

A Hailstorm for Private Fund Advisers? SEC Clouds the Horizon

May 11, 2022

On January 26, 2022, the SEC proposed amendments to Form PF including:

- Requiring investment advisers to private equity funds and large investment advisers to certain hedge funds to provide current reporting of certain key events (e.g., extraordinary investment losses) that may indicate fund distress or conflicts of interest.
- Decreasing the amount of private equity assets under management that requires advisers to provide certain of Form PF's prescribed information and requiring such large private equity advisers to disclose considerable additional information relating to the operation of their portfolio companies.
- Modifying disclosure requirements for large liquidity fund advisers to make them more consistent with certain proposed reporting requirements for money market funds.

As with a number of other recent SEC actions, the commissioners are split on this. Notably, Commissioner Hester Peirce released a dissenting statement, as she believes the more extensive disclosures required by the proposed amendments are unjustified and doubts that they “would enhance [the Financial Services Oversight Council's] ability to monitor for systemic risk.”

For example, as to the proposed enhanced reporting requirement for private equity and certain hedge funds, Peirce pointed out that the mere possibility that isolated reports of fund distress could be indicative of systemwide instability, absent any “hard data-driven analysis,” is not enough to justify almost immediate reporting of the funds' localized events. She characterized this as an attempt to “micromanage” the fund advisers and unduly burden them.

Concerning the proposed lowering of the reporting threshold for large private equity funds, Peirce stressed that the SEC needs to come up with a substantive reason that supports the proposal other

than a mere desire to collect more data, as the current threshold already captures a substantial amount of data of private equity funds.

This Form PF reporting proposal can properly be viewed as mutually reinforcing with the other recent proposals discussed in “SEC Proposes Sea Change in Private Fund Regulation - Doing Indirectly What It Could Not Do Directly?” on page 10 of this edition. Peirce, the sole Republican on the commission, also dissented from those proposals, and her similar objections to all of these proposals are also mutually reinforcing.

Authored By



Thomas C. Lauerman

Related Practices

[Life, Annuity, and Retirement Solutions](#)
[Financial Services Regulatory](#)

Related Industries

[Securities & Investment Companies](#)
[Life, Annuity, and Retirement Solutions](#)
[Life, Annuity, and Retirement Solutions](#)

©2024 Carlton Fields, P.A. Carlton Fields practices law in California through Carlton Fields, LLP. Carlton Fields publications should not be construed as legal advice on any specific facts or circumstances. The contents are intended for general information and educational purposes only, and should not be relied on as if it were advice about a particular fact situation. The distribution of this publication is not intended to create, and receipt of it does not constitute, an attorney-client relationship with Carlton Fields. This publication may not be quoted or referred to in any other publication or proceeding without the prior written consent of the firm, to be given or withheld at our discretion. To request reprint permission for any of our publications, please use our Contact Us form via the link below. The views set forth herein are the personal views of the author and do not necessarily reflect those of the firm. This site may contain hypertext links to information created and maintained by other entities. Carlton Fields does not control or guarantee the accuracy or completeness of this outside information, nor is the inclusion of a link to be intended as an endorsement of those outside sites.

