

SBIA MEMORANDUM

Securities and Exchange Commission Rule Proposal

“Amendments to Form PF to Require Current Reporting and Amend Reporting Requirements for Large Private Equity Advisers and Large Liquidity Fund Advisers”

January 26, 2022

Today, the SEC issued a rule proposal to expand the information provided by hedge funds and advisers to private funds on Form PF and to amend the definition of a “large private equity adviser.” The proposal would require next-day reporting of key events to, the SEC’s words, “enhance the Financial Stability Oversight Council’s ability to monitor systemic risk as well as bolster the SEC’s regulatory oversight of private fund advisers and investor protection efforts.” Provisions of note in the proposal include:

- **All advisers that file Form PF would be required to file a report within one business day of a “reporting event” which could include 1) execution of an adviser-led secondary transaction; 2) implementation of a general partner or limited partner clawback; or 3) removal of a fund’s general partner, termination of a fund’s investment period, or termination of a fund.**
 - An “adviser-led secondary transaction” would have to be reported upon the transaction’s completion and is defined as a transaction that offers fund investors the choice of 1) selling all or a portion of their interests in the private fund; or 2) converting or exchanging all or a portion of their interests in the fund for interests in another vehicle advised by the adviser.
 - A “general partner clawback” is defined as any obligation of the GP to restore or return performance-based compensation to the fund pursuant to the fund’s governing agreements. A “limited partner clawback” is defined as an obligation of a fund’s investors to return all or any portion of a distribution made by the fund to satisfy an obligation of the fund pursuant to the fund’s governing agreements.
 - Regarding removal of a GP or termination of a fund, advisers would have to report when a fund receives notification that investors have 1) removed the adviser or an affiliate as the GP or similar control person; 2) elected to terminate the fund’s investment period; or 3) elected to terminate fund.
- **The threshold to determine a “large private equity adviser” would be reduced from \$2 billion in PE assets under management to \$1.5 billion in PE assets under management. The proposal would amend section 4 of Form PF to gather more information from large PE advisers regarding strategies, use of leverage, and portfolio company financings.**

Commissioner Hester Peirce [dissented](#) to the proposal, arguing that *“Requiring almost immediate reporting of localized events would distend Form PF into a tool for government to micromanage private fund risk management.”*

As noted in previous updates, this is likely the first of several proposals this year from the SEC to expand the amount of information reported by private funds. SBIA plans to submit comments on this and future proposals and is interested in hearing feedback from members regarding the impact of new reporting requirements.

The full text of the proposal can be found [here](#).

An SEC fact sheet on the proposal can be found [here](#).