Chair Gary Gensler
Securities and Exchange Commission
100 F St NE
Washington, DC 20549

May 8, 2023

Chair Gensler,

The undersigned 13 organizations write to underscore our support for the Securities and Exchange Commission's (the "Commission") private fund adviser proposal that would provide investors with greater transparency around the terms of their investments in private funds. The proposal's mandated disclosure of crucial information around investment terms would enable fiduciaries, many overseeing money on behalf of working people saving for retirement and retirees, and other investors placing their own money in private funds, to have the information necessary to make informed decisions and to negotiate on more even terms with their private fund advisers, without having to relying on obtaining special agreements for what should be a basic part of market transactions. These elements of the rule, along with the requirements about transparency on returns and more, will create a fairer and more competitive market, and protect retirees hard earned pensions and other savings.

Currently, investing in the $20 trillion private fund industry is not a transparent, standardized process but rather a series of bespoke, bilateral negotiations where investors attempt to negotiate basic terms such as the level of granularity of reporting around fees and expenses that are charged, along with what those fees and charges are, or how investment performance is reported. All of these negotiations are also done while remaining in the dark on what terms other investors in the same fund have received.

The lack of standard investment terms have led some fiduciaries to comment to the Commission that they "find it necessary to incur substantial time and effort to reach agreement with some [General Partners]" on negotiating basic, sensible terms of investment.[1]

Worse, this opaque and siloed system of negotiating Limited Partnership (LP) agreements has enabled General Partners (GPs) to coerce investors to accept unfavorable terms such as indemnification, limited liability, and standard of care provisions that seriously disadvantage investors by providing unduly broad protection for GPs in the case of wrongdoing.

In the absence of the Commission's private fund adviser proposal mandating the disclosure of basic and important information, investors have attempted to take it upon themselves to try and use the existing bilateral negotiation process to secure better terms for themselves using side letters. Some side letters have been negotiated to provide the LP with additional information on

[1] Tarbox, Monte. National Electrical Benefit Fund. Re: File No. S7-03-22. Apr 25, 2022. https://www.sec.gov/comments/s7-03-22/s70322-20126495-287136.pdf

a fund that the fund adviser would otherwise be mandated to provide under the Commission's proposals.

Privately negotiating various side letters however has instead pitted LPs against one another rather than collectively trying to negotiate for a standard set of disclosures and investment terms from the GPs. Side letters cause harm to other fund investors by allowing the GPs to selectively disclose information to one set of investors that would otherwise be valuable to others. Examples include preferential liquidity, where one investor can redeem ahead of others or selective disclosure of information, which can be used by the investors receiving such information at the expense of other investors in the fund.

To protect the financial security of millions of retirees around the country we urge the Commission to finalize a set of rules on private fund advisers that requires them to provide a standard disclosure of fees, expenses, performance, and side letters that enable LPs to fairly negotiate terms with fund GPs and prohibits GPs from coercing LPs to waive important rights and from engaging in other conflicts of interest that are contrary to the public interest and protection of investors. By doing so, the Commission can play a crucial role in ensuring that Americans' retirement savings are not mis-allocated to their private fund advisers.

Sincerely,

Americans for Financial Reform Education Fund

AFL-CIO

American Federation of Teachers

Center for Economic and Policy Research

Communications Workers of America

Consumer Federation of America

Interfaith Center on Corporate Responsibility

National Education Association

National Employment Law Project

Professor Laura K. Olson, Lehigh University

Public Citizen

Private Equity Stakeholder Project

SOC Investment Group