

# DISCLAIMER

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# Form PF Background

- ▶ Dodd–Frank Act required SEC and CFTC to jointly adopt a form “that contains such information as they deem necessary and appropriate in the public interest and for investor protection or for the assessment of systemic risk by FSOC.”
  - FSOC is the primary user of Form PF data and will use it to monitor systemic risk. Specifically, they are considering whether to establish additional sets of metrics tailored to evaluate whether any private fund adviser or private fund is “systemically important.”
  - The SEC and CFTC, however, may use the information in its regulatory programs, including exams, investigations, and other investor protection efforts.
  - SEC and CFTC worked closely with FSOC (*i.e.*, Treasury and Federal Reserve) to understand what information would help FSOC monitor systemic risk.
  - Dodd–Frank Act imposes heightened confidentiality standards on Form PF data.

# Who Must File Form PF?

- ▶ SEC adopted Form PF and Rule 204(b)-1 under the Advisers Act in October 2011.
  - SEC-registered advisers with at least \$150 million in private fund assets under management (*i.e.*, RAUM) between themselves and their related persons must file a Form PF.
  - Related persons can submit separate filings or file together on one filing.
  - SEC-registered advisers that are also registered as Commodity Pool Operators with the CFTC may satisfy the CFTC's requirement to file systemic information about their commodity pools by filing Form PF with the SEC instead of filing the same information on Form CPO-PQR with the CFTC.

# How Advisers File Form PF

- ▶ Filed through the Private Fund Reporting Depository (“PFRD”) electronic filing system.
  - PFRD is a sub-system of Investment Adviser Registration Depository (“IARD”) where advisers file their Form ADV.
  - Private funds identified on Form ADV are automatically populated in an adviser’s Form PF.
- ▶ Form PF may be filed 3 ways: manually entering information in a web-based form, XML batch filings, and machine-to-machine XML filings
- ▶ \$150 filing fee per filing

# Tiered Reporting

- ▶ The amount and type of information to be reported, and frequency of reporting, depends on the size of an adviser and types of private funds it advises.
  - Most advisers will file once a year and report only basic information.
  - Larger advisers will provide more detailed information and generally file quarterly (except that private equity fund advisers, regardless of size, only file annually).

# Small Private Fund Advisers – Section 1

- ▶ “Small Advisers” will file annually within 120 days of their FYE.
  - “Small Advisers” means advisers with less than \$1.5 billion in hedge fund assets, \$1 billion in liquidity fund and money market fund assets, or \$2 billion in private equity fund assets.
- ▶ They will generally only have to complete Sections 1(a) and 1(b), which ask general data on the types of private funds that an adviser advises (*e.g.*, private equity or hedge funds), and information relating to such funds’ size, leverage, investors, liquidity, and performance.
- ▶ Advisers managing hedge funds would also report information about fund strategy, counterparty credit risk, and the use of trading and clearing mechanisms in Section 1c.

# Large Hedge Fund Advisers – Section 2

- ▶ Advisers with at least \$1.5 billion in hedge fund AUM must file Form PF quarterly with respect to their hedge funds within 60 days of their FYE.
- ▶ In addition to Section 1, they will complete:
  - Section 2a, which asks for information on an aggregated basis for all of their hedge funds, such as their funds' exposures, geographical concentration, and turnover by asset class (not position-level information); and
  - Section 2b for each “qualifying hedge fund” (*i.e.*, \$500 million in net assets), which requires additional information relating to the specific fund's exposures, leverage, risk profile, and liquidity.

# Large Liquidity Fund Advisers – Section 3

- ▶ Advisers with at least \$1 billion in combined liquidity fund and registered money market fund AUM must file Form PF quarterly with respect to their liquidity funds within 15 days of their FYE.
- ▶ In addition to Section 1, they will complete Section 3 for each liquidity fund.
  - Section 3 requires information about each funds' exposures, geographical concentration, and turnover by asset class (not position-level information), direct and indirect forms of leverage, and liquidity.



# Large Private Equity Fund Advisers – Section 4

- ▶ Advisers with at least \$2 billion in private equity fund AUM must file Form PF annually with respect to their private equity funds within 120 days of their FYE.
- ▶ In addition to Section 1, they will complete Section 4 for each private equity fund.
  - Section 4 asks information related to each PE funds' use of direct and indirect leverage (*e.g.*, use of financing) and investments in financial institutions.

# IM's Role

- ▶ Helping advisers navigate the form
  - Answering calls and emails to [formpf@sec.gov](mailto:formpf@sec.gov)
  - Over 1,500 inquiries thus far
  - Issuing FAQs based on these inquiries to address recurring issues
- ▶ New Risk and Exam Office reviewing filings and meeting with advisers to understand how advisers are interpreting the questions. This will lead to more FAQs in hopes of cleaning the data over time.
- ▶ Coordinating the Form PF Steering Committee, which is a group of senior officers from different Divisions and Offices tasked with establishing how staff throughout the SEC will access and use the data.

# DERA and REO Use of Form PF Data

The Division of Economic and Risk Analysis (“*DERA*”) has successfully incorporated Form PF data into its proprietary analytical tool.

- DERA is actively working with various experts across the Commission to develop and deliver more complex analytics
  - aberrational performance
  - systemic trend
  - peer analysis

The Division of Investment Management’s Risk and Examinations Office (“*REO*”) is also working with DERA to

- develop analytics that will monitor the risk-taking activities of investment advisers to hedge funds and other private funds as part of REO’s risk monitoring program
- provide internal periodic reports regarding the private fund industry generally and with respect to particular market segments.

# OCIE Use of Form PF

OCIE will use Form PF in the course of Exams and Exam Planning

- Strict confidentiality procedures in place to access the filings
- Risk scoping
- Data will be used to:
  - Compare with data from other filings
  - Confirm strategy and liquidity profile vs marketing materials
  - Identify key counterparties
  - Analyze appropriate use of derivatives
  - Use of Leverage

# Form PF Data to Date

	<u>Timing of Filing</u>	<u>Advisers</u>	<u>Funds</u>
<b>Smaller Advisers</b> <i>(\$150 million private fund RAUM)</i>	120 days from fiscal year end	1,662	9,963
<b>Large Liquidity Fund Advisers</b> <i>(\$1 billion combined liquidity fund and money market fund RAUM)</i>	15 days from a quarter end	25	51
<b>Large Hedge Fund Advisers</b> <i>(\$1.5 billion hedge fund RAUM)</i>	60 days from a quarter end	482	4,189
<b>Large Private Equity Fund Advisers</b> <i>(\$2 billion private equity RAUM)</i>	120 days from fiscal year end	171	1,931
	<b>Total</b>	<b>2,305</b>	<b>18,015</b>

**NOTES:**

*The total number of advisers does not count multiple times those 33 large advisers that advise more than one type of private fund (liquidity fund, hedge fund or private equity fund). Therefore, the sum of the four categories will result in a larger total.*

*The total number of private funds includes 1,881 additional private funds that are not otherwise included in this column because these private funds are (a) advised by large private equity advisers and are not private equity funds, (b) advised by large hedge fund advisers and are not hedge funds or (c) advised by large liquidity fund advisers and are not liquidity funds.*

Source: Annual Staff Report Relating to the Use of Data Collected from Private Fund Systemic Risk Reports, July 25, 2013

# Form PF Data to Date

<u>Identified as</u>	<u>Number</u>	<u>Combined RAUM</u>
Hedge Funds	6,683	\$4.061 trillion
Private Equity Funds	5,928	\$1.603 trillion
Other Private Fund Type	2,922	\$698 billion
Real Estate Funds	1,121	\$299 billion
Securitized Asset Funds	966	\$338 billion
Venture Capital Funds	329	\$23 billion
Liquidity Funds	66	<u>\$258 billion</u>
<b>TOTAL</b>		<b>\$7.280 trillion</b>
Value of Portfolio Companies of Large Private Equity Advisers		\$6.020 trillion
Qualifying Hedge Funds (over \$500 million)		\$3.279 trillion

*NOTE: Data as of May 15, 2013*

Source: Annual Staff Report Relating to the Use of Data Collected from Private Fund Systemic Risk Reports, July 25, 2013

# Form PF Data to Date

<u>Time Period</u>	<u>Portfolio Liquidity</u>	<u>Investor Liquidity</u>
1 day or less	27%	7%
7 days or less	53%	9%
30 days or less	71%	24%
90 days or less	80%	43%
180 days or less	85%	59%
365 days or less	89%	74%
365 days or more	100%	100%

*NOTE: From Form PF data filed between October 1, 2012 and December 31, 2012 when only advisors with over \$5 billion in AUM to Hedge Funds were required to file.*

Source: Annual Staff Report Relating to the Use of Data Collected from Private Fund Systemic Risk Reports, July 25, 2013