April 25, 2022

Vanessa A. Countryman
Secretary
U.S. Securities and Exchange Commission
100 F St. N.E.
Washington, DC 20549
Re: Private Fund Advisers (File No: S7-03-22)

Dear Secretary Countryman:

PEF Services, a CSC company, has been in the US fund administration service business for 20 years and we have seen dramatic changes and growth in our industry over those decades. Our services include accounting and investor reporting for illiquid alternative asset management firms (aka private capital firms) and their investors. Our firm has been on the forefront of the efforts for increased transparency in the industry, including the release of a portal in 2018 which allows investors to access data sourced from the official books and records of the funds in which they invest. We are proud to be part of the solution for our industry.

Many of the proposed rules are due in part to the evolution of our industry. Some are due to the problems our industry has had as noted in the numerous examination findings listed in support for each of the proposals. That said, the scope and pace of change needs to be considered by regulators and its potential impact on the industry, especially the smaller fund managers (typically <$1B in AUM). These managers are crucial capital sources for many businesses in the United States (there are lots of stories and statistics on this point of which I'm sure the SEC is well aware). These managers are also the next generation of larger firms that many of the pension funds and other institutional investors rely on to generate the returns to meet their future obligations.

Our comment focuses on the impact of regulations on small fund managers and requests that the SEC consider, given the additional regulatory burden these proposed rules entail, increasing the threshold for the "private fund adviser exemption" under Section 203(m) of the Investment Advisers Act.

Disclosures alert potential investors in exempt funds that these funds do not have all the regulatory requirements of a registered private advisor. Investors and their advisers as well as the private capital firm need to make certain that the investment in a small private capital

fund is appropriate for the investor. Disclosures, questions in subscription agreements and Know Your Client processes could ensure that this review takes place. And, as an exempt reporting firm, these smaller firms will continue to report required information to the SEC and adhere to the requirements that apply to all private capital advisers, however they will not be overwhelmed by additional regulations and reporting requirements. As the industry continues to mature and wider use of service providers and their technology solutions are adopted, the threshold for exempt reporting firm can be lowered back to the $150 million level if needed.

Another items of note for the SEC staff to consider in the spirit of reducing unintended consequences, in a successful illiquid private fund, the adviser pays for 20 percent of all expenses. This economic arrangement over the years has supported the alignment between investors and their adviser to properly resource and run the fund while keeping expenses in check. Please see the simplified example below comparing the waterfall outcomes of two hypothetical funds the only difference between which is an extra $1,000,000 of expenses incurred by Fund A:

**Example showing advisor bearing 20% of fund expenses**

| | **Fund A** | **Fund B** |
|---|---|---|
| Capital called for investments | $10,000,000 | $10,000,000 |
| Realization of investments | 20,000,000 | 20,000,000 |
| **Capital called for expenses** | **3,000,000** | **2,000,000** |
| Realized gain | 10,000,000 | 10,000,000 |
| Realized gain net of expenses | 7,000,000 | 8,000,000 |
| Carry percentage | 20% | 20% |
| Carry on realized gain net of expenses | $1,400,000 | $1,600,000 |

Difference in carry received by Fund B $200,000
Equal to 20% of additional expense incurred by Fund A

If the adviser has to pay 100 percent of the investor reporting and compliance expenses, those areas might become under resourced and place both the investors and the adviser at a disadvantage in the long term.

In addition, from a practical standpoint, we should strive to avoid version control issues with data regarding the additional reporting requirements. If a fund has existing investor

reporting requirements that are within the boundaries of the final rule, it would be very helpful for the industry if both the "as of date" and due dates corresponded with the fund's existing investor reporting periods and due dates. We anticipate that much of the additional reporting would be included with the current investor reporting process.

Lastly, our industry has made great progress recently with regard to performance reporting as seen in CFA Institute's release of the 2020 GIPS® standards, a standard which I'm sure the SEC is well aware. Many of the questions and items included in the proposed rules are addressed in the new standard.

Thank you for your attention.

Sincerely,

*Anne Anquillare*

Anne Anquillare
Head of US Fund Services
CSC Global Financial Markets