

Alert

SEC Proposes Substantial Increases to Form PF Reporting

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The Securities and Exchange Commission is proposing significant increases to reporting by hedge and PE fund advisers on Form PF. More details and analysis to come, but the key points identified by the SEC in voting to make the proposal are as follows:

Current Reporting of Certain Events by Large Hedge Fund Advisers. Large hedge fund advisers would be required to file current reports within one business day of the occurrence of one or more reporting events with respect to their qualifying hedge funds:

- 20% or more losses
- Significant margin and counterparty default events
- Material changes in prime brokerage relationships
- Changes in unencumbered cash, operations events and events associated with withdrawals and redemptions

Current Reporting of Certain Events by Private Equity Fund Advisers. Private equity fund advisers would be required to file current reports within one business day of the occurrence of one or more reporting events pertaining to:

- The execution of adviser-led secondary transactions
- Implementation of general partner or limited partner clawbacks
- Removal of a fund's general partner, termination of a fund's investment period
- Termination of a fund

Reducing Threshold for Large Private Equity Adviser Reporting. The threshold for reporting as a large private equity adviser would be reduced from \$2 billion to \$1.5 billion in private equity fund assets under management.

Additional Reporting by Large Private Equity Advisers. The proposal would amend Section 4 of Form PF for large private equity advisers to gather more information regarding fund strategies, use of leverage and portfolio company financings, controlled portfolio companies ("CPCs") and CPC borrowings, fund investments in different levels of a single portfolio company's capital structure and portfolio company restructurings or recapitalizations.

Additional Reporting by Large Liquidity Fund Advisers. The proposed amendments would require large liquidity fund advisers to report substantially the same information that money market funds would report on Form N-MFP, as the SEC proposes to amend it.

If you have any questions concerning this *Alert*, please contact your attorney at Schulte Roth & Zabel.

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