

SEC/CFTC Proposed Amendments to Form PF



The Securities and Exchange Commission and the Commodity Futures Trading Commission are considering joint proposed amendments to Form PF, the confidential reporting form for certain SEC-registered investment advisers to private funds, to:

- Enhance reporting by large hedge fund advisers on qualifying hedge funds;
- Enhance reporting on basic information about advisers and the private funds they advise;
- Enhance reporting concerning hedge funds;
- Amend how advisers report complex structures; and
- Remove aggregate reporting for large hedge fund advisers.

Background

Form PF, adopted by the SEC and CFTC in 2011, provides the SEC and the Financial Stability Oversight Counsel (FSOC) with important, confidential information about the basic operations and strategies of private funds. Private funds are pooled investment vehicles that are excluded from the definition of “investment company” under the Investment Company Act of 1940 and generally include funds commonly known as hedge funds, private equity funds, and liquidity funds. FSOC may use information collected on Form PF to monitor and assess systemic risk. The SEC and CFTC may use the information collected on Form PF in regulatory programs, including examinations, investigations, and investor protection efforts.

Why This Matters

The proposed amendments are designed to enhance FSOC’s ability to monitor systemic risk and bolster the SEC’s regulatory oversight of private fund advisers. Since Form PF’s adoption, Form PF data show that the value of private fund net assets has more than doubled, and the number of private funds has increased by nearly 55 percent, as of the third quarter of 2021. The private fund industry’s business practices, complexity of fund structures, and investment strategies and exposures also have evolved. Certain investment strategies, including credit, digital asset, litigation finance, and real estate strategies, have become more common. Similarly, qualifying hedge fund exposures to repurchase agreements, reverse repurchase agreements, and U.S. treasury securities have increased. Experience with Form PF data also has identified potential ways to improve data quality, including when existing reporting may not identify fully potential risks, such as in the reporting of certain master-feeder arrangements.

What This Proposal Would Do

The proposed amendments generally are designed to provide greater insight into private funds' operations and strategies, assist in identifying trends, including those that could create systemic risk, improve data quality and comparability, and reduce reporting errors.

Enhance Reporting by Large Hedge Fund Advisers on Qualifying Hedge Funds

The proposal would enhance large hedge fund adviser reporting on qualifying hedge funds (those with a net asset value of at least \$500 million), including how large hedge fund advisers report investment exposures, borrowing and counterparty exposure, market factor effects, currency exposure reporting, turnover, country and industry exposure, central clearing counterparty reporting, risk metrics, investment performance by strategy, portfolio correlation, portfolio liquidity, and financing liquidity.

Enhance Reporting on Basic Information About Advisers and the Private Funds They Advise

The proposal would require advisers to report additional information about themselves and their private funds, including identifying information, assets under management, withdrawal and redemption rights, gross asset value and net asset value, inflows and outflows, base currency, borrowings and types of creditors, fair value hierarchy, beneficial ownership, and fund performance.

Enhance Reporting Concerning Hedge Funds

The proposal would remove duplicative questions and require more detailed information about hedge fund investment strategies, counterparty exposures, and trading and clearing mechanisms.

Amend How Advisers Report Complex Structures

Currently, Form PF allows advisers to report complex structures either in the aggregate or separately, as long as they do so consistently. The practice obscures risk profiles and makes comparisons of complex structures difficult. The proposal generally would require advisers to report separately each component fund in complex fund structures, such as master-feeder arrangements and parallel fund structures.

Remove Aggregate Reporting for Large Hedge Fund Advisers.

Form PF currently requires large hedge fund advisers to report certain aggregated information about the hedge funds they advise. Such information can obscure the data about hedge funds, including by masking the directional exposures of individual funds. The proposal would remove the aggregate reporting requirement.

Additional Information:

The proposed rules will be published on [SEC.gov](https://www.sec.gov), on [CFTC.gov](https://www.cftc.gov), and in the Federal Register. Comments should be received on or before (1) 60 days after issuance and publication on [SEC.gov](https://www.sec.gov) or (2) 30 days after publication in the Federal Register, whichever is later.