness of the Commission's and FSOC's oversight of private fund advisers by enabling them to manage and analyze information related to the risks posed by private funds more quickly, more efficiently, and more consistently than is currently possible. Private fund advisers' responses to new questions will help the Commission and FSOC better understand the investment activities of private funds and the scope of their potential effect on investors and the U.S. financial markets.

We do not anticipate significant effects of the final amendments on competition in the private fund industry because the reported information generally will be nonpublic and similar types of advisers will have comparable burdens under the amended Form. Some commenters stated that the additional compliance costs of the rule will impact smaller advisers, who may need to increase their management fees to cover the cost of compliance with additional reporting requirements more than larger advisers who can absorb the additional compliance costs, and

further stated this may negatively impact competition.<sup>430</sup> We believe these impacts on competition will be limited for two reasons. First, the reporting requirements were tailored and designed not to be overly burdensome. Second, we have implemented changes in the final amendments that are in response to comment file considerations on the costs of the proposal that reduce the costs of the final amendments relative to the proposal. However, at the margin, the heightened compliance costs for smaller advisers from the final amendments may negatively affect competition.

As discussed in the benefits sections, we expect the final amendments will enhance the Commission's and FSOC's systemic risk assessment and investor protection efforts, which could ultimately lead to more resilient financial markets and instill stronger investor confidence in the U.S. private fund industry and financial markets more broadly. We anticipate that these developments will make U.S. financial markets more attractive for investments and improve private fund advisers' ability to raise capital, thereby, facilitating capital formation.

## **E. Reasonable Alternatives**

### **1. Changing the frequency of current reporting, quarterly reporting events, and annual reporting events**

At the proposing stage, we considered an alternative to current reporting for hedge fund and private equity fund advisers, namely requiring advisers to report relevant information as part of the existing Form PF filing or on a scheduled basis, such as semi-annually, quarterly, or monthly. The final amendments incorporate that alternative in part, as the final amendments require all private equity fund advisers to report certain events quarterly and requiring large

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<sup>430</sup> See, e.g., Schulte Comment Letter; PDI Comment Letter.

private equity fund advisers to report other events annually, depending on the event, but still requires current reporting for large hedge fund advisers to qualifying hedge funds.<sup>431</sup>

As an alternative to the final amendments, we considered requiring these hedge fund advisers to report relevant information as part of the existing Form PF filing or on a scheduled basis. In general, this alternative would provide the Commission and FSOC with the same information but on a less timely basis and without substantially reducing the cost to hedge fund advisers. Specifically, we believe that this alternative approach would not significantly reduce the cost burden to hedge fund advisers compared to the final current reporting requirement, because hedge fund advisers would still need to incur initial costs to set up a system for monitoring significant events that are subject to the final current reporting requirement.

At the same time, delayed reporting about stress events at hedge funds would significantly reduce the Commission's and FSOC's ability to assess and frame timely responses to the emerging risks and limit potential market disruptions, damages, and costs associated with them.

We also considered a final rule for hedge fund advisers that would require advisers to, on an annual basis, submit reports of their daily tracking of the reference statistics currently included in the current reporting regime. For example, instead of submitting a current report of an extraordinary investment loss as defined by the above RFACV measure, hedge fund advisers could file an annual report of their daily RFACV values over the course of the year. This would provide more granular information,<sup>432</sup> but the information would still be less timely, and this

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<sup>431</sup> See *supra* section II.A, II.B, II.D.

<sup>432</sup> For example, this alternative would allow the Commission to more precisely measure the frequency of RFACV losses of different sizes than is possible today. See *supra* IV.C.1.a.

reporting would be a substantially higher burden for hedge fund advisers, who would need to conduct additional due diligence on every single daily RFACV value.

We lastly considered requiring all private equity fund advisers to also report general partner or limited partner clawbacks quarterly, or requiring only large private equity fund advisers to report adviser-led secondaries, removals of general partners, and fund terminations annually. Requiring all private equity fund advisers to report general partner or limited partner clawbacks quarterly would substantially increase the burden on private equity fund advisers, and by extension their investors, especially for private equity fund advisers who do not currently file Form PF sections for large private equity fund advisers. As discussed above, we do not believe the additional investor protection or systemic risk assessment benefits justify this additional burden, particularly given that these events tend to build over the life of a private equity fund with a multi-year term.<sup>433</sup> In particular, the legal mechanics of general partner and limited partner clawbacks are negotiated early on in a fund's life, long before the inciting event occurs.<sup>434</sup> Then, an inciting event for a clawback actually occurs, typically, when the fund has had successful investments earlier in the life of the fund, but the fund's later investments are less successful.<sup>435</sup> We believe trends of these types of events can be appropriately analyzed through information from large private equity fund advisers on an annual basis. Conversely, because removals of general partners, terminations of a fund or its investment period, and adviser-led secondaries represent potentially significant and more timely potential for conflicts of interest and other sources of investor harm, limiting reporting to annual reporting would substantially

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<sup>433</sup> See *supra* sections II.B.2, IV.C.1.c.

<sup>434</sup> *Id.*

<sup>435</sup> *Id.*

reduce the benefits of the required reporting. We believe that the investor protection benefits associated with these events require more timely reporting.

## **2. Changing current reporting filing time**

At the proposing stage, we considered an alternative to require hedge fund and private equity fund advisers to file current reports within a time period longer than the proposed one business day. The final amendments incorporate that alternative, and will require hedge fund advisers to file current reports within 72 hours, and will no longer require private equity fund advisers to file current reports, instead requiring either quarterly or annual reporting depending on the former current reporting event.<sup>436</sup> We have also considered an alternative to require hedge fund advisers to file current reports within even longer time periods.

Although this alternative would provide more time to hedge fund advisers to prepare and file the form, we do not anticipate that this would substantially reduce the cost burden to advisers as compared to the final 72 hour reporting requirement. We believe that the structures of the final reporting requirements are relatively simple and require advisers to flag the reporting event from a menu of available options and add straightforward explanatory notes about the events, which generally should not require considerable time to complete. Extending the reporting time period may increase internal costs to advisers to prepare and review the required disclosure, to the extent a longer reporting time period indirectly signals to advisers a need for greater detail, thoroughness, or diligence.

On the other hand, due to the time sensitive nature of the reported events, additional reporting time would significantly reduce the Commission's and FSOC's ability to assess and

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<sup>436</sup> See *supra* section II.A.

frame timely responses to the emerging risks and limit potential market disruptions, damages and costs associated with them.

**3. Alternative reporting thresholds for current reporting by hedge fund advisers (versus just large hedge fund advisers to qualifying hedge funds)**

We considered an alternative to require all hedge fund advisers to file section 5 of Form PF upon occurrence of stress events at one of their hedge funds (irrespective of the fund size) instead of requiring this reporting from only large advisers to qualifying hedge funds.

Although this information would be beneficial for the Commission and FSOC, as this would provide a more complete picture of the stress events in the hedge fund industry and allow better assessment of systemic risk and investor protection issues in the smaller hedge funds space, we believe that this benefit would be marginal as compared to the benefit of the information about qualifying hedge funds for two reasons. First, the hedge fund industry is dominated by qualifying hedge funds that currently account for approximately 81 percent of the industry's gross assets under management among filers of Form PF.<sup>437</sup> Therefore, the final current reporting requirement will cover stress events that affect a broad, representative set of assets in the hedge fund industry. Second, the final current reporting is designed to serve as a signal to the Commission and FSOC about systemically important stress events at hedge funds. Stress events at larger hedge funds are more likely to be systemically important due to their quantitatively important positions in a market and more extensive use of leverage. Overall, we believe at this time that requiring advisers to smaller hedge funds to file current reports would impose a significant burden on these smaller advisers and not significantly expand or improve the Commission's and FSOC's oversight and assessment of systemic risk efforts.

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<sup>437</sup> See *supra* footnote 271.

We also considered an alternative to increase the reporting threshold for hedge funds that would require a subgroup of the largest qualifying hedge funds to file current reports. Although this alternative would reduce the reporting burden at smaller qualifying hedge advisers, we believe that this would also reduce the benefit associated with the final current reporting. Specifically, we believe that this alternative would likely impede the Commission's and FSOC's ability to assess and respond to emerging industry risks, as this would reduce the scope of reported stress events to the events that affect the largest qualifying hedge funds. To the extent that largest qualifying hedge funds have a greater propensity to withstand deteriorating market conditions, the Commission and FSOC would have less visibility into the stress events that simultaneously affect smaller qualifying hedge funds that may indicate or have implications for systemic risk and investor protection concerns.

#### **4. Different size thresholds for private equity fund advisers who must file quarterly and annual reports on the occurrence of reporting events**

The final amendments will require new annual reporting of general partner or limited partner clawbacks as part of section 4 for large private equity fund advisers. We considered instead requiring this new annual reporting for more private equity fund advisers, for example by creating a new section 1d of Form PF that would apply to all private equity fund advisers who file Form PF. This alternative would enhance the benefits of the rule by generating annual reports on clawbacks. This is because section 4 of Form PF, for large private equity fund advisers, relies on a size threshold that already captures approximately 73 percent of the private equity market.<sup>438</sup> However, a number of commenters criticized the proposed private equity reporting requirements as being overly burdensome, and suggested adding thresholds to the

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<sup>438</sup> See *supra* sections II.B, IV.B.2.

former current event reporting questions to mitigate these burdens.<sup>439</sup> We believe that the clawback question pertains more to the evaluation of broader emerging trends in certain private equity fund activities relevant to the assessment of systemic risk and to the protection of investors, and so we believe the losses of benefits from narrowing the scope to large private equity advisers will be small. We also understand clawbacks to be infrequent activities. Accordingly, we believe that by focusing clawback reporting on large private equity fund advisers, we will be able to evaluate material changes in market trends and investor protection issues in private equity funds.

The final amendments will also require new quarterly reporting of removals of general partners, terminations of an investment period or fund life, and adviser-led secondaries from all private equity fund advisers. We considered instead requiring this new quarterly reporting for only large private equity fund advisers. However, because removals of general partners, terminations of a fund or its investment period, and adviser-led secondaries represent potentially significant potential for conflicts of interest and other sources of investor harm, we believe limiting reporting to only large private equity advisers would substantially reduce the benefits of the required reporting. We believe that the investor protection benefits associated with these events require reporting from all private equity fund advisers.

#### **5. Changing the reporting events for current reporting by hedge fund advisers**

We also considered alternatives to which stress events should trigger current reporting for hedge fund advisers. Alternative reporting events include both different thresholds for how severe of a stress event triggers a current report, as well as different categories of stress events

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<sup>439</sup> See *supra* sections II.B, II.D.

altogether, separate from those considered in the final amendments. For example, hedge fund reporting for extraordinary investment losses could be revised to be triggered by a 10 percent loss, or a 30 percent loss, or any other threshold.<sup>440</sup> As another alternative, the threshold could instead compare losses against the volatility of the fund's returns. As discussed above, commenters argued that the Commission should consider alternative thresholds for every reporting event, and in one case a commenter suggested an alternative threshold choice for extraordinary investment loss current reporting.<sup>441</sup>

Similar alternative thresholds were considered for other reporting events. For example, current reporting of default events could be limited to only defaults of a certain size.<sup>442</sup> Current reporting of margin/collateral increases could be limited to only report large increases of margin/collateral on uncleared positions, or positions not cleared by a central counterparty.<sup>443</sup>

Lastly, current reporting could alternatively be triggered by stress events besides those considered in the final amendments. For example, hedge fund current reporting could be triggered by a large increase in the volatility of the fund's returns, even if that volatility does not result in investment losses. We considered this alternative again with respect to the final amendments.

In general, alternative triggers to the final current reporting requirements would either provide the Commission and FSOC with more information at a greater cost to advisers, less information at a lower cost to advisers, or an alternative metric for measuring the same stress

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<sup>440</sup> We estimated the likely relative frequency of current reporting at these different thresholds above. *See supra* section IV.C.1.a. MFA suggested a threshold of 50%, but did not offer any analysis defending this alternative threshold choice. *See* MFA Comment Letter.

<sup>441</sup> *Id.*

<sup>442</sup> *See supra* section II.A.3.

<sup>443</sup> *Id.*

event as the final reporting event. We believe that the thresholds in the final amendments will trigger reporting for relevant stress events for which we seek timely information while minimizing the potential for false positives and multiple unnecessary current reports. For example, we have discussed the potential for alternative thresholds associated with current reporting requirements in detail above, including how the threshold choices balance the need for timely information with risk of false positives.<sup>444</sup> For other alternatives, we believe that the alternative would not substantially reduce the costs for advisers. For example, we do not believe that limiting current reporting of margin/collateral increases to uncleared positions would reduce costs because, as several commenters state, the cost of margin/collateral current reporting includes the cost of developing systems for daily tracking of margin/collateral at the reporting fund, and limiting the triggering event to uncleared positions or positions not cleared by a central counterparty would not alleviate those costs.<sup>445</sup> To the extent that hedge funds currently do track their total daily margin/collateral, and this alternative would require them to instead disentangle margin/collateral for cleared and uncleared positions, this alternative could be even more costly.

#### **6. Alternative size threshold for section 4 reporting by large private equity fund advisers**

The final amendments to section 4 of Form PF will maintain the current filing threshold for large private equity fund advisers at \$2 billion. We also considered alternatives to reduce the reporting size threshold below \$2 billion or increase it above \$2 billion.

While some commenters suggested increasing the reporting threshold,<sup>446</sup> we believe that increasing the threshold for large private equity fund advisers above \$2 billion would likely

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<sup>444</sup> See *supra* section IV.C.1.a.

<sup>445</sup> See *supra* section IV.C.2.

<sup>446</sup> RER Comment Letter; AIC Comment Letter.

impede the Commission's and FSOC's ability to a representative picture of the private fund industry and lead to misleading conclusions regarding emerging industry trends and characteristics, as this would reduce the coverage of private equity assets in today's market below 73 percent.<sup>447</sup>

On the other hand, reducing the current report size threshold below \$2 billion would be marginally beneficial for the Commission's and FSOC's risk oversight and assessment efforts as this would increase the representativeness of the sample of reporting advisers. While some commenters supported lowering the threshold,<sup>448</sup> most commenters opposed the additional costs associated with lowering the threshold and questioned the benefits of lowering the threshold.<sup>449</sup> Collecting more detailed information about these funds would help the Commission and FSOC to detect certain new trends and group behaviors with potential systemic consequences among these advisers and funds. However, this would also increase the number of advisers that would be categorized as large private equity fund advisers subject to the more detailed reporting and impose additional reporting burden on those advisers.

We think that the current threshold of \$2 billion in the final amendments strikes an appropriate balance between obtaining information regarding a significant portion of the private equity industry for analysis while continuing to minimize the burden imposed on smaller advisers.

## **7. Alternatives to the new section 4 reporting requirements for large**

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<sup>447</sup> See *supra* section II.D.

<sup>448</sup> See, e.g., ICGN Comment Letter and Better Markets Comment Letter.

<sup>449</sup> See, e.g., Schulte Comment Letter; IAA Comment Letter; and RER Comment Letter.

## **private equity**

The additional large private equity fund adviser questions and revisions to existing questions are designed to enhance the Commission’s and FSOC’s understanding of certain practices in the private equity industry and amend certain existing questions to improve data collection.<sup>450</sup> We also considered alternatives to these final amendments in the form of different choices of framing, level of detail requested, and precise information targeted, and considered these alternatives again with respect to the final amendments. For example, for Question 66 of section 4, on reporting of private equity strategies, we considered consolidating “Private Credit – Junior/Subordinated Debt,” “Private Credit – Mezzanine Financing,” “Private Credit – Senior Debt,” and Private Credit – Senior Subordinated Debt” into the “Private Credit – Direct Lending/Mid Market Lending” category.<sup>451</sup>

We believe that the amendments as stated in the final rule, including the decision to not adopt portfolio-level reporting requirements, maximize data quality and enhance the usefulness of reported data, without imposing unnecessary additional burden on filers.<sup>452</sup>

## **V. Paperwork Reduction Act**

Certain provisions of the final Form PF and rule 204(b)-1 revise an existing “collection of information” within the meaning of the Paperwork Reduction Act of 1995 (“PRA”).<sup>453</sup> The SEC published a notice requesting comment on changes to this collection of information in the 2022 Form PF Proposing Release and submitted the collection of information to the Office of

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<sup>450</sup> See *supra* section II.D.

<sup>451</sup> See *supra* section II.D.

<sup>452</sup> *Id.*

<sup>453</sup> 44 U.S.C. 3501 through 3521.

Management and Budget (“OMB”) for review in accordance with the PRA.<sup>454</sup> The title for the collection of information we are amending is “Form PF and Rule 204(b)-1” (OMB Control Number 3235-0679), and includes both Form PF and rule 204(b)-1 (“the rules”). The Commission’s solicitation of public comments included estimating and requesting public comments on the burden estimates for all information collections under this OMB control number (*i.e.*, both changes associated with the rulemaking and other burden updates). These changes in burden also reflect the Commission’s revision and update of burden estimates for all information collections under this OMB control number (whether or not associated with rulemaking changes) and responses to the Commission’s request for public comment on all information collection burden estimates for this OMB control number. An agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a currently valid OMB control number. Compliance with the information collection is mandatory.

The respondents are investment advisers who are (1) registered or required to be registered under Advisers Act section 203, (2) advise one or more private funds, and (3) managed private fund assets of at least \$150 million at the end of their most recently completed fiscal year (collectively, with their related persons).<sup>455</sup> Form PF divides respondents into groups based on their size and types of private funds they manage, requiring some groups to file more information more frequently than others. The types of respondents are (1) smaller private fund advisers (*i.e.*, private fund advisers who do not qualify as a large private fund adviser), (2) large hedge fund advisers, (3) large liquidity fund advisers, and (4) large private equity fund

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<sup>454</sup> 44 U.S.C. 3507(d); 5 CFR 1320.11.

<sup>455</sup> *See* 17 CFR 275.204(b)-1.

advisers.<sup>456</sup> As discussed more fully in section II above and as summarized in sections V.A and V.C below, the rules will require current reporting for qualifying hedge fund advisers, will require private equity event reporting for all private equity fund advisers, and will revise what large private equity fund advisers are required to file.

We have revised our burden estimates in response to comments we received, to reflect modifications from the proposal, and to take into consideration updated data. We received general comments to our time and cost burdens indicating that we underestimated the burdens to implement the proposed amendments to Form PF, particularly with respect to the new systems required to comply with the proposed current reporting obligations.<sup>457</sup> One commenter stated that the proposed “real-time” current reporting requirements would impose significant operational burdens on private fund advisers.<sup>458</sup> Another commenter stated that the calculations required for the operations event current reporting item would be very costly.<sup>459</sup> Conversely, as discussed above more fully in sections I and II above, the amendments as adopted have been modified in some respects from the proposal in a manner that changes our time and cost burden estimates. The new current reporting requirement for large hedge fund advisers will require such advisers to report current reporting events as soon as practicable, but no later than 72 hours from the current reporting event, rather than within one business day as proposed. The new private equity event reporting requirement for all private equity fund advisers will require such advisers to report certain events within 60 days from the adviser’s fiscal quarter end, rather than within

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<sup>456</sup> See *supra* footnote 13 (discussing the definitions of large hedge fund advisers and large private equity fund advisers).

<sup>457</sup> See, e.g., AIMA/ACC Comment Letter; IAA Comment Letter; MFA Comment Letter; USCC Comment Letter.

<sup>458</sup> See RER Comment Letter.

<sup>459</sup> See AIMA/ACC Comment Letter.

one business day as proposed. We are also eliminating or tailoring certain reporting events that trigger a current report filing obligation for large hedge fund advisers and a private equity event report filing obligation for private equity fund advisers. For example, we are tailoring the private equity fund adviser event reporting requirement to be limited to reporting on a quarterly basis on (1) general partner removals and investor elections to terminate a fund or its investment period and (2) the occurrence of execution of an adviser-led secondary transaction. Large private equity fund advisers will be also required to report the implementation of a general partner or limited partner clawback on an annual basis in lieu of the proposed requirement, which would have required all private fund advisers (both smaller private fund advisers that advise private equity funds and large private equity fund advisers) to report these events within one business day. These changes from the proposal will reduce the scope of categories subject to current reporting and private equity event reporting, which reduce our estimated burdens. Several commenters also stated that our cost analysis underestimated the cost of a daily net asset value calculation because it would require the development of new systems.<sup>460</sup> In a change from the proposal, the current reporting requirements for qualifying hedge fund advisers will require calculation of RFACV, rather than a daily net asset value calculation, which will reduce the burden on qualifying hedge fund advisers. We are also not adopting at this time the proposed amendments that would have required large liquidity funds to report certain additional information. Further, in a change from the proposal, we are not adopting a change to the filing threshold for large private equity fund advisers, which has changed the estimated number of large private equity fund adviser filers.

In addition, we have modified our estimates from the proposal to address general

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<sup>460</sup> See, e.g., AIMA/ACC Comment Letter; MFA Comment Letter; USCC Comment Letter.

comments to our proposed time and cost estimates for current reporting and private equity event reporting.<sup>461</sup> We have increased our estimate on the number of annual responses for current reporting and private equity event reporting. We have also increased our time burden estimate for current reporting requirements for large hedge fund advisers in response to comments we received to include additional estimated cost and time burden to comply with the new current reporting requirements. The time burden estimate changes also reflect changes from the proposed current reporting requirements discussed more fully above, such as the change in the reporting timeframes and the changes in the reporting events that decrease our time burden estimate. Our time and cost estimates also incorporate other adjustments, which are not based on changes from the proposed amendments, for updated data for the estimated number of respondents and salary/wage information across all respondent types.

**A. Purpose and Use of the Information Collection**

The rules implement provisions of Title IV of the Dodd-Frank Wall Street Reform and Consumer Protection Act (“Dodd-Frank Act”), which amended the Advisers Act to require the SEC to, among other things, establish reporting requirements for advisers to private funds.<sup>462</sup> The rules are intended to assist FSOC in its monitoring obligations under the Dodd-Frank Act, but the SEC also may use information collected on Form PF in its regulatory programs, including examinations, investigations, and investor protection efforts relating to private fund advisers.<sup>463</sup>

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<sup>461</sup> See, e.g., AIMA/ACC Comment Letter; MFA Comment Letter; State Street Comment Letter; USCC Comment Letter.

<sup>462</sup> See 15 U.S.C. 80b-4(b) and 15 U.S.C. 80b-11(e).

<sup>463</sup> See 2011 Form PF Adopting Release, *supra* footnote 3.

The final amendments are designed to enhance FSOC's ability to monitor systemic risk as well as bolster the SEC's regulatory oversight of private fund advisers and investor protection efforts. The final amendments do the following:

- Require all qualifying hedge fund advisers to file current reports upon certain current reporting events, as discussed more fully in section II.A above;
- Require all private equity fund advisers to file private equity event reports upon certain reporting events, as discussed more fully in section II.B above; and
- Adopt additional reporting items for large private equity fund advisers and amend how large private equity fund advisers report information about the private equity funds they advise, as discussed more fully in section II.B above.

The final current reporting rule requires advisers to qualifying hedge funds to report information upon certain current reporting events as soon as practicable, but no later than 72 hours from the current reporting event. The final private equity event reporting rule requires all private equity fund advisers to report information upon certain reporting events on a quarterly basis.<sup>464</sup> As discussed more fully in sections I and II, above, we are adopting the current reporting and private equity event reporting requirements so FSOC can receive more timely data to identify and respond to qualifying hedge funds and private equity funds that are facing stress that could result in systemic risk or harm to investors, while modifying the deadline to report to lessen the burden on such funds.

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<sup>464</sup> See 5 CFR 1320.5(d)(2)(i).

## **B. Confidentiality**

Responses to the information collection will be kept confidential to the extent permitted by law.<sup>465</sup> Form PF elicits non-public information about private funds and their trading strategies, the public disclosure of which could adversely affect the funds and their investors. The SEC does not intend to make public Form PF information that is identifiable to any particular adviser or private fund, although the SEC may use Form PF information in an enforcement action and to assess potential systemic risk.<sup>466</sup> SEC staff issues certain publications designed to inform the public of the private funds industry, all of which use only aggregated or masked information to avoid potentially disclosing any proprietary information.<sup>467</sup> The Advisers Act precludes the SEC from being compelled to reveal Form PF information except (1) to Congress, upon an agreement of confidentiality, (2) to comply with a request for information from any other Federal department or agency or self-regulatory organization for purposes within the scope of its jurisdiction, or (3) to comply with an order of a court of the United States in an action brought by the United States or the SEC.<sup>468</sup> Any department, agency, or self-regulatory organization that receives Form PF information must maintain its confidentiality consistent with the level of confidentiality established for the SEC.<sup>469</sup> The Advisers Act requires the SEC to make Form PF information available to FSOC.<sup>470</sup> For advisers that are also commodity pool operators or commodity trading advisers, filing Form PF through the Form PF filing system is

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<sup>465</sup> See 5 CFR 1320.5(d)(2)(vii) and (viii).

<sup>466</sup> See 15 U.S.C. 80b-10(c).

<sup>467</sup> See, e.g., Private Funds Statistics, issued by staff of the SEC Division of Investment Management's Analytics Office, which we have used in this PRA as a data source, *available at* <https://www.sec.gov/divisions/investment/private-funds-statistics.shtml>.

<sup>468</sup> See 15 U.S.C. 80b-4(b)(8).

<sup>469</sup> See 15 U.S.C. 80b-4(b)(9).

<sup>470</sup> See 15 U.S.C. 80b-4(b)(7).

filing with both the SEC and CFTC.<sup>471</sup> Therefore, the SEC makes Form PF information available to FSOC and the CFTC, pursuant to Advisers Act section 204(b), making the information subject to the confidentiality protections applicable to information required to be filed under that section. Before sharing any Form PF information, the SEC requires that any such department, agency, or self-regulatory organization represent to the SEC that it has in place controls designed to ensure the use and handling of Form PF information in a manner consistent with the protections required by the Advisers Act. The SEC has instituted procedures to protect the confidentiality of Form PF information in a manner consistent with the protections required in the Advisers Act.<sup>472</sup>

### **C. Burden Estimates**

We are revising our total burden final estimates to reflect the final amendments, updated data, and new methodology for certain estimates, and comments we received to our estimates.<sup>473</sup> The tables below map out the proposed and final Form PF requirements as they apply to each group of respondents and detail our burden estimates.

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<sup>471</sup> See 2011 Form PF Adopting Release, *supra* footnote 3, at n.17.

<sup>472</sup> See 5 CFR 1320.5(d)(2)(viii).

<sup>473</sup> For the previously approved estimates, see ICR Reference No. 202011-3235-019 (conclusion date Apr. 1, 2021), available at [https://www.reginfo.gov/public/do/PRAViewICR?ref\\_nbr=202011-3235-019](https://www.reginfo.gov/public/do/PRAViewICR?ref_nbr=202011-3235-019).

## 1. Proposed Form PF Requirements by Respondent

**Table 1: Proposed Form PF Requirements by Respondent**

| <b>Form PF</b>   | <b>Smaller private fund advisers</b>                        | <b>Large hedge fund advisers</b> | <b>Large liquidity fund advisers</b>  | <b>Large private equity fund advisers</b> |
|--|---|----------------------------------|---------------------------------------|---|
| Section 1a and section 1b (basic information about the adviser and the private funds it advises)<br><b>No proposed revisions</b> | Annually  | Quarterly                        | Quarterly                             | Annually                                  |
| Section 1c (additional information concerning hedge funds)<br><b>No proposed revisions</b>                                       | Annually, if they advise hedge funds                        | Quarterly                        | Quarterly, if they advise hedge funds | Annually, if they advise hedge funds      |
| Section 2 (additional information concerning qualifying hedge funds)<br><b>No proposed revisions</b>                             | No  | Quarterly                        | No                                    | No  |
| Section 3 (additional information concerning liquidity funds)<br><b>Proposed revisions</b>                                       | No  | No                               | Quarterly                             | No  |
| Section 4 (additional information concerning private equity funds)<br><b>Proposed revisions</b>                                  | No  | No                               | No                                    | Annually                                  |
| Section 5 (current reporting concerning qualifying hedge funds)<br><b>The proposal would add section 5</b>                       | No  | Upon a reporting event           | No                                    | No  |
| Section 6 (current reporting for private equity fund advisers)<br><b>The proposal would add section 6</b>                        | Upon a reporting event, if they advise private equity funds | No                               | No                                    | Upon a reporting event                    |
| Section 7 (temporary hardship request)<br><b>The proposed rules would make this available for current reporting</b>              | Optional, if they qualify                                   | Optional, if they qualify        | Optional, if they qualify             | Optional, if they qualify                 |

## 2. Final Form PF Requirements by Respondent

**Table 2: Final Form PF Requirements by Respondent**

| Form PF   | Smaller private fund advisers  | Large hedge fund advisers   | Large liquidity fund advisers         | Large private equity fund advisers                          |
|---|--|---|---------------------------------------|---|
| Section 1a and section 1b (basic information about the adviser and the private funds it advises)<br><b>No final revisions</b>       | Annually   | Quarterly   | Quarterly                             | Annually  |
| Section 1c (additional information concerning hedge funds)<br><b>No final revisions</b>   | Annually, if they advise hedge funds   | Quarterly   | Quarterly, if they advise hedge funds | Annually, if they advise hedge funds                        |
| Section 2 (additional information concerning qualifying hedge funds)<br><b>No final revisions</b>                                   | No   | Quarterly   | No                                    | No  |
| Section 3 (additional information concerning liquidity funds)<br><b>No final revisions</b>  | No   | No  | No                                    | No  |
| Section 4 (additional information concerning private equity funds)<br><b>The final rules modify section 4</b>                       | No   | No  | No                                    | Annually  |
| Section 5 (current reporting concerning qualifying hedge funds)<br><b>The final rules add section 5</b>                             | No   | As soon as practicable upon a current reporting event, but no later than 72 hours | No                                    | No  |
| Section 6 (event reporting for private equity fund advisers)<br><b>The final rules add section 6</b>                                | Within 60 days of fiscal quarter end upon a reporting event, if they advise private equity funds | No  | No                                    | Within 60 days of fiscal quarter end upon a reporting event |
| Section 7 (temporary hardship request)<br><b>The final rules make this available for current and private equity event reporting</b> | Optional, if they qualify  | Optional, if they qualify   | Optional, if they qualify             | Optional, if they qualify                                   |

### **3. Annual Hour Burden Proposed and Final Estimates**

Below are tables with annual hour burden proposed and final estimates for (1) initial filings, (2) ongoing annual and quarterly filings, (3) current reporting and private equity event reporting, and (4) transition filings, final filings, and temporary hardship requests.

**Table 3: Annual Hour Burden Proposed and Final Estimates for Initial Filings**

| Respondent <sup>1</sup>            |                     | Number of Respondents = Aggregate Number of Responses <sup>2</sup> | Hours Per Response <sup>3</sup> | Hours Per Response Amortized Over 3 Years <sup>4</sup> | Aggregate Hours Amortized Over 3 Years <sup>5</sup> |
|------------------------------------|---------------------|--|---------------------------------|--|---|
| Smaller Private Fund Advisers      | Proposed Estimate   | 313 responses <sup>6</sup>   | 40 hours                        | ÷ 3 = 13 hours   | 4,069 hours   |
|                                    | Final Estimate      | 358 responses <sup>7</sup>   | 40 hours                        | ÷ 3 = 13 hours   | 4,654 hours   |
|                                    | Previously Approved | 272 responses  | 40 hours                        | 23 hours   | 6,256 hours   |
|                                    | Change              | 86 responses   | 0 hours                         | (10) hours   | (1,602) hours                                       |
| Large Hedge Fund Advisers          | Proposed Estimate   | 14 responses <sup>8</sup>  | 325 hours                       | ÷ 3 = 108 hours  | 1,512 hours   |
|                                    | Final Estimate      | 16 responses <sup>9</sup>  | 325 hours                       | ÷ 3 = 108 hours  | 1,728 hours   |
|                                    | Previously Approved | 17 responses   | 325 hours                       | 658 hours  | 11,186 hours  |
|                                    | Change              | (1) response   | 0 hours                         | (550) hours  | (9,458) hours                                       |
| Large Liquidity Fund Advisers      | Proposed Estimate   | 1 response <sup>10</sup>   | 202 hours                       | ÷ 3 = 67 hours   | 67 hours  |
|                                    | Final Estimate      | 1 response <sup>11</sup>   | 200 hours                       | ÷ 3 = 67 hours   | 67 hours  |
|                                    | Previously Approved | 2 responses  | 200 hours                       | 588 hours  | 1,176 hours   |
|                                    | Change              | (1) response   | 0 hours                         | (521) hours  | (1,109) hours                                       |
| Large Private Equity Fund Advisers | Proposed Estimate   | 42 responses <sup>12</sup>   | 250 hours                       | ÷ 3 = 83 hours   | 3,486 hours   |
|                                    | Final Estimate      | 17 responses <sup>13</sup>   | 252 hours <sup>14</sup>         | ÷ 3 = 84 hours   | 1,428 hours   |
|                                    | Previously Approved | 9 responses  | 200 hours                       | 133 hours  | 1,197 hours   |
|                                    | Change              | 8 responses  | 52 hours                        | (49) hours   | 231 hours   |

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**Notes:**

1. We expect that the hourly burden will be most significant for the initial report because the adviser will need to familiarize itself with the new reporting form and may need to configure its systems in order to efficiently gather the required information. In addition, we expect that some large private fund advisers will find it efficient to automate some portion of the reporting process, which will increase the burden of the initial filing but reduce the burden of subsequent filings.
2. This concerns the initial filing; therefore, we estimate one response per respondent. The proposed and final changes are due to using updated data to estimate the number of advisers. The proposed changes concerning large private equity fund advisers also were due to the proposed amendment to reduce the filing threshold, which will not be adopted in this Release.
3. Hours per response proposed and final changes for large private equity fund advisers are due to amendments to section 4. Hours per response proposed estimate changes for large liquidity fund advisers were due to proposed amendments to section 3. We have reduced the final hours estimate from the proposed hours estimate because the proposed large liquidity fund amendments will not be adopted in this Release.
4. We amortize the initial time burden over three years because we believe that most of the burden would be incurred in the initial filing. We use a different methodology to calculate the estimate than the methodology staff used for the previously approved burdens. We believe the previously approved burdens for initial filings inflated the estimates by using a methodology that included subsequent filings for the next two years, which, for annual filers, included 2 subsequent filings, and for quarterly filers, included 11 subsequent filings. For the requested burden, we calculate the initial filing, as amortized over the next three years, by including only the hours related to the initial filing, not any subsequent filings. This approach is designed to more accurately estimate the initial burden, as amortized over three years. (For example, to estimate the previously approved burden for a large hedge fund adviser making its initial filing, staff estimated that the adviser would have an amortized average annual burden of 658 hours (1 initial filing x 325 hours + 11 subsequent filings (because it files quarterly) x 150 hours = 1,975 hours. 1,975 hours / 3 years = approximately 658 previously approved hours per response, amortized over three years).) Changes are due to using the revised methodology, and changes for the large hedge fund advisers also are due to amendments to section 4. The proposed changes for large liquidity fund advisers were due to proposed amendments to section 3, which we are not adopting in this Release.
5. (Number of responses) x (hours per response amortized over three years) = aggregate hours amortized over three years. Changes are due to (1) using updated data to estimate the number of advisers and (2) the new methodology to estimate the hours per response, amortized over three years. For large private equity fund advisers, changes in our proposed estimates were also due to the proposed amendments to lower the threshold, which we are not adopting in this Release, and amendments to section 4. The proposed changes for large liquidity fund advisers were due to proposed amendments to section 3, which we are not adopting in this Release.
6. In the case of the proposed estimates, Private Funds Statistics show 2,427 smaller private fund advisers filed Form PF in the fourth quarter of 2020. Based on filing data from 2016 through 2020, an average of 12.9 percent of them did not file for the previous due date. ( $2,427 \times 0.129 = 313$  advisers.)
7. In the case of the final estimates, Private Funds Statistics show 2,616 smaller private fund advisers filed Form PF in the most recent reporting period. Based on filing data from 2017 through 2021, an average of 13.7 percent of them did not file during the prior year. ( $2,616 \times 0.137 = 358.39$  advisers, rounded to 358 advisers.)
8. In the case of the proposed estimates, Private Funds Statistics show 545 large hedge fund advisers filed Form PF in the fourth quarter of 2020. Based on filing data from 2016 through 2020, an average of 2.6 percent of them did not file for the previous due date. ( $545 \times 0.026 = 14.17$  advisers, rounded to 14 advisers.)
9. In the case of the final estimates, Private Funds Statistics show 598 large hedge fund advisers filed Form PF in the most recent reporting period. Based on filing data from 2017 through 2021, an average of 2.7 percent of them did not file during the prior year. ( $598 \times 0.027 = 16.146$  advisers, rounded to 16 advisers.)
10. In the case of the proposed estimates, Private Funds Statistics show 23 large liquidity fund advisers filed Form PF in the fourth quarter of 2020. Based on filing data from 2016 through 2020, an average of 1.5 percent of them did not file for the previous due date. ( $23 \times 0.015 = 0.345$  advisers, rounded up to 1 adviser.)
11. In the case of the final estimates, Private Funds Statistics show 22 large liquidity fund advisers filed Form PF in the most recent reporting period. Based on filing data from 2017 through 2021, an average of 1.5 percent of them did not file during the prior year. ( $22 \times 0.015 = 0.33$  advisers, rounded up to 1 adviser.)
12. In the case of the proposed estimates, Private Funds Statistics show 364 large private equity fund advisers filed Form PF in the fourth quarter of 2020. Based on filing data from 2016 through 2020, an average of 3.5 percent of them did not file for the previous due date. ( $364 \times 0.035 = 12.74$  advisers, rounded to 13 advisers.) As discussed in

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section II.B of the 2022 Form PF Proposing Release, we estimated that reducing the filing threshold for large private equity fund advisers would capture eight percent more of the U.S. private equity industry based on committed capital (from 67 percent to 75 percent of the U.S. private equity industry). Therefore, we proposed to estimate the number of large private equity fund advisers would increase by eight percent, as a result of the proposed threshold. (364 large private equity fund advisers  $\times$  0.08 = 29.12, rounded to 29 additional large private equity fund advisers filing for the first time as a result of the proposed threshold) + (13 advisers) = 42 advisers.)

13. In the case of the final estimates, Private Funds Statistics show 435 large private equity fund advisers filed Form PF in the most recent reporting period. Based on filing data from 2017 through 2021, an average of 3.9 percent of them did not file during the prior year. (435  $\times$  0.039 = 16.97 advisers, rounded to 17 advisers.) In a change from the proposal, we are not adopting a change to the filing threshold for large private equity fund advisers in this Release.
14. The increase in the hours estimate from the proposing estimate to the final estimate is due to the change from a current reporting requirement to an annual reporting requirement for large private equity fund advisers for general partner and limited partner clawbacks, as more fully described in Section II.D above, and in response to commenters. Our final estimate considers that certain proposed questions for large private equity fund advisers will be on an annual, rather than a current, basis.

**Table 4: Annual Hour Burden Proposed and Final Estimates for Ongoing Annual and Quarterly Filings**

| <b>Respondent<sup>1</sup></b>             |                            | <b>Number of Respondents<sup>2</sup></b> |   | <b>Number of Responses<sup>3</sup></b> |   | <b>Hours Per Response<sup>4</sup></b> | <b>Aggregate Hours<sup>5</sup></b> |
|---|----------------------------|--|---|--|---|---------------------------------------|------------------------------------|
| <b>Smaller Private Fund Advisers</b>      | <b>Proposed Estimate</b>   | 2,114 advisers <sup>6</sup>              | x | 1 response                             | x | 15 hours =                            | 31,710 hours                       |
|   | <b>Final Estimate</b>      | 2,258 advisers <sup>7</sup>              | x | 1 response                             | x | 15 hours =                            | 33,870 hours                       |
|   | <b>Previously Approved</b> | 2,055 advisers                           | x | 1 response                             | x | 15 hours =                            | 30,825 hours                       |
|   | <b>Change</b>              | 203 advisers                             |   | 0 responses                            |   | 0 hours                               | 3,045 hours                        |
| <b>Large Hedge Fund Advisers</b>          | <b>Proposed Estimate</b>   | 531 advisers <sup>8</sup>                | x | 4 responses                            | x | 150 hours =                           | 318,600 hours                      |
|   | <b>Final Estimate</b>      | 582 advisers <sup>9</sup>                | x | 4 responses                            | x | 150 hours =                           | 349,200 hours                      |
|   | <b>Previously Approved</b> | 537 advisers                             | x | 4 responses                            | x | 150 hours =                           | 322,200 hours                      |
|   | <b>Change</b>              | 45 advisers                              |   | 0 responses                            |   | 0 hours                               | 27,000 hours                       |
| <b>Large Liquidity Fund Advisers</b>      | <b>Proposed Estimate</b>   | 22 advisers <sup>10</sup>                | x | 4 responses                            | x | 71 hours =                            | 6,248 hours                        |
|   | <b>Final Estimate</b>      | 21 advisers <sup>11</sup>                | x | 4 responses                            | x | 70 hours =                            | 5,880 hours                        |
|   | <b>Previously Approved</b> | 20 advisers                              | x | 4 responses                            | x | 70 hours =                            | 5,600 hours                        |
|   | <b>Change</b>              | 1 adviser                                |   | 0 responses                            |   | 0 hours                               | 280 hours                          |
| <b>Large Private Equity Fund Advisers</b> | <b>Proposed Estimate</b>   | 351 advisers <sup>12</sup>               | x | 1 response                             | x | 125 hours =                           | 43,875 hours                       |
|   | <b>Final Estimate</b>      | 418 advisers <sup>13</sup>               | x | 1 response                             | x | 128 hours <sup>14</sup> =             | 53,504 hours                       |
|   | <b>Previously Approved</b> | 313 advisers                             | x | 1 response                             | x | 100 hours =                           | 31,300 hours                       |
|   | <b>Change</b>              | 105 advisers                             |   | 0 responses                            |   | 28 hours                              | 22,204 hours                       |

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**Notes:**

1. We estimate that after an adviser files its initial report, it will incur significantly lower costs to file ongoing annual and quarterly reports, because much of the work for the initial report is non-recurring and likely created system configuration and reporting efficiencies.
2. Changes to the number of respondents are due to using updated data to estimate the number of advisers. For large private equity fund advisers, the changes in our proposed estimates were also due to the amendment to lower the threshold, which we are not adopting in this Release.
3. Smaller private fund advisers and large private equity fund advisers file annually. Large hedge fund advisers and large liquidity fund advisers file quarterly.
4. Hours per response changes for the large private equity fund advisers are due to the amendments to section 4. Hours per response proposed estimate changes for large liquidity fund advisers were due to proposed amendments to section 3. We have reduced the final hours estimate for large liquidity fund advisers from the proposed hours estimate because the proposed large liquidity fund amendments will not be adopted in this Release.
5. Changes to the aggregate hours are due to using updated data to estimate the number of advisers. For large private equity fund advisers, changes also are due to the amendments to section 4.
6. In the case of the proposed estimates, Private Funds Statistics show 2,427 smaller private fund advisers filed Form PF in the fourth quarter of 2020. We estimated that 313 of them filed an initial filing, as discussed in Table 3: Annual Hour Burden Proposed and Final Estimates for Initial Filings. (2,427 total smaller advisers – 313 advisers who made an initial filing = 2,114 advisers who make ongoing filings.)
7. In the case of the final estimates, Private Funds Statistics show 2,616 smaller private fund advisers filed Form PF in the most recent reporting period. We estimated that 358 of them filed an initial filing, as discussed in Table 3: Annual Hour Burden Proposed and Final Estimates for Initial Filings. (2,616 total smaller advisers – 358 advisers who made an initial filing = 2,258 advisers who make ongoing filings.)
8. In the case of the proposed estimates, Private Funds Statistics show 545 large hedge fund advisers filed Form PF in the fourth quarter of 2020. We estimated that 14 of them filed an initial filing, as discussed in Table 3: Annual Hour Burden Proposed and Final Estimates for Initial Filings. (545 total large hedge fund advisers – 14 advisers who made an initial filing = 531 advisers who make ongoing filings.)
9. In the case of the final estimates, Private Funds Statistics show 598 large hedge fund advisers filed Form PF in the most recent reporting period. We estimated that 16 of them filed an initial filing, as discussed in Table 3: Annual Hour Burden Proposed and Final Estimates for Initial Filings. (598 total large hedge fund advisers – 16 advisers who made an initial filing = 582 advisers who make ongoing filings.)
10. In the case of the proposed estimates, Private Funds Statistics show 23 large liquidity fund advisers filed Form PF in the fourth quarter of 2020. We estimated that one of them filed an initial filing, as discussed in Table 3: Annual Hour Burden Proposed and Final Estimates for Initial Filings. (23 total large liquidity fund advisers – 1 adviser who made an initial filing = 22 advisers who make ongoing filings.)
11. In the case of the final estimates, Private Funds Statistics show 22 large liquidity fund advisers filed Form PF in the most recent reporting period. We estimated that one of them filed an initial filing, as discussed in Table 3: Annual Hour Burden Proposed and Final Estimates for Initial Filings. (22 total large liquidity fund advisers – 1 adviser who made an initial filing = 21 advisers who make ongoing filings.)
12. In the case of the proposed estimates, Private Funds Statistics show 364 large private equity fund advisers filed Form PF in the fourth quarter of 2020. Based on filing data from 2016 through 2020, an average of 3.5 percent of them did not file for the previous due date. ( $364 \times 0.035 = 12.74$  advisers, rounded to 13 advisers.) (364 total large private equity fund advisers – 13 advisers who made an initial filing = 351 advisers who make ongoing filings.) Lowering the filing threshold for large private equity fund advisers would result in additional advisers filing for the first time, as discussed in Table 3: Annual Hour Burden Proposed and Final Estimates for Initial Filings.
13. In the case of the final estimates, Private Funds Statistics show 435 large private equity fund advisers filed Form PF in the most recent reporting period. Based on filing data from 2017 through 2021, an average of 3.9 percent of them did not file during the prior year. ( $435 \times 0.039 = 16.97$  advisers, rounded to 17 advisers.) (435 total large private equity fund advisers – 17 advisers who made an initial filing = 418 advisers who make ongoing filings.) As discussed in Table 3: Annual Hour Burden Proposed and Final Estimates for Initial Filings, we are not adopting the proposed change in threshold for large private equity fund advisers.
14. The increase in the hours estimate from the proposing estimate to the final estimate is due to the change from a current reporting requirement to an annual reporting requirement for large private equity fund advisers for general partner and limited partner clawbacks, as more fully described in Section II.D above, and in response to commenters. Our final estimate considers that certain proposed questions for large private equity fund advisers will

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be on an annual, rather than a current, basis.

**Table 5: Annual Hour Burden Proposed and Final Estimates for Current Reporting and Private Equity Event Reporting**

| <b>Respondent<sup>1</sup></b>             |                            | <b>Aggregate Number of Responses</b> |   | <b>Hours Per Response<sup>2</sup></b> | <b>=</b> | <b>Aggregate Hours</b> |
|---|----------------------------|--------------------------------------|---|---------------------------------------|----------|------------------------|
| <b>Smaller Private Fund Advisers</b>      | <b>Proposed Estimate</b>   | 6 responses                          | x | 8.5 hours                             | =        | 51 hours               |
|   | <b>Final Estimate</b>      | 20 responses                         | x | 5 hours                               | =        | 100 hours              |
|   | <b>Previously Approved</b> | Not Applicable                       |   |                                       |          |                        |
|   | <b>Change</b>              | Not Applicable                       |   |                                       |          |                        |
| <b>Large Hedge Fund Advisers</b>          | <b>Proposed Estimate</b>   | 6 responses                          | x | 8.5 hours                             | =        | 51 hours               |
|   | <b>Final Estimate</b>      | 60 responses <sup>3</sup>            | x | 10 hours                              | =        | 600 hours              |
|   | <b>Previously Approved</b> | Not Applicable                       |   |                                       |          |                        |
|   | <b>Change</b>              | Not Applicable                       |   |                                       |          |                        |
| <b>Large Private Equity Fund Advisers</b> | <b>Proposed Estimate</b>   | 6 responses                          | x | 8.5 hours                             | =        | 51 hours               |
|   | <b>Proposed Estimate</b>   | 20 responses                         | x | 5 hours                               | =        | 100 hours              |
|   | <b>Previously Approved</b> | Not Applicable                       |   |                                       |          |                        |
|   | <b>Change</b>              | Not Applicable                       |   |                                       |          |                        |

**Notes:**

1. In a change from the proposal, qualifying hedge fund advisers will file current reports under section 5 as soon as practicable, but no later than 72 hours from the current reporting event, and private equity fund advisers will file event reports under section 6 on a quarterly basis, in each case rather than within one business day as proposed. There are no previously approved estimates for the proposed and final current reporting and private equity event reporting amendments because they are new requirements.
2. We estimated in the proposal that the time to prepare and file a current report would range from 4 hours to 8.5 hours, depending on the current reporting event. Therefore, we proposed to use the upper range (8.5 hours) to calculate estimates. In our final estimates, we have revised the estimated time to prepare and file a current report for large hedge fund advisers to 10 hours. We considered comments that we received to our hour burden estimate, as well as changes to current reporting questions and the reporting timeline from the proposed amendments to the final amendments. Our final time burden estimate includes the costs associated with the required explanatory notes that are more fully described in section II.D.1 above. We have revised the estimated time to prepare and file a private equity event report for private equity fund advisers to 5 hours in consideration of changes from the proposed amendments to the final amendments to the event reporting questions and the change in the reporting timeline from within one business day to on a quarterly basis.

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3. In light of comments received and modifications to the proposal, our estimate of the aggregate number of responses expected across all current reporting and private equity event reporting categories has increased. As discussed more fully in section IV.C.1.a above and in consideration of comments we received, we have modified our estimate of the number of current reports associated with extraordinary losses for large hedge fund advisers. We have also modified our estimate of current reports and private equity reporting events associated with other reporting event categories. We also recognize in our estimate that advisers may concurrently experience multiple current reporting events or private equity reporting events, as applicable, and may therefore report more than one reporting event in a single filing.

**Table 6: Annual Hour Burden Proposed and Final Estimates for Transition Filings, Final Filings, and Temporary Hardship Requests**

| <b>Filing Type<sup>1</sup></b>                    |                            | <b>Aggregate Number of Responses<sup>2</sup></b> |   | <b>Hours Per Response</b> | <b>=</b> | <b>Aggregate Hours<sup>3</sup></b> |
|---|----------------------------|--|---|---------------------------|----------|------------------------------------|
| <b>Transition Filing from Quarterly to Annual</b> | <b>Proposed Estimate</b>   | 63 responses <sup>4</sup>                        | x | 0.25 hours                | =        | 15.75 hours                        |
|   | <b>Final Estimate</b>      | 71 responses <sup>5</sup>                        | x | 0.25 hours                | =        | 17.75 hours                        |
|   | <b>Previously Approved</b> | 45 responses                                     | x | 0.25 hours                | =        | 11.25 hours                        |
|   | <b>Change</b>              | 26 responses                                     |   | 0 hours                   |          | 6.5 hours                          |
| <b>Final Filings</b>                              | <b>Proposed Estimate</b>   | 232 responses <sup>6</sup>                       | x | 0.25 hours                | =        | 58 hours                           |
|   | <b>Final Estimate</b>      | 235 responses <sup>7</sup>                       | x | 0.25 hours                | =        | 58.75 hours                        |
|   | <b>Previously Approved</b> | 54 responses                                     | x | 0.25 hours                | =        | 13.5 hours                         |
|   | <b>Change<sup>8</sup></b>  | 181 responses                                    |   | 0 hours                   |          | 45.25 hours                        |
| <b>Temporary Hardship Requests</b>                | <b>Proposed Estimate</b>   | 3 responses <sup>9</sup>                         | x | 1 hour                    | =        | 3 hours                            |
|   | <b>Final Estimate</b>      | 4 responses <sup>10</sup>                        | x | 1 hour                    | =        | 4 hours                            |
|   | <b>Previously Approved</b> | 4 responses                                      | x | 1 hour                    | =        | 4 hours                            |
|   | <b>Change</b>              | 0 responses                                      |   | 0 hours                   |          | 0 hours                            |

**Notes:**

1. Advisers must file limited information on Form PF in three situations. First, any adviser that transitions from filing quarterly to annually because it has ceased to qualify as a large hedge fund adviser or large liquidity fund adviser, must file a Form PF indicating that it is no longer obligated to report on a quarterly basis. Second, any adviser that is no longer subject to Form PF's reporting requirements, must file a final report indicating this. Third, an adviser may request a temporary hardship exemption if it encounters unanticipated technical difficulties that prevent it from making a timely electronic filing. A temporary hardship exemption extends the deadline for an electronic filing for seven business days. To request a temporary hardship exemption, the adviser must file a request on Form PF. Under the final rule, temporary hardship exemptions are available for current reporting and private equity event reporting, as discussed in section II. This final amendment will not result in any changes to the hours per response.
2. Changes to the aggregate number of responses are due to using updated data. Changes for final filings also are due to using a different methodology, as discussed below.
3. Changes to the aggregate hours are due to the changes in the aggregate number of responses.
4. In the case of the proposed estimates, Private Funds Statistics show 568 advisers filed quarterly reports in the fourth quarter of 2020. Based on filing data from 2016 through 2020, an average of 11.1 percent of them filed a transition filing. (568 x 0.111 = 63 responses.)
5. In the case of the final estimates, Private Funds Statistics show 620 advisers filed quarterly reports in the

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- most recent reporting period. Based on filing data from 2017 through 2021, an average of 11.5 percent of them filed a transition filing. ( $620 \times 0.115 = 71.3$  responses, rounded to 71 responses.)
6. In the case of the proposed estimates, Private Funds Statistics show 3,359 advisers filed Form PF in the fourth quarter of 2020. Based on filing data from 2016 through 2020, an average of 6.9 percent of them filed a final filing. ( $3,359 \times 0.069 =$  approximately 232 responses.)
  7. In the case of the final estimates, Private Funds Statistics show 3,671 advisers filed Form PF in the most recent reporting period. Based on filing data from 2017 through 2021, an average of 11.5 percent of them filed a final filing. ( $3,671 \times 0.115 =$  approximately 422 responses.)
  8. Changes for final filings are due to using a different methodology. The previously approved estimates used a percentage of quarterly filers to estimate how many advisers filed a final report. We use a percentage of all filers to estimate how many advisers filed a final report, because all filers may file a final report, not just quarterly filers. Therefore, this methodology is designed to more accurately estimate the number of responses for final filings.
  9. In the case of the proposed estimates, based on experience receiving temporary hardship requests, we estimate that 1 out of 1,000 advisers will file a temporary hardship exemption annually. Private Funds Statistics show there were 3,359 private fund advisers who filed Form PF in the fourth quarter of 2020. ( $3,359 / 1,000 =$  approximately 3 responses.)
  10. In the case of the final estimates, Private Funds Statistics show there were 3,671 private fund advisers who filed Form PF in the most recent reporting period. ( $3,671 / 1,000 =$  approximately 4 responses.)

#### **4. Annual Monetized Time Burden Proposed and Final Estimates**

Below are tables with annual monetized time burden proposed and final estimates for (1) initial filings, (2) ongoing annual and quarterly filings, (3) current reporting and private equity event reporting, and (4) transition filings, final filings, and temporary hardship requests.<sup>474</sup>

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<sup>474</sup> The hourly wage rates used in our proposed and final estimates are based on (1) SIFMA's *Management & Professional Earnings in the Securities Industry 2013*, modified by SEC staff to account for an 1,800-hour work-year and inflation, and multiplied by 5.35 to account for bonuses, firm size, employee benefits and overhead; and (2) SIFMA's *Office Salaries in the Securities Industry 2013*, modified by SEC staff to account for an 1,800-hour work-year and inflation, and multiplied by 2.93 to account for bonuses, firm size, employee benefits and overhead. The final estimates are based on the preceding SIFMA data sets, which SEC staff have updated since the proposing release to account for current inflation rates.

**Table 7: Proposed and Final Annual Monetized Time Burden of Initial Filings**

| <b>Respondent<sup>1</sup></b>             | <b>Per Response<sup>2</sup></b> | <b>Per Response Amortized Over 3 years<sup>3</sup></b> | <b>Aggregate Number of Responses<sup>4</sup></b> | <b>Aggregate Monetized Time Burden Amortized Over 3 Years</b> |
|---|---------------------------------|--|--|---|
| <b>Smaller Private Fund Advisers</b>      | <b>Proposed Estimate</b>        | \$13,620 <sup>5</sup> ÷ 3 = \$4,540                    | x 313 responses =                                | \$1,421,020   |
|   | <b>Final Estimate</b>           | \$15,520 <sup>6</sup> ÷ 3 = \$5,174                    | x 358 responses =                                | \$1,852,292   |
|   | <b>Previously Approved</b>      | \$13,460   | x 272 responses =                                | \$3,661,120   |
|   | <b>Change</b>                   | \$2,060  | 86 responses                                     | (\$1,808,828)   |
| <b>Large Hedge Fund Advisers</b>          | <b>Proposed Estimate</b>        | \$104,423 <sup>7</sup> ÷ 3 = \$34,808                  | x 14 responses =                                 | \$487,312   |
|   | <b>Final Estimate</b>           | \$118,890 <sup>8</sup> ÷ 3 = \$39,630                  | x 16 responses =                                 | \$634,080   |
|   | <b>Previously Approved</b>      | \$103,123  | x 17 responses =                                 | \$1,753,091   |
|   | <b>Change</b>                   | \$15,767   | (1) response                                     | (\$1,119,011)   |
| <b>Large Liquidity Fund Advisers</b>      | <b>Proposed Estimate</b>        | \$64,893 <sup>9</sup> ÷ 3 = \$21,631                   | x 1 response =                                   | \$21,631  |
|   | <b>Final Estimate</b>           | \$73,200 <sup>10</sup> ÷ 3 = \$24,400                  | x 1 response =                                   | \$24,400  |
|   | <b>Previously Approved</b>      | \$63,460   | x 2 responses =                                  | \$126,920   |
|   | <b>Change</b>                   | \$9,740  | (1) response                                     | (\$102,520)   |
| <b>Large Private Equity Fund Advisers</b> | <b>Proposed Estimate</b>        | \$80,325 <sup>11</sup> ÷ 3 = \$26,775                  | x 42 responses =                                 | \$1,124,550   |
|   | <b>Final Estimate</b>           | \$92,221 <sup>12</sup> ÷ 3 = \$30,740                  | x 17 responses =                                 | \$522,580   |
|   | <b>Previously Approved</b>      | \$63,460   | x 9 responses =                                  | \$571,140   |
|   | <b>Change</b>                   | \$28,761   | 8 responses                                      | (\$48,560)  |

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**Notes:**

1. We expect that the monetized time burden will be most significant for the initial report, for the same reasons discussed in Table 3: Annual Hour Burden Proposed and Final Estimates for Initial Filings. Accordingly, we anticipate that the initial report will require more attention from senior personnel, including compliance managers and senior risk management specialists, than will ongoing annual and quarterly filings. Changes are due to using (1) updated hours per response estimates, as discussed in Table 3: Annual Hour Burden Proposed and Final Estimates for Initial Filings, (2) updated aggregate number of responses, as discussed in Table 3: Annual Hour Burden Proposed and Final Estimates for Initial Filings, and (3) updated wage estimates. Changes to the aggregate monetized time burden, amortized over three years, also are due to amortizing the monetized time burden, which the previously approved estimates did not calculate, as discussed below.
2. For the hours per response in each calculation, *see* Table 3: Annual Hour Burden Proposed and Final Estimates for Initial Filings.
3. We amortize the monetized time burden for initial filings over three years, as we do with other initial burdens in this PRA, because we believe that most of the burden would be incurred in the initial filing. The previously approved burden estimates did not calculate this.
4. *See* Table 3: Annual Hour Burden Proposed and Final Estimates for Initial Filings.
5. In the case of the proposed estimates, for smaller private fund advisers, we estimated that the initial report would most likely be completed equally by a compliance manager at a cost of \$316 per hour and a senior risk management specialist at a cost of \$365 per hour. Smaller private fund advisers generally would not realize significant benefits from or incur significant costs for system configuration or automation because of the limited scope of information required from smaller private fund advisers.  $((\$316 \text{ per hour} \times 0.5) + (\$365 \text{ per hour} \times 0.5)) \times 40 \text{ hours per response} = \$13,620$ .
6. In the case of the final estimates, for smaller private fund advisers, we estimate that the initial report will most likely be completed equally by a compliance manager at a cost of \$360 per hour and a senior risk management specialist at a cost of \$416 per hour. Smaller private fund advisers generally would not realize significant benefits from or incur significant costs for system configuration or automation because of the limited scope of information required from smaller private fund advisers.  $((\$416 \text{ per hour} \times 0.5) + (\$360 \text{ per hour} \times 0.5)) \times 40 \text{ hours per response} = \$15,520$ .
7. In the case of the proposed estimates, for large hedge fund advisers, we estimated that for the initial report, of a total estimated burden of 325 hours, approximately 195 hours will most likely be performed by compliance professionals and 130 hours would most likely be performed by programmers working on system configuration and reporting automation. Of the work performed by compliance professionals, we anticipate that it will be performed equally by a compliance manager at a cost of \$316 per hour and a senior risk management specialist at a cost of \$365 per hour. Of the work performed by programmers, we anticipated that it would be performed equally by a senior programmer at a cost of \$339 per hour and a programmer analyst at a cost of \$246 per hour.  $((\$316 \text{ per hour} \times 0.5) + (\$365 \text{ per hour} \times 0.5)) \times 195 \text{ hours} = \$66,397.50$ .  $((\$339 \text{ per hour} \times 0.5) + (\$246 \text{ per hour} \times 0.5)) \times 130 \text{ hours} = \$38,025$ .  $\$66,397.50 + \$38,025 = \$104,422.50$ , rounded to \$104,423.
8. In the case of the final estimates, for large hedge fund advisers, we estimate that for the initial report, of a total estimated burden of 325 hours, approximately 195 hours will most likely be performed by compliance professionals and 130 hours will most likely be performed by programmers working on system configuration and reporting automation. Of the work performed by compliance professionals, we anticipate that it will be performed equally by a compliance manager at a cost of \$360 per hour and a senior risk management specialist at a cost of \$416 per hour. Of the work performed by programmers, we anticipate that it will be performed equally by a senior programmer at a cost of \$386 per hour and a programmer analyst at a cost of \$280 per hour.  $((\$360 \text{ per hour} \times 0.5) + (\$416 \text{ per hour} \times 0.5)) \times 195 \text{ hours} = \$75,600$ .  $((\$386 \text{ per hour} \times 0.5) + (\$280 \text{ per hour} \times 0.5)) \times 130 \text{ hours} = \$43,290$ .  $\$75,600 + \$43,290 = \$118,890$ .
9. In the case of the proposed estimates, for large liquidity fund advisers, we estimated that for the initial report, of a total estimated burden of 202 hours, approximately 60 percent would most likely be performed by compliance professionals and approximately 40 percent would most likely be performed by programmers working on system configuration and reporting automation (that is approximately 121 hours for compliance professionals and 81 hours for programmers). Of the work performed by compliance professionals, we anticipated that it would be performed equally by a compliance manager at a cost of \$316 per hour and a

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senior risk management specialist at a cost of \$365 per hour. Of the work performed by programmers, we anticipated that it would be performed equally by a senior programmer at a cost of \$339 per hour and a programmer analyst at a cost of \$246 per hour.  $((\$316 \text{ per hour} \times 0.5) + (\$365 \text{ per hour} \times 0.5)) \times 121 \text{ hours} = \$41,200.50$ .  $((\$339 \text{ per hour} \times 0.5) + (\$246 \text{ per hour} \times 0.5)) \times 81 \text{ hours} = \$23,692.50$ .  $\$41,200.50 + \$23,692.50 = \$64,893$ .

10. In the case of the final estimates, for large liquidity fund advisers, we estimate that for the initial report, of a total estimated burden of 200 hours, approximately 60 percent will most likely be performed by compliance professionals and approximately 40 percent will most likely be performed by programmers working on system configuration and reporting automation (that is approximately 120 hours for compliance professionals and 80 hours for programmers). Of the work performed by compliance professionals, we anticipate that it will be performed equally by a compliance manager at a cost of \$360 per hour and a senior risk management specialist at a cost of \$416 per hour. Of the work performed by programmers, we anticipate that it will be performed equally by a senior programmer at a cost of \$386 per hour and a programmer analyst at a cost of \$280 per hour.  $((\$360 \text{ per hour} \times 0.5) + (\$416 \text{ per hour} \times 0.5)) \times 120 \text{ hours} = \$46,560$ .  $((\$386 \text{ per hour} \times 0.5) + (\$280 \text{ per hour} \times 0.5)) \times 80 \text{ hours} = \$26,640$ .  $\$46,560 + \$26,640 = \$73,200$ .
11. In the case of the proposed estimates, for large private equity fund advisers, we expected that for the initial report, of a total estimated burden of 250 hours, approximately 60 percent would most likely be performed by compliance professionals and approximately 40 percent would most likely be performed by programmers working on system configuration and reporting automation (that is approximately 150 hours for compliance professionals and 100 hours for programmers). Of the work performed by compliance professionals, we anticipated that it would be performed equally by a compliance manager at a cost of \$316 per hour and a senior risk management specialist at a cost of \$365 per hour. Of the work performed by programmers, we anticipated that it would be performed equally by a senior programmer at a cost of \$339 per hour and a programmer analyst at a cost of \$246 per hour.  $((\$316 \text{ per hour} \times 0.5) + (\$365 \text{ per hour} \times 0.5)) \times 150 \text{ hours} = \$51,075$ .  $((\$339 \text{ per hour} \times 0.5) + (\$246 \text{ per hour} \times 0.5)) \times 100 \text{ hours} = \$29,250$ .  $\$51,075 + \$29,250 = \$80,325$ .
12. In the case of the final estimates, for large private equity fund advisers, we expect that for the initial report, of a total estimated burden of 252 hours, approximately 60 percent will most likely be performed by compliance professionals and approximately 40 percent will most likely be performed by programmers working on system configuration and reporting automation (that is approximately 151 hours for compliance professionals and 101 hours for programmers). Of the work performed by compliance professionals, we anticipate that it will be performed equally by a compliance manager at a cost of \$360 per hour and a senior risk management specialist at a cost of \$416 per hour. Of the work performed by programmers, we anticipate that it will be performed equally by a senior programmer at a cost of \$386 per hour and a programmer analyst at a cost of \$280 per hour.  $((\$360 \text{ per hour} \times 0.5) + (\$416 \text{ per hour} \times 0.5)) \times 151 \text{ hours} = \$58,588$ .  $((\$386 \text{ per hour} \times 0.5) + (\$280 \text{ per hour} \times 0.5)) \times 101 \text{ hours} = \$33,633$ .  $\$58,588 + \$33,633 = \$92,221$ .

**Table 8: Proposed and Final Annual Monetized Time Burden of Ongoing Annual and Quarterly Filings**

| <b>Respondent<sup>1</sup></b>             | <b>Per Response<sup>2</sup></b> | <b>Aggregate Number of Responses</b> | <b>Aggregate Monetized Time Burden</b>        |
|---|---------------------------------|--------------------------------------|---|
| <b>Smaller Private Fund Advisers</b>      | <b>Proposed Estimate</b>        | \$4,230 <sup>3</sup> x               | 2,114 responses <sup>4</sup> = \$8,942,220    |
|   | <b>Final Estimate</b>           | \$4,815 <sup>5</sup> x               | 2,258 responses <sup>6</sup> = \$10,872,270   |
|   | <b>Previously Approved</b>      | \$4,173.75 x                         | 2,055 responses = \$8,577,056                 |
|   | <b>Change</b>                   | \$641.25                             | 203 responses = \$2,295,214                   |
| <b>Large Hedge Fund Advisers</b>          | <b>Proposed Estimate</b>        | \$42,300 <sup>7</sup> x              | 2,124 responses <sup>8</sup> = \$89,845,200   |
|   | <b>Final Estimate</b>           | \$48,150 <sup>9</sup> x              | 2,328 responses <sup>10</sup> = \$112,093,200 |
|   | <b>Previously Approved</b>      | \$41,737.50 x                        | 2,148 responses = \$89,652,150                |
|   | <b>Change</b>                   | \$6,412.50                           | 180 responses = \$22,441,050                  |
| <b>Large Liquidity Fund Advisers</b>      | <b>Proposed Estimate</b>        | \$20,022 <sup>11</sup> x             | 88 responses <sup>12</sup> = \$1,761,936      |
|   | <b>Final Estimate</b>           | \$22,470 <sup>13</sup> x             | 84 responses <sup>14</sup> = \$1,887,480      |
|   | <b>Previously Approved</b>      | \$29,216.25 x                        | 80 responses = \$2,337,300                    |
|   | <b>Change<sup>9</sup></b>       | (\$6,746.25)                         | 4 responses = (\$449,820)                     |
| <b>Large Private Equity Fund Advisers</b> | <b>Proposed Estimate</b>        | \$35,250 <sup>15</sup> x             | 351 responses <sup>16</sup> = \$12,372,750    |
|   | <b>Final Estimate</b>           | \$41,730 <sup>17</sup> x             | 418 responses <sup>18</sup> = \$17,443,140    |
|   | <b>Previously Approved</b>      | \$27,825 x                           | 313 responses = \$8,709,225                   |
|   | <b>Change</b>                   | \$13,905                             | 105 responses = \$8,733,915                   |

**Notes:**

1. We expect that the monetized time burden will be less costly for ongoing annual and quarterly reports than for initial reports, for the same reasons discussed in Table 4: Annual Hour Burden Proposed and Final Estimates for Ongoing Annual and Quarterly Filings. Accordingly, we anticipate that senior personnel will bear less of the reporting burden than they would for the initial report. Changes are due to using (1) updated wage estimates, (2) updated hours per response estimates, as discussed in Table 4: Annual Hour Burden Proposed and Final Estimates for Ongoing Annual and Quarterly Filings, and (3) updated aggregate number of responses. Changes to estimates concerning large liquidity fund advisers primarily appear to be due to correcting a calculation error, as discussed below.
2. For all types of respondents, in the case of the proposed estimates, we estimated that both annual and quarterly reports would be completed equally by (1) a compliance manager at a cost of \$316 per hour, (2) a senior compliance examiner at a cost of \$243, (3) a senior risk management specialist at a cost of

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\$365 per hour, and (4) a risk management specialist at a cost of \$203 an hour.  $(\$316 \times 0.25 = \$79) + (\$243 \times 0.25 = \$60.75) + (\$365 \times 0.25 = \$91.25) + (\$203 \times 0.25 = \$50.75) = \$281.75$ , rounded to \$282 per hour. For all types of respondents, in the case of the final estimates, we estimate that both annual and quarterly reports would be completed equally by (1) a compliance manager at a cost of \$360 per hour, (2) a senior compliance examiner at a cost of \$276, (3) a senior risk management specialist at a cost of \$416 per hour, and (4) a risk management specialist at a cost of \$232 an hour.  $(\$360 \times 0.25 = \$90) + (\$276 \times 0.25 = \$69) + (\$416 \times 0.25 = \$104) + (\$232 \times 0.25 = \$58) = \$321$ . To calculate the cost per response for each respondent, we used the hours per response from Table 4: Annual Hour Burden Proposed and Final Estimates for Ongoing Annual and Quarterly Filings.

3. In the case of the proposed estimates, cost per response for smaller private fund advisers: ( $\$282$  per hour  $\times$  15 hours per response =  $\$4,230$  per response.)
4. In the case of the proposed estimates, (2,114 smaller private fund advisers  $\times$  1 response annually = 2,114 aggregate responses.)
5. In the case of the final estimates, cost per response for smaller private fund advisers: ( $\$303$  per hour  $\times$  15 hours per response =  $\$4,545$  per response.)
6. In the case of the final estimates, (2,258 smaller private fund advisers  $\times$  1 response annually = 2,258 aggregate responses.)
7. In the case of the proposed estimates, cost per response for large hedge fund advisers: ( $\$282$  per hour  $\times$  150 hours per response =  $\$42,300$  per response.)
8. In the case of the proposed estimates, (531 large hedge fund advisers  $\times$  4 response annually = 2,124 aggregate responses.)
9. In the case of the final estimates, cost per response for large hedge fund advisers: ( $\$321$  per hour  $\times$  150 hours per response =  $\$48,150$  per response.)
10. In the case of the final estimates, (582 large hedge fund advisers  $\times$  4 responses annually = 2,328 aggregate responses.)
11. In the case of the proposed estimates, cost per response for large liquidity fund advisers: ( $\$282$  per hour  $\times$  71 hours per response =  $\$20,022$  per response.)
12. In the case of the proposed estimates, (22 large liquidity fund advisers  $\times$  4 responses annually = 88 aggregate responses.)
13. In the case of the final estimates, cost per response for large liquidity fund advisers: ( $\$321$  per hour  $\times$  70 hours per response =  $\$22,470$  per response.)
14. In the case of the final estimates, (21 large liquidity fund advisers  $\times$  4 responses annually = 84 aggregate responses.)
15. The previously approved estimates appear to have mistakenly used a different amount of hours per response (105 hours), rather than the actual estimate for large liquidity fund advisers (which was 70 hours per response), causing the monetized time burden to be inflated in error. Therefore, the extent of these changes are primarily due to using the correct hours per response, which we now estimate as 70 hours, as discussed in Table 4: Annual Hour Burden Proposed and Final Estimates for Ongoing Annual and Quarterly Filings. In the case of the proposed estimates, cost per response for large private equity fund advisers: ( $\$282$  per hour  $\times$  125 hours per response =  $\$35,250$  per response.)
16. In the case of the proposed estimates, (351 large private equity fund advisers  $\times$  1 response annually = 351 aggregate responses.)
17. In the case of the final estimates, cost per response for large private equity fund advisers: ( $\$321$  per hour  $\times$  130 hours per response =  $\$41,730$  per response.)
18. In the case of the final estimates, (418 large private equity fund advisers  $\times$  1 response annually = 418 aggregate responses.)

**Table 9: Proposed and Final Annual Monetized Time Burden of Current Reporting and Private Equity Event Reporting**

| Respondent <sup>1</sup>            |                            | Per Response         |   | Aggregate Number of Responses <sup>2</sup> |   | Aggregate Monetized Time Burden |
|------------------------------------|----------------------------|----------------------|---|--|---|---------------------------------|
| Smaller Private Fund Advisers      | <b>Proposed Estimate</b>   | \$4,182 <sup>3</sup> | x | 6 responses                                | = | \$25,902                        |
|                                    | <b>Final Estimate</b>      | \$2,024 <sup>4</sup> | x | 20 responses                               | = | \$40,480                        |
|                                    | <b>Previously Approved</b> |                      |   | Not Applicable                             |   |                                 |
|                                    | <b>Change</b>              |                      |   | Not Applicable                             |   |                                 |
| Large Hedge Fund Advisers          | <b>Proposed Estimate</b>   | \$3,538 <sup>5</sup> | x | 6 responses                                | = | \$21,228                        |
|                                    | <b>Final Estimate</b>      | \$5,160 <sup>6</sup> | x | 60 responses                               | = | \$309,600                       |
|                                    | <b>Previously Approved</b> |                      |   | Not Applicable                             |   |                                 |
|                                    | <b>Change</b>              |                      |   | Not Applicable                             |   |                                 |
| Large Private Equity Fund Advisers | <b>Proposed Estimate</b>   | \$4,182 <sup>3</sup> | x | 6 responses                                | = | \$25,092                        |
|                                    | <b>Final Estimate</b>      | \$2,024 <sup>4</sup> | x | 20 responses                               | = | \$40,480                        |
|                                    | <b>Previously Approved</b> |                      |   | Not Applicable                             |   |                                 |
|                                    | <b>Change</b>              |                      |   | Not Applicable                             |   |                                 |

**Notes:**

1. In a change from the proposal, qualifying hedge fund advisers will file current reports under section 5 as soon as practicable, but no later than 72 hours from the current reporting event, and private equity fund advisers will file event reports under section 6 on a quarterly basis, in each case rather than within one business day as proposed. There are no previously approved estimates for these proposed and final amendments because they are new requirements.
2. See Table 5: Annual Hour Burden Proposed and Final Estimates for Current Reporting and Private Equity Event Reporting.
3. In the case of the proposed estimates, for the cost per response for smaller private fund advisers and large private equity fund advisers, we estimated that, depending on the circumstances, different legal professionals at the adviser would work on the current report or the private equity event report, as applicable. We estimated that the time costs for a legal professional to be approximately \$492, which is a blended average of hourly rate for a deputy general counsel (\$610) and compliance attorney (\$373). (8.5 hours to file current report or private equity event report, as applicable x \$492 per hour for a legal professional = \$4,182).
4. In the case of the final estimates, we estimate that the time costs for a legal professional to be approximately \$560, which is a blended average of hourly rate for a deputy general counsel (\$695) and compliance attorney (\$425). We estimate that the time costs for a financial professional to be approximately \$355, which is a blended average hourly rate for a senior risk management specialist (\$416) and a financial reporting manager (\$339). Of the total 5 hours that a private equity event report would take, we estimate that an adviser would spend on

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average 2.5 hours of legal professional time and 1.5 hours of financial professional time to prepare, review, and submit a private equity event report. (2.5 hours x \$560 per hour for a legal professional = \$1,400) + (1.5 hours x \$416 per hour for a financial professional = \$624) = \$2,024.

5. In the case of the proposed estimates, for the cost per response, we estimated that, depending on the circumstances, different legal professionals and financial professionals at the advisers would work on the current report because the current reporting events may require both legal and quantitative analysis. We estimated that the time costs for a legal professional to be approximately \$492, which is a blended average of hourly rate for a deputy general counsel (\$610) and compliance attorney (\$373). We estimate that the time costs for a financial professional to be approximately \$331, which is a blended average hourly rate for a senior risk management specialist (\$365) and a financial reporting manager (\$297). Of the total 8.5 hours that a current report would take, we estimate that an adviser would spend on average 4.5 hours of legal professional time and 4 hours of financial professional time to prepare, review, and submit a current report pursuant to section 5. (4.5 hours x \$492 per hour for a legal professional = \$2,214) + (4 hours x \$331 per hour for a financial professional = \$1,324) = \$3,583.
6. In the case of the final estimates, we estimate that the time costs for a legal professional to be approximately \$560, which is a blended average of hourly rate for a deputy general counsel (\$695) and compliance attorney (\$425). We estimate that the time costs for a financial professional to be approximately \$355, which is a blended average hourly rate for a senior risk management specialist (\$416) and a financial reporting manager (\$339). Of the total 10 hours that a current report would take, we estimate that an adviser would spend on average 5.5 hours of legal professional time and 4.5 hours of financial professional time to prepare, review, and submit a current report. (5.5 hours x \$560 per hour for a legal professional = \$3,080) + (5 hours x \$416 per hour for a financial professional = \$2,080) = \$5,160.

**Table 10: Proposed and Final Annual Monetized Time Burden for Transition Filings, Final Filings, and Temporary Hardship Requests**

| Filing Type <sup>1</sup>                   |                     | Per Response          |   | Aggregate Number of Responses <sup>2</sup> | = | Aggregate Monetized Time Burden |
|--|---------------------|-----------------------|---|--|---|---------------------------------|
| Transition Filing from Quarterly to Annual | Proposed Estimate   | \$18 <sup>3</sup>     | x | 63 responses                               | = | \$1,134                         |
|  | Final Estimate      | \$20.50 <sup>4</sup>  | x | 71 responses                               | = | \$1,455.50                      |
|  | Previously Approved | \$17.75               | x | 45 responses                               | = | \$621.25                        |
|  | Change              | \$2.75                |   | 26 responses                               |   | \$834.25                        |
| Final Filings                              | Proposed Estimate   | \$18 <sup>5</sup>     | x | 232 responses                              | = | \$4,176                         |
|  | Final Estimate      | 20.50 <sup>6</sup>    | x | 422 responses                              | = | \$8,651                         |
|  | Previously Approved | \$17.75               | x | 54 responses                               | = | \$958.50                        |
|  | Change              | \$2.75                |   | 368 responses                              |   | \$7,692.50                      |
| Temporary Hardship Requests                | Proposed Estimate   | \$222 <sup>7</sup>    | x | 3 responses                                | = | \$666                           |
|  | Final Estimate      | \$252.38 <sup>8</sup> | x | 4 responses                                | = | \$1,009.52                      |
|  | Previously Approved | \$221.63              | x | 4 responses                                | = | \$886.52                        |
|  | Change              | \$30.75               |   | 0 responses                                |   | \$123                           |

**Notes:**

1. All changes are due to using updated data concerning wage rates and the number of responses.
2. See Table 6: Annual Hour Burden Proposed and Final Estimates for Transition Filings, Final Filings, and Temporary Hardship Requests.
3. In the case of the proposed estimates, we estimated that each transition filing would take 0.25 hours and that a compliance clerk would perform this work at a cost of \$72 an hour. (0.25 hours x \$72 = \$18.)
4. In the case of the final estimates, we estimate that each transition filing will take 0.25 hours and that a compliance clerk would perform this work at a cost of \$82 an hour. (0.25 hours x \$82 = \$20.50.)
5. In the case of the proposed estimates, we estimated that each transition filing would take 0.25 hours and that a compliance clerk would perform this work at a cost of \$72 an hour. (0.25 hours x \$72 = \$18.)
6. In the case of the final estimates, we estimate that each transition filing will take 0.25 hours and that a compliance clerk would perform this work at a cost of \$82 an hour. (0.25 hours x \$82 = \$20.50.)
7. In the case of the proposed estimates, we estimated that each temporary hardship request will take 1 hour. We estimated that a compliance manager would perform five-eighths of the work at a cost of \$316 and a general clerk would perform three-eighths of the work at a cost of \$64. (1 hour x ((5/8 of an hour x \$316 = \$197.50) + (3/8 of an hour x \$64 = \$24)) = \$238 per response.
8. In the case of the final estimates, we estimate that each temporary hardship request will take 1 hour. We estimate that a compliance manager would perform five-eighths of the work at a cost of \$360 and a general clerk would perform three-eighths of the work at a cost of \$73. (1 hour x ((5/8 of an hour x \$360 = \$225) + (3/8 of an hour x \$73 = \$27.38)) = \$252.38 per response.

## **5. Annual External Cost Burden Proposed and Final Estimates**

Below are tables with annual external cost burden proposed and final estimates for (1) initial filings as well as ongoing annual and quarterly filings and (2) current reporting and private equity event reporting. There are no filing fees for transition filings, final filings, or temporary hardship requests and we continue to estimate there would be no external costs for those filings, as previously approved.

**Table 11: Proposed and Final Annual External Cost Burden for Ongoing Annual and Quarterly Filings as well as Initial Filings**

| Respondent <sup>1</sup>            | Number of Responses Per Respondent <sup>2</sup> | Filing Fee Per Filing <sup>3</sup> | Total Filing Fees | External Cost of Initial Filing <sup>4</sup> | External Cost of Initial Filing Amortized Over 3 Years <sup>5</sup> | Number of Initial Filings <sup>6</sup> | Aggregate External Cost of Initial Filing Amortized Over 3 Years <sup>7</sup> | Total Aggregate External Cost <sup>8</sup> |
|------------------------------------|---|------------------------------------|-------------------|--|---|--|---|--|
| Smaller Private Fund Advisers      | Proposed Estimate                               | 1 x \$150 =                        | \$150             |  | Not Applicable  |  |   | \$364,050 <sup>9</sup>                     |
|                                    | Final Estimate                                  | 1 x \$150 =                        | \$150             |  | Not Applicable  |  |   | \$392,400 <sup>10</sup>                    |
|                                    | Previously Approved                             | 1 x \$150 =                        | \$150             |  | Not Applicable  |  |   | \$349,050                                  |
|                                    | Change  | 0                                  | \$0               | \$0  | No Change   |  |   | \$43,350                                   |
| Large Hedge Fund Advisers          | Proposed Estimate                               | 4 x \$150 =                        | \$600             | \$50,000 ÷ 3 =                               | \$16,667  | x 14 =                                 | \$233,338   | \$560,338 <sup>11</sup>                    |
|                                    | Final Estimate                                  | 4 x \$150 =                        | \$600             | \$50,000 ÷ 3 =                               | \$16,667  | x 16 =                                 | \$266,672   | \$625,472 <sup>12</sup>                    |
|                                    | Previously Approved                             | 4 x \$150 =                        | \$600             | \$50,000                                     |   | x 17 =                                 | \$850,000   | \$1,182,400                                |
|                                    | Change  | 0                                  | \$0               | \$0  |   | (1)                                    | (\$583,328)   | (\$556,928)                                |
| Large Liquidity Fund Advisers      | Proposed Estimate                               | 4 x \$150 =                        | \$600             | \$50,000 ÷ 3 =                               | \$16,667  | x 1 =                                  | \$16,667  | \$30,467 <sup>13</sup>                     |
|                                    | Final Estimate                                  | 4 x \$150 =                        | \$600             | \$50,000 ÷ 3 =                               | \$16,667  | x 1 =                                  | \$16,667  | \$29,867 <sup>14</sup>                     |
|                                    | Previously Approved                             | 4 x \$150 =                        | \$600             | \$50,000                                     |   | x 2 =                                  | \$100,000   | \$113,200                                  |
|                                    | Change  | 0                                  | \$0               | \$0  |   | (1)                                    | (\$83,333)  | (\$83,333)                                 |
| Large Private Equity Fund Advisers | Proposed Estimate                               | 1 x \$150 =                        | \$150             | \$50,000 ÷ 3 =                               | \$16,667  | x 42 =                                 | \$700,014   | \$754,614 <sup>15</sup>                    |
|                                    | Final Estimate                                  | 1 x \$150 =                        | \$150             | \$50,000 ÷ 3 =                               | \$16,667  | x 17 =                                 | \$283,339   | \$348,589 <sup>16</sup>                    |
|                                    | Previously Approved                             | 1 x \$150 =                        | \$150             | \$50,000                                     |   | x 9 =                                  | \$450,000   | \$498,300                                  |
|                                    | Change  | 0                                  | \$0               | \$0  |   | 8                                      | (\$166,661)   | (\$149,711)                                |

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**Notes:**

1. We estimate that advisers would incur the cost of filing fees for each filing. For initial filings, advisers may incur costs to modify existing systems or deploy new systems to support Form PF reporting, acquire or use hardware to perform computations, or otherwise process data required on Form PF.
2. Smaller private fund advisers and large private equity fund advisers file annually. Large hedge fund advisers and large liquidity fund advisers file quarterly.
3. The SEC established Form PF filing fees in a separate order. Since 2011, filing fees have been and continue to be \$150 per annual filing and \$150 per quarterly filing. *See* Order Approving Filing Fees for Exempt Reporting Advisers and Private Fund Advisers, Advisers Act Release No. 3305 (Oct. 24, 2011) [76 FR 67004 (Oct. 28, 2011)].
4. In the previous PRA submission for the rules, staff estimated that the external cost burden for initial filings would range from \$0 to \$50,000 per adviser. This range reflected the fact that the cost to any adviser may depend on how many funds or the types of funds it manages, the state of its existing systems, the complexity of its business, the frequency of Form PF filings, the deadlines for completion, and the amount of information the adviser must disclose on Form PF. Smaller private fund advisers would be unlikely to bear such costs because the information they must provide is limited and will, in many cases, already be maintained in the ordinary course of business. We continue to estimate that the same cost range would apply.
5. We amortize the external cost burden of initial filings over three years, as we do with other initial burdens in this PRA, because we believe that most of the burden would be incurred in the initial filing. The previously approved burden estimates did not calculate this.
6. *See* Table 3: Annual Hour Burden Proposed and Final Estimates for Initial Filings.
7. Changes to the aggregate external cost of initial filings, amortized over three years are due to (1) using updated data and (2) amortizing the external cost of initial filings over three years, which the previously approved PRA did not calculate. Changes concerning large private equity fund advisers in our proposed estimates were also due to the proposed amendment to reduce the filing threshold, which we are not adopting in this Release.
8. Changes to the total aggregate external cost are due to (1) using updated data and (2) amortizing the external cost of initial filings over three years, which the previously approved PRA did not calculate. Changes concerning large private equity fund advisers in our proposed estimates were also due to the proposed amendment to reduce the filing threshold, which we are not adopting in this Release.
9. In the case of the proposed estimates, Private Funds Statistics show 2,427 smaller private fund advisers filed Form PF in the fourth quarter of 2020. (2,427 smaller private fund advisers x \$150 total filing fees) = \$364,050 aggregate cost.
10. In the case of the final estimates, Private Funds Statistics show 2,616 smaller private fund advisers filed Form PF in the most recent reporting period. (2,616 smaller private fund advisers x \$150 total filing fees) = \$392,400 aggregate cost.
11. In the case of the proposed estimates, Private Funds Statistics show 545 large hedge fund advisers filed Form PF in the fourth quarter of 2020. (545 large hedge fund advisers x \$600 total filing fees) + \$233,338 total external costs of initial filings, amortized over three years = \$560,338 aggregate cost.
12. In the case of the final estimates, Private Funds Statistics show 598 large hedge fund advisers filed Form PF in the most recent reporting period. (598 large hedge fund advisers x \$600 total filing fees) + \$266,672 total external costs of initial filings, amortized over three years = \$625,472 aggregate cost.
13. In the case of the proposed estimates, Private Funds Statistics show 23 large liquidity fund advisers filed Form PF in the fourth quarter of 2020. (23 large liquidity fund advisers x \$600 total filing fees) + \$16,667 total external costs of initial filings, amortized over three years = \$30,467 aggregate cost.
14. In the case of the final estimates, Private Funds Statistics show 22 large liquidity fund advisers filed Form PF in the most recent reporting period. (22 large liquidity fund advisers x \$600 total filing fees) + \$16,667 total external costs of initial filings, amortized over three years = \$29,867 aggregate cost.
15. In the case of the proposed estimates, Private Funds Statistics show 364 large private equity fund advisers filed Form PF in the fourth quarter of 2020. (364 large private equity fund advisers x \$150 total filing fees) + \$700,014 total external costs of initial filings, amortized over three years = \$754,614 aggregate cost.
16. In the case of the final estimates, Private Funds Statistics show 435 large private equity fund advisers filed Form PF in the most recent reporting period. (435 large private equity fund advisers x \$150 total filing fees) + \$283,339 total external costs of initial filings, amortized over three years = \$348,589 aggregate cost.

**Table 12: Proposed and Final Annual External Cost Burden for Current Reporting and Private Equity Event Reporting**

| Respondent <sup>1</sup>            | Aggregate Number of Responses <sup>2</sup> | Cost of Outside Counsel Per Current Report or Private Equity Event Report |   |                      | Aggregate Cost of Outside Counsel | One-time Cost of System Changes <sup>3</sup> | Total Aggregate External Cost <sup>4</sup> |  |
|------------------------------------|--|---|---|----------------------|-----------------------------------|--|--|--|
| Smaller Private Fund Advisers      | Proposed Estimate                          | 6   | x | \$992 <sup>5</sup>   | = \$5,952                         | \$12,500                                     | \$18,452                                   |  |
|                                    | Final Estimate                             | 20  | x | \$1,695 <sup>6</sup> | = \$33,900                        | \$15,000                                     | \$48,900                                   |  |
|                                    | Previously Approved                        | Not Applicable  |   |                      |                                   |  |  |  |
|                                    | Change                                     | Not Applicable  |   |                      |                                   |  |  |  |
| Large Hedge Fund Advisers          | Proposed Estimate                          | 6   | x | \$992 <sup>5</sup>   | = \$5,952                         | \$12,500                                     | \$18,452                                   |  |
|                                    | Final Estimate                             | 60  | x | \$1,695 <sup>6</sup> | = \$101,700                       | \$15,000                                     | \$116,700                                  |  |
|                                    | Previously Approved                        | Not Applicable  |   |                      |                                   |  |  |  |
|                                    | Change                                     | Not Applicable  |   |                      |                                   |  |  |  |
| Large Private Equity Fund Advisers | Proposed Estimate                          | 6   | x | \$992 <sup>5</sup>   | = \$5,952                         | \$12,500                                     | \$18,452                                   |  |
|                                    | Final Estimate                             | 20  | x | \$1,695 <sup>6</sup> | = \$33,900                        | \$15,000                                     | \$48,900                                   |  |
|                                    | Previously Approved                        | Not Applicable  |   |                      |                                   |  |  |  |
|                                    | Change                                     | Not Applicable  |   |                      |                                   |  |  |  |

**Advisers would pay filing fees, the amount of which would be determined in a separate action.**

**Notes:**

1. In a separate action, the SEC would approve filing fees that reflect the reasonable costs associated with current report and private equity event report filings and the establishment and maintenance of the filing system. (See 15 U.S.C. 80b-4(c).) We estimate that large hedge fund advisers and private equity fund advisers would incur costs of outside counsel for each current report or private equity event report, as applicable. We also estimate that large hedge fund advisers and private equity fund advisers may incur a one-time cost to modify existing systems or deploy new systems to support current reporting or private equity event reporting, as applicable, acquire or use hardware to perform computations, or otherwise process data to identify the reporting events set forth in section 5 or section 6, as applicable, because such reporting events are quantitative. There are no previously approved estimates for the current reporting amendment or private equity event report amendment because they are new requirements.
  2. See Table 5: Annual Hour Burden Proposed and Final Estimates for Current Reporting and Private Equity Event Reporting.
  3. In the case of the proposed estimates, we estimated that the one-time external cost burden would range from \$0 to \$12,500, per adviser. This range of costs reflects the fact that the cost to any adviser might depend on how many funds or the types of funds it manages, the state of its existing systems, and the complexity of its business. In consideration of comments, we have increased our estimate of the one-time external cost burden to between \$0 and \$15,000, per adviser. Our cost estimate also considers the compliance date for current and private equity event reporting.
  4. (Aggregate cost of outside counsel) + (one-time cost of system changes, as applicable) = total aggregate cost.
  5. In the case of the proposed estimates, we estimated the cost for outside legal counsel is \$496. This is based on an estimated \$400 per hour cost for outside legal services, as used by the Commission for these services in the “Exemptions for Advisers to Venture Capital Funds, Private Fund Advisers With Less Than \$150 Million Under Management, and Foreign Private Advisers” final rule, Advisers Act Release No. 3222 (June 22, 2011) [76 FR 39646 (July 6, 2011)], as inflated using the Consumer Price Index. We estimated that approximately two hours of the total legal professional time that would otherwise be spent on current reporting, would be shifted from in-house legal professionals to outside legal counsel. (2 hours x \$496 for outside legal services = \$992.)
  6. In the case of the final estimates, we estimate the cost for outside legal counsel is \$565. We estimate that approximately three hours of the total legal professional time that would otherwise be spent on current reporting or private equity event reporting, would be shifted from in-house legal professionals to outside legal counsel. The increased hour estimate reflects our increased hour burden for current reporting and private equity event reporting. (3 hours x \$565 for outside legal services = \$1,695.)
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## 6. Summary of Proposed and Final Estimates and Change in Burden

**Table 13: Aggregate Annual Proposed Estimates**

| Description <sup>1</sup>               | Proposed Estimate              | Final Estimate                  | Previously Approved | Change                        |
|--|--------------------------------|---------------------------------|---------------------|-------------------------------|
| <b>Respondents</b>                     | 3,388 respondents <sup>2</sup> | 3,671 respondents <sup>3</sup>  | 3,225 respondents   | 446 respondents <sup>4</sup>  |
| <b>Responses</b>                       | 5,363 responses <sup>5</sup>   | 5,907 responses <sup>6</sup>    | 5,056 responses     | 851 responses <sup>7</sup>    |
| <b>Time Burden</b>                     | 409,797 hours <sup>8</sup>     | 451,012 hours <sup>9</sup>      | 409,768 hours       | 41,244 hours <sup>10</sup>    |
| <b>Monetized Time Burden (Dollars)</b> | \$116,054,007 <sup>11</sup>    | \$ 145,721,172.52 <sup>12</sup> | \$122,152,100.25    | \$23,569,072.27 <sup>13</sup> |
| <b>External Cost Burden (Dollars)</b>  | \$1,739,825 <sup>14</sup>      | \$1,610,828 <sup>15</sup>       | \$3,628,850         | (\$2,018,022) <sup>16</sup>   |

### Notes:

- Changes are due to (1) the amendments, (2) using updated data, and (3) using different methodologies to calculate certain estimates, as described in this PRA.
- Private Funds Statistics show the following advisers filed Form PF in the fourth quarter of 2020: 2,427 smaller private fund advisers + 545 large hedge fund advisers + 23 large liquidity fund advisers + 364 large private equity fund advisers = 3,359 advisers. 3,359 advisers + 29 additional large private equity fund advisers filing for the first time as a result of the proposed threshold = 3,388 respondents.
- In the case of the final estimates, Private Funds Statistics show the following advisers filed Form PF in the most recent reporting period: 2,616 smaller private fund advisers + 598 large hedge fund advisers + 22 large liquidity fund advisers + 435 large private equity fund advisers = 3,671 respondents.
- Changes are due to (1) the proposed amendment to reduce the filing threshold for large private equity fund advisers, which we are not adopting in this Release, and (2) using updated data.
- In the case of the proposed estimates, for initial filings (Table 3): (313 smaller private fund adviser responses + 14 large hedge fund adviser responses + 1 large liquidity fund adviser response + 42 large private equity fund adviser responses = 370 responses.) For ongoing annual and quarterly filings (Table 8): 2,114 smaller private fund adviser responses + 2,124 large hedge fund adviser responses + 88 large liquidity fund adviser responses + 351 large private equity fund adviser responses = 4,677 responses.) For current reporting (Table 5): (6 smaller private fund adviser responses + 6 large hedge fund adviser responses + 6 large private equity fund adviser responses = 18 responses.) (370 responses for initial filings + 4,677 responses for ongoing annual and quarterly filings + 18 responses for current reporting + 63 responses for transition filings + 232 responses for final filings + 3 responses for temporary hardship requests = 5,363 responses.)
- In the case of the final estimates, For initial filings (Table 3): (358 smaller private fund adviser responses + 16 large hedge fund adviser responses + 1 large liquidity fund adviser response + 17 large private equity fund adviser responses = 392 responses. For ongoing annual and quarterly filings (Table 8): 2,258 smaller private fund adviser responses + 2,328 large hedge fund adviser responses + 84 large liquidity fund adviser responses + 418 large private equity fund adviser responses = 5,088 responses.) For current reporting and private equity event reporting (Table 5): (20 smaller private fund advisers responses + 60 large hedge fund adviser responses + 20 large private equity fund responses = 100 responses.) (392 responses for initial filings + 5,088 responses for ongoing annual and quarterly filings + 100 responses for current reporting and private equity event reporting + 71 responses for transition filings + 252 responses for final filings + 4 responses for temporary hardship requests = 5,907 responses.)

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7. Changes are due to (1) the amendment to add current reporting requirements, (2) the proposal to reduce the filing threshold for large private equity fund advisers, which we are not adopting in this Release, and (3) updated data concerning the number of filers.
  8. In the case of the proposed estimates, for initial filings: (4,069 hours for smaller private fund advisers + 1,512 hours for large hedge fund advisers + 67 hours for large liquidity fund advisers + 3,486 hours for large private equity fund advisers = 9,134 hours). For ongoing annual and quarterly filings: (31,710 hours for smaller private fund advisers + 318,600 hours for large hedge fund advisers + 6,248 for hours large liquidity fund advisers + 43,875 hours for large private equity fund advisers = 400,433 hours). For current reporting: (51 hours for smaller private fund advisers + 51 hours for large hedge fund advisers + 51 hours for large private equity fund advisers = 153 hours.) (9,134 hours for initial filings + 400,433 for ongoing annual and quarterly filings + 153 hours for current reporting + 15.75 hours for transition filings + 58 hours for final filings + 3 hours for temporary hardship requests = 409,796.75 hours, rounded to 409,797 hours.
  9. In the case of the final estimates, For initial filings: (4,654 hours for smaller private fund advisers + 1,728 hours for large hedge fund advisers + 67 hours for large liquidity fund advisers + 1,428 hours for large private equity fund advisers = 7,877 hours). For ongoing annual and quarterly filings: (33,870 hours for smaller private fund advisers + 349,200 hours for large hedge fund advisers + 5,880 for hours large liquidity fund advisers + 53,504 hours for large private equity fund advisers = 442,454 hours). For current reporting and private equity event reporting: (100 hours for smaller private fund advisers + 600 hours for large hedge fund advisers + 100 hours for large private equity fund advisers = 800 hours.) (7,877 hours for initial filings + 442,254 hours for ongoing annual and quarterly filings + 800 hours for current reporting and private equity event reporting + 17.75 hours for transition filings + 58.75 hours for final filings + 4 hours for temporary hardship requests = 451,011.5 hours, rounded to 451,012 hours.
  10. Although we would expect the time burden to increase more, given the amendments, we estimate a smaller increase primarily because we use a different methodology to calculate initial burden hours, as discussed in Table 3: Annual Hour Burden Proposed and Final Estimates for Initial Filings, because the previously approved burdens for initial filings appear to have inflated the estimates.
  11. In the case of the proposed estimates, for initial filings: (\$1,421,020 for smaller private fund advisers + \$487,312 for large hedge fund advisers + \$21,631 for large liquidity fund advisers + \$1,124,550 for large private equity fund advisers = \$3,054,513). For ongoing annual and quarterly filings: (\$8,942,220 for smaller private fund advisers + \$89,845,200 for large hedge fund advisers + \$1,761,936 for large liquidity fund advisers + \$12,372,750 for large private equity fund advisers = \$112,922,106). For current reporting: (\$25,092 for smaller private equity fund advisers + \$21,228 for large hedge fund advisers + \$25,092 for large private equity fund advisers = \$71,412). (\$3,054,513 for initial filings + \$112,922,106 for ongoing annual and quarterly filings + \$71,412 for current reporting + \$1,134 for transition filings + \$4,176 for final filings + \$666 for temporary hardship requests = \$116,054,007.)
  12. In the case of the final estimates, for initial filings: (\$1,852,292 for smaller private fund advisers + \$634,080 for large hedge fund advisers + \$24,400 for large liquidity fund advisers + \$522,580 for large private equity fund advisers = \$3,033,352). For ongoing annual and quarterly filings: (\$10,872,270 for smaller private fund advisers + \$112,093,200 for large hedge fund advisers + \$1,887,480 for large liquidity fund advisers + \$17,443,140 for large private equity fund advisers = \$142,286,090). For current reporting and private equity event reporting: (\$40,480 for smaller private equity fund advisers + \$309,600 for large hedge fund advisers + \$40,480 for large private equity fund advisers = \$390,560). (\$3,033,352 for initial filings + \$142,286,090 for ongoing annual and quarterly filings + \$390,560 for current reporting and private equity event reporting + \$1,420 for transition filings + \$8,651 for final filings + \$1,099.52 for temporary hardship requests = \$145,721,172.52).
  13. Although we would expect the monetized time burden to increase, given the amendments, we estimate it would decrease primarily because we use a different methodology to calculate it. We believe the previously approved burden inflated the estimates by using a methodology that inflated an element of the total: the monetized time burden for initial filings. To calculate the monetized time burden for initial filings, the previously approved estimates included subsequent filings. For the requested total burden, we calculate the initial filing element by including only the hours related to the initial filing, not any subsequent filings. We also amortize the monetized time burden for an initial filing over three years, by dividing the initial filing burden by three years, as discussed in Table 3: Annual Hour Burden Proposed and Final Estimates for Initial Filings. The methodology is designed to more accurately reflect the estimates.
  14. In the case of the proposed estimates, for annual, quarterly, and initial filing costs: (\$364,050 for smaller private fund advisers + \$560,338 for large hedge funds + \$30,467 for large liquidity fund advisers + \$754,614 for large private equity fund advisers = \$1,709,469). For current reporting: (\$5,952 for smaller private fund advisers + \$18,452 for large hedge funds + \$5,952 for large private equity fund advisers = \$30,356). (\$1,709,469 annual, quarterly, and initial cost external cost burden + \$30,356 current reporting external cost burden = \$1,739,825 total annual external cost burden.)
  15. In the case of the final estimates, for annual, quarterly, and initial filing costs: (\$392,400 for smaller private fund advisers + \$625,472 for large hedge funds + \$29,867 for large liquidity fund advisers + \$348,589 for large private equity fund advisers = \$1,396,328). For current reporting and private equity event reporting: (\$48,900 for smaller private equity fund advisers +

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\$116,700 for large hedge funds + \$48,900 for large private equity fund advisers = \$214,500). (\$1,396,328 annual, quarterly, and initial cost external cost burden + \$214,500 current reporting external cost burden = \$1610,828 total annual external cost burden.) Although we would expect the external cost burden to increase, given the amendments, we estimate it would decrease primarily because we use a different methodology to calculate it.

16. We believe the previously approved burden inflated the estimates by (1) multiplying the filing fees by three years and (2) not amortizing the external costs for initial filings: (\$742,950 aggregate annual filing fees x 3 years = \$2,228,850 in filing fees) + \$1,400,000 external costs of initial filings = \$3,628,850). We do not multiply the aggregate annual filing fees by three years because we are estimating the external cost burden for one year, not three. We amortize the external cost for initial filings over three years, by dividing the external cost of an initial filing by three years, as discussed in Table 10: Annual External Cost Burden for Ongoing Annual and Quarterly Filings as well as Initial Filings. The methodology is designed to more accurately reflect the estimates.

## VI. Regulatory Flexibility Act Certification

Pursuant to section 605(b) of the Regulatory Flexibility Act of 1980 (“Regulatory Flexibility Act”),<sup>475</sup> the Commission certified that the amendments to Advisers Act rule 204(b)-1 and Form PF would not, if adopted, have a significant economic impact on a substantial number of small entities.<sup>476</sup> The Commission included this certification in section V of the 2022 Form PF Proposing Release. As disclosed in more detail in the 2022 Form PF Proposing Release, for purposes of the Advisers Act and the Regulatory Flexibility Act, an investment adviser generally is a small entity if it: (1) has assets under management having a total value of less than \$25 million; (2) did not have total assets of \$5 million or more on the last day of the most recent fiscal year; and (3) does not control, is not controlled by, and is not under common control with another investment adviser that has assets under management of \$25 million or more, or any person (other than a natural person) that had total assets of \$5 million or more on the last day of its most recent fiscal year.<sup>477</sup>

By definition, no small entity on its own would meet rule 204(b)-1 and Form PF’s

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<sup>475</sup> 5 U.S.C. 601, *et seq.*

<sup>476</sup> 5 U.S.C. 605(b).

<sup>477</sup> 17 CFR 275.0-7.

minimum reporting threshold of \$150 million in regulatory assets under management attributable to private funds. Based on Form PF and Form ADV data as of December 2022, the SEC estimates that no small entity advisers are required to file Form PF. The SEC does not have evidence to suggest that any small entities are required to file Form PF but are not filing Form PF. The Commission therefore stated in the 2022 Form PF Proposing Release there would be no significant economic impact on a substantial number of small entities from the proposed amendments to Advisers Act rule 204(b)-1 and Form PF.

The Commission requested comment on the Commission’s certification in section V of the 2022 Form PF Proposing Release. While some commenters addressed the potential impact of the proposed amendments on smaller and mid-size private funds,<sup>478</sup> no commenters responded to this request for comment regarding the Commission’s certification. We are adopting the amendments largely as proposed, with certain modifications as discussed more fully above in section II that do not affect the Advisers Act rule 204(b)-1 and Form PF’s minimum reporting threshold. We do not believe that these changes alter the basis upon which the certification in the 2022 Form PF Proposing Release was made. Accordingly, we certify that the final amendments to Advisers Act rule 204(b)-1 and Form PF will not have a significant economic impact on a substantial number of small entities.

### **Statutory Authority**

The Commission is amending Form PF pursuant to authority set forth in Sections 204(b) and 211(e) of the Advisers Act [15 U.S.C. 80b-4(b) and 80b-11(e)].

### **List of Subjects 17 CFR Part 275 and 279**

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<sup>478</sup> See, e.g., AIMA/ACC Comment Letter; Better Markets Comment Letter; PDI Comment Letter; Schulte Comment Letter; SIFMA Comment Letter; TIAA Comment Letter.

Reporting and recordkeeping requirements, Securities.

**Text of Rules**

For the reasons set forth in the preamble, title 17, chapter II of the Code of Federal Regulations is amended as follows.

**PART 275 – RULES AND REGULATIONS, INVESTMENT ADVISERS ACT OF 1940**

1. The general authority citation for part 275 continues to read as follows.

**Authority:** 15 U.S.C. 80b-2(a)(11)(G), 80b-2(a)(11)(H), 80b-2(a)(17), 80b-3, 80b-4, 80b-4a, 80b-6(4), 80b-6a, and 80b-11, unless otherwise noted.

\* \* \* \* \*

2. Amend § 275.204(b)-1 by revising paragraphs (f)(2)(i) and (f)(3) to read as follows:

**§ 275.204(b)-1 Reporting by investment advisers to private funds.**

\* \* \* \* \*

(f) \* \* \*

(2) \* \* \*

(i) Complete and file in paper format, in accordance with the instructions to Form PF, Item A of Section 1a and Section 7 of Form PF, checking the box in Section 1a indicating that you are requesting a temporary hardship exemption, no later than one business day after the electronic Form PF filing was due; and

\* \* \* \* \*

(3) The temporary hardship exemption will be granted when you file Item A of Section 1a and Section 7 of Form PF, checking the box in Section 1a indicating that you are requesting a temporary hardship exemption.

\* \* \* \* \*

**PART 279 – FORMS PRESCRIBED UNDER THE INVESTMENT ADVISERS ACT OF  
1940**

3. The authority citation for part 279 continues to read as follows:

**Authority:** The Investment Advisers Act of 1940, 15 U.S.C. 80b-1, *et seq.*, Pub. L. 111-203, 124 Stat. 1376.

**§ 279.9 Form PF, reporting by investment advisers to private funds.**

4. Revise Form PF [referenced in § 279.9].

**Note: Form PF is attached as Appendix A to this document. Form PF will not appear in the Code of Federal Regulations.**

By the Commission.

Dated: May 3, 2023.

Vanessa A. Countryman,

Secretary.

**FORM PF (Paper Version)**  
**Reporting Form for Investment Advisers to**  
**Private Funds and Certain Commodity Pool**  
**Operators and Commodity Trading Advisers**

| OMB APPROVAL             |           |
|--------------------------|-----------|
| OMB Number:              | 3235-0679 |
| Expires:                 | [ ]       |
| Estimated average burden |           |

**Form PF: General Instructions**

**Page 1**

Read these instructions carefully before completing Form PF. Failure to follow these instructions, properly complete Form PF, or pay all required fees may result in your Form PF being delayed or rejected.

In these instructions and in Form PF, “you” means the *private fund adviser* completing or amending this Form PF. If you are a “separately identifiable department or division” (SID) of a bank, “you” means the SID rather than the bank (except as provided in Question 1(a)). Terms that appear in *italics* are defined in the Glossary of Terms to Form PF.

**1. Who must complete and file a Form PF?**

You must complete and file a Form PF, if:

- A. You are registered or required to register with the *SEC* as an investment adviser;

**OR**

You are registered or required to register with the *CFTC* as a *CPO* or *CTA* and you are also registered or required to register with the *SEC* as an investment adviser;

**AND**

- B. You manage one or more *private funds*.

**AND**

- C. You and your *related persons*, collectively, had at least \$150 million in *private fund assets under management* as of the last day of your most recently completed fiscal year.

Many *private fund advisers* meeting these criteria will be required to complete only Section 1 of Form PF and will need to file only on an annual basis. *Large private fund advisers*, however, will be required to provide additional data, and *large hedge fund advisers* and *large liquidity fund advisers* will need to file every quarter. *Large hedge fund advisers* will need to file a current report in Section 5 and advisers to *private equity funds* will need to file a current report in Section 6, upon certain *current reporting events*. See Instructions 3, 9, and 12 below.

For purposes of determining whether you meet the reporting threshold, you are not required to include the *regulatory assets under management* of any *related person* that is *separately operated*. See Instruction 5 below for more detail.

If your *principal office and place of business* is outside the United States, for purposes of this Form PF you may disregard any *private fund* that, during your last fiscal year, was not a *United States person*, was not offered in the United States, and was not beneficially owned by any *United States person*.

**2. I have a related person who is required to file Form PF. May I and my related person file a single Form PF?**

*Related persons* may (but are not required to) report on a single Form PF information with respect to all such *related persons* and the *private funds* they advise. You must identify in your response

to Question 1 the *related persons* as to which you are reporting and, where information is requested about you or the *private funds* you advise, respond as though you and such *related persons* were one firm.

### 3. How is Form PF organized?

#### Section 1 – All Form PF filers

Section 1a All *private fund advisers* required to file Form PF must complete Section 1a. Section 1a asks general identifying information about you and the types of *private funds* you advise.

Section 1b All *private fund advisers* required to file Form PF must complete Section 1b. Section 1b asks for certain information regarding the *private funds* that you advise.

Section 1c All *private fund advisers* that are required to file Form PF and advise one or more *hedge funds* must complete Section 1c. Section 1c asks for certain information regarding the *hedge funds* that you advise.

#### Section 2 – Large hedge fund advisers

Section 2a You are required to complete Section 2a if you and your *related persons*, collectively, had at least \$1.5 billion in *hedge fund assets under management* as of the last day of any month in the fiscal quarter immediately preceding your most recently completed fiscal quarter. You are not required to include the *regulatory assets under management* of any *related person* that is *separately operated*.

Subject to Instruction 4, Section 2a requires information to be reported on an aggregate basis for all *hedge funds* that you advise.

Section 2b If you are required to complete Section 2a, you must complete a separate Section 2b with respect to each *qualifying hedge fund* that you advise.

However:

if you are reporting separately on the funds of a *parallel fund structure* that, in the aggregate, comprises a *qualifying hedge fund*, you must complete a separate Section 2b for each *parallel fund* that is part of that *parallel fund structure* (even if that *parallel fund* is not itself a *qualifying hedge fund*); and

if you report answers on an aggregated basis for any *master-feeder arrangement* or *parallel fund structure* in accordance with Instruction 5, you should only complete a separate Section 2b with respect to the *reporting fund* for such *master-feeder arrangement* or *parallel fund structure*.

#### Section 3 – Large liquidity fund advisers

Section 3 You are required to complete Section 3 if (i) you advise one or more *liquidity funds* and (ii) as of the last day of any month in the fiscal quarter immediately preceding your most recently completed fiscal quarter, you and your *related persons*, collectively,

had at least \$1 billion in *combined money market and liquidity fund assets under management*. You are not required to include the *regulatory assets under management* of any *related person* that is *separately operated*.

You must complete a separate Section 3 with respect to each *liquidity fund* that you advise.

However, if you report answers on an aggregated basis for any *master-feeder arrangement* or *parallel fund structure* in accordance with Instruction 5, you should only complete a separate Section 3 with respect to the *reporting fund* for such *master-feeder arrangement* or *parallel fund structure*.

#### **Section 4 – Large private equity fund advisers**

Section 4 You are required to complete Section 4 if you and your *related persons*, collectively, had at least \$2 billion in *private equity fund assets under management* as of the last day of your most recently completed fiscal year. You are not required to include the *regulatory assets under management* of any *related person* that is *separately operated*.

You must complete a separate Section 4 with respect to each *private equity fund* that you advise.

However, if you report answers on an aggregated basis for any *master-feeder arrangement* or *parallel fund structure* in accordance with Instruction 5, you should only complete a separate Section 4 with respect to the *reporting fund* for such *master-feeder arrangement* or *parallel fund structure*.

#### **Section 5 – Current report for large hedge fund advisers to qualifying hedge funds**

Section 5 Section 5 is the current reporting form for *large hedge fund advisers to qualifying hedge funds*. You must complete and file Section 5 for any *current reporting event* with respect to a *qualifying hedge fund* you advise.

#### **Section 6 – Quarterly event report for advisers to private equity funds**

Section 6 Section 6 is the quarterly event reporting form about *private equity funds*. You must complete and file Section 6 for any *private equity reporting event* with respect to a *private equity fund* you advise.

#### **Section 7 – Advisers requesting a temporary hardship exemption**

Section 7 See Instruction 14 for details.

#### **4. I am a subadviser or engage a subadviser for a private fund. Who is responsible for reporting information about that private fund?**

Only one *private fund adviser* should complete and file Form PF for each *private fund*. If the adviser that filed *Form ADV Section 7.B.1* with respect to any *private fund* is required to file Form PF, the same adviser must also complete and file Form PF for that *private fund*. If the adviser that filed *Form ADV Section 7.B.1* with respect to any *private fund* is not required to file Form PF (e.g., because it is an *exempt reporting adviser*) and one or more other advisers to the fund is required to file Form PF, another adviser must complete and file Form PF for that *private fund*.

Where a question requests aggregate information regarding the *private funds* that you advise, you should only include information regarding the *private funds* for which you are filing Section 1b of Form PF.

5. **When am I required to aggregate information regarding *parallel funds*, *parallel managed accounts*, *master-feeder arrangements* and funds managed by *related persons*?**

You are required to aggregate related funds and accounts differently depending on the purpose of the aggregation.

**Reporting thresholds.** For purposes of determining whether you meet any reporting threshold, you must aggregate *parallel funds*, *dependent parallel managed accounts* and master-feeder funds. In addition, you must treat any *private fund* or *parallel managed account* advised by any of your *related persons* as though it were advised by you. You are not required, however, to aggregate *private funds* or *parallel managed accounts* of any *related person* that is *separately operated*.

**Responding to questions.** When reporting on individual funds, you may provide information regarding *master-feeder arrangements* or *parallel fund structures* either in the aggregate or separately, provided that you do so consistently throughout the Form. (For example, you may complete either a single Section 1b for all of the funds in a *master-feeder arrangement* or a separate Section 1b for each fund in the arrangement, but you must then take the same approach when completing other applicable sections of the Form.) Where a question requests aggregate information regarding the *private funds* that you advise, you should only include information regarding the *private funds* for which you are filing Section 1b of Form PF. You are not required to report information regarding *parallel managed accounts* (except in Question 11). You should not report information for any *private fund* advised by any of your *related persons* unless you have identified that *related person* in Question 1(b) as a *related person* for which you are filing Form PF.

See the table below for additional details.

| For purposes of determining whether a <i>private fund</i> is a <i>qualifying hedge fund</i>   | For purposes of reporting information in Sections 1b, 1c, 2b, 3 and 4   |
|---|---|
| <ul style="list-style-type: none"> <li>• You must aggregate any <i>private funds</i> that are part of the same <i>master-feeder arrangement</i> (even if you did not, or were not permitted to, aggregate these <i>private funds</i> for purposes of <i>Form ADV Section 7.B.1</i>)</li> <li>• You must aggregate any <i>private funds</i> that are part of the same <i>parallel fund structure</i></li> <li>• Any <i>dependent parallel managed account</i> must be aggregated with the largest <i>private fund</i> to which that <i>dependent parallel managed account</i> relates<br/>You must treat any <i>private fund</i> or <i>parallel managed account</i> advised by any of your <i>related persons</i> as though it were advised by you (including <i>related persons</i> that you have not identified in Question 1(b) as <i>related persons</i> for which you are filing Form PF, though you may exclude <i>related persons</i> that are <i>separately operated</i>)</li> </ul> | <ul style="list-style-type: none"> <li>• You may, but are not required to, report answers on an aggregated basis for any <i>private funds</i> that are part of the same <i>master-feeder arrangement</i> (even if you did not, or were not permitted to, aggregate these <i>private funds</i> for purposes of <i>Form ADV Section 7.B.1</i>)</li> <li>• You may, but are not required to, report answers on an aggregated basis for any <i>private funds</i> that are part of the same <i>parallel fund structure</i></li> <li>• You are not required to report information regarding <i>parallel managed accounts</i> (except in Question 11)<br/><br/>You should not report information for any <i>private fund</i> advised by any of your <i>related persons</i> unless you have identified that <i>related person</i> in Question 1(b) as a <i>related person</i> for which you are filing Form PF</li> </ul> |

**6. I am required to aggregate funds or accounts to determine whether I meet a reporting threshold, or I am electing to aggregate funds for reporting purposes. How do I “aggregate” funds or accounts for these purposes?**

Where two or more *parallel funds* or master-feeder funds are aggregated in accordance with Instruction 5, you must treat the aggregated funds as if they were all one *private fund*. Investments that a *feeder fund* makes in a *master fund* should be disregarded but other investments of the *feeder fund* should be treated as though they were investments of the aggregated fund.

Where you are aggregating *dependent parallel managed accounts* to determine whether you meet a reporting threshold, assets held in the accounts should be treated as assets of the *private funds* with which they are aggregated.

*Example 1.* You advise a *master-feeder arrangement* with one *feeder fund*. The *feeder fund* has invested \$500 in the *master fund* and holds a *foreign exchange derivative* with a notional value of \$100. The *master fund* has used the \$500 received from the *feeder fund* to invest in *corporate bonds*. Neither fund has any other assets or liabilities.

For purposes of determining whether the funds comprise a *qualifying hedge fund*, this *master-feeder arrangement* should be treated as a single *private fund* whose only investments are \$500 in *corporate bonds* and a *foreign exchange derivative* with a notional value of \$100. If you elect to aggregate the *master-feeder arrangement* for reporting purposes, the treatment would be the same.

*Example 2.* You advise a *parallel fund structure* consisting of two *hedge funds*, named *parallel fund A* and *parallel fund B*. You also advise a related *dependent parallel managed account*. The account and each fund have invested in *corporate bonds* of Company X and have no other assets or liabilities. The value of *parallel fund A*'s investment is \$400, the value of *parallel fund B*'s investment is \$300 and the value of the account's investment is \$200.

For purposes of determining whether either of the *parallel funds* is a *qualifying hedge fund*, the entire *parallel fund structure* and the related *dependent parallel managed account* should be treated as a single *private fund* whose only asset is \$900 of *corporate bonds* issued by Company X.

If you elect to aggregate the *parallel fund structure* for reporting purposes, you would disregard the *dependent parallel managed account*, so the result would be a single *private fund* whose only asset is \$700 of *corporate bonds* issued by Company X.

**7. I advise a *private fund* that invests in other *private funds* (e.g., a “fund of funds”). How should I treat these investments for purposes of Form PF?**

Investments in other *private funds* generally. For purposes of this Form PF, you may disregard any *private fund's* equity investments in other *private funds*. However, if you disregard these investments, you must do so consistently (e.g., do not include disregarded investments in the *net asset value* used for determining whether the fund is a “hedge fund”). For Question 17, even if you disregard these assets, you may report the performance of the entire fund and are not required to recalculate performance in order to exclude these investments. Do not disregard any liabilities, even if incurred in connection with these investments.

Funds that invest substantially all of their assets in other *private funds*. If you advise a *private fund*

that (i) invests substantially all of its assets in the equity of *private funds* for which you are not an adviser and (ii) aside from such *private fund* investments, holds only *cash and cash equivalents* and instruments acquired for the purpose of hedging currency exposure, then you are only required to complete Section 1b for that fund. For all other purposes, you should disregard such fund. For example, where questions request aggregate information regarding the *private funds* you advise, do not include the assets or liabilities of any such fund.

Solely for purposes of this Instruction 7, you may treat as a *private fund* any issuer formed under the laws of a jurisdiction other than the United States that has not offered or sold its securities in the United States or to *United States persons* but that would be a *private fund* if it had engaged in such an offering or sale.

Notwithstanding the foregoing, you must include disregarded assets in responding to Question 10.

**8. I advise a *private fund* that invests in companies that are not *private funds*. How should I treat these investments for purposes of Form PF?**

Except as provided in Instruction 7, investments in funds should be included for all purposes under this Form PF. You are not, however, required to “look through” a fund’s investments in any other entity unless the Form specifically requests information regarding that entity or the other entity’s primary purpose is to hold assets or incur leverage as part of the *reporting fund's* investment activities.

**9. When am I required to update Form PF?**

You are required to update Form PF at the following times:

*Periodic filings  
(large hedge fund  
advisers)*

Within 60 calendar days after the end of your first, second and third fiscal quarters, you must file a *quarterly update* that updates the answers to all Items in this Form PF relating to the *hedge funds* that you advise.

Within 60 calendar days after the end of your fourth fiscal quarter, you must file a *quarterly update* that updates the answers to all Items in this Form PF. You may, however, submit an initial filing for the fourth quarter that updates information relating only to the *hedge funds* that you advise so long as you amend your Form PF within 120 calendar days after the end of the quarter to update information relating to any other *private funds* that you advise. When you file such an amendment, you are not required to update information previously filed for such quarter.

*Periodic filings  
(large liquidity  
fund advisers)*

Within 15 calendar days after the end of your first, second and third fiscal quarters, you must file a *quarterly update* that updates the answers to all Items in this Form PF relating to the *liquidity funds* that you advise.

Within 15 calendar days after the end of your fourth fiscal quarter, you must file a *quarterly update* that updates the answers to all Items in this Form PF. You may, however, submit an initial filing for the fourth quarter that updates information relating only to the *liquidity funds* that you advise so long as you amend your Form PF within 120 calendar days after the end of the quarter to update information relating to any other *private funds* that you advise (subject to the next paragraph). When you file such an amendment, you are not required to update information previously filed for such quarter.

If you are both a *large liquidity fund adviser* and a *large hedge fund adviser*, you must file your *quarterly updates* with respect to the *liquidity funds* that you advise within 15 calendar days and with respect to the *hedge funds* you advise within 60 calendar days.

*Periodic filings  
(all other advisers)*

Within 120 calendar days after the end of your fiscal year, you must file an *annual update* that updates the answers to all Items in this Form PF.

*Large hedge fund advisers and large liquidity fund advisers* are not required to file *annual updates* but instead file *quarterly updates* for the fourth quarter.

*Transition filing*

If you are transitioning from quarterly to annual filing because you are no longer a *large hedge fund adviser* or *large liquidity fund adviser*, then you must complete and file Item A of Section 1a and check the box in Section 1a indicating that you are making your final quarterly filing. You must file your transition filing no later than the last day on which your next *quarterly update* would be timely.

*Current reports  
(large hedge fund  
advisers)*

*Large hedge fund advisers* must file a *current report* in Section 5 upon certain *current reporting events* with respect to *qualifying hedge funds* they advise. See Section 5 for filing deadlines.

*Private Equity  
Event Reports  
(all advisers to  
private equity  
funds)*

All advisers to *private equity funds* must file a *private equity event report* in Section 6 upon certain *private equity reporting events* with respect to *private equity funds* they advise within 60 calendar days after the end of their first, second, third, and fourth fiscal quarters.

*Final filing*

If you are no longer required to file Form PF, then you must complete and file Item A of Section 1a and check the box in Section 1a indicating that you are making your final filing. You must file your final filing no later than the last day on which your next Form PF update would be timely. This applies to all Form PF filers.

**Failure to update your Form PF as required by these instructions is a violation of SEC and, where applicable, CFTC rules and could lead to revocation of your registration.**

#### **10. How do I obtain *private fund* identification numbers for my *reporting funds*?**

Each *private fund* must have an identification number for purposes of reporting on *Form ADV* and Form PF. *Private fund* identification numbers can only be obtained by filing *Form ADV*.

If you need to obtain a *private fund* identification number and you are required to file a *quarterly update* of Form PF prior to your next annual update of *Form ADV*, then you must acquire the identification number by filing an other-than-annual amendment to your *Form ADV* and following the instructions on Form ADV for generating a new number. When filing an other-than-annual amendment for this purpose, you must complete and file all of *Form ADV Section 7.B.1* for the new *private fund*.

See Instruction 6 to Part 1A of *Form ADV* for additional information regarding the acquisition and use of *private fund* identification numbers.

**11. Who must sign my Form PF or update?**

The individual who signs the Form PF depends upon your form of organization:

- For a sole proprietorship, the sole proprietor.
- For a partnership, a general partner.
- For a corporation, an authorized principal officer.
- For a limited liability company, a managing member or authorized person.
- For a SID, a principal officer of your bank who is directly engaged in the management, direction or supervision of your investment advisory activities.
- For all others, an authorized individual who participates in managing or directing your affairs.

The signature does not have to be notarized and should be a typed name.

If you and one or more of your *related persons* are filing a single Form PF, then Form PF may be signed by one or more individuals; however, the individual, or the individuals collectively, must have authority, as provided above, to sign both on your behalf and on behalf of all such *related persons*.

**12. How do I file my Form PF?**

You must file Form PF electronically through the Form PF filing system on the Investment Adviser Registration Depository website ([www.iard.com](http://www.iard.com)), which contains detailed filing instructions. Questions regarding filing through the Form PF filing system should be addressed to the Financial Industry Regulatory Authority (FINRA) at 240-386-4848.

If you are a *large hedge fund adviser* filing a current report in Section 5, only file Section 5. Do not file any other sections of the form. If you are an adviser to *private equity funds* filing a current report in Section 6 only file Section 6. Do not file any other sections of the form. For all other types of filings, file the applicable sections as provided in Instruction 3.

**13. Are there filing fees?**

Yes, you must pay a filing fee for your Form PF filings. The Form PF filing fee schedule is published at <https://www.sec.gov/iard> and <http://www.iard.com>.

**14. What if I am not able to file electronically?**

A temporary hardship exemption is available if you encounter unanticipated technical difficulties that prevent you from making a timely filing with the Form PF filing system, such as a computer malfunction or electrical outage. This exemption does not permit you to file on paper; instead, it extends the deadline for an electronic filing for seven “business days” (as such term is used in *SEC* rule 204(b)-1(f)).

To request a temporary hardship exemption, you must complete and file on paper Item A of Section 1a and Section 7 of Form PF, checking the box in Section 1a indicating that you are requesting a temporary hardship exemption. Mail one manually signed original and one copy of your exemption filing to: U.S. Securities and Exchange Commission, Branch of Regulations and Examinations, Mail Stop 0-25, 100 F Street NE, Washington, DC 20549. You must preserve in your records a copy of any temporary hardship exemption filing. Any request for a temporary hardship exemption must be filed no later than one business day after the electronic Form PF filing was due. For more information, see *SEC* rule 204(b)-1(f).

**15. May I rely on my own methodologies in responding to Form PF? How should I enter requested information?**

You may respond to this Form using your own internal methodologies and the conventions of your

service providers, provided the information is consistent with information that you report internally and to current and prospective investors. However, your methodologies must be consistently applied and your responses must be consistent with any instructions or other guidance relating to this Form. You may explain any of your methodologies, including related assumptions, in Question 4.

In responding to Questions on this Form, the following guidelines apply unless otherwise specifically indicated:

- provide the requested information as of the close of business on the *data reporting date*;
- if information is requested for any month or quarter, provide the requested information as of the close of business on the last calendar day of the month or quarter, respectively;
- if a question requests information expressed as a percentage, enter the response as a percentage (not a decimal) and round to the nearest one percent;
- if a question requests a monetary value, provide the information in U.S. dollars as of the *data reporting date*, rounded to the nearest thousand;
- if a question requests a numerical value other than a percentage or a dollar value, provide information rounded to the nearest whole number;
- if a question requests information regarding a “position” or “positions,” you should determine whether a set of legal and contractual rights constitutes a “position” in a manner consistent with your internal recordkeeping and risk management procedures (e.g., some advisers may record as a single position two or more partially offsetting legs of a transaction entered into with the same counterparty under the same master agreement, while others may record these as separate positions);
- if a question requires you to distinguish long positions from short positions, classify positions in a manner consistent with your internal recordkeeping and risk management procedures (provided that, for *CDS*, *exotic CDS*, *index CDS*, and *single name CDS*, the protection seller should be viewed as long and the protection buyer should be viewed as short);
- do not net long and short positions;
- for derivatives (other than options), “value” means *gross notional value*; for options, “value” means delta adjusted notional value; for all other investments and for all *borrowings* where the reporting fund is the creditor, “value” means market value or, where there is not a readily available market value, fair value; for *borrowings* where the reporting fund is the debtor, “value” means the value you report internally and to current and prospective investors; and
- for questions 20, 21, 25, 28, and 35, the numerator you use to determine the percentage of *net asset value* should be measured on the same basis as *gross asset value* and may result in responses that total more than 100%.

#### 16. How do I amend Form PF, for example, to make a correction?

If you discover that information you filed on Form PF was not accurate at the time of filing, you may correct the information by re-filing and checking the box in Section 1a, Section 5 or Section 6, as applicable, indicating that you are amending a previously submitted filing. You are not required to update information that you believe in good faith properly responded to Form PF on the date of filing even if that information is subsequently revised for purposes of your recordkeeping, risk management or investor reporting (such as estimates that are refined after completion of a subsequent audit).

*Large hedge fund advisers and large liquidity fund advisers* that comply with their fourth quarter

filing obligations by submitting an initial filing followed by an amendment in accordance with Instruction 9 will not be viewed as affirming responses regarding one fund solely by providing updated information regarding another fund at a later date.

**17. How may I preserve on Form PF the anonymity of a *private fund* that I advise?**

If you seek to preserve the anonymity of a *private fund* that you advise by maintaining its identity in your books and records in numerical or alphabetical code, or similar designation, pursuant to rule 204-2(d), you may identify the *private fund* on Form PF using the same code or designation in place of the fund's name.

**18. May I report on Form PF regarding a *commodity pool* that is not a *private fund*? How should I treat the *commodity pool* for purposes of Form PF?**

If you are otherwise required to report on Form PF, you may report information regarding any *commodity pool* you advise on Form PF, even if it is not a *private fund*. Properly reporting on Form PF regarding the *commodity pool* will constitute substitute compliance with CFTC reporting requirements to the extent provided in *CEA* rule 4.27.

Commodity pools should be treated as *hedge funds* for purposes of Form PF. If you are reporting on Form PF regarding a *commodity pool* that is not a *private fund*, then treat it as a *private fund* for purposes of Form PF. However, such a *commodity pool* is not required to be included when determining whether you exceed one or more reporting thresholds. If such a *commodity pool* is a *qualifying hedge fund* and you are otherwise required to report information in section 2a of Form PF, then you must report regarding the *commodity pool* in section 2b of Form PF.

Federal Information Law and Requirements for a Collection of Information

Section 204(b) of the *Advisers Act* [15 U.S.C. § 80b-4(b)] authorizes the *SEC* to collect the information that Form PF requires. The information collected on Form PF is designed to facilitate the Financial Stability Oversight Council's ("FSOC") monitoring of systemic risk in the private fund industry and to assist FSOC in determining whether and how to deploy its regulatory tools with respect to nonbank financial companies. The *SEC* and *CFTC* may also use information collected on Form PF in their regulatory programs, including examinations, investigations and investor protection efforts relating to private fund advisers. Filing Form PF is mandatory for advisers that satisfy the criteria described in Instruction 1 to the Form. *See also* 17 C.F.R. § 275.204(b)-1. The *SEC* does not intend to make public information reported on Form PF that is identifiable to any particular adviser or *private fund*, although the *SEC* may use Form PF information in an enforcement action. *See* Section 204(b) of the *Advisers Act*.

An agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a currently valid control number. The Office of Management and Budget has reviewed this collection of information under 44 U.S.C. § 3507. Any member of the public may direct any comments concerning the accuracy of the burden estimate and any suggestion for reducing this burden to: Secretary, U.S. Securities and Exchange Commission, 100 F Street NE, Washington, DC 20549.

|  |
|--|
| <b>Section 1a: Information about you and your <i>related persons</i></b> |
|--|

Check the box that indicates what you would like to do:

A. If you are not a *large hedge fund adviser* or *large liquidity fund adviser*:

- Submit your first filing on Form PF  
for the period ended: \_\_\_\_\_
- Submit an *annual update*  
for the period ended: \_\_\_\_\_
- Amend a previously submitted filing  
for the period ended: \_\_\_\_\_
- Submit a final filing
- Request a temporary hardship exemption

B. If you are a *large hedge fund adviser* or *large liquidity fund adviser*:

- Submit your first filing on Form PF  
for the [1st, 2nd, 3rd, 4th] quarter, which ended: \_\_\_\_\_
- Submit a *quarterly update* (including fourth quarter updates)  
for the [1st, 2nd, 3rd, 4th] quarter, which ended: \_\_\_\_\_
- Amend a previously submitted filing  
for the [1st, 2nd, 3rd, 4th] quarter, which ended: \_\_\_\_\_
- Transition to annual reporting
- Submit a final filing
- Request a temporary hardship exemption

**Item A. Information about you**

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1. (a) Provide your name and the other identifying information requested below.

*(This should be your full legal name. If you are a sole proprietor, this will be your last, first, and middle names. If you are a SID, enter the full legal name of your bank. Please use the same name that you use in your Form ADV.)*

| Legal name | SEC 801-Number | NFA ID<br>Number, if any | Large trader<br>ID, if any | Large trader<br>ID suffix, if any |
|------------|----------------|--------------------------|----------------------------|-----------------------------------|
|            |                |                          |                            |                                   |

(b) Provide the following information for each of the *related persons*, if any, with respect to which you are reporting information on this Form PF:

| Legal name | SEC 801-Number | NFA ID<br>Number, if any | Large trader<br>ID, if any | Large trader<br>ID suffix, if any |
|------------|----------------|--------------------------|----------------------------|-----------------------------------|
|            |                |                          |                            |                                   |
|            |                |                          |                            |                                   |
|            |                |                          |                            |                                   |



**Item B. Information about assets of *private funds* that you advise**

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3. Provide a breakdown of your *regulatory assets under management* and your *net assets under management* as follows:

*(If you are filing a quarterly update for your first, second or third fiscal quarter, you are only required to update row (a), in the case of a large hedge fund adviser, or row (b), in the case of a large liquidity fund adviser.)*

|  | <b><i>Regulatory assets<br/>under management</i></b> | <b><i>Net assets under<br/>management</i></b> |
|--|--|---|
| (a) <i>Hedge funds</i> .....   |  |   |
| (b) <i>Liquidity funds</i> .....   |  |   |
| (c) <i>Private equity funds</i> .....  |  |   |
| (d) <i>Real estate funds</i> .....   |  |   |
| (e) <i>Securitized asset funds</i> .....   |  |   |
| (f) <i>Venture capital funds</i> .....   |  |   |
| (g) <i>Other private funds</i> .....   |  |   |
| (h) Funds and accounts other than <i>private funds</i><br><i>(i.e., the remainder of your assets under<br/>management)</i> ..... |  |   |

**Item C. Miscellaneous**

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4. You may use the space below to explain any assumptions that you made in responding to any question in this Form PF. Assumptions must be in addition to, or reasonably follow from, any instructions or other guidance relating to Form PF. If you are aware of any instructions or other guidance that may require a different assumption, provide a citation and explain why that assumption is not appropriate for this purpose.

| <b>Question<br/>number</b> | <b>Description</b> |
|----------------------------|--------------------|
|                            |                    |
|                            |                    |

**Section 1b: Information about the private funds you advise**

Subject to Instruction 5, you must complete a separate Section 1b for each private fund that you advise.

**Item A. Reporting fund identifying information**

- 5. (a) Name of the reporting fund .....
- (b) Private fund identification number of the reporting fund .....
- (c) NFA identification number of the reporting fund, if applicable .....
- (d) LEI of the reporting fund, if applicable .....

- 6. Check "yes" below if the reporting fund is the master fund of a master-feeder arrangement and you are reporting for all of the funds in the master-feeder arrangement on an aggregated basis. Otherwise, check "no."  
*(See Instruction 5 for information regarding aggregation of master-feeder arrangements. If you respond "yes," do not complete a separate Section 1b, 1c, 2b, 3 or 4 with respect to any of the feeder funds.)*  
 Yes                       No

- 7. (a) Check "yes" below if the reporting fund is the largest fund in a parallel fund structure and you are reporting for all of the funds in the structure on an aggregated basis. Otherwise, check "no."  
*(See Instruction 5 for information regarding aggregation of parallel funds. If you respond "yes," do not complete a separate Section 1b, 1c, 2b, 3 or 4 with respect to any of the other parallel funds in the structure.)*  
 Yes                       No

If you responded "yes" to Question 7(a), complete (b) through (e) below for each other parallel fund in the parallel fund structure.

- (b) Name of the parallel fund.....
- (c) Private fund identification number of the parallel fund .....
- (d) NFA identification number of the parallel fund, if applicable .....
- (e) LEI of the parallel fund, if applicable.....

**Item B. Assets, financing and investor concentration**

- 8. Gross asset value of reporting fund.....   
*(This amount may differ from the amount you reported in response to question 11 of Form ADV Section 7.B.1. For instance, the amounts may not be the same if you are filing Form PF on a quarterly basis, if you are aggregating a master-feeder arrangement for purposes of this Form PF and you did not aggregate that master-feeder arrangement for purposes of Form ADV Section 7.B.1. or if you are aggregating parallel funds for purposes of this Form PF.)*
- 9. Net asset value of reporting fund.....

10. *Value of reporting fund's investments in equity of other private funds* .....
11. *Value of all parallel managed accounts related to the reporting fund* .....

*(If any of your parallel managed accounts relates to more than one of the private funds you advise, only report the value of the account once, in connection with the largest private fund to which it relates.)*

12. Provide the following information regarding the *value* of the *reporting fund's borrowings* and the types of creditors.
- (You are not required to respond to this question for any reporting fund with respect to which you are answering Question 43 in Section 2b or Question 68 in Section 4. Do not net out amounts that the reporting fund loans to creditors or the value of collateral pledged to creditors.)*
- (The percentages borrowed from the specified types of creditors should add up to approximately 100%.)*

- (a) Dollar amount of total *borrowings*.....
- (b) Percentage borrowed from *U.S. financial institutions* .....
- (c) Percentage borrowed from *non-U.S. financial institutions* .....
- (d) Percentage borrowed from U.S. creditors that are not financial institutions .....
- (e) Percentage borrowed from non-U.S. creditors that are not financial institutions .....

13. (a) Does the *reporting fund* have any outstanding derivatives positions?
- Yes                       No
- (b) If you responded “yes” to Question 13(a), provide the aggregate *value* of all derivatives positions of the *reporting fund*.....

*(You are not required to respond to Question 13 for any reporting fund with respect to which you are answering Question 44 in Section 2b.)*

14. Provide a summary of the *reporting fund's* assets and liabilities categorized using the hierarchy below. For assets and liabilities that you report internally and to current and prospective investors as representing fair value, or for which you are required to determine fair value in order to report the *reporting fund's* regulatory assets under management on Form ADV, categorize them into the following categories based on the valuation assumptions utilized:
- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.
  - Level 2 – Other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
  - Level 3 – Unobservable inputs, such as your assumptions or the fund’s assumptions used to determine the fair value of the asset or liability.
- For any assets and liabilities that you report internally and to current and prospective investors as representing a measurement attribute other than fair value, and for which you are not required to determine fair value in order to report the *reporting fund's* regulatory assets under management on Form ADV, separately report these assets and liabilities in the “cost-based” measurement column.
- (If the fund’s financial statements are prepared in accordance with U.S. generally accepted accounting principles (“U.S. GAAP”) or another accounting standard that requires the*

*categorization of assets and liabilities using a fair value hierarchy similar to that established under U.S. GAAP, then respond to this question using the fair value hierarchy established under the applicable accounting standard.)*

*(This question requires the use of fair values and cost-based measurements, which may be different from the values contemplated by Instruction 15. You are only required to respond to this question if you are filing an annual update or a quarterly update for your fourth fiscal quarter.)*

|             | Level 1  | Fair value<br>Level 2 | Level 3  | Cost-based |
|-------------|----------|-----------------------|----------|------------|
| Assets      | \$ _____ | \$ _____              | \$ _____ | \$ _____   |
| Liabilities | \$ _____ | \$ _____              | \$ _____ | \$ _____   |

15. Specify the approximate percentage of the *reporting fund's* equity that is beneficially owned by the five beneficial owners having the largest equity interests in the *reporting fund*.

*(For purposes of this question, if you know that two or more beneficial owners of the reporting fund are affiliated with each other, you should treat them as a single beneficial owner.)*

16. Specify the approximate percentage of the *reporting fund's* equity that is beneficially owned by the following groups of investors.

*(Include each investor in only one group. The total should add up to approximately 100%. With respect to beneficial interests outstanding prior to March 31, 2012, that have not been transferred on or after that date, you may respond to this question using good faith estimates based on data currently available to you.)*

- |  |  |
|--|--|
| (a) Individuals that are <i>United States persons</i> (including their trusts) .....   |  |
| (b) Individuals that are not <i>United States persons</i> (including their trusts) .....   |  |
| (c) Broker-dealers .....   |  |
| (d) Insurance companies.....   |  |
| (e) Investment companies registered with the <i>SEC</i> .....  |  |
| (f) <i>Private funds</i> .....   |  |
| (g) Non-profits.....   |  |
| (h) Pension plans (excluding governmental pension plans) .....   |  |
| (i) Banking or thrift institutions (proprietary) .....   |  |
| (j) State or municipal <i>government entities</i> (excluding governmental pension plans) ....  |  |
| (k) State or municipal governmental pension plans .....  |  |
| (l) Sovereign wealth funds and foreign official institutions .....   |  |
| (m) Investors that are not <i>United States persons</i> and about which the foregoing beneficial ownership information is not known and cannot reasonably be obtained because the beneficial interest is held through a chain involving one or more third-party intermediaries ..... |  |
| (n) Other .....  |  |

**Item C. Reporting fund performance**

17. Provide the *reporting fund's* gross and net performance, as reported to current and prospective investors (or, if calculated for other purposes but not reported to investors, as so calculated). If the fund reports different performance results to different groups of investors, provide the most representative results. You are required to provide monthly and quarterly performance results only if such results are calculated for the *reporting fund* (whether for purposes of reporting to current or prospective investors or otherwise).

*(If your fiscal year is different from the reporting fund's fiscal year, then for any portion of the reporting fund's fiscal year that has not been completed as of the data reporting date, provide the relevant information from that portion of the reporting fund's preceding fiscal year.)*

*(Enter your responses as percentages rounded to the nearest one-hundredth of one percent. Performance results for monthly and quarterly periods should not be annualized. If any period precedes the date of the fund's formation, enter "NA". You are not required to include performance results for any period with respect to which you previously provided performance results for the reporting fund on Form PF.)*

|  | Last day of fiscal period | Gross performance | Net of management fees and incentive fees and allocations |
|--|---------------------------|-------------------|---|
| (a) 1st month of <i>reporting fund's</i> fiscal year .....           |                           |                   |   |
| (b) 2nd month of <i>reporting fund's</i> fiscal year .....           |                           |                   |   |
| (c) 3rd month of <i>reporting fund's</i> fiscal year.....            |                           |                   |   |
| (d) First quarter.....   |                           |                   |   |
| (e) 4th month of <i>reporting fund's</i> fiscal year .....           |                           |                   |   |
| (f) 5th month of <i>reporting fund's</i> fiscal year .....           |                           |                   |   |
| (g) 6th month of <i>reporting fund's</i> fiscal year .....           |                           |                   |   |
| (h) Second quarter .....   |                           |                   |   |
| (i) 7th month of <i>reporting fund's</i> fiscal year .....           |                           |                   |   |
| (j) 8th month of <i>reporting fund's</i> fiscal year .....           |                           |                   |   |
| (k) 9th month of <i>reporting fund's</i> fiscal year .....           |                           |                   |   |
| (l) Third quarter .....  |                           |                   |   |
| (m) 10th month of <i>reporting fund's</i> fiscal year ....           |                           |                   |   |
| (n) 11th month of <i>reporting fund's</i> fiscal year ....           |                           |                   |   |
| (o) 12th month of <i>reporting fund's</i> fiscal year ....           |                           |                   |   |
| (p) Fourth quarter .....   |                           |                   |   |
| (q) <i>Reporting fund's</i> most recently completed fiscal year..... |                           |                   |   |

|  |
|--|
| <b>Section 1c: Information about the <i>hedge funds</i> you advise</b> |
|--|

Subject to Instruction 5, you must complete a separate Section 1c for each *hedge fund* that you advise.

**Item A. Reporting fund identifying information**

- |  |  |
|--|--|
| 18. (a) Name of the <i>reporting fund</i> .....                                  |  |
| (b) <i>Private fund</i> identification number of the <i>reporting fund</i> ..... |  |

**Item B. Certain information regarding the *reporting fund***

19. Does the *reporting fund* have a single primary investment strategy or multiple strategies?  
 Single primary strategy                       Multi-strategy
20. Indicate which of the investment strategies below best describe the *reporting fund's* strategies. For each strategy that you have selected, provide a good faith estimate of the percentage of the *reporting fund's net asset value* represented by that strategy. If, in your view, the *reporting fund's* allocation among strategies is appropriately represented by the percentage of deployed capital, you may also provide that information.
- (Select the investment strategies that best describe the reporting fund's strategies, even if the descriptions below do not precisely match your characterization of those strategies; select "other" only if a strategy that the reporting fund uses is significantly different from any of the strategies identified below. You may refer to the reporting fund's use of these strategies as of the data reporting date or throughout the reporting period, but you must report using the same basis in future filings.)*
- (The strategies listed below are mutually exclusive (i.e., do not report the same assets under multiple strategies). If providing percentages of capital, the total should add up to approximately 100%.)*

| Strategy  | % of NAV<br>(required) | % of capital<br>(optional) |
|---|------------------------|----------------------------|
| <input type="checkbox"/> Equity, Market Neutral |                        |                            |
| <input type="checkbox"/> Equity, Long/Short     |                        |                            |
| <input type="checkbox"/> Equity, Short Bias     |                        |                            |
| <input type="checkbox"/> Equity, Long Bias      |                        |                            |
| <input type="checkbox"/> Macro, Active Trading  |                        |                            |
| <input type="checkbox"/> Macro, Commodity       |                        |                            |
| <input type="checkbox"/> Macro, Currency        |                        |                            |
| <input type="checkbox"/> Macro, Global Macro    |                        |                            |

|   |  |  |
|---|--|--|
| <input type="checkbox"/> Relative Value, Fixed Income Asset Backed          |  |  |
| <input type="checkbox"/> Relative Value, Fixed Income Convertible Arbitrage |  |  |
| <input type="checkbox"/> Relative Value, Fixed Income Corporate             |  |  |
| <input type="checkbox"/> Relative Value, Fixed Income Sovereign             |  |  |
| <input type="checkbox"/> Relative Value, Volatility Arbitrage               |  |  |
| <input type="checkbox"/> Event Driven, Distressed/Restructuring             |  |  |
| <input type="checkbox"/> Event Driven, Risk Arbitrage/Merger Arbitrage      |  |  |
| <input type="checkbox"/> Event Driven, Equity Special Situations            |  |  |
| <input type="checkbox"/> Credit, Long/Short                                 |  |  |
| <input type="checkbox"/> Credit, Asset Based Lending                        |  |  |
| <input type="checkbox"/> Managed Futures/ <i>CTA</i> , Fundamental          |  |  |
| <input type="checkbox"/> Managed Futures/ <i>CTA</i> , Quantitative         |  |  |
| <input type="checkbox"/> Investment in other funds                          |  |  |
| <input type="checkbox"/> Other: _____                                       |  |  |

21. During the *reporting period*, approximately what percentage of the *reporting fund's net asset value* was managed using high-frequency trading strategies?

*(In your response, please do not include strategies using algorithms solely for trade execution. This question concerns strategies that are substantially computer-driven, where decisions to place bids or offers, and to buy or sell, are primarily based on algorithmic responses to intraday price action in equities, futures and options, and where the total number of shares or contracts traded throughout the day is generally significantly larger than the net change in position from one day to the next.)*

- 0%                       less than 10%                       10-25%                       26-50%  
 51-75%                       76-99%                       100% or more

22. Identify the five counterparties to which the *reporting fund* has the greatest mark-to- market net counterparty credit exposure, measured as a percentage of the *reporting fund's net asset value*.

*(For purposes of this question, you should treat affiliated entities as a single group to the extent exposures may be contractually or legally set-off or netted across those entities and/or one affiliate guarantees or may otherwise be obligated to satisfy the obligations of another. CCPs should not be regarded as counterparties for purposes of this question.)*

*(In your response, you should take into account: (i) mark-to-market gains and losses on derivatives; and (ii) any loans or loan commitments.)*

*(However, you should not take into account: (i) margin posted by the counterparty; or (ii) holdings of debt or equity securities issued by the counterparty.)*

|     | Legal name of the counterparty<br>(or, if multiple affiliated entities,<br>counterparties) | Indicate below if the<br>counterparty is affiliated with<br>a major financial institution | Exposure (% of<br><i>reporting fund's</i><br><i>net asset value</i> ) |
|-----|--|---|---|
| (a) |  | [drop-down list of counterparty names]<br>Other: _____<br>[Not applicable]                | <input style="width: 100%; height: 20px;" type="text"/>               |
| (b) |  | [drop-down list of counterparty names]<br>Other: _____<br>[Not applicable]                | <input style="width: 100%; height: 20px;" type="text"/>               |
| (c) |  | [drop-down list of counterparty names]<br>Other: _____<br>[Not applicable]                | <input style="width: 100%; height: 20px;" type="text"/>               |
| (d) |  | [drop-down list of counterparty names]<br>Other: _____<br>[Not applicable]                | <input style="width: 100%; height: 20px;" type="text"/>               |
| (e) |  | [drop-down list of counterparty names]<br>Other: _____<br>[Not applicable]                | <input style="width: 100%; height: 20px;" type="text"/>               |

23. Identify the five counterparties that have the greatest mark-to-market net counterparty credit exposure to the *reporting fund*, measured in U.S. dollars.

*(For purposes of this question, you should treat affiliated entities as a single group to the extent exposures may be contractually or legally set-off or netted across those entities and/or one affiliate guarantees or may otherwise be obligated to satisfy the obligations of another. CCPs should not be regarded as counterparties for purposes of this question.)*

*(In your response, you should take into account: (i) mark-to-market gains and losses on derivatives; and (ii) any loans or loan commitments.)*

*(However, you should not take into account: (i) margin posted to the counterparty; or (ii) holdings of debt or equity securities issued by the counterparty.)*

|     | Legal name of the counterparty<br>(or, if multiple affiliated entities,<br>counterparties) | Indicate below if the<br>counterparty is affiliated with<br>a major financial institution | Exposure (in U.S.<br>dollars)                           |
|-----|--|---|---|
| (a) |  | [drop-down list of counterparty names]<br>Other: _____<br>[Not applicable]                | <input style="width: 100%; height: 20px;" type="text"/> |
| (b) |  | [drop-down list of counterparty names]<br>Other: _____<br>[Not applicable]                | <input style="width: 100%; height: 20px;" type="text"/> |
| (c) |  | [drop-down list of counterparty names]<br>Other: _____<br>[Not applicable]                | <input style="width: 100%; height: 20px;" type="text"/> |
| (d) |  | [drop-down list of counterparty names]<br>Other: _____<br>[Not applicable]                | <input style="width: 100%; height: 20px;" type="text"/> |

|     |  |  |
|-----|--|--|
| (e) | <div style="border: 1px solid black; padding: 5px;"> <div style="display: flex; justify-content: space-between;"> <div style="width: 80%;"></div> <div style="width: 15%; text-align: right; font-size: small;">[drop-down list of counterparty names]</div> </div> <div style="margin-top: 5px;">Other: _____</div> <div style="margin-top: 5px; font-size: small;">[Not applicable]</div> </div> |  |
|-----|--|--|

24. Provide the following information regarding your use of trading and clearing mechanisms during the *reporting period*.

*(Provide good faith estimates of the mode in which instruments were traded and cleared by the reporting fund, and not the market as a whole. For purposes of this question, a “trade” includes any transaction, whether entered into on a bilateral basis or through an exchange, trading facility or other system and whether long or short. With respect to clearing, transactions for which margin is held in a customer omnibus account at a CCP should be considered cleared by a CCP. Tri-party repo applies where repo collateral is held at a custodian (not including a CCP) that acts as a third party agent to both the repo buyer and the repo seller.)*

*(The total in each part of this question should add up to 100%. Enter “NA” in each part of this question for which the reporting fund engaged in no relevant trades.)*

%

(a) Estimated % (in terms of *value*) of securities (other than derivatives) that were traded by the *reporting fund*:

|                               |  |
|-------------------------------|--|
| On a regulated exchange ..... |  |
| OTC .....                     |  |

(b) Estimated % (in terms of trade volumes) of derivatives that were traded by the *reporting fund*:

|  |  |
|--|--|
| On a regulated exchange or swap execution facility ..... |  |
| OTC .....  |  |

(c) Estimated % (in terms of trade volumes) of *derivatives* that were traded by the *reporting fund* and:

|   |  |
|---|--|
| Cleared by a <i>CCP</i> .....                                     |  |
| Bilaterally transacted (i.e., not cleared by a <i>CCP</i> ) ..... |  |

(d) Estimated % (in terms of *value*) of *repo* trades that were entered into by the *reporting fund* and:

|   |  |
|---|--|
| Cleared by a <i>CCP</i> .....                                     |  |
| Bilaterally transacted (i.e., not cleared by a <i>CCP</i> ) ..... |  |
| Constitute a tri-party <i>repo</i> .....                          |  |

25. What percentage of the *reporting fund's net asset value* relates to transactions that are not described in any of the categories listed in items (a) through (d) of Question 24?



*Corporate bonds* not issued by financial institutions (other than *convertible bonds*)

*Investment grade* .....

Duration  WAT  10-year eq..

*Non-investment grade* .....

Duration  WAT  10-year eq..

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*Convertible bonds* issued by financial institutions

*Investment grade* .....

Duration  WAT  10-year eq..

*Non-investment grade* .....

Duration  WAT  10-year eq..

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*Convertible bonds* not issued by financial institutions

*Investment grade* .....

Duration  WAT  10-year eq..

*Non-investment grade* .....

Duration  WAT  10-year eq..

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*Sovereign bonds* and municipal bonds

*U.S. treasury securities*.....

Duration  WAT  10-year eq..

*Agency securities* .....

Duration  WAT  10-year eq..

*GSE bonds* .....

Duration  WAT  10-year eq..

*Sovereign bonds* issued by *G10* countries other than the U.S. ....

Duration  WAT  10-year eq..

Other *sovereign bonds* (including supranational bonds).....

Duration  WAT  10-year eq..

U.S. state and local bonds.....

Duration  WAT  10-year eq..

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Loans

*Leveraged loans* .....

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Duration  WAT  10-year eq..  
*Other loans* (not including *repos*).....  
 Duration  WAT  10-year eq..

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*Repos*.....  
 Duration  WAT  10-year eq. ....

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*ABS/structured products*

*MBS* .....  
 Duration  WAT  10-year eq..  
*ABCP* .....  
 Duration  WAT  10-year eq..  
*CDO/CLO*.....  
 Duration  WAT  10-year eq..  
*Other ABS*.....  
 Duration  WAT  10-year eq..  
*Other structured products* .....

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*Credit derivatives*

*Single name CDS* .....  
*Index CDS* .....  
*Exotic CDS* .....

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*Foreign exchange derivatives* (investment) .....  
*Foreign exchange derivatives* (hedging).....  
 Non-U.S. currency holdings.....

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*Interest rate derivatives*.....

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*Commodities* (derivatives)

*Crude oil*.....  
*Natural gas* .....  
*Gold*.....  
*Power*.....  
*Other commodities*.....

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*Commodities* (physical)

*Crude oil*.....  
*Natural gas* .....

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| <i>Gold</i> .....  |  |
| <i>Power</i> .....   |  |
| <i>Other commodities</i> .....   |  |
| <i>Other derivatives</i> .....   |  |
| Physical real estate .....   |  |
| <i>Investments in internal private funds</i> .....   |  |
| <i>Investments in external private funds</i> .....   |  |
| <i>Investments in registered investment companies</i> .....  |  |
| Cash and cash equivalents  |  |
| Certificates of deposit .....  |  |
| <input type="checkbox"/> Duration <input type="checkbox"/> WAT <input type="checkbox"/> 10-year eq.. |  |
| Other deposits .....   |  |
| <i>Money market funds</i> .....  |  |
| Other <i>cash and cash equivalents</i><br>(excluding government securities) .....                    |  |
| Investments in funds for cash management<br>purposes (other than <i>money market funds</i> ) .....   |  |
| <i>Investments in other sub-asset classes</i> .....  |  |

27. For each month of the *reporting period*, provide the *value* of turnover during the month in each of the asset classes listed below for the *hedge funds* that you advise.  
(The value of turnover should be the sum of the absolute values of transactions in the relevant asset class during the period.)

|  | 1st Month | 2nd Month | 3rd Month |
|--|-----------|-----------|-----------|
| <i>Listed equity</i> .....   |           |           |           |
| <i>Corporate bonds</i> (other than convertible bonds) .....                    |           |           |           |
| <i>Convertible bonds</i> .....   |           |           |           |
| <i>Sovereign bonds</i> and municipal bonds                                     |           |           |           |
| <i>U.S. treasury securities</i> .....  |           |           |           |
| <i>Agency securities</i> .....   |           |           |           |
| <i>GSE bonds</i> .....   |           |           |           |
| <i>Sovereign bonds</i> issued by <i>G10</i> countries other than the U.S. .... |           |           |           |
| Other <i>sovereign bonds</i> (including supranational bonds) .....             |           |           |           |

|                                 |  |  |  |
|---------------------------------|--|--|--|
| U.S. state and local bonds..... |  |  |  |
| Futures.....                    |  |  |  |

28. (a) Provide a geographical breakdown of the investments held by the *hedge funds* that you advise (by percentage of the total *net asset value* of these *hedge funds*).  
(See *Instruction 15* for information on calculating the numerator for purposes of this *Question*.)

| <b>Region</b>  | <b>% of NAV</b> |
|--|-----------------|
| (i) Africa .....   |                 |
| (ii) Asia and Pacific (other than the Middle East) ..... |                 |
| (iii) Europe ( <i>EEA</i> ).....                         |                 |
| (iv) Europe (other than <i>EEA</i> ).....                |                 |
| (v) Middle East.....                                     |                 |
| (vi) North America .....                                 |                 |
| (vii) South America .....                                |                 |
| (viii) Supranational .....                               |                 |

- (b) Provide the value of investments in the following countries held by the *hedge funds* that you advise (by percentage of the total *net asset value* of these *hedge funds*).  
(See *Instruction 15* for information on calculating the numerator for purposes of this *Question*.)

| <b>Country</b>                         | <b>% of NAV</b> |
|--|-----------------|
| (i) Brazil.....                        |                 |
| (ii) China (including Hong Kong) ..... |                 |
| (iii) India .....                      |                 |
| (iv) Japan .....                       |                 |
| (v) Russia.....                        |                 |
| (vi) United States .....               |                 |



*Listed equity derivatives*

|  |  |  |  |  |  |  |
|--|--|--|--|--|--|--|
| Related to financial institutions .....      |  |  |  |  |  |  |
| Other <i>listed equity derivatives</i> ..... |  |  |  |  |  |  |

*Derivative exposures to unlisted equities*

|  |  |  |  |  |  |  |
|--|--|--|--|--|--|--|
| Related to financial institutions .....                      |  |  |  |  |  |  |
| Other <i>derivative exposures to unlisted equities</i> ..... |  |  |  |  |  |  |

*Corporate bonds* issued by financial institutions (other than *convertible bonds*)

|  |  |  |  |  |  |  |
|--|--|--|--|--|--|--|
| <i>Investment grade</i> .....  |  |  |  |  |  |  |
| <input type="checkbox"/> Duration <input type="checkbox"/> WAT <input type="checkbox"/> 10-year eq.. |  |  |  |  |  |  |
| <i>Non-investment grade</i> .....  |  |  |  |  |  |  |
| <input type="checkbox"/> Duration <input type="checkbox"/> WAT <input type="checkbox"/> 10-year eq.. |  |  |  |  |  |  |

*Corporate bonds* not issued by financial institutions (other than *convertible bonds*)

|  |  |  |  |  |  |  |
|--|--|--|--|--|--|--|
| <i>Investment grade</i> .....  |  |  |  |  |  |  |
| <input type="checkbox"/> Duration <input type="checkbox"/> WAT <input type="checkbox"/> 10-year eq.. |  |  |  |  |  |  |
| <i>Non-investment grade</i> .....  |  |  |  |  |  |  |
| <input type="checkbox"/> Duration <input type="checkbox"/> WAT <input type="checkbox"/> 10-year eq.. |  |  |  |  |  |  |

*Convertible bonds* issued by financial institutions

|  |  |  |  |  |  |  |
|--|--|--|--|--|--|--|
| <i>Investment grade</i> .....  |  |  |  |  |  |  |
| <input type="checkbox"/> Duration <input type="checkbox"/> WAT <input type="checkbox"/> 10-year eq.. |  |  |  |  |  |  |
| <i>Non-investment grade</i> .....  |  |  |  |  |  |  |
| <input type="checkbox"/> Duration <input type="checkbox"/> WAT <input type="checkbox"/> 10-year eq.. |  |  |  |  |  |  |

*Convertible bonds* not issued by financial institutions

|  |  |  |  |  |  |  |
|--|--|--|--|--|--|--|
| <i>Investment grade</i> .....  |  |  |  |  |  |  |
| <input type="checkbox"/> Duration <input type="checkbox"/> WAT <input type="checkbox"/> 10-year eq.. |  |  |  |  |  |  |
| <i>Non-investment grade</i> .....  |  |  |  |  |  |  |
| <input type="checkbox"/> Duration <input type="checkbox"/> WAT <input type="checkbox"/> 10-year eq.. |  |  |  |  |  |  |

*Sovereign bonds* and municipal bonds

|  |  |  |  |  |  |  |
|--|--|--|--|--|--|--|
| <i>U.S. treasury securities</i> .....  |  |  |  |  |  |  |
| <input type="checkbox"/> Duration <input type="checkbox"/> WAT <input type="checkbox"/> 10-year eq.. |  |  |  |  |  |  |

*Agency securities* .....

Duration  WAT  10-year eq..

*GSE bonds* .....

Duration  WAT  10-year eq..

*Sovereign bonds* issued by *G10* countries other than the U.S. ....

Duration  WAT  10-year eq..

Other *sovereign bonds* (including supranational bonds).....

Duration  WAT  10-year eq..

U.S. state and local bonds.....

Duration  WAT  10-year eq..

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**Loans**

*Leveraged loans* .....

Duration  WAT  10-year eq..

*Other loans* (not including *repos*).....

Duration  WAT  10-year eq..

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*Repos* .....

Duration  WAT  10-year eq. ....

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**ABS/structured products**

*MBS* .....

Duration  WAT  10-year eq..

*ABCP* .....

Duration  WAT  10-year eq..

*CDO/CLO*.....

Duration  WAT  10-year eq..

Other *ABS*.....

Duration  WAT  10-year eq..

Other *structured products* .....

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**Credit derivatives**

*Single name CDS* .....

*Index CDS* .....

*Exotic CDS* .....

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*Foreign exchange derivatives* (investment) .....

*Foreign exchange derivatives* (hedging) .....

Non-U.S. currency holdings.....

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*Interest rate derivatives*..... 

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*Commodities (derivatives)*

|                                |  |  |  |  |  |
|--------------------------------|--|--|--|--|--|
| <i>Crude oil</i> .....         |  |  |  |  |  |
| <i>Natural gas</i> .....       |  |  |  |  |  |
| <i>Gold</i> .....              |  |  |  |  |  |
| <i>Power</i> .....             |  |  |  |  |  |
| <i>Other commodities</i> ..... |  |  |  |  |  |

*Commodities (physical)*

|                                |  |  |  |  |  |
|--------------------------------|--|--|--|--|--|
| <i>Crude oil</i> .....         |  |  |  |  |  |
| <i>Natural gas</i> .....       |  |  |  |  |  |
| <i>Gold</i> .....              |  |  |  |  |  |
| <i>Power</i> .....             |  |  |  |  |  |
| <i>Other commodities</i> ..... |  |  |  |  |  |

*Other derivatives*..... 

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*Physical real estate* ..... 

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| <i>Investments in internal private funds</i> .....          |  |  |  |  |  |
| <i>Investments in external private funds</i> .....          |  |  |  |  |  |
| <i>Investments in registered investment companies</i> ..... |  |  |  |  |  |

*Cash and cash equivalents*

|  |  |  |  |  |  |
|--|--|--|--|--|--|
| <i>Certificates of deposit</i> .....   |  |  |  |  |  |
| <input type="checkbox"/> Duration <input type="checkbox"/> WAT <input type="checkbox"/> 10-year eq.. |  |  |  |  |  |
| <i>Other deposits</i> .....  |  |  |  |  |  |
| <i>Money market funds</i> .....  |  |  |  |  |  |
| <i>Other cash and cash equivalents (excluding government securities)</i> .....                       |  |  |  |  |  |
| <i>Investments in funds for cash management purposes (other than money market funds)</i> .....       |  |  |  |  |  |
| <i>Investments in other sub-asset classes</i> .....  |  |  |  |  |  |

31. What is the *reporting fund's* base currency?  
[drop-down of currencies]  
Other: \_\_\_\_\_

32. Provide the following information regarding the liquidity of the *reporting fund's* portfolio.  
*(Specify the percentage by value of the reporting fund's positions that may be liquidated within each of the periods specified below. Each investment should be assigned to only one period and such assignment should be based on the shortest period during which you believe that such position could reasonably be liquidated at or near its carrying value. Use good faith estimates for liquidity based on market conditions over the reporting period and assuming no fire-sale discounting. In the event that individual positions are important contingent parts of the same trade, group all those positions under the liquidity period of the least liquid part (so, for example, in a convertible bond arbitrage trade, the liquidity of the short should be the same as the convertible bond). Exclude cash and cash equivalents.)*  
*(The total should add up to approximately 100%.)*

|                           | <b>% of portfolio<br/>capable of being<br/>liquidated within</b> |
|---------------------------|--|
| 1 day or less .....       |  |
| 2 days – 7 days.....      |  |
| 8 days – 30 days.....     |  |
| 31 days – 90 days.....    |  |
| 91 days – 180 days.....   |  |
| 181 days – 365 days.....  |  |
| Longer than 365 days..... |  |

|   | <b>1st<br/>Month</b> | <b>2nd<br/>Month</b> | <b>3rd<br/>Month</b> |
|---|----------------------|----------------------|----------------------|
| 33. <i>Value of reporting fund's unencumbered cash</i> .....  |                      |                      |                      |
| 34. Total number of open positions (approximate), determined on the basis of each position and not the issuer or counterparty ..... |                      |                      |                      |

35. For each open position of the *reporting fund* that represents 5% or more of the *reporting fund's net asset value*, provide the information requested below.

|  | <b>% of net asset value</b> | <b>Sub-asset class</b>       |
|--|-----------------------------|------------------------------|
| <b>(a) First month of the <i>reporting period</i></b>  |                             |                              |
| (i) Position .....                                     |                             | [drop-down of asset classes] |
| (ii) Position .....                                    |                             | [drop-down of asset classes] |
| <b>(b) Second month of the <i>reporting period</i></b> |                             |                              |
| (i) Position .....                                     |                             | [drop-down of asset classes] |
| (ii) Position .....                                    |                             | [drop-down of asset classes] |
| <b>(c) Third month of the <i>reporting period</i></b>  |                             |                              |
| (i) Position .....                                     |                             | [drop-down of asset classes] |
| (ii) Position .....                                    |                             | [drop-down of asset classes] |

36. For each of the top five counterparties listed in your response to Question 22 with respect to the *reporting fund*, provide the following information regarding the collateral and other credit support that the counterparty has posted to the *reporting fund*.

*(For purposes of Questions 36, 37 and 38, include as collateral assets purchased in connection with repos and collateral posted under an arrangement pursuant to which the secured party has loaned securities to the pledgor. Repos and reverse-repos with the same counterparty may be netted to the extent secured by the same type of collateral.)*

|  |  |
|--|--|
| <b>(a) Counterparty [1, 2, 3, 4, 5]:</b>   |  |
| (i) <i>value</i> of collateral posted in the form of <i>cash and cash equivalents</i> .....  |  |
| (ii) <i>value</i> of collateral posted in the form of securities (other than <i>cash and cash equivalent</i> instruments).....                             |  |
| (iii) <i>value</i> of other collateral and credit support posted (including face amount of letters of credit and similar third party credit support) ..... |  |

37. For each of the top five counterparties listed in your response to Question 23 with respect to the *reporting fund*, provide the following information regarding the collateral and other credit support that the *reporting fund* has posted to the counterparty.

|  |  |
|--|--|
| <b>(a) Counterparty [1, 2, 3, 4, 5]:</b>   |  |
| (i) <i>value</i> of collateral posted in the form of <i>cash and cash equivalents</i> .....  |  |
| (ii) <i>value</i> of collateral posted in the form of securities (other than <i>cash and cash equivalent</i> instruments).....                             |  |
| (iii) <i>value</i> of other collateral and credit support posted (including face amount of letters of credit and similar third party credit support) ..... |  |

38. (a) Of the total amount of collateral and other credit support that counterparties have posted to the *reporting fund*, what percentage:

|  |  |
|--|--|
| (i) may be rehypothecated?                         |  |
| (ii) has the <i>reporting fund</i> rehypothecated? |  |

(b) Of the total amount of collateral and other credit support that the *reporting fund* has posted to counterparties, what percentage may be rehypothecated?

|  |
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39. During the *reporting period*, did the *reporting fund* clear any transactions directly through a CCP?

- Yes
  No

**Item C. Reporting fund risk metrics**

40. (a) During the *reporting period*, did you regularly calculate the *VaR* of the *reporting fund*?  
(Please respond without regard to whether you reported the result of this calculation internally or to investors.)

- Yes
  No

(b) If you responded “yes” to Question 40(a), provide the following information.  
(If you regularly calculate the *VaR* of the reporting fund using multiple combinations of confidence interval, horizon and historical observation period, complete a separate response to this Question 40(b) for each such combination.)

- (i) Confidence interval used (e.g., 100%-alpha%) (as a percentage) .....
- (ii) Time horizon used (in number of days).....

(iii) What weighting method was used to calculate *VaR*?

- None
  Exponential
 Other: \_\_\_\_\_

(iv) If you responded “exponential” to Question 40(b)(iii), provide the weighting factor used (as a decimal to two places).....

(v) What method was used to calculate *VaR*?

- Historical simulation
  Monte Carlo simulation  
 Parametric
  Other:

(vi) Historical lookback period used (in number of years; enter “NA” if none used).....

(vii) *VaR* at the end of the 1st month of the *reporting period* (as a % of NAV).....

(viii) *VaR* at the end of the 2nd month of the *reporting period* (as a % of NAV).....

(ix) *VaR* at the end of the 3rd month of the *reporting period* (as a % of NAV).....

41. Are there any risk metrics other than (or in addition to) *VaR* that you consider to be important to the *reporting fund's* risk management?

(Select all that you consider relevant. Please respond without regard to whether you reported the metric internally or to investors. If none, “None.”)

[drop-down of risk metrics]

Other: \_\_\_\_\_

42. For each of the market factors identified below, determine the effect of the specified changes on the *reporting fund's* portfolio and provide the results.

*(You may omit a response to any market factor that you do not regularly consider in formal testing in connection with the reporting fund's risk management. If you omit any market factor, check either the box in the first column indicating that you believe that this market factor is not relevant to the reporting fund's portfolio or the box in the second column indicating that this market factor is relevant but not formally tested. For this purpose, "formal testing" means that the adviser has models or other systems capable of simulating the effect of a market factor on the fund's portfolio, not that the specific assumptions outlined in the question were used in testing.)*

*(For each market factor, separate the effect on your portfolio into long and short components where (i) the long component represents the aggregate result of all positions whose valuation changes in the same direction as the market factor under a given stress scenario and (ii) the short component represents the aggregate result of all positions whose valuation changes in the opposite direction from the market factor under a given stress scenario.)*

*(Assume that changes in a market factor occur instantaneously and that all other factors are held constant. If the specified change in any market factor would make that factor less than zero, use zero instead.)*

*(Please note the following regarding the market factors identified below:*

- (i) A change in "equity prices" means that the prices of all equities move up or down by the specified amount, without regard to whether the equities are listed on any exchange or included in any index;*
- (ii) "Risk free interest rates" means rates of interest accruing on sovereign bonds issued by governments having the highest credit quality, such as U.S. treasury securities;*
- (iii) A change in "credit spreads" means that all spreads against risk free interest rates change by the specified amount;*
- (iv) A change in "currency rates" means that the values of all currencies move up or down by the specified amount relative to the reporting fund's base currency;*
- (v) A change in "commodity prices" means that the prices of all physical commodities move up or down by the specified amount;*
- (vi) A change in "option implied volatilities" means that the implied volatilities of all the options that the reporting fund holds increase or decrease by the specified number of percentage points; and*
- (vii) A change in "default rates" means that the rate at which debtors default on all instruments of the specified type increases or decreases by the specified number of percentage points.)*

| Not relevant             | Relevant/not formally tested | Market factor – changes in market factor  | Effect on long components of portfolio (as % of NAV) | Effect on short components of portfolio (as % of NAV) |
|--------------------------|------------------------------|---|--|---|
| <input type="checkbox"/> | <input type="checkbox"/>     | Equity prices:  |  |   |
|                          |                              | Equity prices increase 5% .....   |  |   |
|                          |                              | Equity prices decrease 5% .....   |  |   |
|                          |                              | Equity prices increase 20% .....  |  |   |
|                          |                              | Equity prices decrease 20% .....  |  |   |
| <input type="checkbox"/> | <input type="checkbox"/>     | Risk free interest rates (changes represent a parallel shift in the yield curve): |  |   |
|                          |                              | Risk free interest rates increase 25bp.....                                       |  |   |
|                          |                              | Risk free interest rates decrease 25bp .....                                      |  |   |
|                          |                              | Risk free interest rates increase 75bp.....                                       |  |   |
|                          |                              | Risk free interest rates decrease 75bp .....                                      |  |   |
| <input type="checkbox"/> | <input type="checkbox"/>     | Credit spreads:   |  |   |
|                          |                              | Credit spreads increase 50bp.....   |  |   |
|                          |                              | Credit spreads decrease 50bp .....  |  |   |
|                          |                              | Credit spreads increase 250bp.....  |  |   |
|                          |                              | Credit spreads decrease 250bp .....   |  |   |
| <input type="checkbox"/> | <input type="checkbox"/>     | Currency rates:   |  |   |
|                          |                              | Currency rates increase 5%.....   |  |   |
|                          |                              | Currency rates decrease 5% .....  |  |   |
|                          |                              | Currency rates increase 20%.....  |  |   |
|                          |                              | Currency rates decrease 20% .....   |  |   |
| <input type="checkbox"/> | <input type="checkbox"/>     | Commodity prices:   |  |   |
|                          |                              | Commodity prices increase 10%.....  |  |   |
|                          |                              | Commodity prices decrease 10% .....   |  |   |
|                          |                              | Commodity prices increase 40%.....  |  |   |
|                          |                              | Commodity prices decrease 40% .....   |  |   |

|                          |                          |  |  |  |
|--------------------------|--------------------------|--|--|--|
| <input type="checkbox"/> | <input type="checkbox"/> | Option implied volatilities:                             |  |  |
|                          |                          | Implied volatilities increase 4 percentage points .....  |  |  |
|                          |                          | Implied volatilities decrease 4 percentage points.....   |  |  |
|                          |                          | Implied volatilities increase 10 percentage points ....  |  |  |
|                          |                          | Implied volatilities decrease 10 percentage points....   |  |  |
| <input type="checkbox"/> | <input type="checkbox"/> | Default rates ( <i>ABS</i> ):                            |  |  |
|                          |                          | Default rates increase 1 percentage point.....           |  |  |
|                          |                          | Default rates decrease 1 percentage point.....           |  |  |
|                          |                          | Default rates increase 5 percentage points .....         |  |  |
|                          |                          | Default rates decrease 5 percentage points .....         |  |  |
| <input type="checkbox"/> | <input type="checkbox"/> | Default rates ( <i>corporate bonds</i> and <i>CDS</i> ): |  |  |
|                          |                          | Default rates increase 1 percentage point.....           |  |  |
|                          |                          | Default rates decrease 1 percentage point.....           |  |  |
|                          |                          | Default rates increase 5 percentage points .....         |  |  |
|                          |                          | Default rates decrease 5 percentage points .....         |  |  |

**Item D. Financing information**

43. For each month of the *reporting period*, provide the following information regarding the *value* of the *reporting fund's borrowings*, the types of creditors and the collateral posted to secure its *borrowings*.

(For each type of borrowing, information is requested regarding the percentage borrowed from specified types of creditors. In each case, the total percentages allocated among these types of creditors should add up to 100%.)

(Do not net out amounts that the reporting fund loans to creditors or the value of collateral pledged to creditors.)

|  | 1st<br>Month | 2nd<br>Month | 3rd<br>Month |
|--|--------------|--------------|--------------|
| (a) Dollar amount of <i>unsecured borrowing</i> .....                                      |              |              |              |
| (i) Percentage borrowed from <i>U.S. financial institutions</i> .....                      |              |              |              |
| (ii) Percentage borrowed from <i>non-U.S. financial institutions</i> .....                 |              |              |              |
| (iii) Percentage borrowed from U.S. creditors that are not financial institutions .....    |              |              |              |
| (iv) Percentage borrowed from non-U.S. creditors that are not financial institutions ..... |              |              |              |



- (iii) Dollar amount of other *secured borrowings* .....
- (A) *value* of collateral posted in the form of *cash and cash equivalents* .....
- (B) *value* of collateral posted in the form of securities (other than *cash and cash equivalent* instruments) ...
- (C) *value* of other collateral and credit support posted (including face amount of letters of credit and similar third party credit support) .....
- (D) percentage borrowed from *U.S. financial institutions*.....
- (E) percentage borrowed from *non-U.S. financial institutions*.....
- (F) percentage borrowed from U.S. creditors that are not financial institutions .....
- (G) percentage borrowed from non-U.S. creditors that are not financial institutions .....

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**1st Month      2nd Month      3rd Month**

44. For each month of the *reporting period*, provide the aggregate *value* of all derivatives positions of the *reporting fund* (enter "NA" if no outstanding derivatives positions at the end of the relevant period)....

|  |  |  |
|--|--|--|
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45. For each month of the *reporting period*, provide the following information regarding the *reporting fund's* derivative positions that were not cleared by a *CCP* and the collateral posted to secure those positions.

*(If the reporting fund is a net receiver of collateral, provide the collateral value as a negative number.)*

- (a) Aggregate net mark-to-market value of all derivatives positions of the *reporting fund* that were not cleared by a *CCP* (enter "NA" if no relevant derivatives positions outstanding at the end of the relevant period).....
- (b) Net *value* of collateral posted by or to the *reporting fund* in respect of these positions in the form of *cash and cash equivalents* .....
- (c) Net *value* of collateral posted by or to the *reporting fund* in respect of these positions in the form of securities (other than *cash and cash equivalent* instruments) .....
- (d) Net *value* of other collateral and credit support posted by or to the *reporting fund* in respect of these positions (including face amount of letters of credit and similar third party credit support).....

|   | <b>1st Month</b> | <b>2nd Month</b> | <b>3rd Month</b> |
|---|------------------|------------------|------------------|
| (a) Aggregate net mark-to-market value of all derivatives positions of the <i>reporting fund</i> that were not cleared by a <i>CCP</i> (enter "NA" if no relevant derivatives positions outstanding at the end of the relevant period)..... |                  |                  |                  |
| (b) Net <i>value</i> of collateral posted by or to the <i>reporting fund</i> in respect of these positions in the form of <i>cash and cash equivalents</i> .....  |                  |                  |                  |
| (c) Net <i>value</i> of collateral posted by or to the <i>reporting fund</i> in respect of these positions in the form of securities (other than <i>cash and cash equivalent</i> instruments) .....   |                  |                  |                  |
| (d) Net <i>value</i> of other collateral and credit support posted by or to the <i>reporting fund</i> in respect of these positions (including face amount of letters of credit and similar third party credit support).....                |                  |                  |                  |

46. Financing liquidity:

(a) Provide the aggregate dollar amount of *borrowing* by and cash financing available to the *reporting fund* (including all drawn and undrawn, committed and uncommitted lines of credit as well as any term financing) .....

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(b) Divide the amount reported in response to Question 46(a) among the periods specified below depending on the longest period for which the creditor is contractually committed to provide such financing.

*(If a creditor (or syndicate or administrative/collateral agent) is permitted to vary unilaterally the economic terms of the financing or to revalue posted collateral in its own discretion and demand additional collateral, then the financing should be deemed uncommitted for purposes of this question. Uncommitted financing should be included under "1 day or less.")*

*(The total should add up to 100%.)*

|                           | % of total financing |
|---------------------------|----------------------|
| 1 day or less .....       |                      |
| 2 days – 7 days.....      |                      |
| 8 days – 30 days .....    |                      |
| 31 days – 90 days .....   |                      |
| 91 days – 180 days .....  |                      |
| 181 days – 365 days.....  |                      |
| Longer than 365 days..... |                      |

47. Identify each creditor, if any, to which the *reporting fund* owed an amount in respect of *borrowings* equal to or greater than 5% of the *reporting fund's net asset value* as of the *data reporting date*. For each such creditor, provide the amount owed to that creditor.

*(This question does not require the precise legal name of the creditor; if the creditor belongs to an affiliated group that is included in the list below, select that group and do not enter the creditor's name in the space for "other.")*

| Name of creditor   | Dollar amount owed to each creditor |
|--|-------------------------------------|
| [drop-down list of creditor/counterparty names]<br>Other: _____        |                                     |
| [repeat drop-down list of creditor/counterparty names]<br>Other: _____ |                                     |
| [repeat drop-down list of creditor/counterparty names]<br>Other: _____ |                                     |

**Item E. Investor information**

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48. (a) As of the *data reporting date*, what percentage of the *reporting fund's net asset value*, if any, is subject to a “side-pocket” arrangement?

*(This question relates to whether assets are currently in a side-pocket and not the potential for assets to be moved to a side-pocket.)*

(b) Have additional assets been placed in a side-pocket since the end of the prior *reporting period*?

*(Check “NA” if you reported no assets under Question 48(a) in the current period and/or the prior period.)*

Yes                       No                       NA

49. Provide the following information regarding the *reporting fund's* restrictions on investor withdrawals and redemptions.

*(For Questions 49 and 50, please note that the standards for imposing suspensions and restrictions on withdrawals/redemptions may vary among funds. Make a good faith determination of the provisions that would likely be triggered during conditions that you view as significant market stress.)*

(a) Does the *reporting fund* provide investors with withdrawal/redemption rights in the ordinary course?

Yes                       No

*(If you responded “yes” to Question 49(a), then you must respond to Questions 49(b)-(e).)*

As of the *data reporting date*, what percentage of the *reporting fund's net asset value*, if any:

|   |  |
|---|--|
| (b) May be subjected to a suspension of investor withdrawals/redemptions by an adviser or fund governing body <i>(this question relates to an adviser's or governing body's right to suspend and not just whether a suspension is currently effective)</i> .....                                  |  |
| (c) May be subjected to material restrictions on investor withdrawals/redemptions (e.g., “gates”) by an adviser or fund governing body <i>(this question relates to an adviser's or governing body's right to impose a restriction and not just whether a restriction has been imposed)</i> ..... |  |
| (d) Is subject to a suspension of investor withdrawals/redemptions <i>(this question relates to whether a suspension is currently effective and not just an adviser's or governing body's right to suspend)</i> .....   |  |
| (e) Is subject to a material restriction on investor withdrawals/redemptions (e.g., a “gate”) <i>(this question relates to whether a restriction has been imposed and not just an adviser's or governing body's right to impose a restriction)</i> .....  |  |



**Section 3: Information about *liquidity funds* that you advise.**

You must complete a separate Section 3 for each *liquidity fund* that you advise. However, with respect to *master-feeder arrangements* and *parallel fund structures*, you may report collectively or separately about the component funds as provided in the General Instructions.

**Item A. Reporting fund identifying and operational information**

51. (a) Name of the *reporting fund* .....
- (b) *Private fund* identification number of the *reporting fund* .....
52. Does the *reporting fund* use the amortized cost method of valuation in computing its *net asset value*?
- Yes  No
53. Does the *reporting fund* use the penny rounding method of pricing in computing its *net asset value*?
- Yes  No
54. (a) Does the *reporting fund* have a policy of complying with the *risk limiting conditions* of *rule 2a-7*?
- Yes  No
- (b) If you responded “no” to Question 54(a) above, does the *reporting fund* have a policy of complying with the following provisions of *rule 2a-7*:
- |                                     |                              |                             |
|-------------------------------------|------------------------------|-----------------------------|
| (i) the diversification conditions? | <input type="checkbox"/> Yes | <input type="checkbox"/> No |
| (ii) the credit quality conditions? | <input type="checkbox"/> Yes | <input type="checkbox"/> No |
| (iii) the liquidity conditions?     | <input type="checkbox"/> Yes | <input type="checkbox"/> No |
| (iv) the maturity conditions?       | <input type="checkbox"/> Yes | <input type="checkbox"/> No |

**Item B. Reporting fund assets**

55. Provide the following information for each month of the *reporting period*.

|   | 1 <sup>st</sup><br>Month | 2 <sup>nd</sup><br>Month | 3 <sup>rd</sup><br>Month |
|---|--------------------------|--------------------------|--------------------------|
| (a) Net asset value of <i>reporting fund</i> as reported to current and prospective investors   |                          |                          |                          |
| (b) Net asset value per share of <i>reporting fund</i> as reported to current and prospective investors ( <i>to the nearest hundredth of a cent</i> )                           |                          |                          |                          |
| (c) Net asset value per share of <i>reporting fund</i> ( <i>to the nearest hundredth of a cent; exclude the value of any capital support agreement or similar arrangement</i> ) |                          |                          |                          |
| (d) <i>WAM</i> of <i>reporting fund</i> ( <i>in days</i> )  |                          |                          |                          |

- (e) *WAL* of reporting fund (in days)
- (f) 7-day gross yield of reporting fund (to the nearest hundredth of one percent)
- (g) Dollar amount of the reporting fund's assets that are *daily liquid assets*
- (h) Dollar amount of the reporting fund's assets that are *weekly liquid assets*
- (i) Dollar amount of the reporting fund's assets that have a *maturity* greater than 397 days

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**Item C. Financing information**

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56. (a) Is the amount of total *borrowing* reported in response to Question 12 equal to or greater than 5% of the reporting fund's net asset value?
- Yes                       No

- (b) If you responded “yes” to Question 56(a) above, divide the dollar amount of total *borrowing* reported in response to Question 12 among the periods specified below depending on the type of *borrowing*, the type of creditor and the latest date on which the reporting fund may repay the principal amount of the *borrowing* without defaulting or incurring penalties or additional fees.

*(If a creditor (or syndicate or administrative/collateral agent) is permitted to vary unilaterally the economic terms of the financing or to revalue posted collateral in its own discretion and demand additional collateral, then the borrowing should be deemed to have a maturity of 1 day or less for purposes of this question. For amortizing loans, each amortization payment should be treated separately and grouped with other borrowings based on its payment date.)*

*(The total amount of borrowings reported below should equal approximately the total amount of borrowing reported in response to Question 12.)*

|  | <b>1 day or less</b> | <b>2 days to 7 days</b> | <b>8 days to 30 days</b> | <b>31 days to 397 days</b> | <b>Greater than 397 days</b> |
|--|----------------------|-------------------------|--------------------------|----------------------------|------------------------------|
| (i) <i>Unsecured borrowing</i>             |                      |                         |                          |                            |                              |
| (A) <i>U.S. financial institutions</i>     |                      |                         |                          |                            |                              |
| (B) <i>Non-U.S. financial institutions</i> |                      |                         |                          |                            |                              |
| (C) <i>Other U.S. creditors</i>            |                      |                         |                          |                            |                              |
| (D) <i>Other non-U.S. creditors</i>        |                      |                         |                          |                            |                              |
| (ii) <i>Secured borrowing</i>              |                      |                         |                          |                            |                              |
| (A) <i>U.S. financial institutions</i>     |                      |                         |                          |                            |                              |

|  |  |  |  |  |  |
|--|--|--|--|--|--|
| (B) <i>Non-U.S. financial institutions</i> |  |  |  |  |  |
| (C) Other U.S. creditors                   |  |  |  |  |  |
| (D) Other non-U.S. creditors               |  |  |  |  |  |

57. (a) Does the *reporting fund* have in place one or more committed liquidity facilities?  
 Yes                       No

(b) If you responded “yes” to Question 57(a), provide the aggregate dollar amount of commitments under the liquidity facilities

**Item D. Investor information**

---

58. Specify the number of outstanding shares or units of the *reporting fund's* stock or similar securities.....

59. Provide the following information regarding investor concentration.  
*(For purposes of this question, if you know that two or more beneficial owners of the reporting fund are affiliated with each other, you should treat them as a single beneficial owner.)*

- (a) Specify the percentage of the *reporting fund's* equity that is beneficially owned by the beneficial owner having the largest equity interest in the *reporting fund*.....
- (b) How many investors beneficially own 5% or more of the reporting fund's equity? .....

60. Provide a good faith estimate, as of the *data reporting date*, of the percentage of the *reporting fund's* outstanding equity that was purchased using *securities lending collateral*.....

61. Provide the following information regarding the restrictions on withdrawals and redemptions by investors in the *reporting fund*.  
*(For Questions 61 and 62, please note that the standards for imposing suspensions and restrictions on withdrawals/redemptions may vary among funds. Make a good faith determination of the provisions that would likely be triggered during conditions that you view as significant market stress.)*

As of the *data reporting date*, what percentage of the *reporting fund's net asset value*, if any:

- (a) May be subjected to a suspension of investor withdrawals/redemptions by an adviser or fund governing body (*this question relates to an adviser's or governing body's right to suspend and not just whether a suspension is currently effective*).....
- (b) May be subjected to material restrictions on investor withdrawals/redemptions (e.g., “gates”) by an adviser or fund governing body (*this question relates to an adviser's or governing body's right to impose a restriction and not just whether a restriction been imposed*) .....



**Item E. Portfolio Information**

---

63. For each security held by the *reporting fund*, provide the following information for each month of the *reporting period*.

- (a) Name of the issuer .....
- (b) Title of the issue (including coupon, if applicable).....
- (c) CUSIP.....
- (d) *LEI*, if available.....
- (e) In addition to CUSIP and *LEI*, provide at least one of the following other identifiers, if available:
  - (i) ISIN.....
  - (ii) CIK.....
  - (iii) Other unique identifier .....
- (f) The category of investment that most closely identifies the instrument  
*(Select from among the following categories of investment: U.S. Treasury Debt; U.S. Government Agency Debt; Non-U.S. Sovereign, Sub-Sovereign and Supra-National debt; Certificate of Deposit; Non- Negotiable Time Deposit; Variable Rate Demand Note; Other Municipal Security; Asset Backed Commercial Paper; Other Asset Backed Securities; U.S. Treasury Repurchase Agreement, if collateralized only by U.S. Treasuries (including Strips) and cash; U.S. Government Agency Repurchase Agreement, collateralized only by U.S. Government Agency securities, U.S. Treasuries, and cash; Other Repurchase Agreement, if any collateral falls outside Treasury, Government Agency and cash; Insurance Company Funding Agreement; Investment Company; Financial Company Commercial Paper; Non-Financial Company Commercial Paper; or Tender Option Bond. If Other Instrument, include a brief description.)*
- (g) For repos, specify whether the repo is “open” (*i.e.*, the repo has no specified end date and, by its terms, will be extended or “rolled” each business day (or at another specified period) unless the investor chooses to terminate it), and provide the following information about the securities subject to the repo (*i.e.*, the collateral):  
*(If multiple securities of an issuer are subject to the repo, the securities may be aggregated, in which case provide: (i) the total principal amount and value and (ii) the range of maturity dates and interest rates.)*
  - (i) Whether the repo is “open” .....
  - (ii) Name of the collateral issuer .....
  - (iii) CUSIP.....
  - (iv) *LEI*, if available.....

- (v) Maturity date .....
  - (vi) Coupon or yield .....
  - (vii) The principal amount, to the nearest cent.....
  - (viii) Value of the collateral, to the nearest cent.....
  - (ix) The category of investment that most closely represents the collateral .....
- (Select from among the following categories of investment: Asset-Backed Securities; Agency Collateralized Mortgage Obligations; Agency Debentures and Agency Strips; Agency Mortgage-Backed Securities; Private Label Collateralized Mortgage Obligations; Corporate Debt Securities; Equities; Money Market; U.S. Treasuries (including strips); Other Instrument. If Other Instrument, include a brief description, including, if applicable, whether it is a collateralized debt obligation, municipal debt, whole loan, or international debt).*
- (h) If the rating assigned by a *credit rating agency* played a substantial role in the *reporting fund's* (or its adviser's) evaluation of the quality, maturity or liquidity of the security, provide the name of each *credit rating agency* and the rating each assigned to the security.
  - (i) The maturity date used to calculate *WAM*.....
  - (j) The maturity date used to calculate *WAL* .....
  - (k) The ultimate legal maturity date (*i.e.*, the date on which, in accordance with the terms of the security without regard to any interest rate readjustment or *demand feature*, the principal amount must unconditionally be paid).....
  - (l) If the security has a *demand feature* on which the *reporting fund* (or its adviser) is relying when evaluating the quality, maturity, or liquidity of the security, provide the following information:  
*(If the security does not have such a demand feature, enter "NA.")*
    - (i) Identity of the *demand feature* issuer(s) .....
    - (ii) If the rating assigned by a *credit rating agency* played a substantial role in the *reporting fund's* (or its adviser's) evaluation of the quality, maturity or liquidity of the *demand feature*, its issuer, or the security to which it relates, provide the name of each *credit rating agency* and the rating assigned by each *credit rating agency* .....
    - (iii) The period remaining until the principal amount of the security may be recovered through the *demand feature* .....
    - (iv) The amount (*i.e.*, percentage) of fractional support provided by each *demand feature* issuer.....
    - (v) Whether the *demand feature* is a *conditional demand feature*.....
  - (m) If the security has a *guarantee* (other than an unconditional letter of credit reported in response to Question 63(l) above) on which the *reporting fund*

(or its adviser) is relying when evaluating the quality, maturity, or liquidity of the security, provide the following information:

*(If the security does not have such a guarantee, enter "NA.")*

- (i) Identity of the *guarantor(s)* .....
  - (ii) If the rating assigned by a *credit rating agency* played a substantial role in the *reporting fund's* (or its adviser's) evaluation of the quality, maturity or liquidity of the *guarantee*, the *guarantor*, or the security to which the *guarantee* relates, provide the name of each *credit rating agency* and the rating assigned by each *credit rating agency*.....
  - (iii) The amount (*i.e.*, percentage) of fractional support provided by each *guarantor*.....
- (n) If the security has any enhancements, other than those identified in response to Questions 63(l) and (m) above, on which the *reporting fund* (or its adviser) is relying when evaluating the quality, maturity, or liquidity of the security, provide the following information:
- (If the security does not have such an enhancement, enter "NA.")*
- (i) Identity of the enhancement provider(s) .....
  - (ii) The type of enhancement(s) .....
  - (iii) If the rating assigned by a *credit rating agency* played a substantial role in the *reporting fund's* (or its adviser's) evaluation of the quality, maturity or liquidity of the enhancement, its provider, or the security to which it relates, provide the name of each *credit rating agency* used and the rating assigned by the credit rating agency.....
  - (iv) The amount (*i.e.*, percentage) of fractional support provided by each enhancement provider .....
- (o) The yield of the security as of the reporting date:.....
- (p) The total *value* of the *reporting fund's* position in the security, and separately, if the *reporting fund* uses the amortized cost method of valuation, the amortized cost value, in both cases to the nearest cent:
- (i) Including the value of any sponsor support.....
  - (ii) Excluding the value of any sponsor support.....
- (q) The percentage of the *reporting fund's* net assets invested in the security, to the nearest hundredth of a percent.....
- (r) Is the security categorized as a level 3 asset or liability in Question 14?.....
- (s) Is the security a *daily liquid asset*?.....
- (t) Is the security a *weekly liquid asset*?.....
- (u) Is the security an *illiquid security*?.....
- (v) Explanatory notes. Disclose any other information that may be material

to other disclosures related to the portfolio security.

*(If none, leave blank.)*

**Item F. Parallel Money Market Funds**

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64. If the *reporting fund* pursues substantially the same investment objective and strategy and invests side by side in substantially the same positions as a *money market fund* advised by you or any of your *related persons*, provide the *money market fund's* EDGAR series identifier. ....

*(If neither you nor any of your related persons advise such a money market fund, enter "NA.")*

|  |
|--|
| <b>Section 4: Information about <i>private equity funds</i> that you advise.</b> |
|--|

You must complete a separate Section 4 for each *private equity fund* that you advise. However, with respect to *master-feeder arrangements* and *parallel fund structures*, you may report collectively or separately about the component funds as provided in the General Instructions.

**Item A. Reporting fund identifying information**

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65. (a) Name of the *reporting fund* ..... 

|  |
|--|
|  |
|--|

  
(b) *Private fund* identification number of the *reporting fund* ..... 

|  |
|--|
|  |
|--|

**Item B. Certain information regarding the *reporting fund***

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66. Indicate the investment strategy in the drop-down menu that best describe the *reporting fund's* investment strategy by percent of deployed capital, during the *reporting period*. If the *reporting fund* engages in more than one strategy, provide a good faith estimate of the percentage of the *reporting fund's* deployed capital represented by each strategy.

*(Select the investment strategy or strategies that best describe the reporting fund's strategies, even if the categories below do not precisely match your characterization of the reporting fund's strategy. If you report all or part of the reporting fund's strategy as "Other", explain in Question 83. The strategies listed are mutually exclusive (i.e., do not report the same portion of deployed capital in multiple strategies). The total should add to 100%.)*

| Strategy         | % of capital |
|------------------|--------------|
| [drop-down menu] |              |

67. Identify, by ISO country code, each country to which the *reporting fund's* investments in portfolio companies represent exposure of 10% or more of the *reporting fund's net asset value*.

*(See Instruction 15 for information on calculating the numerator for purposes of this Question. You should categorize investments based on concentrations of risk and economic exposures.)*

| Country | ISO code | % of NAV |
|---------|----------|----------|
|         |          |          |
|         |          |          |



(Weighting should be based on gross assets of each controlled portfolio company as a percentage of the aggregate gross assets of the reporting fund’s controlled portfolio companies.)

- |  |  |
|--|--|
| 71. What is the highest debt-to-equity ratio of any <i>controlled portfolio company</i> in which the reporting fund invests (expressed as a decimal to the tenths place)?                              |  |
| 72. What is the lowest debt-to-equity ratio of any <i>controlled portfolio company</i> in which the reporting fund invests (expressed as a decimal to the tenths place)?                               |  |
| 73. What is the aggregate gross asset value of the <i>reporting fund's controlled portfolio companies</i> ?  |  |
| 74. What is the aggregate principal amount of <i>borrowings</i> categorized as current liabilities on the most recent balance sheets of the <i>reporting fund's controlled portfolio companies</i> ?   |  |
| 75. What is the aggregate principal amount of <i>borrowings</i> categorized as long-term liabilities on the most recent balance sheets of the <i>reporting fund's controlled portfolio companies</i> ? |  |
| 76. What percentage of the aggregate <i>borrowings</i> of the <i>reporting fund's controlled portfolio companies</i> is payment-in-kind (PIK) or zero-coupon debt?                                     |  |

77. During the *reporting period*, did the *reporting fund* or any of its *controlled portfolio companies* experience an event of default under any of its indentures, loan agreements or other instruments evidencing obligations for borrowed money? If so, check “yes” and complete subsections (a) of this question. Otherwise, check “no”.

(Do not include a potential event of default (i.e., an event that would constitute an event of default with the giving of notice, the passage of time or otherwise) unless it has become an event of default.)

Yes  No

(a) Identify the nature of the default event (check all that apply):

- Payment default of the *reporting fund*
- Payment default of a *controlled portfolio company*
- A default relating to a failure to uphold terms under the applicable borrowing agreement, other than a failure to make regularly scheduled payments.

78.(a) Does any *controlled portfolio company* of the *reporting fund* have in place one or more bridge loans or commitments (subject to customary conditions) for a bridge loan?

Yes  No

(b) If you responded “yes” to Question 78(a), identify each *person* that has provided all or part of any bridge loan or commitment to the relevant *controlled portfolio company*. For each such *person*, provide the applicable outstanding amount or commitment amount.

| Legal Name of Counterparty | LEI, if any | Indicate below if the counterparty is affiliated with a major financial institution | Outstanding amount of financing, if drawn | Amount of commitment, if undrawn |
|----------------------------|-------------|---|---|----------------------------------|
|                            |             | [repeat drop-down list of creditor/counterparty names]<br>Other:                    |   |                                  |
|                            |             | [repeat drop-down list of creditor/counterparty names]<br>Other:                    |   |                                  |
|                            |             | [repeat drop-down list of creditor/counterparty names]<br>Other:                    |   |                                  |

**Item D: Portfolio company investment exposures**

79. (a) Is any of the *reporting fund's controlled portfolio companies* a *financial industry portfolio company*?

Yes  No

(b) If you responded “yes” to Question 79(a), then for each of the *reporting fund's controlled portfolio companies* that constitutes a *financial industry portfolio company*, provide the following information.

| Legal Name | Address of principal office (include city, state and country) | NAICS code | LEI, if any | Debt-to-equity ratio of portfolio company | Gross asset value of portfolio company | % of <i>reporting fund's</i> gross assets invested in this portfolio company | % of portfolio company beneficially owned by the <i>reporting fund</i> |
|------------|---|------------|-------------|---|--|--|--|
|            |   |            |             |   |  |  |  |
|            |   |            |             |   |  |  |  |
|            |   |            |             |   |  |  |  |

80. Provide a breakdown of the *reporting fund's* investments in portfolio companies by industry, based on the *NAICS codes* of the companies.  
(The total should add up to 100%.)

| NAICS code | % of <i>reporting fund's</i> total portfolio company investments |
|------------|--|
|            |  |
|            |  |

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|--|--|

81. If you or any of your *related persons* (other than the *reporting fund*) invest in any companies that are portfolio companies of the *reporting fund*, provide the aggregate dollar amount of these investments.

82. If the *reporting fund* effectuates (i) any *general partner clawback* or (ii) a *limited partner clawback or clawbacks* in excess of an aggregate amount equal to 10 percent of a fund's aggregate capital commitments, provide the following:

- (a) Effective date:
- (b) Type of clawback (General Partner/Limited Partner):
- (c) Reason for clawback:

83. You may provide any information you believe would be helpful in understanding the information reported in response to any question in this Section 4 of this form. Identify the related question for each comment (*use a drop-down menu so that notes are received in a structured format*).

**Section 5: Current report for large hedge fund advisers to qualifying hedge funds.**

Upon the occurrence of any one or more of the events specified in Items B to I of this Section 5, you must file a current report responding to questions required by the applicable Item(s) (a “*current report*”) as soon as practicable, but no later than 72 hours. The 72 hour period begins upon the occurrence of the event or when you reasonably believe the event occurred and you must respond to the best of your knowledge on the date of your *current report*. You may provide an additional explanation of the facts and circumstances relating to the event, including the causes and or proposed resolution in explanatory notes under Item J of this Section 5.

In this Section 5, references to *most recent net asset value* mean the *net asset value* reported as of the *data reporting date*.

Check here if you are filing an amendment to a previously filed current report. Provide the filing date of the current report you are amending [Drop-down list of Month, Day, Year, Time].

***Item A: Information about you and the reporting fund***

5-1 Provide your name and the other identifying information requested below.

(This should be your full legal name.)

| Legal name | CRD<br>Number | SEC 801-Number | NFA ID<br>Number, if any | Large trader<br>ID, if any | Large trader<br>ID suffix, if any |
|------------|---------------|----------------|--------------------------|----------------------------|-----------------------------------|
|            |               |                |                          |                            |                                   |

5-2(a) Name of the *reporting fund*

5-2(b) Private fund identification number of the *reporting fund*

5-2(c) NFA identification number of the reporting fund, if applicable

5-2(d) *LEI* of the reporting fund, if any

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5-3 Signatures of authorized representative (*see Instruction 11 to Form PF*)

I, the undersigned, sign this Section 5 on behalf of, and with the authority of, the *firm*. In addition, I sign this Section 5 on behalf of, and with the authority of, each of the *related persons* identified in Question 1(b) (other than any *related person* for which another individual has signed this Section 5 below).

Name of individual:

Signature:

Title:

Email address:

Telephone contact number (include area code and, if outside the United States, country code):

Date:

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Signature on behalf of *related persons*:

I, the undersigned, sign this Section 5 on behalf of, and with the authority of, the *related person(s)* identified below.

Name of each *related person* on behalf of which this individual is signing:

Name of individual:  
Signature:  
Title:  
Email address:  
Telephone contact number (include area code and, if outside the United States, country code):  
Date:

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***Item B. Extraordinary Investment Losses***

If on any business day the 10-business-day *holding period return* of the *reporting fund* is less than or equal to -20% of *reporting fund aggregate calculated value*, provide the information required by Questions 5-4 to 5-7, below. (*Current reports should not be filed for overlapping 10-business-day periods.*)

5-4 Beginning date of the 10-business-day loss period:  
5-5 End date of the 10-business-day loss period:  
5-6 *Holding period return*:  
5-7 *Dollar amount of loss over the 10-business-day loss period*:

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***Item C. Margin, Collateral or Equivalent Increase***

If the total dollar value of margin, collateral, or an equivalent posted by the *reporting fund* at the end of a rolling 10-business-day period less the total dollar value of margin, collateral, or an equivalent posted by the *reporting fund* at the beginning of the rolling 10-business-day period is greater than or equal to 20% of the *average daily reporting fund aggregate calculated value* during the period, provide the following information. (*if the total value of margin, collateral or an equivalent posted by the reporting fund continues to increase, do not file another current report until on or after the next 10-business-day period beginning after the end date stated at 5-9 below.*)

5-8 Beginning date of the 10-business-day period during which the increase was measured:  
5-9 End date of the 10-business-day period during which the increase was measured:  
5-10 Provide the total dollar value amount of margin, collateral or an equivalent posted by the *reporting fund* at the beginning of the 10-business-day period during which the increase was measured:  
5-11 Provide the total dollar value amount of margin, collateral or an equivalent posted by the *reporting fund* at the end of the 10-business-day period during which the increase was measured:  
5-12 Provide the *average daily reporting fund aggregate calculated value* of the *reporting fund* during the 10-business-day period during which the increase was measured:

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5-13 Counterparty or counterparties requiring increased margin, collateral or equivalent. (*If multiple counterparties are involved list them in order of the dollar amount of cumulative increase required by each counterparty.*)

| Legal name of the counterparty | Counterparty LEI, if any |
|--------------------------------|--------------------------|
| (a)                            |                          |
| (b)                            |                          |
| (c)                            |                          |

5-14 Check one or more of the following to describe your current understanding of circumstances relating to the margin increase(s) (check all that apply):

- The increase is a result of exchange or *CCP* requirements or known regulatory action affecting the counterparty.
- A counterparty or counterparties independently increased the *reporting fund's* margin, collateral or equivalent requirements.
- The *reporting fund* established a new relationship or new business with one or more counterparties.
- The increase is attributable to new investment positions, investment approach or strategy and/or portfolio turnover of the reporting fund.
- The increase is related to a deteriorating position or positions in the *reporting fund's* portfolio or other credit trigger under applicable counterparty agreements.
- Other (provide explanation in Item J).

***Item D. Notice of Margin Default or Determination of Inability to Meet a Call for Margin, Collateral or Equivalents***

Provide the following information if you either (1) receive notification that the *reporting fund* is in default on a call for margin, collateral or an equivalent, resulting in a deficit that the *reporting fund* will not be able to cover or address by adding additional funds (in situations where there is a contractually agreed upon cure period an adviser would not be required to file an Item D current report until the expiration of the cure period unless the fund would not expect to be able to meet call during such cure period), provide the following information; or (2) if you determine that the *reporting fund* is unable to meet a call for increased margin, collateral or an equivalent, including in situations where there is a dispute regarding the amount or appropriateness of the margin call.

*(You are not required to file a current report in situations where you dispute the amount and appropriateness of a call for increased margin, collateral or an equivalent, provided the reporting fund has sufficient assets to meet the greatest of the disputed amounts.)*

*(If you make this determination for more than one counterparty on the same day, provide the information required by 5-15 to 5-18 for each counterparty affected.)*

5-15 Date of the notification or determination:

5-16 Dollar amount of the call for margin, collateral or equivalent:

|  |
|--|
|  |
|--|

5-17 Counterparty:

| Legal name of the counterparty | Counterparty <i>LEI</i> , if any |
|--------------------------------|----------------------------------|
|                                |                                  |

5-18 Check one or more of the following to describe your current understanding of the circumstances relating

to the default or your determination that the *reporting fund* is unable to meet a call for increased margin, collateral or an equivalent:

- A counterparty increased margin, collateral or equivalent requirements for the *reporting fund* contributed to the default or inability to meet a call for increased margin, collateral or an equivalent.
- Losses in the value of the *reporting fund's* portfolio or other credit trigger under applicable counterparty agreements contributed to the default or inability to meet a call for increased margin, collateral or an equivalent.
- A default or settlement failure of a counterparty contributed to the default or inability to meet a call for increased margin, collateral or an equivalent.
- Other (provide explanation in Item J).

***Item E. Counterparty Default***

If a counterparty to the *reporting fund* (1) does not meet a call for margin, collateral or equivalent or fails to make any other payment, in the time and form contractually required (taking into account any contractually agreed cure period), and (2) the amount involved is greater than 5% of the *reporting fund aggregate calculated value*, provide the following information.

*(If you make this determination for more than one counterparty on the same day, provide the information required by 5-19 to 5-21 for each counterparty affected.)*

|                                |                          |
|--------------------------------|--------------------------|
| 5-19 Date of default:          |                          |
| 5-20 Dollar amount of default: |                          |
| 5-21 Counterparty:             |                          |
| Legal name of the counterparty | Counterparty LEI, if any |
|                                |                          |

***Item F. Prime Broker Relationship Terminated or Materially Restricted***

If (1) a prime broker terminates or materially restricts its relationship with the *reporting fund*, in whole or in part, in markets where that prime broker continues to be active; or (2) the relationship between the prime broker and the *reporting fund* was terminated by either the *reporting fund* or the prime broker in the last 72 hours or less in accordance with the Section 5 current reporting period, and a termination event was activated in the prime brokerage agreement or related agreements, within the last 12 months provide the following information below. *(Termination events, as specified in the prime broker agreement or related agreements, that are isolated to the financial state, activities or other conditions solely of the prime broker should not be considered for the purposes of this question.)*

|   |                          |
|---|--------------------------|
| 5-22 Date of the termination or material restriction:                 |                          |
| 5-23 Date of the termination event(s) if different from date in 5-22: |                          |
| 5-24 Prime Broker:  |                          |
| Legal name of the prime broker  | Prime broker LEI, if any |
|   |                          |



If technical or other difficulties resulting from the *operations event* prevent you from timely filing a *current report*, you may file as soon as practicable provided that you explain the technical or other difficulty that prevented timely filing in Item J of the *current report*.

***Item H. Withdrawals and Redemptions***

If the *reporting fund* receives cumulative requests for withdrawals or redemptions from the *reporting fund* equal to or more than 50% of the *most recent net asset value* (after netting against subscriptions and other contributions from investors received and contractually committed), provide the following information:

5-30 Date on which the net withdrawals or redemption requests exceeded 50% of the *most recent net asset value*:

5-31 Net value of withdrawals or redemptions paid from the *reporting fund* between the last *data reporting date* and the date of this *current report*:

5-32 Percentage of fund's *most recent net asset value* for which withdrawals or redemptions have been requested:

|  |
|--|
|  |
|  |
|  |

5-33 Have you notified investors that the *reporting fund* will liquidate?

Yes

No

***Item I. Unable to Satisfy Redemptions or Suspension of Redemptions***

If the *reporting fund* (1) is unable to pay redemption requests, or (2) has suspended redemptions and the suspension lasts for more than 5 consecutive business days; provide the following information:

5-34 Date on which the *reporting fund* was unable to pay or suspended redemptions:

5-35 Percentage of fund's *most recent net asset value* for which redemptions have been requested and not yet paid on the date of this *current report*:

|  |
|--|
|  |
|  |

5-36 Have you notified investors that the *reporting fund* will liquidate?

Yes

No

***Item J. Explanatory Notes***

You may provide any information you believe would be helpful in understanding the information reported in response to any Item in this Section 5 of this form. Identify the related question for each comment (*use a drop-down menu so that notes are received in a structured format*).

**Section 6: Quarterly report for advisers to *private equity funds*.**

Upon the occurrence of any one or more of the events specified in Items B or C of this section 6, you must file a quarterly report responding to questions required by the applicable Item(s) (a “*private equity event report*”). If any of the below items occur within a particular fiscal quarter for the private equity funds you advise you will file a section 6 quarterly report within 60 calendar days after the end of your first, second, third, and fourth fiscal quarters. Do not file a section 6 quarterly report if a *private equity reporting event* did not occur during that fiscal quarter. It is not necessary to report the same instance of a reporting event again on future section 6 filings. You may provide an additional explanation of the facts and circumstances relating to the event, including the causes and/or proposed resolution in explanatory notes under Item D of this section 6.

Check here if you are filing an amendment to a previously filed current report. Provide the filing date of the current report you are amending [Drop-down list of Month, Day, Year, Time].

***Item A: Information about you and the reporting fund***

6-1 Provide the identifying information requested below.

| Full legal name | CRD Number | SEC 801-<br>Number | NFA ID<br>Number, if any | Large trader<br>ID, if any | Large trader<br>ID suffix, if any |
|-----------------|------------|--------------------|--------------------------|----------------------------|-----------------------------------|
|                 |            |                    |                          |                            |                                   |

|  |                      |
|--|----------------------|
| 6-2(a) Name of the <i>reporting fund</i>                               | <input type="text"/> |
| 6-2(b) Private fund identification number of the <i>reporting fund</i> | <input type="text"/> |
| 6-2(c) NFA identification number of the <i>reporting fund</i> , if any | <input type="text"/> |
| 6-2(d) <i>LEI</i> of the <i>reporting fund</i> , if any                | <input type="text"/> |

6-3 Signatures of authorized representative (*see Instruction 11 to Form PF*)

I, the undersigned, sign this Section 6 on behalf of, and with the authority of, the *firm*. In addition, I sign this Section 6 on behalf of, and with the authority of, each of the *related persons* identified in Question 1(b) (other than any *related person* for which another individual has signed this Section 6 below).

|   |                      |
|---|----------------------|
| Name of individual:   | <input type="text"/> |
| Signature:  | <input type="text"/> |
| Title:  | <input type="text"/> |
| Email address:  | <input type="text"/> |
| Telephone contact number (include area code and, if outside the United States, country code): | <input type="text"/> |
| Date:   | <input type="text"/> |

Signature on behalf of *related persons*:

I, the undersigned, sign this Section 6 on behalf of, and with the authority of, the *related person(s)* identified below.

|  |                      |
|--|----------------------|
| Name of individual:  | <input type="text"/> |
| Signature:   | <input type="text"/> |
| Title:   | <input type="text"/> |
| Email address:   | <input type="text"/> |
| Telephone contact number (include area code and, if outside the United States, | <input type="text"/> |

country code):

Date:

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***Item B. Adviser-Led Secondary Transactions.***

If the *reporting fund* closed an *adviser-led secondary transaction*, provide the following:

6-4 Closing date of transaction:

6-5 Description of transaction:

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***Item C. General Partner Removal, Termination of the Investment Period or Termination of Fund.***

Upon receipt by the *reporting fund* or its adviser or affiliate of notification that fund investors have removed the adviser or its affiliate as the general partner or similar control person of the *reporting fund*, elected to terminate the *reporting fund's* investment period, or elected to terminate the *reporting fund*, in each case, as contemplated by the *reporting fund's* governing documents (each, a "*removal event*") provide the following:

6-6 Effective date of *removal event*:

6-7 Description of *removal event*:

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***Item D. Explanatory Notes***

You may provide any information you believe would be helpful in understanding the information reported in response to any Item in this Section 6 of this form. Identify the related question for each comment (*use a drop-down menu so that notes are received in a structured format*).

**Section 7: Request for temporary hardship exemption.**

You must complete Section 7 if you are requesting a temporary hardship exemption pursuant to *SEC* rule 204(b)-1(f).

- (a) For which type of Form PF filing are you requesting a temporary hardship exemption?
  - i. If you are not a *large hedge fund adviser* or *large liquidity fund adviser*: Initial filing
    - Annual update*
    - Final filing*
  - ii. If you are a *large hedge fund adviser* or *large liquidity fund adviser*: Initial filing
    - Quarterly update*
    - Filing to transition to annual reporting*
    - Final filing*

(b) Provide the following information regarding your request for a temporary hardship exemption (attach a separate page if additional space is needed).

- i. Describe the nature and extent of the temporary technical difficulties when you attempt to submit the filing to the Form PF filing system on the IARD:

- ii. Describe the extent to which you previously have submitted documents in electronic format with the same hardware and software that you are unable to use to submit this filing:

- iii. Describe the burden and expense of employing alternative means (e.g., a service provider) to submit the filing in electronic format in a timely manner:

- iv. Provide any other reasons that a temporary hardship exemption is warranted:

## GLOSSARY OF TERMS

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| <i>ABCP</i>  | Asset backed commercial paper, including (but not limited to) structured investment vehicles, single-seller conduits and multi-seller conduit programs.<br><br><u>Do not</u> include any positions held via <i>CDS</i> (these should be recorded in the <i>CDS</i> category).  |
| <i>ABS</i>   | Securities derived from the pooling and repackaging of cash flow producing financial assets.   |
| <i>Adviser-led secondary transaction</i>                       | Any transaction initiated by the adviser or any of its related persons that offers private fund investors the choice to: (i) sell all or a portion of their interests in the private fund; or (ii) convert or exchange all or a portion of their interests in the private fund for interests in another vehicle advised by the adviser or any of its related persons.  |
| <i>Advisers Act</i>  | U.S. Investment Advisers Act of 1940, as amended.  |
| <i>Affiliate</i>   | With respect to any <i>person</i> , any other <i>person</i> that directly or indirectly <i>controls</i> , is <i>controlled</i> by or is under common <i>control</i> with such person. The term <i>affiliated</i> means that two or more <i>persons</i> are <i>affiliates</i> .   |
| <i>Agency securities</i>                                       | Any security issued by a <i>person</i> controlled or supervised by and acting as an instrumentality of the government of the United States pursuant to authority granted by the Congress of the United States and guaranteed as to principal or interest by the United States.<br><br>Include bond derivatives.  |
| <i>Annual update</i>   | An update of this Form PF with respect to any fiscal year.   |
| <i>Average daily reporting fund aggregate calculated value</i> | The average of the daily <i>reporting fund aggregate calculated value</i> for the end of the business day on business days one through ten of the reporting period.  |
| <i>Borrowings</i>  | <i>Secured borrowings</i> and <i>unsecured borrowings</i> , collectively.  |
| <i>bp</i>  | Basis points.  |
| <i>Cash and cash equivalents</i>                               | Cash (including U.S. and non-U.S. currencies), cash equivalents and government securities. For purposes of this definition: <ul style="list-style-type: none"><li>• cash equivalents are: (i) bank deposits, certificates of deposit, bankers acceptances and similar bank instruments held for investment purposes; (ii) the net cash surrender value of an insurance policy; and (iii) investments in <i>money market funds</i>; and</li></ul> |

- government securities are: (i) *U.S. treasury securities*; (ii) *agency securities*; and (iii) any certificate of deposit for any of the foregoing.

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| <i>CCP</i>  | Central clearing counterparties (or central clearing houses) (for example, CME Clearing, The Depository Trust & Clearing Corporation, Fedwire and LCH Clearnet Limited).  |
| <i>CDO/CLO</i>  | Collateralized debt obligations and collateralized loan obligations (including, in each case, cash flow and synthetic) other than <i>MBS</i> .<br><br><u>Do not</u> include any positions held via <i>CDS</i> (these should be recorded in the <i>CDS</i> category).  |
| <i>CDS</i>  | Credit default swaps, including any <i>LCDS</i> .   |
| <i>CEA</i>  | U.S. Commodity Exchange Act, as amended.  |
| <i>CFTC</i>   | U.S. Commodity Futures Trading Commission.  |
| <i>Combined money market and liquidity fund assets under management</i> | With respect to any adviser, the sum of: (i) such adviser's <i>liquidity fund assets under management</i> ; and (ii) such adviser's <i>regulatory assets under management</i> that are attributable to <i>money market funds</i> that it advises.   |
| <i>Committed capital</i>  | Any commitment pursuant to which a <i>person</i> is obligated to acquire an interest in, or make capital contributions to, the <i>private fund</i> .  |
| <i>Commodities</i>  | Has the meaning provided in the <i>CEA</i> . Include <i>ETFs</i> that hold commodities.<br><br>For questions regarding <i>commodity</i> derivatives, provide the <i>value</i> of all exposure to <i>commodities</i> that you do not hold physically, whether held synthetically or through derivatives (whether cash or physically settled).                  |
| <i>Commodity pool</i>   | A "commodity pool," as defined in section 1a(10) of the <i>CEA</i> .  |
| <i>Conditional demand feature</i>                                       | Has the meaning provided in <i>rule 2a-7</i> .  |
| <i>Control</i>  | Has the meaning provided in <i>Form ADV</i> . The term <i>controlled</i> has a corresponding meaning.   |
| <i>Controlled portfolio company</i>                                     | With respect to any <i>private equity fund</i> , a portfolio company that is <i>controlled</i> by the <i>private equity fund</i> , either alone or together with the <i>private equity fund's affiliates</i> or other <i>persons</i> that are, as of the <i>data reporting date</i> , part of a club or consortium including the <i>private equity fund</i> . |
| <i>Convertible bonds</i>  | Convertible <i>corporate bonds</i> (not yet converted into shares or cash).<br><br><u>Include</u> bond derivatives, but <u>do not</u> include any positions held via <i>CDS</i> (these should be recorded in the <i>CDS</i> category).  |

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| <i>Corporate bonds</i>         | <p>Bonds, debentures and notes, including commercial paper, issued by corporations and other non-governmental entities.</p> <p><u>Do not</u> include preferred equities. Include bond derivatives, but <u>do not</u> include any positions held via <i>CDS</i> (these should be recorded in the <i>CDS</i> category).</p>   |
| <i>CPO</i>                     | A “commodity pool operator,” as defined in section 1a(11) of the <i>CEA</i> .   |
| <i>Credit derivatives</i>      | <i>Single name CDS, index CDS and exotic CDS.</i>   |
| <i>Credit rating agency</i>    | Any nationally recognized statistical rating organizations, as that term is defined in section 3(a)(62) of the Securities Exchange Act of 1934  |
| <i>Critical operations</i>     | For purposes of responding to Sections 5, means the operations necessary for (i) the investment, trading, valuation, reporting, and risk management of the <i>reporting fund</i> ; or (ii) the operation of the <i>reporting fund</i> in accordance with the Federal securities laws and regulations.   |
| <i>Crude oil</i>               | For questions regarding crude oil derivatives, provide the <i>value</i> of all exposure to crude oil that you do not hold physically, whether held synthetically or through derivatives (whether cash or physically settled).   |
| <i>CTA</i>                     | A “commodity trading advisor,” as defined in section 1a(12) of the <i>CEA</i> .   |
| <i>Current report</i>          | A <i>current report</i> provided pursuant to the items listed in Section 5 of Form PF.  |
| <i>Current reporting event</i> | Any event that triggers the requirement to complete and file a <i>current report</i> pursuant to the items in Section 5 of Form PF.   |
| <i>Daily liquid assets</i>     | Has the meaning provided in <i>rule 2a-7</i> .  |
| <i>Daily rate-of-return</i>    | Is the percentage change in the <i>reporting fund aggregate value</i> from one day to the next and adjusted for subscriptions and redemptions, if necessary.  |
| <i>Data reporting date</i>     | <p>In the case of an initial filing, the <i>data reporting date</i> is the last calendar day of your most recently completed fiscal year (or, if you are a <i>large hedge fund adviser</i> or <i>large liquidity fund adviser</i>, your most recently completed fiscal quarter).</p> <p>In the case of an <i>annual update</i>, the <i>data reporting date</i> is the last calendar day of your most recently completed fiscal year.</p> <p>In the case of a <i>quarterly update</i>, the <i>data reporting date</i> is the last calendar day of your most recently completed fiscal quarter.</p> |

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| <i>Demand feature</i>  | Has the meaning provided in <i>rule 2a-7</i> .  |
| <i>Dependent parallel managed account</i>                    | With respect to any <i>private fund</i> , any related <i>parallel managed account</i> <u>other than</u> a <i>parallel managed account</i> that individually (or together with other <i>parallel managed accounts</i> that pursue substantially the same investment objective and strategy and invest side by side in substantially the same positions) has a <i>gross asset value</i> greater than the <i>gross asset value</i> of such <i>private fund</i> (or, if such <i>private fund</i> is a <i>parallel fund</i> , the <i>gross asset value</i> of the <i>parallel fund structure</i> of which it is a part). |
| <i>Derivative exposures to unlisted equities</i>             | All synthetic or derivative exposures to equities, including preferred equities, that are not listed on a regulated exchange. Include single stock futures, equity index futures, dividend swaps, total return swaps (contracts for difference), warrants and rights.   |
| <i>Dollar amount of loss over the 10-business-day period</i> | Is equal to the <i>reporting fund aggregate value</i> at the end of the 10-business-day loss period less the <i>reporting fund aggregate value</i> at the beginning of the 10-business day loss period less the net of any subscriptions or redemptions during the 10-business-day period.  |
| <i>EEA</i>   | The European Economic Area. As of the effective date of this Form PF, the <i>EEA</i> is comprised of: (i) the European Union member states, which are Austria, Belgium, Bulgaria, Cyprus, the Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, and Sweden; and (ii) Iceland, Liechtenstein, Norway, and the United Kingdom.  |
| <i>ETF</i>   | Exchange-traded fund.   |
| <i>Exempt reporting adviser</i>                              | Has the meaning provided in <i>Form ADV</i> .   |
| <i>Exotic CDS</i>  | <i>CDSs</i> referencing bespoke baskets or tranches of <i>CDOs</i> , <i>CLOs</i> and other structured investment vehicles, including credit default tranches.   |
| <i>Feeder fund</i>   | See <i>master-feeder arrangement</i> .  |
| <i>Financial industry portfolio company</i>                  | Any of the following: (i) a nonbank financial company, as defined in the Financial Stability Act of 2010; or (ii) any bank, savings association, bank holding company, financial holding company, savings and loan holding company, credit union or other similar company regulated by a Federal, state, or foreign banking regulator, including the Federal Deposit Insurance Corporation, the Board of Governors of the Federal Reserve System, the Office of the Comptroller of the Currency, the National Credit Union Administration or the Farm Credit Administration.  |
| <i>Firm</i>  | The <i>private fund adviser</i> completing or amending this Form PF.  |

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| <i>Foreign exchange derivative</i>      | <p>Any derivative whose underlying asset is a currency other than U.S. dollars or is an exchange rate. Cross-currency interest rate swaps should be included in <i>foreign exchange derivatives</i> and excluded from <i>interest rate derivatives</i>.</p> <p>Only one currency side of every transaction should be counted.</p>          |
| <i>Form ADV</i>                         | Form ADV, as promulgated and amended by the SEC.   |
| <i>Form ADV Section 7.B.1</i>           | Section 7.B.1 of Schedule D to <i>Form ADV</i> .   |
| <i>General partner clawback</i>         | Any obligation of the general partner, its related persons, or their respective owners or interest holders to restore or otherwise return performance-based compensation to the fund pursuant to the fund's governing agreements.  |
| <i>General partner stakes investing</i> | An investment strategy that acquires non-controlling interests in alternative investment managers and other entities that provide advisory services to, or receive compensation from, private funds.   |
| <i>G10</i>                              | The Group of Ten. As of the effective date of this Form PF, the <i>G10</i> is comprised of: Belgium, Canada, France, Germany, Italy, Japan, the Netherlands, Sweden, Switzerland, the United Kingdom and the United States.  |
| <i>Gold</i>                             | For questions regarding gold derivatives, provide the <i>value</i> of all exposure to gold that you do not hold physically, whether held synthetically or through derivatives (whether cash or physically settled).  |
| <i>Government entity</i>                | Has the meaning provided in <i>Form ADV</i> .  |
| <i>Gross asset value</i>                | Value of gross assets, calculated in accordance with Part 1A, Instruction 6.e(3) of <i>Form ADV</i> .  |
| <i>Gross notional value</i>             | The gross nominal or notional value of all transactions that have been entered into but not yet settled as of the <i>data reporting date</i> . For contracts with variable nominal or notional principal amounts, the basis for reporting is the nominal or notional principal amounts as of the <i>data reporting date</i> .              |
| <i>GSE bonds</i>                        | <p>Notes, bonds and debentures issued by private entities sponsored by the U.S. Federal Government but not guaranteed as to principal and interest by the U.S. Federal Government.</p> <p>Include bond derivatives, but <u>do not</u> include any positions held via <i>CDS</i> (these should be recorded in the <i>CDS</i> category).</p> |
| <i>Guarantee</i>                        | For purposes of Question 63, has the meaning provided in paragraph (a)(16)(i) of <i>rule 2a-7</i> .  |
| <i>Guarantor</i>                        | For purposes of Question 63, the provider of any <i>guarantee</i> .  |

*Hedge fund*

Any *private fund* (other than a *securitized asset fund*):

- (a) with respect to which one or more investment advisers (or *related persons* of investment advisers) may be paid a performance fee or allocation calculated by taking into account unrealized gains (other than a fee or allocation the calculation of which may take into account unrealized gains solely for the purpose of reducing such fee or allocation to reflect net unrealized losses);
- (b) that may borrow an amount in excess of one-half of its *net asset value* (including any *committed capital*) or may have gross notional exposure in excess of twice its *net asset value* (including any *committed capital*); or
- (c) that may sell securities or other assets short or enter into similar transactions (other than for the purpose of hedging currency exposure or managing duration).

Solely for purposes of this Form PF, any *commodity pool* about which you are reporting or required to report on Form PF is categorized as a *hedge fund*.

For purposes of this definition, do not net long and short positions. Include any borrowings or notional exposure of another person that are guaranteed by the *private fund* or that the *private fund* may otherwise be obligated to satisfy.

*Hedge fund assets under management*

With respect to any adviser, *hedge fund assets under management* are the portion of such adviser's *regulatory assets under management* that are attributable to *hedge funds* that it advises.

*Holding period return*

Means the cumulative *daily rate of return* over the holding period calculated by geometrically linking the *daily rates of return*. Holding period return (%) =  $((1 + R_1) \times (1 + R_2) \dots (1 + R_{10}) - 1) \times 100$  where  $R_1, R_2 \dots R_{10}$  are the daily rates of return during the holding period expressed as decimals.

*Illiquid security*

Has the meaning provided in *rule 2a-7*.

*Index CDS*

*CDSs* referencing a standardized basket of credit entities, including *CDS indices* and indices referencing leveraged loans.

*Investment grade*

A security is *investment grade* if it is sufficiently liquid that it can be sold at or near its carrying value within a reasonably short period of time and is subject to no greater than moderate credit risk.

*Interest rate derivative*

Any derivative whose underlying asset is the obligation to pay or the right to receive a given amount of money accruing interest at a given rate. Cross-currency interest rate swaps should be included in foreign exchange derivatives and excluded from *interest rate derivatives*.

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|   | This information must be presented in terms of 10-year bond-equivalents.  |
| <i>Investments in external private funds</i>          | Investments in <i>private funds</i> that neither you nor your <i>related persons</i> advise (other than cash management funds).   |
| <i>Investments in internal private funds</i>          | Investments in <i>private funds</i> that you or any of your <i>related persons</i> advise (other than cash management funds).   |
| <i>Investments in other sub-asset classes</i>         | Any investment not included in another <i>sub-asset class</i> .   |
| <i>Investments in registered investment companies</i> | Investments in registered investment companies (other than cash management funds, such as money market funds, and <i>ETFs</i> ).<br><br><i>ETFs</i> should be categorized based on the assets that the fund holds and should not be included in this category.  |
| <i>Large hedge fund adviser</i>                       | Any <i>private fund adviser</i> that is required to file Section 2a of Form PF. See Instruction 3 to determine whether you are required to file this section.   |
| <i>Large liquidity fund adviser</i>                   | Any <i>private fund adviser</i> that is required to file Section 3 of Form PF.  |
| <i>Large private equity fund adviser</i>              | Any <i>private fund adviser</i> that is required to file Section 4 of Form PF. See Instruction 3 to determine whether you are required to file this section.  |
| <i>Large private fund adviser</i>                     | Any <i>large hedge fund adviser</i> , <i>large liquidity fund adviser</i> or <i>large private equity fund adviser</i> .   |
| <i>LEI</i>  | With respect to any company, the “legal entity identifier” assigned by or on behalf of an internationally recognized standards setting body and required for reporting purposes by the U.S. Department of the Treasury’s Office of Financial Research or a financial regulator. In the case of a financial institution, if a “legal entity identifier” has not been assigned, then provide the RSSD ID assigned by the National Information Center of the Board of Governors of the Federal Reserve System, if any. |
| <i>LCDS</i>   | Loan credit default swaps.  |
| <i>Leveraged loans</i>                                | Loans that are made to entities whose senior unsecured long term indebtedness is <i>non-investment grade</i> . This may include loans made in connection with the financing structure of a leveraged buyout.<br><br>Do not include any positions held via LCDS (these should be recorded in the CDS category).  |
| <i>Liquidity fund</i>                                 | Any <i>private fund</i> that seeks to generate income by investing in a portfolio of short term obligations in order to maintain a stable <i>net asset value</i> per unit or minimize principal volatility for investors.   |

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| <i>Liquidity fund assets under management</i> | With respect to any adviser, <i>liquidity fund assets under management</i> are the portion of such adviser's <i>regulatory assets under management</i> that are attributable to <i>liquidity funds</i> it advises (including <i>liquidity funds</i> that are also <i>hedge funds</i> ).  |
| <i>Limited partner clawback</i>               | An obligation of a fund's investors to return all or any portion of a distribution made by the fund to satisfy a liability, obligation, or expense of the fund pursuant to the fund's governing agreements.  |
| <i>Listed equity</i>                          | Direct beneficial ownership of equities, including preferred equities, listed on a regulated exchange.<br><br><u>Do not</u> include synthetic or derivative exposures to equities. <i>ETFs</i> should be categorized based on the assets that the fund holds and should only be included in <i>listed equities</i> if the fund holds <i>listed equities</i> (e.g., a commodities <i>ETF</i> should be categorized based on the commodities it holds).          |
| <i>Listed equity derivatives</i>              | All synthetic or derivative exposures to equities, including preferred equities, listed on a regulated exchange.<br><br>Include single stock futures, equity index futures, dividend swaps, total return swaps (contracts for difference), warrants and rights.  |
| <i>LV</i>                                     | <i>Value</i> of long positions, measured as specified in Instruction 15.   |
| <i>Master fund</i>                            | See <i>master-feeder arrangement</i> .   |
| <i>Master-feeder arrangement</i>              | An arrangement in which one or more funds (" <i>feeder funds</i> ") invest all or substantially all of their assets in a single <i>private fund</i> (" <i>master fund</i> "). A fund would also be a <i>feeder fund</i> investing in a <i>master fund</i> for purposes of this definition if it issued multiple classes (or series) of shares or interests and each class (or series) invests substantially all of its assets in a single <i>master fund</i> . |
| <i>Maturity</i>                               | The maturity of the relevant asset, determined without reference to the maturity shortening provisions contained in paragraph (i) of <i>rule 2a-7</i> regarding interest rate readjustments.   |
| <i>MBS</i>                                    | Mortgage backed securities, including residential, commercial and agency.<br><br><u>Do not</u> include any positions held via <i>CDS</i> (these should be recorded in the <i>CDS</i> category).  |
| <i>Money market fund</i>                      | Has the meaning provided in <i>rule 2a-7</i> .   |
| <i>Most recent net asset value</i>            | The <i>net asset value</i> reported as of the <i>data reporting date</i> at the end of the <i>reporting fund's</i> most recent <i>reporting period</i> .   |
| <i>NAICS code</i>                             | With respect to any company, the six-digit North American Industry Classification System code that best describes the company's primary business activity and principal source of revenue. If the company  |

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|                                       | reports a business activity code to the U.S. Internal Revenue Service, you may rely on that code for this purpose.   |
| <i>Natural gas</i>                    | For questions regarding natural gas derivatives, provide the <i>value</i> of all exposure to natural gas that you do not hold physically, whether held synthetically or through derivatives (whether cash or physically settled).  |
| <i>Net assets under management</i>    | <i>Net assets under management</i> are your <i>regulatory assets under management</i> minus any outstanding indebtedness or other accrued but unpaid liabilities.  |
| <i>Net asset value or NAV</i>         | With respect to any <i>reporting fund</i> , the gross assets reported in response to Question 8 minus any outstanding indebtedness or other accrued but unpaid liabilities.  |
| <i>NFA</i>                            | The National Futures Association.  |
| <i>Non-investment grade</i>           | A security is <i>non-investment grade</i> if it is not an <i>investment grade</i> security.  |
| <i>Non-U.S. financial institution</i> | Any of the following: (i) a financial institution chartered outside the United States; (ii) a financial institution that is separately incorporated or otherwise organized outside the United States but has a parent that is a financial institution chartered in the United States; or (iii) a branch or agency that resides in the United States but has a parent that is a financial institution chartered outside the United States.  |
| <i>Operations event</i>               | Means for purposes of Section 5 that the <i>reporting fund</i> or <i>adviser</i> experiences a significant disruption or degradation of the <i>reporting fund's critical operations</i> , whether as a result of an event at a service provider to the <i>reporting fund</i> , the <i>reporting fund</i> , or the <i>adviser</i> .   |
| <i>OTC</i>                            | With respect to any instrument, the trading of that instrument over the counter.   |
| <i>Other ABS</i>                      | <i>ABS</i> products that are not covered by another <i>sub-asset class</i> .<br><u>Do not</u> include any positions held via <i>CDS</i> (these should be recorded in the <i>CDS</i> category).   |
| <i>Other commodities</i>              | <i>Commodities</i> other than <i>crude oil</i> , <i>natural gas</i> , <i>gold</i> and <i>power</i> . All types of oil and energy products (aside from <i>crude oil</i> and <i>natural gas</i> ), including (but not limited to) ethanol, heating oil propane and gasoline, should be included in this category.<br><br>For questions regarding <i>other commodity</i> derivatives, provide the <i>value</i> of all exposure to <i>other commodities</i> that you do not hold physically, whether held synthetically or through derivatives (whether cash or physically settled). |
| <i>Other derivatives</i>              | Any derivative not included in another <i>sub-asset class</i> .  |

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| <i>Other loans</i>                            | All loans other than <i>leveraged loans</i> . <i>Other loans</i> includes (but is not limited to) bilateral or syndicated loans to corporate entities.<br><br><u>Do not</u> include any positions held via <i>LCDS</i> (these should be recorded in the <i>CDS</i> category) or certificates of deposit.                  |
| <i>Other private fund</i>                     | Any <i>private fund</i> that is not a <i>hedge fund</i> , <i>liquidity fund</i> , <i>private equity fund</i> , <i>real estate fund</i> , <i>securitized asset fund</i> or <i>venture capital fund</i> .   |
| <i>Other structured products</i>              | Any <i>structured products</i> not included in another <i>sub-asset class</i> .<br><br><u>Do not</u> include any positions held via <i>CDS</i> (these should be recorded in the <i>CDS</i> category).   |
| <i>Parallel fund</i>                          | See <i>parallel fund structure</i> .  |
| <i>Parallel fund structure</i>                | A structure in which one or more <i>private funds</i> (each, a “ <i>parallel fund</i> ”) pursues substantially the same investment objective and strategy and invests side by side in substantially the same positions as another <i>private fund</i> .   |
| <i>Parallel managed account</i>               | With respect to any <i>private fund</i> , a <i>parallel managed account</i> is any managed account or other pool of assets that you advise and that pursues substantially the same investment objective and strategy and invests side by side in substantially the same positions as the identified <i>private fund</i> . |
| <i>Performance-based Compensation</i>         | Allocations, payments, or distributions of capital based on the <i>reporting fund</i> ’s (or any of its investments’) capital gains, capital appreciation and/or other profit.  |
| <i>Person</i>                                 | Has the meaning provided in <i>Form ADV</i> .   |
| <i>Power</i>                                  | For questions regarding power derivatives, provide the <i>value</i> of all exposure to power that you do not hold physically, whether held synthetically or through derivatives (whether cash or physically settled).   |
| <i>Principal office and place of business</i> | Has the meaning provided in <i>Form ADV</i> .   |
| <i>Private equity event report</i>            | A quarterly report provided pursuant to the items listed in Section 6 of Form PF.   |
| <i>Private equity reporting event</i>         | Any event that triggers the requirement to complete and file a <i>private equity event report</i> pursuant to the items in Section 6 of Form PF.  |
| <i>Private equity fund</i>                    | Any <i>private fund</i> that is not a <i>hedge fund</i> , <i>liquidity fund</i> , <i>real estate fund</i> , <i>securitized asset fund</i> or <i>venture capital fund</i> and does not provide investors with redemption rights in the ordinary course.  |

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| <i>Private equity fund assets under management</i> | With respect to any adviser, <i>private equity fund assets under management</i> are the portion of such adviser's <i>regulatory assets under management</i> that are attributable to <i>private equity funds</i> it advises.  |
| <i>Private fund</i>                                | <p>Any issuer that would be an investment company as defined in section 3 of the Investment Company Act of 1940 but for section 3(c)(1) or 3(c)(7) of that Act.</p> <p>If any <i>private fund</i> has issued two or more series (or classes) of equity interests whose values are determined with respect to separate portfolios of securities and other assets, then each such series (or class) should be regarded as a separate <i>private fund</i>. This only applies with respect to series (or classes) that you manage as if they were separate funds and not a fund's side pockets or similar arrangements.</p> |
| <i>Private fund adviser</i>                        | Any investment adviser that (i) is registered or required to register with the <i>SEC</i> (including any investment adviser that is also registered or required to register with the <i>CFTC</i> as a <i>CPO</i> or <i>CTA</i> ) and (ii) advises one or more <i>private funds</i> .  |
| <i>Private fund assets under management</i>        | With respect to any adviser, <i>private fund assets under management</i> are the portion of such adviser's <i>regulatory assets under management</i> that are attributable to <i>private funds</i> it advises.  |
| <i>Qualifying hedge fund</i>                       | Any <i>hedge fund</i> that has a <i>net asset value</i> (individually or in combination with any <i>feeder funds</i> , <i>parallel funds</i> and/or <i>dependent parallel managed accounts</i> ) of at least \$500 million as of the last day of any month in the fiscal quarter immediately preceding your most recently completed fiscal quarter.   |
| <i>Quarterly update</i>                            | An update of this Form PF with respect to any fiscal quarter.   |
| <i>Real estate fund</i>                            | Any <i>private fund</i> that is not a <i>hedge fund</i> , that does not provide investors with redemption rights in the ordinary course and that invests primarily in real estate and real estate related assets.   |
| <i>Regulatory assets under management</i>          | Regulatory assets under management, calculated in accordance with Part 1A, Instruction 5.b of <i>Form ADV</i> .   |
| <i>Related person</i>                              | Has the meaning provided in <i>Form ADV</i> .   |
| <i>Repo</i>  | <p>Any purchase of securities coupled with an agreement to sell the same (or similar) securities at a later date at an agreed upon price.</p> <p><u>Do not</u> include any positions held via <i>CDS</i> (these should be recorded in the <i>CDS</i> category).</p>   |
| <i>Reporting period</i>                            | <p>With respect to an <i>annual update</i>, the twelve month period ending on the <i>data reporting date</i>.</p> <p>With respect to a <i>quarterly update</i>, the three month period ending on the <i>data reporting date</i>.</p>  |

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| <i>Reporting fund</i>                            | <p>A <i>private fund</i> as to which you must report information on Form PF.</p> <p>Typically, each <i>private fund</i> is a <i>reporting fund</i>. However, if you are reporting aggregate information for any <i>master-feeder arrangement</i> or <i>parallel fund structure</i>, only the <i>master fund</i> or the largest <i>parallel fund</i> in the structure (as applicable) should be identified as a <i>reporting fund</i>. See Instructions 3 and 5.</p>   |
| <i>Reporting fund aggregate calculated value</i> | <p>Every position in the <i>reporting fund's</i> portfolio, including cash and cash equivalents, short positions, and any fund-level borrowing, with the most recent price or value applied to the position for purposes of managing the investment portfolio. The <i>reporting fund aggregate calculated value</i> is a signed value calculated on a net basis and not on a gross basis. Where one or more portfolio positions are valued less frequently than daily, the last price used should be carried forward, though a current foreign exchange rate may be applied if the position is not valued in U.S. dollars. It is not necessary to adjust the <i>reporting fund aggregate calculated value</i> for accrued fees or expenses. <i>Reporting fund aggregate calculated value</i> does not need to be subjected to fair valuation procedures. The inclusion of income accruals is recommended but not required; however, the approach should be consistent over time. The <i>reporting fund aggregate calculated value</i> may be calculated using the adviser's own internal methodologies and conventions of the adviser's service providers, provided that these are consistent with information reported internally.</p> |
| <i>Reverse repo</i>                              | <p>Any sale of securities coupled with an agreement to repurchase the same (or similar) securities at a later date at an agreed upon price.</p>   |
| <i>Risk limiting conditions</i>                  | <p>The conditions specified in paragraphs (d) of <i>rule 2a-7</i>.</p>  |
| <i>Rule 2a-7</i>                                 | <p>Rule 2a-7 promulgated by the <i>SEC</i> under the Investment Company Act of 1940.</p>  |
| <i>SEC</i>                                       | <p>U.S. Securities and Exchange Commission.</p>   |
| <i>Secured borrowing</i>                         | <p>Obligations for borrowed money in respect of which the borrower has posted collateral or other credit support. For purposes of this definition, <i>reverse repos</i> are <i>secured borrowings</i>.</p>  |
| <i>Securities lending collateral</i>             | <p>Cash pledged to the <i>reporting fund's</i> beneficial owners as collateral in respect of securities lending arrangements.</p>   |
| <i>Securitized asset fund</i>                    | <p>Any <i>private fund</i> whose primary purpose is to issue asset backed securities and whose investors are primarily debt-holders.</p>  |
| <i>Separately operated</i>                       | <p>For purposes of this Form, a <i>related person</i> is <i>separately operated</i> if you are not required to complete Section 7.A. of Schedule D to <i>Form ADV</i> with respect to that <i>related person</i>.</p>   |
| <i>7-day gross yield</i>                         | <p>Based on the 7 days ended on the <i>data reporting date</i>, calculate the <i>liquidity fund's</i> yield by determining the net change, exclusive of</p>   |

capital changes and income other than investment income, in the value of a hypothetical pre-existing account having a balance of one share at the beginning of the period and dividing the difference by the value of the account at the beginning of the base period to obtain the base period return, and then multiplying the base period return by  $(365/7)$  with the resulting yield figure carried to the nearest hundredth of one percent. The 7-day gross yield should not reflect a deduction of shareholders fees and fund operating expenses.

*Single name CDS*

*CDSs* referencing a single entity.

*Sovereign bonds*

Any notes, bonds and debentures issued by a national government (including central governments, other governments and central banks but excluding U.S. state and local governments), whether denominated in a local or foreign currency.

Include bond derivatives, but do not include any positions held via *CDS* (these should be recorded in the *CDS* category).

*Structured products*

Pre-packaged investment products, typically based on derivatives and including structured notes.

*Sub-asset class*

Each sub-asset class identified in Questions 26 and 30.

*SV*

*Value* of short positions, measured as specified in Instruction 15.

*Unlisted equity*

Direct beneficial ownership of equities, including preferred equities, that are not listed on a regulated exchange.

Do not include synthetic or derivative exposures to equities.

*U.S. financial institution*

Any of the following: (i) a financial institution chartered in the United States (whether federally chartered or state-chartered); (ii) a financial institution that is separately incorporated or otherwise organized in the United States but has a parent that is a financial institution chartered outside the United States; or (iii) a branch or agency that resides outside the United States but has a parent that is a financial institution chartered in the United States.

*U.S. depository institution*

Any U.S. domiciled depository institution, including any of the following: (i) a depository institution chartered in the United States, including any federally chartered or state-chartered bank, savings bank, cooperative bank, savings and loan association, or an international banking facility established by a depository institution chartered in the United States; (ii) banking offices established in the United States by a financial institution that is not organized or chartered in the United States, including a branch or agency located in the United States and engaged in banking not incorporated separately from its financial institution parent, United States subsidiaries established to engage in international business, and international banking facilities; (iii) any bank chartered in any of the following United States affiliated areas: U.S. territories of American Samoa, Guam, and the U.S. Virgin Islands; the Commonwealth of the

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|                                 | Northern Mariana Islands; the Commonwealth of Puerto Rico; the Republic of the Marshall Islands; the Federated States of Micronesia; and the Trust Territory of the Pacific Islands (Palau); or (iv) a credit union (including a natural person or corporate credit union).   |
| <i>U.S. treasury securities</i> | Direct obligations of the U.S. Government. Include <i>U.S. treasury security</i> derivatives.   |
| <i>Unencumbered cash</i>        | The fund's <i>cash and cash equivalents</i> <u>plus</u> the <i>value</i> of overnight <i>repos</i> used for liquidity management where the assets purchased are <i>U.S. treasury securities</i> or <i>agency securities</i> <u>minus</u> the sum of the following (without duplication): (i) <i>cash and cash equivalents</i> transferred to a collateral taker pursuant to a title transfer arrangement; and (ii) <i>cash and cash equivalents</i> subject to a security interest, lien or other encumbrance (this could include <i>cash and cash equivalents</i> in an account subject to a control agreement). |
| <i>Unfunded commitments</i>     | <i>Committed capital</i> that has not yet been contributed to the <i>private equity fund</i> by investors.  |
| <i>United States person</i>     | Has the meaning provided in rule 203(m)-1 under the Advisers Act, which includes any natural person that is resident in the United States.  |
| <i>Unsecured borrowing</i>      | Obligations for borrowed money in respect of which the borrower has not posted collateral or other credit support.  |
| <i>Value</i>                    | See Instruction 15.   |
| <i>VaR</i>                      | For a given portfolio, the loss over a target horizon that will not be exceeded at some specified confidence level.   |
| <i>Venture capital fund</i>     | Any <i>private fund</i> meeting the definition of venture capital fund in rule 203(l)-1 of the <i>Advisers Act</i> .  |
| <i>WAL</i>                      | Weighted average portfolio maturity of a <i>liquidity fund</i> calculated taking into account the maturity shortening provisions contained in paragraph (i) of <i>rule 2a-7</i> , but determined without reference to the exceptions in paragraph (i) of <i>rule 2a-7</i> regarding interest rate readjustments.  |
| <i>WAM</i>                      | Weighted average portfolio maturity of a <i>liquidity fund</i> calculated taking into account the maturity shortening provisions contained in paragraph (i) of <i>rule 2a-7</i> .   |
| <i>Weekly liquid assets</i>     | Has the meaning provided in <i>rule 2a-7</i> .  |