

**COMMODITY FUTURES TRADING COMMISSION**

RIN 3038–AF31

**SECURITIES AND EXCHANGE COMMISSION**

17 CFR Parts 275 and 279

[Release No. IA–6083; File No. S7–22–22]

RIN 3235–AN13

**Form PF; Reporting Requirements for All Filers and Large Hedge Fund Advisers**

**AGENCIES:** Commodity Futures Trading Commission and Securities and Exchange Commission.

**ACTION:** Joint proposed rules.

**SUMMARY:** The Commodity Futures Trading Commission (“CFTC”) and the Securities and Exchange Commission (“SEC”) (collectively, “we” or the “Commissions”) are proposing to amend Form PF, the confidential reporting form for certain SEC-registered investment advisers to private funds, including those that also are registered with the CFTC as a commodity pool operator (“CPO”) or commodity trading adviser (“CTA”). The amendments are designed to enhance the Financial Stability Oversight Council’s (“FSOC’s”) ability to monitor systemic risk as well as bolster the SEC’s regulatory oversight of private fund advisers and investor protection efforts. In connection with the amendments to Form PF, the SEC proposes to amend a rule under the Investment Advisers Act of 1940 (the “Advisers Act”) to revise instructions for requesting a temporary hardship exemption. We also are soliciting comment on the proposed rules and a number of alternatives, including whether certain possible changes to the proposal should apply to Form ADV.

**DATES:** Comments should be received on or before October 11, 2022.

**ADDRESSES:** Comments may be submitted by any of the following methods.

*CFTC:* Comments may be submitted to the CFTC by any of the following methods.

- *CFTC Comments portal:* <https://comments.cftc.gov>. Follow the instructions for submitting comments through the website.

- *Mail:* Christopher Kirkpatrick, Secretary of the Commission,

Commodity Futures Trading Commission, Three Lafayette Centre, 1155 21st Street NW, Washington, DC 20581.

- *Hand Delivery/Courier:* Follow the same instructions as for Mail above.

Please submit your comments using only one method. To avoid possible delays with mail or in-person deliveries, submissions through the CFTC website are encouraged. “Form PF” must be in the subject field of comments submitted via email, and clearly indicated on written submissions. All comments must be submitted in English, or if not, accompanied by an English translation. Comments will be posted as received to [www.cftc.gov](http://www.cftc.gov). You should submit only information that you wish to make available publicly. If you wish the CFTC to consider information that may be exempt from disclosure under the Freedom of Information Act, a petition for confidential treatment of the exempt information may be submitted according to the established procedures in 17 CFR 145.9.

The CFTC reserves the right, but shall have no obligation, to review, prescreen, filter, redact, refuse, or remove any or all of your submission from [www.cftc.gov](http://www.cftc.gov) that it may deem to be inappropriate for publication, including, but not limited to, obscene language. All submissions that have been redacted or removed that contain comments on the merits of the rulemaking will be retained in the public comment file and will be considered as required under the Administrative Procedure Act and other applicable laws, and may be accessible under the Freedom of Information Act, 5 U.S.C. 552, *et seq.* (“FOIA”).

*SEC:* Comments may be submitted to the SEC by any of the following methods:

**Electronic Comments**

- Use the SEC’s internet comment forms (<https://www.sec.gov/regulatory-actions/how-to-submit-comments>); or
- Send an email to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number S7–22–22 on the subject line.

**Paper Comments**

- Send paper comments to Secretary, U.S. Securities and Exchange Commission, 100 F Street NE, Washington, DC 20549–1090.

All submissions should refer to File Number S7–22–22. This file number should be included on the subject line if email is used. To help us process and

review your comments more efficiently, please use only one method. The SEC will post all comments on the SEC’s website (<https://www.sec.gov/rules/proposed.shtml>). Comments also are available for website viewing and printing in the SEC’s Public Reference Room, 100 F Street NE, Washington, DC 20549, on official business days between the hours of 10 a.m. and 3 p.m. Operating conditions may limit access to the SEC’s Public Reference Room. All comments received will be posted without change. Persons submitting comments are cautioned that we do not redact or edit personal identifying information from comment submissions. You should submit only information that you wish to make available publicly.

Studies, memoranda, or other substantive items may be added by the SEC or staff to the comment file during this rulemaking. A notification of the inclusion in the comment file of any such materials will be made available on the SEC’s website. To ensure direct electronic receipt of such notifications, sign up through the “Stay Connected” option at [www.sec.gov](http://www.sec.gov) to receive notifications by email.

**FOR FURTHER INFORMATION CONTACT:**

*CFTC:* Pamela Geraghty, Associate Director; Michael Ehrstein, Special Counsel; Andrew Ruggiero, Attorney-Advisor at (202) 418–6700, Commodity Futures Trading Commission, Three Lafayette Centre, 1155 21st Street NW Washington, DC 20581. *SEC:* Alexis Palascak, Lawrence Pace, Senior Counsels; Christine Schleppegrill, Acting Branch Chief at (202) 551–6787 or [IArules@sec.gov](mailto:IArules@sec.gov), Investment Adviser Regulation Office, Division of Investment Management, Securities and Exchange Commission, 100 F Street NE, Washington, DC 20549–8549.

**SUPPLEMENTARY INFORMATION:** The CFTC and SEC are requesting public comment on the following under the Investment Advisers Act of 1940 [15 U.S.C. 80b] (“Advisers Act”).<sup>1 2</sup>

<sup>1</sup> 15 U.S.C. 80b. Unless otherwise noted, when we refer to the Advisers Act, or any section of the Advisers Act, we are referring to 15 U.S.C. 80b, at which the Advisers Act is codified, and when we refer to rules under the Advisers Act, or any section of these rules, we are referring to title 17, part 275 of the Code of Federal Regulations [17 CFR 275], in which these rules are published.

<sup>2</sup> Form PF is a joint form between the SEC and CFTC only with respect to sections 1 and 2 of the Form.

Agency	Reference	CFR citation
CFTC & SEC	Form PF <sup>2</sup>	17 CFR 279.9.
SEC	Rule 204(b)-1	17 CFR 275.204(b)-1.

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## I. Introduction

The Commissions are proposing to amend sections of Form PF, the form that certain SEC-registered investment advisers, including those that also are registered with the CFTC as a CPO or CTA, use to report confidential information about the private funds that

they advise.<sup>3</sup> The proposed amendments are designed to enhance FSOC’s monitoring and assessment of systemic risk and to provide additional information for FSOC’s use in determining whether and how to deploy its regulatory tools. The proposed amendments also are designed to collect additional data for use in the Commissions’ regulatory programs, including examinations, investigations and investor protection efforts relating to private fund advisers.<sup>4</sup> Finally, the proposed amendments also are designed to improve the usefulness of this data.<sup>5</sup>

An adviser must file Form PF if (1) it is registered or required to register with the SEC as an investment adviser, (2) it manages one or more private funds, and (3) the adviser and its related persons collectively had at least \$150 million in private fund assets under management as of the last day of its most recently completed fiscal year.<sup>6</sup> A CPO or CTA

<sup>3</sup> Specifically, the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (“Dodd-Frank Act”), mandated that the SEC and the CFTC, in consultation with the FSOC, jointly promulgate rules governing the form and substance of reports required by investment advisers to private funds to be filed with the SEC, and with the CFTC for those that are dually-registered with both Commissions. Public Law 111–203, 124 Stat. 1376 (2010). See, 15 U.S.C. 80b–11. See also, 17 CFR 4.27(d). The result was Sections 1 and 2 of Form PF, which were jointly promulgated. See Reporting by Investment Advisers to Private Funds and Certain Commodity Pool Operators and Commodity Trading Advisors on Form PF, Advisers Act Release No. 3308 (Oct. 31, 2011), [76 FR 71128 (Nov. 16, 2011)] (“2011 Form PF Adopting Release”) at section I. In 2014, the SEC amended Form PF section 3 in connection with certain money market fund reforms. See Money Market Fund Reform; Amendments to Form PF, Advisers Act Release No. 3879 (July 23, 2014), [79 FR 47736 (Aug. 14, 2014)] (“2014 Form PF Amending Release”).

<sup>4</sup> Any reference to the “Commissions”, or “we”, as it relates to the collection and use of Form PF data are meant to refer to the agencies in their separate or collective capacities, and such data from filings made pursuant to 17 CFR 275.204(b)-1, by and through Private Fund Reporting Depository, a subsystem of the Investment Adviser Registration Depository (“IARD”), and reports, analysis, and memoranda produced pursuant thereto. Further, as the collection is being made pursuant to the Advisers Act and the IARD is subject to the authority and control of the SEC, as of the date of this proposal, it should not be assumed that the CFTC has direct, or timely access to such data. The Commissions will continue to engage in interagency discussions on the sharing of portions of Form PF data relevant to the CFTC consistent with the terms of existing interagency agreements or arrangements related to the sharing of data.

<sup>5</sup> Additionally, the Federal Reserve Board uses this data for research and analysis.

<sup>6</sup> See 17 CFR 275.204(b)-1. Advisers Act section 202(a)(29) defines the term “private fund” as an

that also is registered or required to register with the SEC as an investment adviser and satisfies the other conditions described above must file Form PF with respect to any commodity pool it manages that is a private fund. Most private fund advisers file annually to report general information such as the types of private funds advised (*e.g.*, hedge funds, private equity funds, or liquidity funds), fund size, use of borrowings and derivatives, strategy, and types of investors. Certain larger advisers provide more information on a more frequent basis, including more detailed information on particular hedge funds and liquidity funds.

Form PF provides the Commissions and FSOC with important information about the basic operations and strategies of private funds and has helped establish a baseline picture of the private fund industry for use in assessing systemic risk. We now have almost a decade of experience analyzing the information collected on Form PF. In that time, the private fund industry has grown in size and evolved in terms of business practices, complexity of fund structures, and investment strategies and exposures.<sup>7</sup> For example,

issuer that would be an investment company, as defined in section 3 of the Investment Company Act of 1940 (“Investment Company Act”), but for section 3(c)(1) or 3(c)(7) of that Act. Section 3(c)(1) of the Investment Company Act provides an exclusion from the definition of “investment company” for any issuer whose outstanding securities (other than short-term paper) are beneficially owned by not more than one hundred persons (or, in the case of a qualifying venture capital fund, 250 persons) and which is not making and does not presently propose to make a public offering of its securities. Section 3(c)(7) of the Investment Company Act provides an exclusion from the definition of “investment company” for any issuer, the outstanding securities of which are owned exclusively by persons who, at the time of acquisition of such securities, are qualified purchasers, and which is not making and does not at that time propose to make a public offering of such securities. The term “qualified purchaser” is defined in section 2(a)(51) of the Investment Company Act.

<sup>7</sup> The value of private fund net assets reported on Form PF has more than doubled, growing from \$5 trillion (net) in 2013 to \$12 trillion (net) by the end of the third quarter of 2021, while the number of private funds reported on the form has increased by nearly 55 percent in that time period. Unless otherwise noted, the private funds statistics used in this Release are from the Private Funds Statistics Third Quarter 2021. Division of Investment Management, Private Fund Statistics Third Quarter 2021, (Mar. 30, 2022), available at <https://www.sec.gov/divisions/investment/private-funds-statistics/private-funds-statistics-2021-q3.pdf> (“Private Fund Statistics Q3 2021”). Any

Continued

certain investment strategies, including credit, digital asset,<sup>8</sup> litigation finance,<sup>9</sup> and real estate strategies, have become more common since the form was adopted.<sup>10</sup> Similarly, we understand that qualifying hedge fund exposures to repurchase agreements (“repos”), reverse repurchase agreements (“reverse repos”), and U.S. treasury securities have increased in recent years.<sup>11</sup> Experience with Form PF data also has identified potential ways to improve data quality, including in instances where existing reporting may not identify fully the potential risks, such as in the reporting of certain master-feeder arrangements.

Based on this experience and in light of these changes, the Commissions and FSOC have identified information gaps and situations where revised information would improve our understanding of the private fund industry and the potential systemic risk within it. We believe more detailed

comparisons to earlier periods are from the private funds statistics from that period, all of which are available at <https://www.sec.gov/divisions/investment/private-funds-statistics.shtml>. SEC staff began publishing the private fund statistics in 2015, including data from 2013. Therefore, many comparisons in this Release discuss the almost nine year span from the beginning of 2013 through third quarter 2021. Some discussion in this Release compares data from a shorter time span, because the SEC staff published such data later than 2013. Staff reports, statistics, and other staff documents (including those cited herein) represent the views of SEC staff and are not a rule, regulation, or statement of the SEC. The SEC has neither approved nor disapproved the content of these documents and, like all staff statements, they have no legal force or effect, do not alter or amend applicable law, and create no new or additional obligations for any person.

<sup>8</sup> See Zuckerman, Gregory, Mainstream Hedge Funds Pour Billions of Dollars Into Crypto, *The Wall Street Journal* (March 2022) available at <https://www.wsj.com/articles/mainstream-hedge-funds-pour-billions-of-dollars-into-crypto-11646808223#:~:text=Brevan%20Howard%20launched%20a%20cryptocurrency,and%20investing%20in%20blockchain%20technology>.

<sup>9</sup> See Burnett, David and Pierce, John, The Emerging Market for Litigation Funding, *The Hedge Fund Journal* (June 2013) available at <https://thehedgefundjournal.com/the-emerging-market-for-litigation-funding/>.

<sup>10</sup> See Private Fund Statistics Q3 2021, *supra* footnote 7, at p. 24.

<sup>11</sup> A qualifying hedge fund is defined in Form PF as “any hedge fund that has a net asset value (individually or in combination with any feeder funds, parallel funds and/or dependent parallel managed accounts) of at least \$500 million as of the last day of any month in the fiscal quarter immediately preceding [the adviser’s] most recently completed fiscal quarter.” See Form PF Glossary of Terms. From 2015 through the end of 2020, qualifying hedge fund exposure to repos doubled to \$2 trillion, while from 2013 through the end of 2020, qualifying hedge fund borrowings attributable to reverse repos more than doubled to \$1.3 trillion. For the same period, qualifying hedge fund exposure to U.S. treasury securities increased by almost 70 percent to \$1.7 trillion in aggregate qualifying hedge fund gross notional exposure.

information, including with respect to strategies and exposures, would provide better empirical data to FSOC with which it may assess better the extent to which the activities of private funds or their advisers pose systemic risks. We expect that FSOC would use the new information collected on Form PF, together with market data from other sources, to assist in determining whether and how to deploy its regulatory tools.<sup>12</sup> This may include, for instance, identifying private fund advisers that merit further analysis or deciding whether to recommend to a primary financial regulator, like the SEC or CFTC, more stringent regulation of the financial activities that FSOC determines may create or increase systemic risk. This revised information also would improve our ability to protect investors.<sup>13</sup>

The Commissions have consulted with FSOC to gain input on this proposal, and to help ensure that Form PF continues to provide FSOC with information it can use to carry out its monitoring obligations and assess systemic risk in light of changes in the private fund industry over the past decade. The Commissions are jointly proposing amendments to the form’s general instructions, as well as section 1 of Form PF, which would apply to all Form PF filers. The Commissions also are jointly proposing amendments to section 2 of Form PF, which would apply to large hedge fund advisers who advise qualifying hedge funds (*i.e.*, hedge funds that have a net asset value of at least \$500 million).<sup>14</sup>

## II. Discussion

### A. Proposed Amendments to the General Instructions

We are proposing amendments to the Form PF general instructions designed to improve data quality and comparability and to enhance investor

<sup>12</sup> Under the Dodd-Frank Act, FSOC must monitor emerging risks to U.S. financial stability and employ its regulatory tools to address those risks. S. REP. NO. 111–176, at 2–3 (2010).

<sup>13</sup> The SEC also recently proposed amendments to the SEC-only sections of Form PF (sections 3, 4, 5, and newly proposed section 6) that would (1) require current reporting for large hedge fund advisers and advisers to private equity funds, (2) decrease the reporting threshold for large private equity advisers and amend reporting requirements for large private equity advisers, and (3) amend reporting requirements for large liquidity fund advisers. Amendments to Form PF to Require Current Reporting and Amend Reporting Requirements for Large Private Equity Advisers and Large Liquidity Fund Advisers, Investment Advisers Act Release No. 5950 (Jan. 26, 2022), [87 FR 9106 (Feb. 17, 2022)] (“2022 SEC Form PF Proposal”).

<sup>14</sup> Unless stated otherwise, terms in this release that are defined in the Form PF Glossary of Terms are as defined therein.

protection efforts and systemic risk assessment.<sup>15</sup>

### 1. Reporting Master-Feeder Arrangements and Parallel Fund Structures

Private funds often use complex structures to invest, including master-feeder arrangements and parallel fund structures.<sup>16</sup> We are proposing amendments to Form PF that generally would require advisers to report separately each component fund of a master-feeder arrangement and parallel fund structure.<sup>17</sup> However, an adviser would continue to aggregate these structures for purposes of determining whether the adviser meets a reporting threshold.<sup>18</sup>

Currently, Form PF provides advisers with flexibility to respond to questions regarding master-feeder arrangements and parallel fund structures either in the aggregate or separately, as long as they do so consistently throughout Form PF.<sup>19</sup> In adopting this approach in 2011, the Commission stated that requiring advisers to aggregate or disaggregate funds in a manner inconsistent with their internal recordkeeping and

<sup>15</sup> Additional proposed changes to the General Instructions concerning amendments to enhance data quality concerning methodologies and additional amendments are discussed in sections II.D and II.E of this Release, as well as the proposal to amend Instruction 3 to reflect our proposal to remove section 2a, which is discussed in footnote 138, and accompanying text.

<sup>16</sup> A “master-feeder arrangement” is an arrangement in which one or more funds (“feeder funds”) invest all or substantially all of their assets in a single private fund (“master fund”). A “parallel fund structure” is a structure in which one or more private funds (each, a “parallel fund”) pursues substantially the same investment objective and strategy and invests side by side in substantially the same positions as another private fund. See Form PF Glossary of Terms.

<sup>17</sup> Proposed Instruction 6. We also propose to amend Instruction 3 to reflect the proposed approach for reporting master-feeder arrangements and parallel fund structures. See *infra* footnote 18.

<sup>18</sup> Proposed Instruction 5. For example, an adviser would aggregate private funds that are part of the same master-feeder arrangement in determining whether the adviser is a large hedge fund adviser that must complete section 2 of Form PF. In connection with these proposed changes, we propose to amend the term “reporting fund” and Instruction 3 so they would no longer discuss reporting aggregated information. Additionally, we propose to reorganize current Instruction 5 and current Instruction 6 so they reflect the proposed approach for when to aggregate certain funds. Current Instruction 5 instructs advisers about when to aggregate information about certain funds for purposes of reporting thresholds and responding to questions. Current Instruction 6 instructs advisers about how to aggregate information about certain funds. Proposed Instruction 5 would instruct advisers on when to aggregate information about certain funds for purposes of determining whether they meet reporting thresholds. Proposed Instruction 6 would instruct advisers about how to report information about certain funds when responding to questions.

<sup>19</sup> Current Instruction 5.

reporting may impose additional burdens and that, as long as the structure of those arrangements is adequately disclosed, a prescriptive approach to aggregation was not necessary.<sup>20</sup> However, based on experience reviewing Form PF data, we observed that when some advisers report in aggregate and some advisers report separately, this can result in obscured risk profiles (e.g., asset size, counterparty exposure, investor liquidity) and made it difficult to compare complex structures, undermining the utility of the data collected. We believe prescribing the way advisers report a master-feeder arrangement and parallel fund structure would provide better insight into the risks and exposures of these arrangements.

Accordingly, we propose to require an adviser to report each component fund of a master-feeder arrangement and parallel fund structure, except where a feeder fund invests all its assets in a single master fund and/or “cash and cash equivalents” (i.e., a disregarded feeder fund).<sup>21</sup> In the case of a disregarded feeder fund in Question 6, advisers instead would identify the disregarded feeder fund and look through to any disregarded feeder fund’s investors in responding to certain questions regarding fund investors on behalf of the applicable master fund. The master fund effectively is a conduit through which a disregarded feeder fund invests and we do not believe separate reporting for such a feeder fund is necessary for data analysis purposes.

In addition, we propose to no longer allow advisers to report any “parallel managed accounts,” (which is distinguished from “parallel fund structure”), except advisers would continue to be required to report the total value of all parallel managed accounts related to each reporting fund.<sup>22</sup> We continue to believe that including parallel managed accounts in the reporting may reduce the quality of data while imposing additional burdens

on advisers.<sup>23</sup> Data regarding the total value of parallel managed accounts, however, allow FSOC to take into account the greater amount of assets an adviser may be managing using a given strategy for purposes of analyzing the data reported on Form PF.<sup>24</sup>

We request comment on the proposed amendments.

1. Should we amend Form PF to require advisers to report component funds of master-feeder arrangements and parallel fund structures separately except for disregarded feeder funds, as proposed? Would the proposed amendments lead to more accurate data regarding the risk profiles of reporting funds and improve comparability? Would the proposed amendments enhance investor protection efforts and systemic risk assessment? Are there better ways to meet these objectives? For example, should Form PF require advisers to report only at the master fund level or the feeder fund level?

2. Do you agree that the master fund is effectively a conduit through which a disregarded feeder fund invests and that separate reporting for such a feeder fund is not necessary for data analysis purposes? Should we require advisers to report additional information regarding disregarded feeder funds? For example, should we require advisers to report the total cash holdings of such funds?

3. Are there other exceptions for reporting each component of a master-feeder arrangement or parallel fund structures separately that we should adopt?

4. Should we continue to require advisers to report only limited information on parallel managed accounts? If we should require additional reporting from parallel managed accounts, what additional information should we require? Should reporting of any such additional information be mandatory or voluntary?

5. Should we continue to require advisers to aggregate structures when determining whether they meet reporting thresholds?

6. Form PF currently does not require an adviser to report information regarding a private fund advised by any of the adviser’s related persons, unless

the adviser identified that related person as one for which the adviser is filing Form PF. Should we take a different approach and require an adviser to include information regarding private funds advised by any of the adviser’s related persons if they are part of a master-feeder arrangement or parallel fund structure managed by the adviser? Or, would an adviser have difficulty gathering the information necessary to report this information for private funds managed by the adviser’s related persons whose operations are genuinely independent of the adviser’s own operations?

7. Could “parallel managed accounts,” be interpreted as overlapping with “parallel fund structure?” If so, should we remove the phrase “or other pool of assets” in the definition of “parallel managed account” to prevent that?

## 2. Reporting Private Funds That Invest in Other Funds

We are proposing amendments to Form PF regarding how advisers report private fund investments in other private funds, trading vehicles, and other funds that are not private funds.

*Investments in other private funds.* We propose to amend Instruction 7, which addresses how advisers treat private fund investments in other private funds (e.g., a “fund of funds”). Currently, advisers include the value of private fund investments in other private funds in determining whether the adviser meets the filing threshold to file Form PF.<sup>25</sup> We believe this requirement is implicit in the current form and we propose to amend Instruction 7 to make it explicit. Current Form PF permits an adviser to disregard the value of a private fund’s equity investments in other private funds for purposes of both the form’s reporting thresholds (e.g., whether it qualifies as a large hedge fund adviser) and responding to questions on Form PF, as long as it does so consistently throughout Form PF, subject to certain exceptions.<sup>26</sup> Under the proposal, the form would continue to permit an adviser to include or exclude the value of investments in other private funds (including internal and external private funds) when determining whether the

<sup>20</sup> 2011 Form PF Adopting Release, *supra* footnote 3, at text following n.332.

<sup>21</sup> See proposed Instruction 6. The proposal would revise the term “cash and cash equivalents,” as described in section II.B.2 in this Release.

<sup>22</sup> Proposed Instruction 6. A “parallel managed account” is any managed account or other pool of assets managed by the adviser that pursues substantially the same investment objective and strategy and invests side by side in substantially the same positions as the identified private fund. See Form PF Glossary of Terms. Currently, advisers may, but are not required to, report information regarding parallel managed accounts in response to certain questions, except they must report the total value of all parallel managed accounts related to each reporting fund. See current Instruction 5.

<sup>23</sup> See 2011 Form PF Adopting Release, *supra* footnote 3, at n.334, and accompanying text (the Commission was persuaded that aggregating parallel managed accounts for reporting purposes would be difficult and “result in inconsistent and misleading data” because the characteristics of parallel managed accounts are often somewhat different from the funds with which they are managed). For example, in a separately managed account a client generally selects an adviser’s strategy but tailors it to the client’s own investment guidelines.

<sup>24</sup> *Id.* at text following n.336.

<sup>25</sup> Form PF Instruction 1 provides that certain advisers meet the filing threshold if they and their related persons, collectively, had at least \$150 million in private fund assets under management as of the last day of their most recently completed fiscal year.

<sup>26</sup> For example, under the current instructions, an adviser is not permitted to disregard any liabilities of the private fund, even if incurred in connection with an investment in other private funds. See current Instruction 7.

adviser meets the thresholds for reporting as a large hedge fund adviser, large liquidity fund adviser, or large private equity adviser, and whether a hedge fund is a qualifying hedge fund.<sup>27</sup> The Commissions continue to believe that allowing this flexibility for these reporting thresholds avoids duplicative reporting, which reduces the burden of reporting for advisers and improves the quality of the data reported.<sup>28</sup> For example, under these instructions an adviser may exclude an investment in an external private fund that would already be counted through another adviser's reporting obligations.

However, we believe the form's current flexibility on whether to disregard underlying funds when responding to questions has undermined the utility of the data collected, as it provides unclear, inconsistent data on the scale of reporting funds' exposures. Therefore, we propose to amend Instruction 7 to require an adviser to include the value of a reporting fund's investments in other private funds when responding to questions on Form PF, unless otherwise directed by the instructions to a particular question.<sup>29</sup> We believe that requiring advisers to report fund of funds arrangements in a consistent manner would allow the Commissions and FSOC to understand better these fund structures by providing greater insight into the scale and exposures of reporting funds.

Currently, advisers are not required to, but nonetheless have the option to, "look through" a reporting fund's investments in any other entity (including other private funds), except in instances when the form directs otherwise.<sup>30</sup> As a result, some advisers may "look through" a reporting fund's investments in other entities, while others do not, leading to unclear data, inconsistent comparisons, and less precise analysis across advisers. Therefore, we propose to amend Instruction 7 to provide that, when responding to questions, advisers must not "look through" a reporting fund's investments in internal private funds or

external private funds (other than a trading vehicle, as described below), unless the question instructs the adviser to report exposure obtained indirectly through positions in such funds or other entities.<sup>31</sup> We also propose to take the same approach with regard to a reporting fund's investments in funds or other entities that are not private funds or trading vehicles.<sup>32</sup> These proposed amendments are designed to improve data quality and comparisons, so the Commissions and FSOC understand what Form PF data is from advisers "looking through" a reporting fund's investments, which we believe would lead to more effective systemic risk assessments and investor protection efforts.

*Trading vehicles.* Some private funds wholly own separate legal entities that hold assets, incur leverage, or conduct trading or other activities as part of the private fund's investment activities, but do not operate a business (each, a "trading vehicle").<sup>33</sup> We propose to amend Form PF's general instructions to explain how advisers would report information if the reporting fund uses a trading vehicle.<sup>34</sup> Specifically, if the reporting fund uses a trading vehicle, and the reporting fund is its only equity owner, the adviser would either (1) identify the trading vehicle in section 1b, and report answers on an aggregated basis for the reporting fund and such trading vehicle, or (2) report the trading vehicle as a separate reporting fund. An adviser would have to report the trading vehicle separately if the trading vehicle holds assets, incurs leverage, or conducts trading or other activities on behalf of more than one reporting fund. If reporting separately, (1) advisers would report the trading vehicle as a hedge fund if a hedge fund invests

through the trading vehicle; (2) advisers would report the trading vehicle as a qualifying hedge fund if a qualifying hedge fund invests through the trading vehicle; (3) otherwise, advisers would report the trading vehicle as a liquidity fund, private equity fund, or other type of fund based on its activities.<sup>35</sup>

Private funds may use trading vehicles for various purposes, including (1) for jurisdictional, tax, or other regulatory purposes, or (2) to "ring-fence" assets in light of liability or bankruptcy concerns associated with a particular investment (*i.e.*, structure assets so counterparties would only have recourse against the trading vehicle and not against the private fund). Currently, Form PF does not require advisers to identify trading vehicles. As a result, Form PF does not provide a clear window into the use of trading vehicles and the risks they present. For example, if a trading vehicle is ring-fenced, current Form PF does not provide a view into the assets or collateral on which a counterparty to such trading vehicle relies or the size and nature of the trading vehicle's exposure. In addition, where more than one reporting fund invests through a particular trading vehicle, the activities of multiple reporting funds are blended and potentially obscured. The proposed amendments are designed to address these concerns by providing more information on the extent private funds use trading vehicles to conduct investment activities. The proposed amendments also are designed to provide improved visibility into position sizes and counterparty exposures through trading vehicles. Having a clear, unobscured view into position sizes and counterparty exposures through trading vehicles is designed to help ensure accurate systemic risk assessment and analysis to further investor protection efforts, by providing the Commissions and FSOC with a view into the assets or collateral on which a counterparty to such trading vehicle relies and the size and nature of the trading vehicle's exposure.

*Investments in funds that are not private funds.* Under the proposal, advisers would continue to include the value of the reporting fund's investments in funds and other entities that are not private funds, in determining reporting thresholds and responding to questions, unless otherwise directed, as Form PF currently requires.<sup>36</sup> For the reasons discussed above, we are proposing that, when responding to questions, however,

<sup>27</sup> See current Instruction 7 and proposed Instruction 7.

<sup>28</sup> See 2011 Form PF Adopting Release, *supra* footnote 3, at n.128, and accompanying text.

<sup>29</sup> For example, an adviser would report the value of the reporting fund's investments in other private funds when reporting its gross asset value and net asset value in proposed Questions 11 and 12; however, Question 3 would specify that advisers must exclude the value of the reporting fund's investment in other internal private funds when providing a breakdown of their regulatory assets under management and net assets under management.

<sup>30</sup> See current Instruction 8.

<sup>31</sup> See proposed Instruction 7. For example, advisers would not "look through" to the creditors of or counterparties to other private funds in responding to questions that ask about a reporting fund's borrowings and counterparty exposures. See proposed Question 18 (concerning borrowings) and proposed Questions 27 and 28 (concerning counterparty exposures). However, selected questions in section 2 of the form would require advisers to report indirect exposure resulting from positions held through other entities including private funds, and advisers would "look through" the reporting fund's investments in internal private funds and external private funds in responding to those questions. See *e.g.*, proposed Question 32 (concerning reporting fund exposures).

<sup>32</sup> See proposed Instruction 8 and *supra* footnote 31 (which provides examples that also apply to advisers to reporting funds that invest in funds and other entities that are not private funds or trading vehicles).

<sup>33</sup> We propose to add "trading vehicle" to the Form PF Glossary of Terms.

<sup>34</sup> See proposed Instruction 7. We propose to make a conforming change to Instruction 8 to reference this new instruction.

<sup>35</sup> See proposed Instruction 7.

<sup>36</sup> See Instruction 8.

advisers must not “look through” a reporting fund’s investments in funds or other entities that are not private funds, or trading vehicles, unless the question instructs the adviser to report exposure obtained indirectly through positions in such funds or other entities.<sup>37</sup>

We request comment on the proposed amendments.

8. Would the proposed amendments concerning reporting fund investments in other private funds, trading vehicles, and other funds that are not private funds provide a better understanding of the structure of private funds, and improve data quality and comparability? Is there a better way to meet these objectives? Should Form PF provide more or less flexibility to advisers in how they treat these types of private fund investments? For example, instead of allowing advisers the flexibility to include or exclude a private fund’s investments in other private funds (including internal private funds and external private funds) in determining whether they meet thresholds for filing as a large hedge fund adviser, large liquidity adviser, or large private equity adviser, and whether a reporting fund is a qualifying hedge fund, should we require advisers to include or exclude such investments? Should we require external qualifying hedge funds to be excluded, to avoid receiving duplicate data? If Form PF should provide more flexibility, how would we help ensure data is understandable and comparable across advisers?

9. Would the proposed amendments regarding trading vehicles provide a clearer picture of how private funds use trading vehicles and their market risks? Would the proposed amendments provide improved visibility into position sizes and counterparty exposures? Is there a better way to meet these objectives? For example, should Form PF require advisers to report whether a trading vehicle is ring-fenced for liability purposes?

10. Under the proposal, if an adviser reports a trading vehicle as a separate reporting fund, the adviser must report the trading vehicle as a hedge fund, qualifying hedge fund, liquidity fund, private equity fund, or other type of fund, if it meets certain requirements. Would this proposed requirement help ensure advisers could not avoid reporting the trading vehicle as a private fund that is subject to additional reporting, such as a qualifying hedge fund? Is there a better way to meet this objective? Should Form PF instead only require advisers to report trading

vehicles as investments in another fund?

11. Are the “look through” requirements concerning how to report a reporting fund’s investments in other entities clear? Should we require advisers to not look through a reporting fund’s investments in other entities, unless the question instructs the adviser to report exposure obtained indirectly through positions in such funds or other entities, as proposed?

### 3. Reporting Timelines

We propose to amend Instruction 9 to require large hedge fund advisers and large liquidity fund advisers to update Form PF within a certain number of days after the end of each calendar quarter, rather than after each fiscal quarter, as Form PF currently requires.<sup>38</sup> All other advisers would continue to file annual updates within 120 calendar days after the end of their fiscal year.<sup>39</sup> Form PF would continue to require all advisers to use fiscal quarters and years to determine filing thresholds because advisers already make such calculations under 17 CFR 279.1 (“Form ADV”), which requires annual updates based on fiscal year.<sup>40</sup>

Currently, fiscal quarter reporting significantly delays the time at which the Commissions and FSOC receive a complete data set for a calendar quarter. For example, large hedge fund advisers whose first fiscal quarter ends on the calendar quarter end of March, would file data covering January, February, and March by the end of May.<sup>41</sup> However, large hedge fund advisers whose fiscal quarter ends in May would not file their March data until the end of July, delaying Commission and FSOC access to full calendar quarter data by all large hedge fund advisers by four months. The proposed changes are designed to provide a more complete data set sooner to improve the efficiency and effectiveness of investor protection efforts and systemic risk assessment. Based on Form ADV data as of December 2021, 99.2 percent of private fund advisers already effectively file Form PF on a calendar basis because

<sup>38</sup> Large hedge fund advisers generally would file within 60 calendar days after the end of each calendar quarter and large liquidity fund advisers generally would file within 15 days after the end of each calendar quarter. See proposed Instruction 9.

<sup>39</sup> We also propose to amend the term “data reporting date” to reflect this proposed approach. See Form PF Glossary of Terms.

<sup>40</sup> See Form PF Instructions 1 and 3; Form ADV and [17 CFR 275.204–1] Advisers Act rule 204–1 (amendments to Form ADV).

<sup>41</sup> See current Instruction 9 (requiring large hedge fund advisers to update Form PF within 60 calendar days after the end of their first, second, and third fiscal quarters, among other things).

their fiscal quarter or year ends on the calendar quarter or year end, respectively.<sup>42</sup> The 0.8 percent of private fund advisers that have a non-calendar fiscal approach, which could cause a temporary data gap, represents approximately 274 private funds, totaling \$200 billion in gross asset value. Calendar quarter reporting also would more closely align with reporting on [17 CFR pt. 4, app. A] Form CPO–PQR, which requires calendar quarterly reporting, allowing easier integration of these data sets.

We request comment on the proposed amendments.

12. Should we revise the reporting timelines, as proposed?

13. Should Form PF continue to require advisers to determine filing thresholds by fiscal year given corresponding Form ADV requirements? Alternatively, should Form PF require all Form PF filers to use calendar years and quarters for all Form PF purposes, including in determining filing thresholds and when to update Form PF?

14. Should we reduce the number of days by which filers must update Form PF to receive data sooner? How would this relieve or increase burdens? For example, should Form PF require large hedge fund advisers to update Form PF within 30 calendar days after the end of each calendar or fiscal quarter, rather than 60 calendar days? Should Form PF require large liquidity fund advisers to report within 10 calendar days after the end of each calendar quarter, rather than 15 calendar days? Should annual filers file within 30 calendar days after the end of their fiscal year, rather than 120 calendar days?

15. Should Form PF reporting timelines be more or less consistent with Form CPO–PQR?

### *B. Proposed Amendments Concerning Basic Information About the Adviser and the Private Funds it Advises*

Each adviser required to file Form PF must complete all or part of section 1. The proposed amendments to section 1 are designed to provide greater insight into private funds’ operations and strategies, and assist in identifying trends, including those that could create systemic risk, which in turn is designed to enhance investor protection efforts and systemic risk assessment. The

<sup>42</sup> We are presenting data from all private fund advisers, not just those who would file on a quarterly basis (*i.e.*, large hedge fund advisers and large liquidity fund advisers), to avoid potentially disclosing proprietary information of individual Form PF filers, and to be inclusive considering that the population of quarterly filers versus annual filers may change over time.

<sup>37</sup> See *supra* footnote 32, and accompanying text (discussing proposed amendments to Instruction 8).

proposed changes are designed to improve comparability across advisers, improve data quality, and reduce reporting errors, based on our experience with Form PF filings.

#### 1. Proposed Amendments to Section 1a of Form PF—Identifying Information

Section 1a requires an adviser to report identifying information about the adviser and the private funds it manages. We are proposing several amendments to collect additional identifying information regarding the adviser, its related persons, as well as their private fund assets under management.

*LEI for advisers and related persons.* Legal entity identifiers, or “LEIs,” help identify entities and link data from different sources that use LEIs.<sup>43</sup> Currently, Form PF requires advisers to report the LEI for certain entities, if they have one, such as for the reporting fund and any parallel funds.<sup>44</sup> Form PF’s current definition of “LEI” provides that, in the case of a financial institution that has not been assigned an LEI, advisers must provide the RSSD ID assigned by the National Information Center of the Board of Governors of the Federal Reserve System (“Federal Reserve Board”), if the financial institution has an RSSD ID.<sup>45</sup> We propose to remove this requirement and, instead, provide that advisers must not substitute any other identifier that does not meet the definition of an LEI.<sup>46</sup> However, advisers would use the RSSD ID, if the financial institution has one, for questions that specifically request an RSSD ID, and for questions that require advisers to report any other identifying information where the type of information is not specified.<sup>47</sup> These proposed amendments are designed to

<sup>43</sup> Form PF generally defines “LEI” as: the “legal entity identifier” assigned by or on behalf of an internationally recognized standards setting body and required for reporting purposes by the U.S. Department of the Treasury’s Office of Financial Research or a financial regulator. See Form PF Glossary of Terms.

<sup>44</sup> See current Question 5(d) and current Question 7(e). Current Form PF also requires large liquidity advisers to report the LEI for each security and repo held by the reporting fund, if they have one. See current Question 63(d) and current Question 63(g), respectively. Current Form PF also requires large private equity advisers to report the LEI for each of the reporting fund’s controlled portfolio companies that constitute a financial industry portfolio company. See current Question 76.

<sup>45</sup> See current Form PF Glossary of Terms. Currently, if an LEI has not been assigned and there is no RSSD ID, then the adviser would leave that line blank.

<sup>46</sup> See proposed Form PF Glossary of Terms.

<sup>47</sup> See e.g., proposed Question 9. We also would add “RSSD ID” to the Form PF Glossary of Terms and define it as the identifier assigned by the National Information Center of the Federal Reserve Board, if any. See Form PF Glossary of Terms.

improve data quality because, based on experience with the current form, reporting RSSD IDs as LEIs makes it more difficult for staff to link data efficiently and effectively.

While Form PF currently requires advisers to provide the LEI for entities such as reporting funds and parallel funds, if the entities have one, it does not require advisers to report the LEI for itself and its related persons.<sup>48</sup> We propose to require advisers to provide the “LEI” for themselves and their “related persons,” if they have an LEI.<sup>49</sup> This proposed amendment is designed to help identify advisers and their related persons and link data from other data sources that use this identifier.

We request comment on the proposed amendments.

16. Should we require advisers to report “LEI” for financial institutions that have one and only report “RSSD ID” as a secondary identification where asked, as proposed? Would the proposed amendments help us improve data quality and help link data more efficiently and effectively from other sources that use LEIs and RSSD IDs? Is there a better way to meet these objectives?

17. Should Form PF require advisers to report the LEI for certain entities, if they have one, as proposed, such as the adviser and each related person, as well as internal private funds, trading vehicles, creditors, and counterparties, or others? Alternatively, should Form PF require any entities to obtain LEIs if they do not have them? Would those entities seek to obtain LEIs in the future absent any regulatory requirement to do so?

18. Are there other data sources we also should use that would allow us to link entities across forms?

19. Should we amend the term “LEI” in Form PF to match Form ADV or any other forms that use the term or a similar term?

*Assets under management.* We are proposing to revise how advisers report assets under management attributable to certain private funds. Current Question 3 requires advisers to provide a

<sup>48</sup> See e.g., current Question 5 and current Question 7.

<sup>49</sup> See Proposed Question 1. We also propose to require advisers to provide the LEI for other entities, if the other entities have one, including internal private funds (see proposed Question 7 and proposed Question 15), trading vehicles (see proposed Question 9), and counterparties (see proposed Question 27 and proposed Question 28). A “related person” has the meaning provided in Form ADV. See Form PF Glossary of Terms. Form ADV defines a “related person” as any advisory affiliate and any person that is under common control with the adviser. See Form ADV Glossary of Terms.

breakdown of regulatory assets under management and net assets under management. These data are designed to show the size of the adviser and the nature of the adviser’s activities. We propose to amend the instructions to direct advisers to exclude the value of private funds’ investments in other internal private funds to avoid double counting of fund of funds assets.<sup>50</sup> Advisers would include the value of trading vehicle assets because, under the proposed definition, they would be wholly owned by one or more reporting funds.<sup>51</sup> These proposed amendments are designed to provide a more accurate view of the assets managed by the adviser and its related persons, as well as the general distribution of those assets among various types of private funds, because accurately viewing the scale of these managed assets is important to effectively assess systemic risk and further investor protection efforts.

We request comment on the proposed amendments.

20. Would the proposed amendments prevent double counting fund of funds assets? Is there a better way to meet this objective? Should we include private funds managed by the adviser’s related persons in the definition of internal private fund for these purposes? Are there other types of investments that should be disregarded in order to prevent double counting? Are there other approaches to trading vehicles?

21. Form PF currently requires advisers to provide a breakdown of assets under management and regulatory assets under management based on certain categories of private funds. Should we require advisers to provide a breakdown for more, fewer, or different categories of private funds than Form PF currently provides? For example, should Question 3 include categories such as special purpose vehicles, private credit funds, or types of fund of funds?

*Explanation of assumptions.* We are proposing to amend current Question 4, which advisers use to explain assumptions that they make in responding to questions on Form PF. Specifically, we propose to add an instruction directing advisers to provide the question number when the assumptions relate to a particular question.<sup>52</sup> This amendment is designed to help assess data more efficiently and

<sup>50</sup> See proposed Question 3.

<sup>51</sup> See proposed Question 3. See proposed Form PF Glossary of Terms.

<sup>52</sup> See proposed Question 4.

improve comparability, based on experience with the form.

We request comment on the proposed amendments.

22. Is there a better way to achieve our objectives of assessing data more efficiently and improving comparability?

## 2. Proposed Amendments to Section 1b of Form PF—Concerning All Private Funds

Section 1b requires advisers to report certain identifying and other basic information about each private fund the adviser manages. The proposal would amend section 1b to require advisers to report additional identifying information about the private funds they manage as well as the private funds' assets, financing, investor concentration, and performance. The proposed changes are designed to provide greater insight into private funds' operations and strategies and assist in identifying trends that we believe would enhance investor protection efforts and FSOC's systemic risk assessment. At the same time, we believe the proposed amendments would help improve data quality and comparability, based on experience with Form PF.

*Type of private fund.* We are proposing several amendments to identify different types of reporting funds better, and help isolate data according to fund type, to allow for more targeted analysis. Currently, advisers indicate a reporting fund's type on the Private Fund Reporting Depository ("PFRD") filing system, and by filling out particular sections of the form.<sup>53</sup> We have found instances, however, where advisers have identified a reporting fund differently on Form PF than on Form ADV, even though the definitions of each fund type are the same on both forms. This may be due to error, or may be due to the fund's characteristics changing between deadlines for Form ADV and Form PF. Accordingly, to help prevent reporting errors and help ensure accuracy concerning the reporting fund's type, we propose to require advisers to identify the reporting fund by selecting one type of fund from a list: hedge fund that is not a qualifying hedge fund, qualifying hedge fund, liquidity fund, private equity fund, real estate fund, securitized asset fund, venture capital fund, or

"other."<sup>54</sup> If an adviser identifies the reporting fund as "other," the adviser would describe the reporting fund in Question 4, including why it would not qualify for any of the other options.

In addition, we propose to require an adviser to indicate whether the reporting fund is a "commodity pool," which is categorized as a hedge fund on Form PF.<sup>55</sup> Although the CFTC does not, as of the date of this proposal, consider Form PF reporting on commodity pools as constituting substituted compliance with CFTC reporting requirements, some CPOs may continue to report such information on Form PF.<sup>56</sup> This proposed amendment would allow for analysis of hedge fund data both with and without commodity pools reported on the form.

Finally, we propose to require advisers to report whether a reporting fund operates as a UCITS or AIF, or markets itself as a money market fund outside the United States, and in which countries (if applicable).<sup>57</sup> These proposed amendments are designed to allow the Commissions and FSOC to filter data for more targeted analysis to better understand the potential exposure to beneficial owners outside the United States and to avoid double counting when Form PF data is aggregated with other data sets that include UCITS, AIFs, and money market funds that are marketed outside the United States.

We request comment on the proposed amendments.

23. Should Form PF require advisers to report additional identifying information about the private funds they advise, as proposed? Would the proposed amendments help identify each type of reporting fund, allow the

Commissions and FSOC to filter data concerning types of funds, and conduct more targeted analysis? Is there a better way to meet these objectives?

24. Should proposed Question 6 include more, fewer, or different categories of private funds? For example, should the form include a category for funds that may be "hybrid" funds that may have characteristics of different types of private funds? Should proposed Question 6 include an "other" category, as proposed? Alternatively, should proposed Question 6 not include an "other" category and instead require that advisers select the best fit among the specific categories? Are there other ways to limit the types of funds that may report as "other?"

25. Should Form PF require advisers to explain in Question 4 why they choose "other" as a category, as proposed? Would this proposed requirement clarify what type of fund the reporting fund is, if it does not fit within the other categories? Is there a better way of identifying what type of fund the reporting fund is? Should Form PF require the adviser to include more, less, or different information in the explanation?

26. Should Form PF require advisers to identify if the reporting fund is a commodity pool, as proposed? Are any CPOs currently reporting information regarding any commodity pools, even if they are not private funds? If so, why? Alternatively, should we revise the definition of "hedge fund" so it would not include commodity pools? If we exclude commodity pools from the definition of "hedge fund," should we amend Form PF to require advisers to report the same or different information about commodity pools as they do for hedge funds?

27. Should Form PF require advisers to report whether and in which countries the reporting company operates as a UCITS or AIF, or markets itself as a money market fund outside the United States, as proposed? Would the proposed amendment allow us and FSOC to filter data for more targeted analysis to better understand the potential exposure to beneficial owners outside the United States and to avoid double counting when Form PF data is aggregated with other data sets that include UCITS and AIFs? Is there a better way to meet these objectives?

28. Should Form PF define UCITS and AIF, as proposed? Would the proposed definitions keep the terms evergreen if directives change or new ones apply? If not, how should we define these terms? For example, should we provide less detail in the definition

<sup>54</sup> Proposed Question 6(a).

<sup>55</sup> Proposed Question 6(b). Form PF defines "commodity pool" as defined in section 1a(10) of the U.S. Commodity Exchange Act, as amended. See Form PF Glossary of Terms.

<sup>56</sup> Previously, the CFTC permitted dually registered CPO-investment advisers to submit Form PF in lieu of certain CFTC reporting requirements. See Compliance Requirements for Commodity Pool Operators on Form CPO-PQR, (Oct. 9, 2020) [85 FR 71772 (Nov. 10, 2020)] ("Form CPO-PQR Release").

<sup>57</sup> See proposed Question 6(c) through (h). We propose to define the term "UCITS" as Undertakings for Collective Investment in Transferable Securities, as defined in the UCITS Directive of the European Parliament and of the Council (No. 2009/65/EC), as amended, or as captured by the Collective Investment Schemes (Amendment etc.) (EU Exit) Regulations 2019, as amended. We propose to define "AIF" as an alternative investment fund that is not regulated under the UCITS Directive, as defined in the Directive of the European Parliament and of the Council on alternative investment fund managers (No. 2011/61/EU), as amended, or an alternative investment fund that is captured by the Alternative Investment Fund Managers (Amendment etc.) (EU Exit) Regulations 2019, as amended. See Form PF Glossary of Terms.

<sup>53</sup> For advisers that are also CPOs or CTAs, filing Form PF through PFRD is filing with both the SEC and CFTC. See Instruction 3 (instructing advisers to file particular sections of Form PF, depending on their circumstances. For example, all Form PF filers must file section 1 and large hedge fund advisers also must file section 2).

about the directives to keep the definitions evergreen?

*Master-feeder arrangements, internal private funds, external private funds, and parallel fund structures.* To reflect that advisers would report components of master-feeder arrangements and parallel fund structures separately, we propose to amend Form PF to require advisers to report identifying information about master-feeder arrangements and other private funds (e.g., funds of funds), including internal private funds, and external private funds.<sup>58</sup> Form PF currently requires advisers to report identifying information about parallel funds, and would continue to do so under the proposal.<sup>59</sup> The proposal also would require advisers to report the value of the reporting fund's investments in other private funds (e.g., funds of funds), as current Question 10 requires, but with more detail.<sup>60</sup> Specifically, the proposal would require advisers to report the value of the reporting fund's equity investments in external private funds and internal private funds (including the master fund and each internal private fund), which would comprise the total investments in other private funds.<sup>61</sup> These amendments are designed to help map complex fund structures and cross reference private fund information across Form PF filings, to provide more complete and accurate information about each fund's risk profile.

In connection with these proposed amendments, in the Form PF Glossary of Terms, we propose to remove the terms "investments in external private funds" and "investments in internal private funds," and replace them with "external private funds" (private funds that neither the adviser nor the adviser's related persons advise) and "internal private funds" (private funds that the adviser or any of the adviser's related persons advise), respectively. The

<sup>58</sup> For master-feeder arrangements, advisers would report the name of the feeder fund, its private fund identification number, and whether the feeder fund is a separate reporting fund or a disregarded feeder fund. For internal private funds that invest in the reporting fund, advisers would report the name of the internal private fund, its LEI, if it has one, and its private fund identification number. See proposed Question 7. If the reporting fund invests in external private funds, advisers would report the name of the master fund, its private fund identification number, and the master fund's LEI, if it has one. If the reporting fund invests in internal private funds, advisers would report the internal private fund's name, its private fund identification number, and its LEI, if it has one. Proposed Question 15.

<sup>59</sup> See current Question 7 and proposed Question 8.

<sup>60</sup> This requirement would be part of proposed Question 15.

<sup>61</sup> See proposed Question 15.

proposed definitions would not direct advisers to exclude "cash management funds," as is currently the case under the terms being removed, because we observed that advisers determine whether a fund is a cash management fund inconsistently. Therefore, this proposed amendment is designed to improve data quality.

We request comments on the proposed amendments.

29. Would the proposed amendments help to map complex fund structures and cross reference them to private fund information across Form PF filings? Would the proposed amendments provide more complete and accurate information about each fund's risk profile? Is there a better way to meet these objectives?

30. Should the form require different or additional identifying information to identify a master fund, feeder fund, internal private fund, or external private fund?

31. Should Form PF require advisers to report the private fund identification number for any feeder funds, as proposed, even though advisers annually report the private fund identification number of any feeder funds that invest in a private fund they advise on Form ADV?<sup>62</sup>

32. Should Form PF define "internal private funds," "external private funds," and "trading vehicle," as proposed? Are there alternative definitions we should adopt? For example, should we define "internal private funds" and "external private funds" to exclude cash management funds as the current definitions of "investments in internal private funds" and "investments in external private funds" do?

*Withdrawal or redemption rights.* The proposal would change how advisers report withdrawal and redemption rights. Form PF currently requires only large hedge fund advisers to report whether each qualifying hedge fund provides investors with withdrawal or redemption rights in the ordinary course.<sup>63</sup> We propose to require all advisers to provide this information for each reporting fund to inform the Commissions and FSOC better of all reporting funds' susceptibility to stress through investor redemptions, to help identify how widespread the stress is.<sup>64</sup>

<sup>62</sup> Form ADV, section 7.B.(1).A.6.

<sup>63</sup> Current Question 49(a).

<sup>64</sup> To implement this, the proposal would move current Question 49(a) from section 2b, which requires large hedge fund advisers to report information about qualifying hedge funds, to section 1b which requires all advisers to report information about all the reporting funds they advise, and redesignate it as Question 10. To

If the reporting fund provides investors with withdrawal or redemption rights in the ordinary course, we propose to require advisers to indicate how often withdrawals or redemptions are permitted by selecting from a list of categories.<sup>65</sup> Advisers would report this information regardless of whether there are notice requirements, gates, lock-ups, or other restrictions on withdrawals or redemptions.<sup>66</sup> We believe these proposed amendments would allow us and FSOC to identify better reporting funds that may be affected by investor withdrawals during certain market events, or vulnerable to failure as a result of investor redemptions. We believe this information also would provide insight into other data that all reporting funds report. For example, we understand that private equity funds that do not typically offer redemption rights in the ordinary course likely have certain patterns of subscriptions and withdrawals, and also report performance to investors and prospective investors as an internal rate of return, rather than reporting based on changes in the portfolio market value. We propose to define "internal rate of return" in the proposed Form PF Glossary of Terms as the discount rate that causes the net present value of all cash flows throughout the life of the fund to be equal to zero. Analyzing reported information about investor withdrawal or redemption rights together with reported information about subscriptions and withdrawals or performance is designed to help us identify developing trends relevant to identifying systemic risk and would help us further investor protection efforts. We request comment on the proposed amendments.

33. Should we require all advisers to report information about withdrawal and redemption rights about all the reporting funds they advise, as proposed? Alternatively, should only certain advisers report this information for only certain reporting funds? If so, which ones and why?

34. Should Form PF include more, fewer, or different categories for the schedule of withdrawal or redemption

accommodate moving the question, the proposal would make corresponding amendments to the instructions in current Question 49, which we would redesignate as Question 52.

<sup>65</sup> Proposed Question 10(b). The categories would be (1) any business day, (2) at intervals of at least two business days and up to a month, (3) at intervals longer than monthly up to quarterly, (4) at intervals longer than quarterly up to annually, and (5) at intervals of more than one year.

<sup>66</sup> For example, if the reporting fund allows quarterly redemptions that are subject to a gate, then the adviser would select "at intervals longer than monthly up to quarterly."

rights? As an alternative, should advisers be able to select “other” as a schedule category? Under what circumstances would an adviser select “other?”

35. Should we define “internal rate of return” as proposed? If not, what alternative definitions should we use?

*Trading vehicles.* We are proposing to require advisers to provide identifying information for any trading vehicle in which the reporting fund holds investments or conducts activities.<sup>67</sup> Advisers would disclose the trading vehicle’s legal name; LEI, if it has one; and any other identifying information about the trading vehicle, such as the RSSD ID, if it has one. This proposed amendment is designed to help the Commissions and FSOC understand the reporting fund’s activities, including how it interacts with the market if the fund trades through a trading vehicle and related counterparty exposures. The identifying information also is designed to allow comparisons of Form PF data with data from other sources that use such information to identify entities. Enhancing the ability to compare Form PF data in this way is designed to provide a more comprehensive view of the market, and therefore, enhance investor protection efforts and systemic risk assessment.

We request comment on the proposed amendments.

36. Should all advisers provide identifying information for a trading vehicle, including an LEI if it has one, as proposed? Alternatively, should only certain advisers report it for certain reporting funds?

37. Do any trading vehicles not have an LEI?

38. Should Form PF require more, less, or different identifying information for the trading vehicle?

*Gross asset value and net asset value.* We propose several amendments to the way advisers report gross asset value and net asset value. We propose to require advisers who are filing quarterly updates to report gross asset value and net asset value as of the end of each month of the reporting period, rather than only reporting the information as of the end of the reporting period, as Form PF currently requires.<sup>68</sup> This proposed amendment is designed to facilitate analysis of other monthly

Form PF data, including certain fund performance and risk metrics.<sup>69</sup>

We also propose to add new Question 13 to require advisers to separately report the value of unfunded commitments included in the gross and net asset value reported in proposed Questions 11 and 12.<sup>70</sup> Current Questions 8 and 9 require valuations based on the instruction in Form ADV for calculating regulatory assets under management, which requires advisers to include the amount of any unfunded commitments.<sup>71</sup> This approach reflects that, in the early years of a private fund’s life, its adviser typically earns fees based on the total amount of capital commitments, which we presume reflects compensation for efforts expended on behalf of the fund in preparation for the investments.<sup>72</sup> We continue to believe that net asset value and gross asset value should include unfunded commitments so Form PF data is comparable to Form ADV data. However, there are circumstances where understanding the amount represented by unfunded commitments would enhance our understanding of changes to a reporting fund’s net and gross asset value over time, inform us of trends, and improve data comparability over the life of the fund. For example, knowing the value of uncalled commitments would help the Commissions and FSOC more accurately identify how much leverage a fund with uncalled commitments has. Currently, the Commissions and FSOC

<sup>69</sup> See e.g., proposed Question 23 (requiring all private fund advisers to report monthly performance data, to the extent such results are calculated for the reporting fund), *supra* footnote 98, and accompanying text, and proposed Question 48 (requiring large hedge funds to report monthly data concerning the reporting fund’s portfolio correlation), *infra* section II.C.2 of this Release.

<sup>70</sup> Form PF currently defines “unfunded commitments” as “committed capital” that has not yet been contributed to the private equity fund by investors. We propose to amend the definition so it refers to all reporting funds, not only private equity funds. Form PF defines “committed capital” as any commitment pursuant to which a person is obligated to acquire an interest in, or make capital contributions to, the private fund. See Form PF Glossary of Terms.

<sup>71</sup> Form PF requires advisers to calculate gross asset value and net asset value using regulatory assets under management, a regulatory metric from Form ADV. See “gross asset value” and “net asset value” as defined in Form PF Glossary of Terms; Form ADV: Instructions for Part 1A, Instruction 5.b. An adviser must calculate its regulatory assets under management on a gross basis, that is, without deduction of any outstanding indebtedness or other accrued but unpaid liabilities. In addition, an adviser must include the amount of any uncalled capital commitments made to a private fund managed by the adviser.

<sup>72</sup> Rules Implementing Amendments to the Investment Advisers Act of 1940, Advisers Act Release No. 3221 (June 22, 2011) [76 FR 42950, 42956 (July 19, 2011)], at text accompanying n.90.

only can infer this information but it is unclear whether such inferences are correct. Therefore, this proposed amendment is designed to improve data accuracy and comparability, which is important for effective systemic risk assessment and investor protection efforts.

We request comment on the proposed amendments.

39. Should Form PF require advisers who are filing quarterly updates to report information as of the end of each month of the reporting period, as proposed? Would this requirement facilitate our and FSOC’s analysis of such advisers’ other monthly Form PF data? Is there a better way to meet this objective?

40. Should Form PF require advisers to report the value of unfunded commitments included in the gross asset value and net asset value, as proposed? Would the proposed amendment improve data accuracy and comparability? Would the proposed amendment more accurately identify how much leverage a fund with uncalled commitments has? Is there a better way to meet this objective?

*Inflows and outflows.* We propose to add a question requiring advisers to report information concerning the reporting fund’s activity, including contributions to the reporting fund, as well as withdrawals and redemptions, which would include all withdrawals, redemptions, or other distributions of any kind to investors.<sup>73</sup> Form PF would specify that, for purposes of the question, advisers must include all new contributions from investors, but exclude contributions of committed capital that they have already included in gross asset value calculated in accordance with Form ADV instructions.<sup>74</sup> Quarterly filers would provide this information for each month of the reporting period. This proposed requirement is designed to facilitate analysis of other monthly Form PF data, including certain fund performance and risk metrics.<sup>75</sup> Therefore, this amendment is designed to improve data accuracy, and allow the Commissions and FSOC to analyze data more efficiently. Inflows and outflows inform the Commissions and FSOC of the relationship between flows and performance, changes to net and gross asset value, as well as trends in the private fund industry. Accordingly, this question is designed to provide a more accurate baseline understanding of

<sup>73</sup> See proposed Question 14.

<sup>74</sup> Form PF would cite to Form ADV, Part 1A Instruction 6.e.(3).

<sup>75</sup> See *supra* footnote 69.

<sup>67</sup> Proposed Question 9.

<sup>68</sup> See current Questions 8 and 9, and proposed Questions 11 and 12. We also propose to make amendments to the instructions in current Question 8 (which we would redesignate as proposed Question 11) to correspond with the proposed instructions that would no longer allow advisers to aggregate master-feeder arrangements, as discussed above.

inflows and outflows, so the Commissions and FSOC can, for example, more accurately assess how much the private fund industry has grown from flows versus performance. Inflows and outflows also can indicate funding fragility, which can have systemic risk implications. Therefore, this amendment also is designed to provide more accurate data of inflows and outflows for systemic risk assessment and investor protection efforts, including identifying activity that may not match investor disclosures.

We request comment on the proposed amendments.

41. Should proposed Question 14 apply to advisers to all reporting funds, as proposed, or only certain advisers to only certain reporting funds?

42. Should proposed Question 14 instruct advisers to include or exclude any other information? Would proposed Question 14 raise operational challenges? For example, should the instructions specify whether to include or exclude distributions that may be recallable by the fund (*i.e.*, “recyclable capital commitments” or capital that can be recalled to invest during a portion of the investment period)?

43. Should Form PF require advisers to provide the amount of new redemptions or subscriptions based on notices that would be payable or expected after Form PF is due? If so, should all advisers submit such data for all reporting funds, or should only certain advisers submit it for only certain reporting funds?

*Base currency.* The proposal would require all advisers to identify the base currency of all reporting funds, rather than only large hedge fund advisers identifying this information for only qualifying hedge funds.<sup>76</sup> When a reporting fund uses a base currency other than U.S. dollars in the current Form PF, the adviser must convert all monetary values to U.S. dollars, unless otherwise specified, to complete Form PF, which may cause inconsistencies in the data.<sup>77</sup> Currently, the Commissions and FSOC can identify such inconsistencies only for qualifying hedge funds from current Question 31. Therefore, this proposed change is designed to allow us and FSOC to interpret more accurately responses to

<sup>76</sup> To implement this, the proposal would move current Question 31 from current section 2b, which requires large hedge fund advisers to report information about qualifying hedge funds, to section 1b which requires all advisers to report information about all the reporting funds they advise. See proposed Question 17.

<sup>77</sup> See current Instruction 15. We also propose to revise Instruction 15 to provide additional instructions concerning currency conversions. See section II.D of this Release.

questions regarding foreign exchange exposures and the effect of changes in currency rates on all reporting fund portfolios to aid systemic risk assessment and investor protection efforts across all reporting fund portfolios.

We request comment on the proposed amendments.

44. Should we expand reporting of base currency information for all reporting funds, as proposed? Would the proposed change allow us and FSOC to interpret responses to questions regarding foreign exchange exposures and the effect of changes in currency rates for these funds?

45. Would the proposed amendment improve efficiency?

*Borrowings and types of creditors.* The proposal would revise how advisers report the reporting fund’s “borrowings.” We propose to revise the term “borrowings” to (1) specify that it includes “synthetic long positions,” which Form PF would define in the Glossary of Terms, and (2) provide a non-exhaustive list of types of borrowings.<sup>78</sup> This proposed reporting approach is consistent with SEC staff guidance from Form PF Frequently Asked Questions.<sup>79</sup> This proposed amendment is designed to improve data quality, based on experience with the form. Current Question 12 requires advisers to report the value of the reporting fund’s borrowings and the types of creditors. We propose to amend this question to require advisers to indicate whether a creditor is based in the United States and whether it is a “U.S. depository institution,” rather than a “U.S. financial institution” as is currently required.<sup>80</sup> This proposed

<sup>78</sup> “Borrowings” would include, but would not be limited to (1) cash and cash equivalents received with an obligation to repay; (2) securities lending transactions (count cash and cash equivalents and securities received by the reporting fund in the transaction, including securities borrowed by the reporting fund for short sales); (3) repo or reverse repo (count the cash and cash equivalents and securities received by the reporting fund); (4) negative mark-to-market of derivative transactions from the reporting fund’s point of view; and (5) the gross notional value of “synthetic long positions.” We propose to define a “synthetic long position” in the Form PF Glossary of Terms (*see* the proposed Form PF Glossary of Terms for the proposed definition.) We are proposing this definition based on our understanding of the instruments and to help ensure data quality to aid comparability.

<sup>79</sup> See SEC staff Form PF Frequently Asked Questions, available at <https://www.sec.gov/divisions/investment/pfrd/pfrdfaq.shtml> (“Form PF Frequently Asked Questions”). See Form PF Frequently Asked Question 12.1 (which provides a non-exhaustive list of types of borrowings).

<sup>80</sup> See proposed Question 18. Form PF would define “U.S. depository institution” as any U.S. domiciled depository institution, including any of the following: (1) a depository institution chartered in the United States, including any federally-

amendment is designed to make the categories more consistent with the categories the Federal Reserve Board uses in its reports and analysis, to enhance systemic risk assessment. The proposal would not require advisers to distinguish between non-U.S. creditors that are depository institutions and those that are not. We understand that it is difficult for advisers to distinguish non-U.S. creditors by type, resulting in inconsistent data that is less valuable for analysis.

We request comment on the proposed amendments.

46. Should Form PF define or redefine any terms related to proposed Question 18? For example, should Form PF define “U.S. depository institution,” “synthetic long positions,” and revise the term “borrowings,” as proposed? Could the definitions be clearer? Should Form PF define the terms differently? For example, should “synthetic long position” provide a different list of assets to be included or excluded? Does the reference to deep-in-the-money options in the definition of “synthetic long position” need further clarification? If so, what clarifications should we make?

47. Would advisers find it difficult to distinguish among different types of non-U.S. creditors? Should Form PF require advisers to distinguish between non-U.S. creditors that are depository institutions and those that are not, or non-U.S. creditors that are financial institutions and those that are not?

*Fair value hierarchy.* Current Question 14 requires advisers to report the assets and liabilities of each

chartered or state-chartered bank, savings bank, cooperative bank, savings and loan association, or an international banking facility established by a depository institution chartered in the United States; (2) banking offices established in the United States by a financial institution that is not organized or chartered in the United States, including a branch or agency located in the United States and engaged in banking not incorporated separately from its financial institution parent, United States subsidiaries established to engage in international business, and international banking facilities; (3) any bank chartered in any of the following United States affiliated areas: U.S. territories of American Samoa, Guam, and the U.S. Virgin Islands; the Commonwealth of the Northern Mariana Islands; the Commonwealth of Puerto Rico; the Republic of the Marshall Islands; the Federated States of Micronesia; and the Trust Territory of the Pacific Islands (Palau); or (4) a credit union (including a natural person or corporate credit union). Form PF defines “U.S. financial institution” as any of the following: (1) a financial institution chartered in the United States (whether federally-chartered or state-chartered); (2) a financial institution that is separately incorporated or otherwise organized in the United States but has a parent that is a financial institution chartered outside the United States; or (3) a branch or agency that resides outside the United States but has a parent that is a financial institution chartered in the United States. See proposed Form PF Glossary of Terms.

reporting fund broken down using categories that are based on the fair value hierarchy established under U.S. generally accepted accounting principles.<sup>81</sup> Current Question 14 is designed to provide insight into the illiquidity and complexity of a fund's portfolio and the extent to which the fund's value is determined using metrics other than market mechanisms.<sup>82</sup> We are proposing to revise how advisers report fair value hierarchy in current Question 14, which we would redesignate as proposed Question 20, in the following ways to improve data quality and better understand the reporting fund's complexity and valuation challenges:

- We propose to require advisers to indicate the date the categorization was performed. This proposed amendment is designed to show how old the data is. Some advisers report current fair value hierarchy, while others report a prior year's fair value hierarchy if the current data is not yet available.<sup>83</sup> This can cause confusion when analyzing the data, because the fair value hierarchy data concerns a different time period than the other data advisers report on Form PF. Therefore, we believe that adding a categorization date would help ensure the data is not incorrectly categorized as applying to the wrong time period, and in turn, would allow the Commissions and FSOC to correlate data to other Form PF data and market events more accurately.
- We propose to direct advisers to report the absolute value of all liabilities. Currently, advisers report liabilities inconsistently, with some reporting absolute values and others reporting negative values. This inconsistency causes errors when the Commissions and FSOC aggregate this data and we believe the proposed instruction would help reduce aggregation errors.

- We propose to direct advisers to provide an explanation in Question 4 if they report assets as a negative value. We have found that some advisers have reported negative values for assets in

<sup>81</sup> See 2011 Form PF Adopting Release, *supra* footnote 3, at text accompanying n.204.

<sup>82</sup> See 2011 Form PF Adopting Release, *supra* footnote 3, at n.204.

<sup>83</sup> Advisers are not required to update information that they believe in good faith properly responded to Form PF on the date of filing even if that information is subsequently revised for purposes of their recordkeeping, risk management, or investor reporting (such as estimates that are refined after completion of a subsequent audit). See Instruction 16.

error.<sup>84</sup> Therefore, this instruction is designed to reduce inadvertent errors.

- We propose to require advisers to separately report cash and cash equivalents. Currently, Form PF does not explain where advisers must report cash and cash equivalents in current Question 14. While SEC staff have suggested that advisers generally should report cash in the cost based column and cash equivalents in the applicable column in the fair value hierarchy or the cost based column, depending on the nature of the cash equivalents, we are proposing to add a separate column for cash and cash equivalents.<sup>85</sup> The proposed categorization is designed to differentiate reported holdings of cash and cash equivalents from harder to value assets that may be valued at cost, and in turn, improve data quality and comparability.

- We propose to amend the definition of "cash and cash equivalents." The current definition of "cash and cash equivalents" includes "government securities."<sup>86</sup> When reporting cash and cash equivalents, some advisers may include government securities with longer maturities, while others do not, which results in inconsistent reporting and may obscure our and FSOC's understanding of fund exposures. Therefore, to improve data quality, we propose to remove government securities from the definition of "cash and cash equivalents," and present it as its own line item in the proposed Form PF Glossary of Terms.<sup>87</sup> We also propose to amend the term "cash and cash equivalents" so it would direct advisers to not include any digital assets when reporting cash and cash equivalents. As discussed in section II.B.3 of this Release, we propose to define "digital assets" and require advisers to report them separately than other types of assets.<sup>88</sup> Therefore, this proposed amendment is designed to ensure that the categories of "cash and

<sup>84</sup> We recognize that there may be cases when advisers correctly report negative values, such as when subtracting fund of fund investments.

<sup>85</sup> See Form PF Frequently Asked Question 14.3, Form PF Frequently Asked Questions, *supra* footnote 79.

<sup>86</sup> Current Form PF defines "government securities" in the current term "cash and cash equivalents" as (1) U.S. treasury securities, (2) agency securities, and (3) any certificate of deposit for any of the foregoing.

<sup>87</sup> We propose to make corresponding amendments to the definition of "unencumbered cash" to reflect that "government securities" would be a distinct term from "cash and cash equivalents." This proposed amendment is not intended to change the meaning of the term "unencumbered cash." See Form PF Glossary of Terms.

<sup>88</sup> See e.g., proposed Question 25, which would include digital assets as a strategy category for advisers to hedge funds.

cash equivalents" and "digital assets" are clearly distinct to help ensure accurate reporting.

- We propose to add instructions directing advisers about how to report data if their financial statement's audit is not yet completed when Form PF is due. The instructions would state that advisers should use the estimated values for the fiscal year and explain that the information is an estimate in Question 4. The proposed instructions also would provide that the adviser may, but is not required to, amend Form PF when the audited financial statements are complete.<sup>89</sup> The instructions are consistent with responses to Form PF Frequently Asked Questions and are designed to provide the Commissions and FSOC with more recent information regarding the reporting fund than may be possible if the reporting fund relied solely on audited financial statement information (*i.e.*, the reporting fund's previous fiscal year's audited financial statements).<sup>90</sup> Given that advisers file Form PF sometimes months after their quarter and year ends, depending on their size and the type of funds they advise, we believe the proposed instruction would balance reporting burdens with more timely information for assessing potential systemic risk and investor protection concerns.

We request comment on the proposed amendments.

48. Should we require advisers to indicate the date the categorization was performed, as proposed? Would this proposed amendment help ensure the data is correctly categorized as applying to the appropriate time period, and in turn, allow the Commissions and FSOC to correlate data to other Form PF data and market events more accurately? Is there a better way to meet this objective?

49. Should Form PF direct advisers to report the absolute value of all liabilities, as proposed? Would this proposed amendment reduce aggregation errors? Is there a better way to meet this objective?

50. Should Form PF direct advisers to provide an explanation in Question 4 if they report assets as a negative value, as proposed? Would this proposed instruction reduce inadvertent errors?

51. Should advisers report cash or cash equivalents separately from other

<sup>89</sup> Form PF Instruction 16 would continue to provide that an adviser is not required to update information that it believes in good faith properly responds to Form PF on the date of filing, even if that information is subsequently revised, as Form PF currently provides.

<sup>90</sup> See Form PF Frequently Asked Question A.11, Form PF Frequently Asked Questions, *supra* footnote 79.

assets, as proposed? Are there other alternatives we should implement? For example, should Form PF require advisers to report cash in the cost based column and cash equivalents in the applicable column in the fair value hierarchy or the cost based column, depending on the nature of the cash equivalents?<sup>91</sup>

52. Would the proposed amendments to the terms “cash and cash equivalents” and “unencumbered cash,” and the addition of “government securities” allow for more precise reporting for these types of assets? Alternatively, should the definition of “cash and cash equivalents” provide that government securities would be included in cash equivalents if they are eligible to be held by money market funds under the risk-limiting condition set forth in [17 CFR 270.2a–7(d)(1)(i)] Investment Company Act rule 2a–7(d)(1)(i), which generally prohibits a money market fund from acquiring any instrument with a remaining maturity of greater than 397 calendar days? Should this language be more comparable with other requirements of Form PF, which require large liquidity fund advisers to report the dollar amount of a liquidity fund’s assets that have a maturity greater than 397 days?<sup>92</sup> Should Form PF provide distinct line items for the term “cash” and “cash equivalents,” and revise questions to refer to each term, as applicable? Should the term “unencumbered cash” continue to refer to government securities, as proposed, or should we modify the term differently? For example, should “unencumbered cash” refer to U.S. treasury bills, rather than government securities?

53. Should Form PF direct advisers to report estimated values if their financial statement’s audit is not yet completed when Form PF is due, as proposed? Alternatively, should we require advisers to update Form PF with updated values when the audited financial statements are complete?

*Beneficial Ownership of the Reporting Fund.* Current Question 16 requires advisers to specify the approximate percentage of the reporting funds’ equity that is beneficially owned by different groups of investors. We propose to require advisers to provide more granular information regarding the following groups of beneficial owners.<sup>93</sup>

- Advisers would indicate whether beneficial owners that are broker-dealers, insurance companies, non-profits, pension plans, banking or thrift institutions are U.S. persons or non-U.S. persons.<sup>94</sup> This proposed amendment is designed to allow the Commissions and FSOC to conduct more targeted analysis about risks presented in the United States separate from risks presented abroad. With regard to pension plans, in particular, it is currently unclear how advisers must report assets in non-U.S. pension plans: as governmental pension plans or foreign official institutions. Therefore, this proposed amendment also is designed to improve data quality, based on experience with the form.

- Advisers would indicate whether beneficial owners that are private funds are either internal private funds (*i.e.*, managed by the adviser or its related persons) or external private funds. This proposed amendment is designed to help the Commissions and FSOC understand the interconnectedness of private funds to each other, which would aid systemic risk assessment and investor protection efforts. Furthermore, this information is designed to help the Commissions and FSOC understand a reporting fund’s risk from investor demands for liquidity, because beneficial owners that are external private funds may have less predictable withdrawals than internal private funds.

- We would specify that “state” investors are U.S. state investors to improve data quality and reduce potential confusion.<sup>95</sup>

The proposal would provide that if advisers report information in the “other” category, they must describe in Question 4 the type of investor, why it would not qualify for any of the other categories, and any other information to explain the selection of “other.” This

<sup>94</sup> We understand that, in some cases, an adviser may not be able to determine what type of non-U.S. entity the investor is. Current Question 16 already provides a category that would address that scenario in certain circumstances, and we would maintain that approach. If investors that are not United States persons and about which certain beneficial ownership information is not known and cannot reasonably be obtained because the beneficial interest is held through a chain involving one or more third-party intermediaries, advisers currently report this in current Question 16(m), which we would redesignate as proposed Question 22(s).

<sup>95</sup> The proposal also would include instructions to proposed Question 22, as well as current Question 15, which we would redesignate as proposed Question 21 (concerning a certain percentage of beneficial ownership), providing that if the reporting fund is the master fund in a master-feeder arrangement, advisers must look through any disregarded feeder fund (*i.e.*, a feeder fund that is not required to be separately reported). This proposed amendment is designed to implement the proposed master-feeder reporting. See section II.A.1 of this Release.

proposed amendment is designed to improve data quality by providing context to the adviser’s selection of the “other” category, and help ensure that advisers do not inadvertently report information in the wrong category.

We request comment on the proposed amendments.

54. Should we revise the reporting categories as proposed? Should we eliminate, add, or change any categories? For example, should we add categories for security-based swap dealers that are U.S. persons and those that are not? The instructions for current Question 16 require advisers to include each investor in only one group. Therefore, if we require advisers to report whether an investor is a security-based swap dealer, how should they report the investor if the investor also qualifies for another category, such as broker-dealers or “banking or thrift institutions?” For example, should the list be non-exclusive? Is there a better way to address cases when advisers may not be able to determine what type of entity the investor is?<sup>96</sup>

55. Should Form PF require advisers to explain their response when they select “other” as a category, as proposed? Should Form PF require the adviser to include more, less, or different information in the explanation? Would this proposed change provide context to the adviser’s selection of the “other” category and help prevent misreporting?

56. Should we add instructions to current Question 15 (which we propose to redesignate as proposed Question 21) to allow good faith estimates in determining beneficial interests outstanding before March 31, 2012 (the effective date of Form PF), that have not been transferred on or after that date, as current Question 16 does and Form PF would continue to provide in proposed Question 22?

57. Current Question 16 includes a category concerning broker-dealers. Under the proposal, advisers would distinguish between broker-dealers that are U.S. persons and those that are not U.S. persons. Should Form PF define “broker-dealer” or use different terms so the categories would be more consistent with the Federal Reserve Board’s reports and analysis? Is there a way to achieve this objective while ensuring the terms are consistent with the SEC’s definition of the terms? For example, should Form PF use and define the term “broker” or “dealer” as they are defined in the Securities Exchange Act of 1934 (“Exchange Act”)?<sup>97</sup> Should Form PF

<sup>96</sup> See *supra* footnote 94.

<sup>97</sup> 15 U.S.C. 78c(a)(4) and 15 U.S.C. 78c(a)(5).

<sup>91</sup> See *supra* footnote 85.

<sup>92</sup> See *e.g.*, Form PF, section 3, current Question 55(i). The SEC recently proposed amendments to Form PF section 3, which would redesignate current Question 55(i) to reflect new numbering. See 2022 SEC Form PF Proposal, *supra* footnote 13.

<sup>93</sup> See proposed Question 22.

use and define the term “foreign broker or dealer” as it is defined in [17 CFR 240.15a-6(b)(3)] (“Exchange Act rule 15a-6(b)(3)”? Should Form PF use the term “securities brokers and dealers,” and define it the following way: Firms that buy and sell securities for a fee, hold an inventory of securities for resale, or do both? Are the firms that make up this sector those that submit information to the SEC on one of two reporting forms, either [17 CFR 249.617] Form X-17A-5, Financial and Operational Combined Uniform Single Report of Brokers and Dealers (“FOCUS Report”) or [17 CFR 449.5] Form G-405, on Finances and Operations of Government Securities Brokers and Dealers (“FOGS Report”)?

**Fund Performance.** We are proposing several amendments regarding fund performance reporting in current Question 17, which we would redesignate as proposed Question 23.<sup>98</sup> Currently, Form PF requires all advisers to report gross and net fund performance for specified fiscal periods using a table in current Question 17. The table in current Question 17 requires advisers to provide monthly and quarterly performance results in the table only if such results are calculated for the reporting fund. This requirement would remain, but we propose to add instructions specifying which lines to complete depending on whether the adviser is submitting an initial filing, annual update, or quarterly update.<sup>99</sup> We also propose to amend the instructions to the table to specify that if gross and net performance is reported to current and prospective investors, counterparties, or otherwise in a currency other than U.S. dollars, advisers must report the data using that currency. We believe this instruction is implied in the current form and we propose to amend this instruction to make it explicit. We also propose to require advisers to identify the currency in Question 4.<sup>100</sup> This proposed

<sup>98</sup> In a separate release, the SEC is proposing a new rule under the Advisers Act to require advisers to provide certain fund performance information to its private funds’ investors in quarterly statements. See Private Fund Advisers; Documentation of Registered Investment Adviser Compliance Reviews, Advisers Act Release No. IA-5955 (Feb. 9, 2022) [87 FR 16886, (Mar. 24, 2022)].

<sup>99</sup> We also propose to reorganize the table so monthly, quarterly, and yearly data is presented in separate categories, but this change would not affect reporting; advisers would report information according to the same intervals, as they currently do. We also propose to amend the table to refer to the end date of each applicable month, quarter, and year, rather than last day of the fiscal period, to reflect the proposed amendments to the reporting period, as discussed above. See *supra* section II.A.3 of this Release, and proposed Question 23(a).

<sup>100</sup> See proposed Question 23(a).

amendment is designed to inform the Commissions and FSOC of the currency the adviser used to report the reporting fund’s gross and net performance, for more accurate and informed analysis.

We also propose to create an exception to the tabular reporting. If the reporting fund’s performance is reported to current and prospective investors, counterparties, or otherwise as an internal rate of return since inception, the adviser would report its performance as an internal rate of return.<sup>101</sup> If such information is reported to current and prospective investors, counterparties, or otherwise, in a currency other than U.S. dollars, advisers would report the data using that currency, and identify the currency in Question 4. This approach is designed to acknowledge that advisers calculate performance data differently for different types of private funds. For example, advisers of private equity funds may use internal rate of return to calculate performance data, while advisers to liquidity funds and hedge funds may use a periodic rate of return. These calculations may differ in the way they reflect realized and unrealized gains, among other things. Therefore, the proposed change is designed to allow the Commissions and FSOC to improve the usefulness and quality of performance data to conduct more accurate analysis, including comparisons, and aggregations.

The proposal would require advisers to report additional performance-related information if the adviser calculates a market value on a daily basis for any position in the reporting fund’s portfolio. In such a case, the adviser would report the following:

- The “reporting fund aggregate calculated value” at the end of the reporting period.<sup>102</sup> Advisers that file a quarterly update also would report the reporting fund aggregate calculated value as of the end of the first and second month of the reporting period.<sup>103</sup>

<sup>101</sup> See proposed Question 23 instructions, and proposed Question 23(b). Proposed Question 23(b) also would require that if the fund reports different performance results to different groups, advisers must provide the most representative results and explain their selection in Question 4. The instructions to proposed Question 23(b) would specify that internal rates of return for periods longer than one year must be annualized, while internal rates of return for periods one year or less must not be annualized. This instruction is designed to help ensure consistent reporting for accurate comparisons.

<sup>102</sup> We would define the term “reporting fund aggregate calculated value” in the Form PF Glossary of Terms. See proposed Form PF Glossary of Terms and proposed Question 23(c).

<sup>103</sup> See proposed Question 23(c)(i).

- The reporting fund’s volatility of the natural log of the daily “rate of return” for each month of the reporting period, following a prescribed methodology.<sup>104</sup> Advisers would report whether the reporting fund uses a different methodology than is prescribed in Form PF to report to current and prospective investors, counterparties, or otherwise, and if so, they would describe it in Question 4.<sup>105</sup>

- Whether the reporting fund had one or more days with a negative daily rate of return during the reporting period. If so, advisers would report (1) the most recent peak to trough drawdown, and indicate whether the drawdown was continuing on the data reporting date, (2) the largest peak to trough drawdown, (3) the largest single day drawdown, and (4) the number of days with a negative daily rate of return in the reporting period.<sup>106</sup> These measures are designed to help us and FSOC understand risk, particularly in reporting funds with unique return patterns that are poorly measured using volatility alone. We understand that advisers use drawdown metrics, therefore, this question also is designed to be more reflective of industry practice, and in turn improve data quality.

Together, the proposed changes are designed to allow the Commissions and FSOC to more accurately compare volatility across different fund types to identify market trends (e.g., volatility of a specific fund type), for systemic risk assessment and investor protection efforts. For example, if several reporting funds that engage in similar trading activity experience a surge in volatility, the volatility itself or the reporting funds’ response to the volatility may impact others who also are engaging in similar trading activity, which could pose systemic risk, and negatively affect investors.

We request comments on the proposed amendments.

<sup>104</sup> We would define “rate of return” for a reporting fund as the percentage change in the reporting fund aggregate calculated value in the reporting fund’s base currency from one date to another, and adjusted for subscriptions and redemptions. For a portfolio position, the “rate of return” would be the percentage change in the “position calculated value,” adjusted for income earned. We would define “position calculated value” in the Form PF Glossary of Terms. The prescribed methodology would be the standard deviation of the natural log of one plus each of the daily rates of return in the month, annualized by the square root of 252 trading days. When calculating the natural log of a daily rate of return, the rate of return, which is expressed as a percent, must first be converted to a decimal value and then one must be added to the decimal value. See proposed Form PF Glossary of Terms and Question 23(c)(ii).

<sup>105</sup> See proposed Question 23(c)(iii).

<sup>106</sup> See proposed Question 23(iv).

58. Would the proposed changes improve data quality and provide the Commissions and FSOC with a more robust picture of fund performance?

59. Should we amend the table in current Question 17, as proposed? For example, should we specify that if a reporting fund's gross and net performance is reported to current and prospective investors, counterparties, or others in a currency other than U.S. dollars, advisers must report the data using that currency, as proposed? Should we require advisers to identify the currency in Question 4, as proposed?

60. Do different types of private funds calculate performance data differently based on industry conventions, or otherwise? Do the proposed requirements and defined terms accurately capture the right types of performance reporting for investor protection and systemic risk assessment? Is there a better way to meet these objectives?

61. As an alternative, should Form PF require advisers to report the reporting fund aggregate calculated value information only for reporting funds that meet a certain asset threshold?

62. Should Form PF require advisers to follow the prescribed methodology to compute the reporting fund's volatility of the daily rate of return, as proposed, or should Form PF require advisers to follow a different methodology? If so, what methodology should Form PF prescribe and why? Should advisers have the flexibility to use their own methodology to compute the reporting fund's volatility of the daily rate of return? If advisers use their own methodology, how could the Commissions and FSOC ensure data could be aggregated and compared?

63. Could the instructions on how to calculate the volatility of the daily rate of return be clearer? For example, should the form include a calculation worksheet for advisers to fill out to help advisers calculate the volatility of rates of return?

64. Should we define "position calculated value," "reporting fund aggregate calculated value," and "rate of return," as proposed?

65. We are not defining the term "drawdown." Should Form PF define "drawdown?" For example, should Form PF define "drawdown" as the maximum loss in the value over a specified time interval? Should Form PF define or redefine any other terms?

66. Should Form PF specify what "peak to trough" means? For example, should "peak to trough" mean the percentage decline from portfolio's highest value (peak) to lowest value

(trough) following the establishment of the highest value (peak)? Are there industry standards for determining peak to trough? For example, should Form PF provide guidance on when the "peak" or "trough" should be reset? As an alternative to requiring information about "peak to trough," should Form PF require advisers to report the maximum drawdown? If so, should Form PF define "maximum drawdown" as the largest decline over any time interval within the reporting period?

67. Should Form PF require advisers to report information about the negative daily rates of return, as proposed? Alternatively, should Form PF require the largest peak to trough drawdown over a rolling 10-day period, or in each month?

68. Alternatively, should Form PF require advisers to report the daily mark to market calculations, or both the daily rate of return and the daily mark to market calculations?

69. Are the instructions clear for reporting funds that have base currencies other than U.S. dollars? Should we revise the form further to accommodate data concerning such funds?

### 3. Proposed Amendments to Section 1c of Form PF—Concerning All Hedge Funds

Section 1c requires advisers to report information about the hedge funds they advise. We propose to require advisers to report additional information about hedge funds to provide greater insight into hedge funds' operations and strategies, assist in identifying trends, and improve data quality and data comparability for purposes of systemic risk assessments and to further investor protection efforts. We also propose to remove certain questions where other questions would provide the same or more useful data to streamline reporting and reduce reporting burdens without compromising investor protection efforts and systemic risk analysis.

*Investment Strategies.* We propose to amend how advisers report hedge fund investment strategies.<sup>107</sup> We propose to require advisers to indicate which investment strategies best describe the reporting fund's strategies on the last day of the reporting period, rather than allowing advisers flexibility to report information as of the data reporting date or throughout the reporting period, as Form PF currently provides.<sup>108</sup> This amendment is designed to improve data quality by specifying how to report

information if the reporting fund changes strategies over time.

We also propose to update the strategy categories that advisers can select to reflect our understanding of hedge fund strategies better, and improve data quality and comparability, based on experience with the form. For example, we propose to include more granular categories for equity strategies, such as factor driven, statistical arbitrage, and emerging markets. Similarly, we propose to include more granular categories for credit strategies, such as litigation finance, emerging markets, and asset-backed/structured products. These more granular categories are designed to allow the Commissions and FSOC to conduct more targeted analysis and improve comparability among advisers and hedge funds, which the Commissions and FSOC can use to more accurately identify and address systemic risk and investor protection issues in times of stress. We also propose to add categories that have become more commonly pursued by hedge funds since Form PF was adopted, such as categories concerning real estate and digital assets.<sup>109</sup> Today, advisers may report information regarding these strategies in the "other" category, resulting in less robust Form PF data for analysis, especially when such analysis filters results based on strategy.<sup>110</sup> Therefore, the additional categories are designed to improve reporting quality and data comparability across advisers, based on experience with the form. If advisers select the "other" category, we propose to require them to describe in Question 4 the investment strategy, why the reporting fund would not qualify for any of the other categories, and any other information to explain the selection of "other." This proposed change is designed to improve data quality by providing context to the adviser's selection of the "other" category. It also is designed to help us ensure that advisers are not misreporting information in the "other" category when they should be reporting information in a different category.

In connection with these proposed amendments, we propose to define the term "digital asset" as an asset that is

<sup>109</sup> Aggregate qualifying hedge fund gross notional exposure to physical real estate has grown by 72 percent from the second quarter 2018 through the third quarter of 2021, to \$146 billion. See Private Funds Statistics, *supra* footnote 7, First Quarter 2020 (showing data from the second quarter of 2018), and Third Quarter 2021.

<sup>110</sup> The amount of hedge fund exposure that advisers attribute to the "other" category has more than doubled to \$57 billion, from 2013 through third quarter 2021. See Private Funds Statistics, *supra* footnote 7.

<sup>107</sup> We would amend current Question 20, and redesignate it as proposed Question 25.

<sup>108</sup> See current Question 20.

issued and/or transferred using distributed ledger or blockchain technology (“distributed ledger technology”), including, but not limited to, so-called “virtual currencies,” “coins,” and “tokens.” These types of assets also are commonly referred to as “crypto assets.”<sup>111</sup> We view these terms as synonymous. We are proposing the term and definition to be consistent with the SEC’s recent statement on digital assets, and we believe that such term and definition would provide a consistent understanding of the type of assets we intend to address.<sup>112</sup> The SEC proposed to add the same term and definition to SEC’s section of Form PF in the 2022 SEC Form PF Proposal.<sup>113</sup> The definition is designed to help ensure that advisers report digital asset strategies accurately.

We request comment on the proposed amendments.

70. Should Form PF direct advisers to report information about the reporting fund’s strategies on the last day of the reporting period, as proposed? Would this proposed amendment improve data quality, and reduce ambiguity?

71. Should Form PF continue to provide that the strategies are mutually exclusive and direct advisers to not report the same assets under multiple strategies, as it currently does? Alternatively, should Form PF allow advisers to report the same assets under multiple strategies?

72. Should Form PF include more, fewer, or different categories? Would the proposed categories improve reporting accuracy and data comparability across advisers? Are there other strategies that are important to track for assessing systemic risk or for the protection of investors?

73. Are there categories that advisers report in the “other” category that Form PF should include as their own categories? Should we remove the “other” category?

74. Should we require more specific disclosure of what each digital asset represents? If so, what kinds of descriptions would be needed and in what detail? For example, should the description include the rights the digital asset provides to the holder? Should Form PF distinguish, for example, between digital assets that represent an

ability to convert or exchange the digital asset for fiat currency or another asset, including another digital asset, and those that do not represent such a right to convert or exchange? For those digital assets that represent a right to convert or exchange for fiat currency or another digital asset, should we distinguish between those where the redemption obligation is supported by an unconditional guarantee of payment, such as some “central bank digital currencies,” and those digital assets redeemable upon demand from the issuer, whether or not collateralized by a pool of assets or a reserve? Should we identify digital assets that do not represent any direct or indirect obligation of any party to redeem or those that represent an equity, profit, or other interest in an entity?

75. Should Form PF define or redefine any terms that are listed as a proposed strategy?

Should Form PF define “digital asset,” as proposed? If not, please identify alternative elements that would better identify the digital assets held by private funds. Should Form PF use the term “crypto asset” instead of the term “digital asset”?

76. Some reporting funds report as hedge funds, but may hold commodities that are not securities or may hold commodity derivatives such as bitcoin futures that would make them a commodity pool. Should Form PF include categories for funds that hold digital assets regardless of how the fund characterizes itself based on the assets it is holding or would the proposed categories (other than the “other” category) apply?

77. If advisers select the “other” category, should Form PF require them to explain the selection, as proposed? Should Form PF require the adviser to include more, less, or different information in the explanation?

78. Should Form PF require advisers to provide explanations for any other categories besides the “other” category, as proposed? For example, if advisers report digital assets, should Form PF require advisers to provide the name of the digital asset, or describe the characteristics of the digital asset?

**Counterparty exposures.** Counterparty exposure informs the Commissions and FSOC of the interconnectedness of hedge funds with the broader financial services industry, which is a critical part of systemic risk assessment and investor protection efforts.

Understanding counterparty exposures allows the Commissions and FSOC to assess who may be impacted by a reporting fund’s failure, and which reporting funds may be impacted by a

counterparty’s failure. Counterparty exposure concerning central clearing counterparties (“CCPs”) is of importance to FSOC’s systemic risk assessment efforts as evidenced by the fact that FSOC has designated many CCP institutions as “systemically important,” and recommended that regulators continue to coordinate to evaluate threats from both default and non-default losses associated with CCPs.<sup>114</sup>

The proposal would add proposed Question 26, and revise current Questions 22 and 23, and redesignate them as proposed Questions 27 and 28, to provide better insight into hedge funds’ borrowing and financing arrangements with counterparties, including CCPs. Proposed Question 26 would require advisers to hedge funds (other than qualifying hedge funds) to complete a new table (the “consolidated counterparty exposure table”) concerning exposures that (1) the reporting fund has to creditors and counterparties, and (2) creditors and other counterparties have to the reporting fund.<sup>115</sup> Advisers would report the U.S. dollar value of the reporting fund’s “borrowing and collateral received (B/CR),” as well as its “lending and posted collateral (L/PC),” aggregated across all counterparties, including CCPs, as of the

<sup>114</sup> Form PF defines “CCP” as central clearing counterparties (or central clearing houses) (for example, CME Clearing, The Depository Trust & Clearing Corporation, Fedwire and LCH Clearnet Limited). See Financial Stability Oversight Council, 2012 Annual Report, Appendix A, available at <https://home.treasury.gov/system/files/261/2012-Annual-Report.pdf>. (concerning the designations); Financial Stability Oversight Council, 2021 Annual Report, p. 14, available at <https://home.treasury.gov/system/files/261/FSOC2021AnnualReport.pdf>. (concerning the recommendation).

<sup>115</sup> Qualifying hedge funds would not complete this table because section 2 would be revised to include similar questions that require additional detail. See discussion at Section I.L.C of this Release. Together the proposed questions in section 1c and similar questions at section 2 would allow the Commissions and FSOC to consolidate information relating to hedge funds’ and qualifying hedge funds’ arrangements with creditors and other counterparties, to support systemic risk assessment and investor protection efforts. We propose to define the term “consolidated counterparty exposure table” in the Form PF Glossary of Terms. For hedge funds, other than qualifying hedge funds, it would mean the section 1c table (at proposed Question 26) that collects the reporting fund’s borrowing and collateral received and lending and posted collateral aggregated across all creditors and counterparties as of the end of the reporting period. For qualifying hedge funds, it would mean the section 2 table (at proposed Question 41) that collects the reporting fund’s borrowing and collateral received and lending and posted collateral aggregated across all creditors and counterparties as of the end of the reporting period.

<sup>111</sup> See e.g., FSOC 2021 Annual Report, at 184–185, available at <https://home.treasury.gov/system/files/261/FSOC2021AnnualReport.pdf> (noting that another industry term for “digital asset” is “crypto asset”).

<sup>112</sup> See Custody of Digital Asset Securities by Special Purpose Broker-Dealers, Exchange Act Release No. 90788 (Dec. 23, 2020) [86 FR 11627 (Feb. 26, 2021)], at n.1.

<sup>113</sup> 2022 SEC Form PF Proposal, *supra* footnote 13.

end of the reporting period.<sup>116</sup> The form would explain what exposures to net.<sup>117</sup> Advisers would classify information according to type (e.g., unsecured borrowing, secured borrowing, derivatives cleared by a CCP, and uncleared derivatives) and the governing legal agreement (e.g., a prime brokerage or other brokerage agreement for cash margin and securities lending and borrowing, a global master repurchase agreement for repo/reverse repo, and International Swaps and Derivatives Association (“ISDA”) master agreement for synthetic long positions, “synthetic short positions,” and derivatives).<sup>118</sup> Advisers would report transactions under a master securities loan agreement as secured borrowings. Advisers would check a box if one or more prime brokerage agreements provide for cross-margining of derivatives and secured financing transactions. If advisers check the box, we propose to include instructions about how to report secured financing and derivatives in the consolidated counterparty exposure table.

Form PF would continue to require advisers to report information about individual counterparties that present the greatest exposure to and from hedge funds.<sup>119</sup> Under the proposal, however, advisers to qualifying hedge funds would not complete proposed Questions

27 and 28, if they complete certain similar questions in Form PF section 2, to avoid duplication.<sup>120</sup> We also propose to revise current Questions 22 and 23 to improve data quality.

- Although current Questions 22 and 23 provide instructions on how to identify the counterparties, we understand that advisers have been using different methodologies to identify them, and have misidentified lending relationships, which has limited the utility and comparability of the reported information. Therefore, we propose to provide more detailed instructions for advisers to use to identify the individual counterparties. For both proposed Questions 27 and 28, advisers would use the calculations from the consolidated counterparty exposure table to identify the counterparties.<sup>121</sup> This proposed amendment is designed to help ensure that the Commissions’ and FSOC’s analysis can identify true data differences, without the distraction of methodology differences, which can suggest differences where there are none, and reduce circumstances where advisers would misidentify lending relationships.

- Proposed Question 27 would require advisers to identify each creditor or other counterparty (including CCPs) to which the reporting fund owes a certain amount (before posted collateral) equal to or greater than either (1) five percent of net asset value as of the data reporting date or (2) \$1 billion. If there are more than five such counterparties, the adviser only would report the five counterparties to which the reporting fund owes the largest dollar amount, before taking into account collateral that the reporting fund posted. If there are fewer than five such counterparties, the adviser only would report the counterparties that meet the threshold. For example, if only three counterparties meet the threshold, the adviser would report only three counterparties. This would be a change from current Question 22, which requires advisers to identify five counterparties to which the reporting fund has the greatest mark-to-market net counterparty credit exposure, regardless of the actual size of the exposure. The proposed threshold is designed to highlight two different, significant,

potentially systemic, risks: five percent of net asset value represents an amount of borrowing by a reporting fund that, if repayment was required, could be a significant loss of financing that could result in a forced unwind and forced sales from the reporting fund’s portfolio. Additionally, the \$1 billion represents an amount that, in the case of a very large fund, may not represent five percent of its net assets, but may be large enough to create stress for certain of its counterparties.

- Proposed Question 28 would require advisers to provide information for counterparties to which the reporting fund has net mark-to-market counterparty credit exposure which is equal to or greater than either (1) five percent of the reporting fund’s net asset value as of the data reporting date or (2) \$1 billion, after taking into account collateral received or posted by the reporting fund. If there are more than five such counterparties, the adviser would only report the five to which the reporting fund has the greatest mark-to-market exposure after taking into account collateral received. If there are fewer than five such counterparties, the adviser only would report the counterparties that meet the threshold. This would be a change from current Question 23, which requires advisers to identify five counterparties to which the reporting fund has the greatest mark-to-market net counterparty credit exposure, regardless of the actual size of the exposure. The proposed threshold is designed to represent an amount of lending from a reporting fund that, if a default occurred, could cause a significant loss that could result in a forced unwind and forced sales from the reporting fund’s portfolio. Furthermore, we believe that the five percent threshold level would be large enough to constitute a shock to a reporting fund’s net asset value and is an often-used industry metric. The \$1 billion threshold represents an amount that, in the case of a very large counterparty, may not represent five percent of its net assets, but may be large enough to create stress for the reporting fund.

- Currently, advisers report exposures that the reporting fund has to counterparties as a percentage of the reporting fund’s net asset value, and advisers report exposures that counterparties have to the reporting fund in U.S. dollars.<sup>122</sup> We propose to require advisers to report both data sets in U.S. dollars for consistency and comparability.<sup>123</sup>

<sup>116</sup> We would define “borrowing and collateral received (B/CR)” and “lending and posted collateral (L/PC)” in the Form PF Glossary of Terms. We are proposing these definitions based on our understanding of borrowing and lending and to help ensure data quality and comparability. We also propose to amend the term “gross notional value” to provide more detail on how to report it to aid advisers completing the consolidated counterparty exposure table. See proposed Form PF Glossary of Terms.

<sup>117</sup> Advisers would net the reporting fund’s exposure with each counterparty and among affiliated entities of a counterparty to the extent such exposures may be contractually or legally set-off or netted across those entities or one affiliate guarantees or may otherwise be obligated to satisfy the obligations of another under the agreements governing the transactions. We would include instructions providing that netting must be used to reflect net cash borrowed from or lent to a counterparty, but must not be used to offset securities borrowed and lent against one another, when reporting prime brokerage and repo/reverse repo transactions. These instructions are designed to help ensure data quality and comparability. See proposed Question 26.

<sup>118</sup> We propose to define “ISDA” as the International Swaps and Derivatives Association. We also propose to define “synthetic short positions” in the Form PF Glossary of Terms (see the proposed Form PF Glossary of Terms for the proposed definition). We are proposing this definition based on our understanding of the instruments and to help ensure data quality to aid comparability. See also *supra* footnote 78 (discussing the proposed definition of “synthetic long position”).

<sup>119</sup> See current Questions 22 and 23, and proposed Questions 27 and 28.

<sup>120</sup> See proposed Questions 42 and 43 in Form PF section 2, and *supra* footnote 115.

<sup>121</sup> See proposed Question 26 for the consolidated counterparty exposure table. The proposal would define new terms related to the consolidated counterparty exposure table: “cash borrowing entries,” “cash lending entries,” “collateral posted entries,” and “collateral received entries.” See proposed Form PF Glossary of Terms.

<sup>122</sup> See current Questions 22 and 23.

<sup>123</sup> See proposed Questions 27 and 28.

- We propose to require advisers to report the amount of collateral posted, to help inform the Commissions and FSOC of the potential impact of a reporting fund or counterparty default.

- We also propose to require advisers to report the counterparty's LEI, if it has one, to help identify counterparties and more efficiently link data from other data sources that use this identifier.

- Advisers would continue to indicate if a counterparty is affiliated with a major financial institution, as Form PF currently provides.<sup>124</sup> If the financial institution is not listed on Form PF, advisers would continue to have the option of selecting "other" and naming the entity in the chart, as Form PF currently provides.

However, we propose to require the adviser to also describe the financial institution in Question 4. This proposed amendment is designed to help the Commissions and FSOC efficiently and accurately identify the entity, without having to contact advisers individually.

Together, the proposed amendments are designed to allow the Commissions and FSOC to identify and align sources of borrowing and lending to identify significant counterparty exposures, so that different styles of borrowing would not be obscured by methodology differences or misidentified lending relationships, based on our experience with the form. We request comment on the proposed amendments.

79. Would the proposed amendments help us and FSOC identify which advisers and reporting funds may have counterparty credit risk in the event of a counterparty failure (including CCP failure) or other market event that affects performance by prime brokers or other counterparties (including CCPs)? Is there a better way to meet these objectives?

80. Are the proposed consolidated counterparty exposure table, its instructions, and defined terms clear? Could they be clearer? Are there circumstances not contemplated by the instructions that need to be addressed? Is there an easier way for advisers to report counterparty exposures that would provide comparable data? Should Form PF define the terms "counterparty exposure table," "borrowing and collateral received (B/CR)," "lending and posted collateral (L/PC)," "synthetic short position," "cash borrowing entries," "cash lending entries," "collateral posted entries," "collateral received entries," and redefine "gross notional value," as proposed? For example, should

"synthetic short position" provide a different list of assets to be included or excluded? Should Form PF define or redefine more, fewer, or different terms?

81. Should Form PF require advisers to identify more or less than only significant counterparty exposures? Is the proposed threshold for identifying the counterparties with the most significant exposure to and from the reporting fund the right threshold? Does it represent an amount of borrowing from a reporting fund that, if repayment was required, could be a significant loss of financing that could result in a forced unwind and forced sales from the reporting fund's portfolio? Is there a different threshold that would meet this objective? Should advisers report all counterparties that meet the threshold, even if there are more than five such counterparties? Should advisers report the five counterparties that the reporting fund has the greatest exposure to and from, even if they don't meet the proposed threshold?

82. Should Form PF provide more detailed instructions for advisers to use to identify the individual counterparties, as proposed? Could the instructions be clearer? If Form PF should have less detailed instructions on how to identify the counterparties, how could the Commissions and FSOC help ensure that the data would be comparable?

83. Should we require advisers to report values in U.S. dollars, as proposed? Alternatively, should Form PF require advisers to report values as a percentage of the reporting fund's net asset value? Should Form PF require advisers to report amounts as both U.S. dollars and as a percentage of the reporting fund's net asset value, or another way?

84. Should Form PF require advisers to report collateral posted, as proposed? Would the proposed amendment help inform the Commissions and FSOC of the potential impact of a reporting fund or counterparty default? Is there a better way to meet this objective?

85. Should Form PF require advisers to report the counterparty's LEI, if it has one?

86. If an adviser selects "other," should we require the adviser to describe the entity in Question 4? Alternatively, should we eliminate the "other" category?

*Trading and clearing mechanisms.* We propose to revise how advisers report information about trading and clearing mechanisms.<sup>125</sup> These types of

data inform the Commissions and FSOC of the extent of private fund activities that are conducted on and away from regulated exchanges and clearing systems, which is important to understanding systemic risk that could be transmitted through counterparty exposures.<sup>126</sup> We propose to require advisers to report (1) the value traded and (2) the value of positions at the end of the reporting period, rather than requiring advisers to report information as a percentage in terms of value and trade volumes, as Form PF currently requires.<sup>127</sup> This proposed change is designed to simplify reporting because advisers would compute the value before they convert it into a percentage; therefore, this proposed change would eliminate an extra calculation for advisers. It also is designed to provide the Commissions and FSOC with data that can be more efficiently compared and aggregated among advisers and other data sources. With data in dollar values, the Commissions and FSOC could more effectively estimate the size, extent, and pace of each hedge fund's participation in activity on or away from regulated exchanges and clearing systems in relation to total values. Understanding the size of hedge fund participation in activity on and away from regulated exchanges and clearing systems is important to assessing systemic risk, because activity that takes place on regulated exchanges and clearing systems presents different risks than activity that takes place away from regulated exchange and clearing systems. For example, activity that takes place away from a regulated exchange or clearing system may be less transparent, and may present more credit risk than activity that takes place on a regulated exchange and a clearing system that acts as a central counterparty that guarantees trades.

We also propose to require advisers to report information about trading and clearing mechanisms for transactions in

<sup>126</sup> See *supra* footnote 114 and accompanying text (discussing the role of CCPs); 2011 Form PF Adopting Release, *supra* footnote 3, at n.228, and accompanying text.

<sup>127</sup> Proposed Question 29 would specify that "value traded" is the total value in U.S. dollars of the reporting fund's transactions in the instrument category and trading mode during the reporting period. Proposed Question 29 also would specify that, for derivatives, value traded would be the weighted average of the notional amount of aggregate derivatives transactions entered into by the reporting fund during the reporting period, except for the following: (1) for options, advisers would use the delta adjusted notional value, and (2) for interest rate derivatives, advisers would use the "10-year bond equivalent." This measurement is designed to track standard industry convention. We propose to add the term "10-year bond equivalent" to the Form PF Glossary of Terms, as discussed in section IIC.2 of this Release. See *infra* footnote 159.

<sup>124</sup> See current Question 22 and current Question 23.

<sup>125</sup> See current Questions 24, and 25, which we would redesignate as proposed Questions 29 and 30.

interest rate derivatives separately from other types of derivatives. Form PF data show that interest rate derivatives represent the largest gross investment exposure of qualifying hedge funds.<sup>128</sup> Therefore, this amendment is designed to help ensure that the Commissions and FSOC can identify risks of such a significant volume of activity on and away from regulated exchanges and clearing systems, without the data being obscured by other types of derivatives. The proposal would require advisers to report interest rate derivatives and other types of derivatives, by indicating the estimated amounts that were (1) traded on a regulated exchange or swap execution facility, (2) traded over-the-counter and cleared by a CCP, and (3) traded over the counter or bilaterally transacted (and not cleared by a CCP). These proposed categories reflect our understanding of how derivatives may be traded.

The proposal would continue to require advisers to report clearing information concerning repos, but would specify how to report sponsored repos, and would specify that advisers must report reverse repos with repos.<sup>129</sup> According to the Fixed Income Clearing Corporation (“FICC”), FICC’s sponsored repo service has expanded in 2017 and 2019, ultimately resulting in daily volume up to \$300 million per day as of 2021, with a peak in March 2020 of \$564 billion.<sup>130</sup> Sponsored repos incorporate a different structure than other repos, in that FICC serves as a counterparty to any sponsored trade and the sponsored member bears responsibility for meeting the obligations of the sponsored member on all transactions that it submits for clearing. Adding a particular reference to sponsored repos would ensure that

advisers understand how sponsored repos cleared by a CCP should be reported, *i.e.*, as trades cleared at a CCP.<sup>131</sup> Therefore, we propose to provide a separate line item for sponsored repos. The proposed amendment is designed to improve data quality concerning repos and sponsored repos, to allow the Commissions and FSOC to conduct more accurate and targeted systemic risk assessments and analysis concerning investor protection efforts. We also propose to specify that advisers must report reverse repos with repos. Current Question 24 requires advisers to report “repos,” which some advisers could interpret to include reverse repos, while others could interpret as excluding reverse repos. Therefore, this proposed amendment is designed to improve data quality.<sup>132</sup>

The proposal also would revise current Question 25, which requires advisers to report the percentage of the reporting fund’s net asset value related to transactions not described in current Question 24, which we would redesignate as proposed Question 29. The proposal would, instead, require advisers to report both the value traded and the position value as of the end of the reporting period for transactions not described in proposed Question 29. These amendments are designed to make proposed Question 30 data comparable with data from proposed Question 29, so that together, Questions 29 and 30 would provide the Commissions and FSOC with a complete data set of the adviser’s trading and clearing mechanisms during the reporting period.

We request comment on the proposed amendments.

87. Would the proposed amendments enhance analysis of clearance and settlement, interest rate derivatives, as well as repos, reverse repos, and sponsored repos?

88. Should Form PF require advisers to add repos and reverse repos together when reporting information about trading and clearing mechanisms, as proposed? Alternatively, should Form PF require advisers to report information about repos separately from reverse repos?

89. Do the proposed reporting categories cover the types of trading and clearing mechanisms used to trade derivatives? Should Form PF include more or fewer trading and clearing categories?

90. Would the proposed amendments make data from proposed Questions 29 and 30 comparable, so that together, the

questions would provide the Commissions and FSOC with a complete data set of the adviser’s trading and clearing mechanisms during the reporting period? Is there a better way to meet this objective?

91. Would the proposal to require advisers to report the value traded and the value of positions as of the end of the reporting period improve our ability to aggregate data and compare data among advisers? Would requiring the values, instead of the percentages, provide the Commissions and FSOC with a view into the extent of exposures across reporting funds, which would inform the Commissions and FSOC as to how much value would be at stake, given a market event? Are there better ways to meet these objectives?

92. Should we amend the terms “repo” and “reverse repo,” as proposed? Are the proposed definitions more consistent with how the private fund industry understands repos and reverse repos? If not, how should we define the terms, and would such definitions be consistent with how the Commissions use the terms in other contexts? Should Form PF refer to sponsored repos, as proposed?

*Removing Certain Questions Concerning Hedge Funds.* We propose to remove current Questions 19 and 21 from the form. Current Question 19 requires advisers to hedge funds to report whether the hedge fund has a single primary investment strategy or multiple strategies. Proposed Question 25, which requires hedge fund advisers to disclose certain information about each investment strategy, would provide this information, as discussed above in this section II.B.3 of the Release.

We also propose to remove current Question 21, which requires hedge fund advisers to approximate what percentage of the hedge fund’s net asset value was managed using high frequency trading strategies. We believe the form’s question on portfolio turnover, with proposed revisions, would better inform our and FSOC’s understanding of the extent of trading by large hedge fund advisers and would better show how larger hedge funds interact with the markets and provide trading liquidity.<sup>133</sup>

We request comments on the proposed amendments.

93. Should we remove current Questions 19 and 21, as proposed? Alternatively, should Form PF keep current Question 21, but revise it to improve data quality? For example,

<sup>128</sup> See Private Funds Statistics, *supra* footnote 7.

<sup>129</sup> The proposal also would explain that “repo” means “securities in” transactions and “reverse repo” means “securities out” transactions. Sponsored repos and sponsored reverse repos would apply to transactions in which the reporting fund has been sponsored by a sponsoring member of the Fixed Income Clearing Corporation. We would revise how Form PF explains tri-party repos to help ensure they do not exclude sponsored tri-party repos. Currently, Form PF explains that a tri-party repo applies where repo collateral is held at a custodian (not including a CCP) that acts as a third party agent to both the repo buyer and the repo seller. We propose to amend Form PF so it would explain that tri-party repo would apply where the repo or reverse repo collateral is executed using collateral management and settlement services of a third party that does not act as a CCP. See Form PF Glossary of Terms (modifying the terms “repo” and “reverse repo”) and Question 29 instructions (discussing sponsored repos, sponsored reverse repos, and tri-party repos).

<sup>130</sup> See FICC Sponsored Repo in 2021, by DTCC Connection Staff (Feb. 9, 2021), available at <https://www.dtcc.com/dtcc-connection/articles/2021/february/09/ficc-sponsored-repo-in-2021>.

<sup>131</sup> Current Question 24.

<sup>132</sup> See proposed Question 29.

<sup>133</sup> See proposed revisions to current Question 27, as discussed in section II.C of this Release.

should Form PF define “high frequency trading?”

94. Does the turnover data Form PF would collect provide more informative data than current Question 21, which we propose to remove?

95. Should Form PF require advisers to report more or less turnover data? For example, should Form PF require only large hedge fund advisers to report the value of turnover during the month for the qualifying hedge funds that they advise, as proposed, or should Form PF require such information for all advisers who advise hedge funds of any size?

96. Should Form PF remove any other questions that would be answered by other questions that would provide the same or more useful data?

### *C. Proposed Amendments Concerning Information About Hedge Funds Advised by Large Private Fund Advisers*

A private fund adviser must complete section 2 of Form PF if it had at least \$1.5 billion in hedge fund assets under management as of the last day of any month in the fiscal quarter immediately preceding the adviser’s most recently completed fiscal quarter.<sup>134</sup> This section requires additional information regarding the hedge funds these advisers manage, which is tailored to focus on relevant areas of financial activity that have the potential to raise systemic concerns. We are proposing several amendments to this section, including amendments that would remove aggregate reporting in section 2a, which we have found to be less meaningful for analysis and more burdensome for advisers to report, while preserving and enhancing reporting on a per fund basis in section 2b. We also propose to retain certain questions previously reported by advisers on an aggregate basis that we believe are important for data analysis and systemic risk assessment, but require reporting on a per fund basis. Collectively, the proposed changes to section 2 are designed to provide better insight into the operations and strategies employed by qualifying hedge funds and their advisers, and improve data quality and comparability to enable FSOC to monitor systemic risk better and enhance the Commissions’ regulatory programs and investor protection efforts. Furthermore, the proposal would remove certain other

<sup>134</sup> Section 2a requires a large hedge fund adviser to report certain aggregate information about any hedge fund it advises and section 2b requires a large hedge fund adviser to report certain additional information about any hedge fund it advises that has a net asset value of at least \$500 million as of the last day of any month in the fiscal quarter immediately preceding the adviser’s most recently completed fiscal quarter (a “qualifying hedge fund”).

reporting requirements that we have found to be less useful based on our experience with Form PF since adoption, which would help reduce reporting burdens for advisers while preserving the Commissions’ and FSOC’s regulatory oversight.

Currently, the Form PF Glossary of Terms defines a “hedge fund” generally as any private fund (other than a securitized asset fund):

(a) with respect to which one or more investment advisers (or related persons of investment advisers) may be paid a performance fee or allocation calculated by taking into account unrealized gains (other than a fee or allocation the calculation of which may take into account unrealized gains solely for the purpose of reducing such fee or allocation to reflect net unrealized losses);

(b) that may borrow an amount in excess of one-half of its net asset value (including any committed capital) or may have gross notional exposure in excess of twice its net asset value (including any committed capital); or

(c) that may sell securities or other assets short or enter into similar transactions (other than for the purpose of hedging currency exposure or managing duration).<sup>135</sup>

The definition is designed to include any private fund having any one of three common characteristics of a hedge fund: (1) a performance fee that takes into account market value (instead of only realized gains); (2) leverage; or (3) short selling. We request comment on whether we should amend the definition of “hedge fund” as such term is defined in the Form PF Glossary of Terms in order to address potential data mismatches and improve data quality. Specifically, we request comment on the following:

97. We understand that some reporting funds may consider themselves “private equity funds,” but advisers report them as hedge funds as Form PF directs because the reporting fund’s governing documents permit the fund to engage in certain borrowing and short selling (even though it did not do so at any time in the past, for example, 12 months) (a “deemed hedge fund” for purposes of this Release). Should we amend the definition of “hedge fund” in the Form PF Glossary of Terms so that such deemed hedge funds report as private equity funds and not hedge funds? If so, how? Would such changes improve data quality by excluding private equity strategies from reporting as hedge funds and instead requiring

<sup>135</sup> See current Form PF Glossary of Terms for the complete definition.

such funds to report as private equity funds? If so, and if we were to amend the definition of “hedge fund” in Form PF, should we amend it for all purposes under Form PF or only certain sections such as sections 1 and 2? Should we concurrently make conforming definitional changes to any other forms, such as Form ADV (or alternatively amend Form ADV so it would reference any revised definition of “hedge fund” in Form PF)?

98. As an example, should we amend the definition of “hedge fund” so that, to qualify as a hedge fund under the leverage prong of the definition, a fund would have to continue to satisfy subsection (b) of the definition, but also must have actually borrowed or used any leverage during the past 12 months, excluding any borrowings secured by unfunded commitments (*i.e.*, subscription lines of credit);<sup>136</sup> and to qualify as a hedge fund under the short selling prong of the definition, the fund must have actually engaged in the short selling activities described in subsection c of the definition during the past 12 months?<sup>137</sup> If we were to amend the definition, would excluding actual borrowings secured by unfunded commitments (*i.e.*, subscription lines of credit) appropriately exclude private equity funds, which typically engage in such borrowings? Should any amended definition require actual borrowing or short selling in the last 12 months? Alternatively, should any amended definition require a longer or shorter time period, such as 18 months or nine months, or different time periods for borrowing versus short selling?

99. Should any amended definition include a requirement for the reporting fund to provide redemption rights in the ordinary course or exclude actual portfolio company guarantees in the past 12 months (or some other time period)? What other alternative changes to any amended definition of “hedge fund” do you suggest?

100. Should any revised definition specify that subscription lines of credit encompass both short term and long term subscription lines of credit? If so,

<sup>136</sup> Subsection (b) of the current definition of “hedge fund” states that a hedge fund is any private fund (other than a securitized asset fund) that may borrow an amount in excess of one-half of its net asset value (including any committed capital) or may have gross notional exposure in excess of twice its net asset value (including any committed capital). See current Form PF Glossary of Terms.

<sup>137</sup> Subsection (c) of the current definition of “hedge fund” states that a hedge fund is any private fund (other than a securitized asset fund) that may sell securities or other assets short or enter into similar transactions (other than for the purpose of hedging currency exposure or managing duration). See current Form PF Glossary of Terms.

should we specify what constitutes “short term” and “long term”? For example, should “short term” mean three to six months, or less than the life of the fund, and should “long term” mean longer than six months, or the life of the fund?

101. Would it be appropriate for any amended definition of “hedge fund” to continue to include commodity pools or should commodity pools be excluded?

#### 1. Proposed Amendments to Section 2a

*Removal of aggregate reporting.* We propose to eliminate the requirement for large hedge fund advisers to report certain aggregated information about the hedge funds they manage.<sup>138</sup> Based on our experience using data obtained from Form PF since its adoption, we have found that aggregated adviser level information combines funds with different strategies and activities, thus making analyses less meaningful. Aggregation can mask the directional exposures of individual funds (e.g., positions held by one reporting fund may appear to be offset by positions held in a different fund). Additionally, there can be inconsistencies between data reported in the aggregate in section 2a and on a per fund basis in section 2b (e.g., we have observed in some instances that the sum of fund exposures advisers report in current Question 30 on a per fund basis exceed the aggregate figure reported in current Question 26). We believe that aggregating information across funds may be burdensome for some advisers because certain advisers may keep fund records on different systems, and “rolling-up” the data from different sources to report on the form may be complex and time consuming. While advisers may be required to aggregate certain types of investment holdings across their funds for other regulatory purposes (e.g., certain U.S. registered equities for Form 13F reporting), advisers generally do not aggregate all portfolio investment exposure information across their funds other

<sup>138</sup> We propose to remove section 2a and redesignate section 2b as section 2. In connection with the proposed removal of section 2a, we propose to revise the general instructions to make corresponding changes (including amending Instruction 3 to reflect the proposed removal of section 2a), and propose to revise current Question 27 (reporting on the value of turnover in certain asset classes in advisers’ hedge funds’ portfolios) and current Question 28 (reporting on the geographical breakdown of investments held by advisers’ hedge funds), move each of these questions to new section 2, and redesignate them as Question 34 and Question 35, respectively. Furthermore, in connection with the proposed changes, we would revise the term “sub-asset class” so it no longer refers to Question 26, which the proposal would remove.

than for Form PF reporting purposes, given that counterparties, markets, and investors tend to interact with funds on an individual basis and not in the aggregate at the adviser level.

We do not believe that removing section 2a would result in a meaningful deterioration in the information collected because the vast majority of gross hedge fund assets on which advisers report in the aggregate in section 2a constitute the gross assets of qualifying hedge funds that are reported in section 2b. For example, large hedge fund advisers reported total gross notional exposure for qualifying hedge funds in section 2b that constituted approximately 91 percent of the total gross notional exposure reported on an aggregate basis by large hedge fund advisers in section 2a as of the same date.<sup>139</sup> Furthermore, as discussed in section II.B.3. above, we are also proposing to enhance reporting for all hedge funds in section 1 (particularly section 1c), which we believe would mitigate against potential data gaps that could result from the removal of section 2a, given that advisers currently report information on all their hedge funds in section 2a but only report on qualifying hedge funds in section 2b. Additionally, certain information collected in section 2a is duplicative of information already collected on a per fund basis in section 2b.<sup>140</sup> By continuing to require reporting on a per fund basis, information reported in section 2b would allow the Commissions and FSOC to compile aggregate figures.<sup>141</sup>

We request comments on the proposed amendments.

102. Should we remove aggregate reporting by eliminating section 2a as proposed? Alternatively, should we retain a subset of the questions in section 2a to be reported on an aggregate basis? If so, which questions and why?

<sup>139</sup> As noted above, based on experience with Form PF since adoption, we have found information gathered in section 2a for the remaining 9 percent of funds to not be very useful given that it is aggregated data across different funds.

<sup>140</sup> For example, Question 26 of section 2a requires large hedge fund advisers to report aggregated information on exposure to different types of assets, which is effectively the same exposure information reported on a per fund basis for each qualifying hedge fund in current Question 30 of section 2b.

<sup>141</sup> Additionally, we are proposing to move current Question 31 (base currency) currently required only for qualifying hedge funds to section 1b. We are also proposing to enhance section 1c to require more detailed information about hedge funds’ borrowing and financing arrangements (including posted collateral) and also proposing to revise current Question 25 and current Question 26 to require end of period reporting of the value of certain instrument categories (including listed equities, interest rate derivatives and other derivatives, and repo/reverse repos).

103. Do you agree that counterparties, markets, and investors tend to look at funds on an individual basis and not in the aggregate at the adviser level and as such the proposed removal of section 2a would reduce the burden on advisers having to report fund level data on an aggregated basis?

104. Do you agree that aggregating information across funds may be burdensome for some advisers? Do some advisers maintain fund records on different systems such that “rolling-up” the data from different sources to report on the form would be complex and time consuming?

#### 2. Proposed Amendments to Section 2b

Current section 2b requires a large hedge fund adviser to report certain additional information about any hedge fund it advises that is a qualifying hedge fund.<sup>142</sup> As noted in the 2011 Form PF Adopting Release, information reported in section 2b is designed to assist FSOC in monitoring the composition of hedge fund exposures over time as well as the liquidity of those exposures. The information also aids FSOC in its monitoring of credit counterparties’ unsecured exposure to hedge funds as well as hedge funds’ exposure and ability to respond to market stresses and interconnectedness with CCPs. Based on our experience with the data since Form PF was first adopted and our consultations with FSOC, we are proposing to amend section 2b to do the following:

- (1) Enhance, expand, and simplify investment exposure reporting;
- (2) Revise open and large position reporting;
- (3) Revise borrowing and counterparty exposure reporting;
- (4) Revise market factor effects reporting; and
- (5) Make certain other changes designed to streamline and enhance the value of data collected on qualifying hedge funds by: (a) adding reporting on currency exposure, turnover, country and industry exposure; (b) adding new reporting on CCPs; (c) streamlining risk metric reporting and collecting new information on investment performance by strategy and portfolio correlation; and (d) enhancing portfolio and financing liquidity reporting.

##### a. Investment Exposure Reporting.

Reporting on qualifying hedge fund exposures to different types of assets has been critical in helping to monitor the composition of hedge fund exposures over time, particularly as it relates to

<sup>142</sup> In connection with the proposed amendments, we propose to redesignate section 2b as section 2.

systemic risk monitoring. The proposal would (1) replace the table format of current Question 30, which we would redesignate as Question 32, with narrative instructions and a “drop-down” menu while also revising the instructions to specify how to report certain positions, (2) require reporting based on “instrument type” within sub-asset classes to identify whether the fund’s investment exposure is achieved through cash or physical investment exposure, through derivatives or other synthetic positions, or indirectly (*e.g.*, through a pooled investment such as an ETF, an investment company, or a private fund), (3) require the calculation of “adjusted exposure” for each sub-asset class (*i.e.*, require (in addition to value as currently reported) the calculation of “adjusted exposure” for each sub-asset class that allows netting across instrument types representing the same reference asset within each sub-asset class, and, for fixed income, within a prescribed set of maturity buckets), (4) require uniform interest rate risk measure reporting for sub-asset classes that have interest rate risk (while eliminating the current option to report one of duration, weighted average tenor (WAT) or 10-year equivalents), and (5) amend the list of reportable sub-asset classes consistent with these other changes and collect enhanced information for some asset types.<sup>143</sup>

*Narrative reporting instructions and additional information on how to report.* The proposal would replace the existing complex table in current Question 30 with reporting instructions that would use a series of “drop-down” menu selections for each sub-asset class and the applicable information required for each sub-asset class. This approach is similar to the narrative instructions (and drop-down menus) already in effect for current section 3 with respect to liquidity fund position reporting.<sup>144</sup> We believe that these changes and new format would simplify and specify how to report the required information in proposed Question 32. Additionally, the proposed changes may reduce filer burdens compared to the current form because advisers are currently required to enter “N/A” in each field for which there is not a relevant position, while the proposal would only require advisers to provide information for sub-asset classes in which their qualifying hedge funds hold relevant positions. Furthermore, the proposal would

require advisers to report the absolute value of short positions, include positions held in side-pockets as positions of the reporting fund, and include any closed out and OTC forward positions that have not yet expired or matured.

We propose to amend the instructions to current Question 30 to specify how advisers should classify certain positions. Specifically, the proposed instructions would require advisers to choose the sub-asset class that describes the position with the highest degree of precision, which we believe would result in more accurate classification of positions and therefore better data, rather than simply noting that any particular position should only be included in a single sub-asset class. This proposed change is designed to instruct advisers on how to classify positions that could be accurately classified in multiple sub-asset classes, and is consistent with SEC staff Form PF Frequently Asked Questions.<sup>145</sup> The proposal also would add a new instruction that directs advisers to report cash borrowed via reverse repo as the short value of repos, and refer advisers to the proposed revised definitions of “repo” and “reverse repo” in the Glossary of Terms, also consistent with SEC staff Form PF Frequently Asked Questions.<sup>146</sup> We believe this proposed change would reduce confusion on how to report repo information and help reduce filer errors. Finally, the amended instructions also would include a revised list of sub-asset classes.<sup>147</sup>

We also propose to require advisers to provide additional explanatory information in situations where a qualifying hedge fund reports long or short dollar value exposure to “catch-all” sub-asset class categories<sup>148</sup> equal to or exceeding either (1) five percent of a fund’s net asset value or (2) \$1 billion.<sup>149</sup> We have observed that some

funds report significant amounts of assets in these “catch-all” categories. We chose the five percent threshold level because we believe it represents a level that would identify exposure that could be material to a fund’s investment performance. The \$1 billion threshold represents a level for large funds (*e.g.*, those with net asset values in excess of \$20 billion) that is large enough so as to have potential systemic risk implications even if the position is less than five percent of the fund. We propose to add this explanatory requirement to inform our understanding of significant exposure reported in these “other” sub-asset classes better, which we believe is important for assessing systemic risk.

We request comment on the proposed amendments.

105. Should we amend the format of current Question 30 as proposed? Do the proposed narrative instructions clarify and simplify reporting for advisers? Alternatively, if the proposed format creates additional complexity for filers, should only a subset of qualifying hedge funds be required to complete proposed Question 32? If so, what should the threshold be and why?

106. Do you agree that the proposed changes requiring advisers to choose the sub-asset class that describes positions with the highest degree of precision would result in more accurate classification of positions and therefore better data for analysis? If not, what alternatives do you suggest?

107. Currently, most sub-asset classes (*e.g.*, equities, corporate bonds) are not further divided to account for exposure by the sub-asset class to a particular country or region. Instead, other questions on Form PF collect this information (*e.g.*, current Question 28). Should we further divide sub-asset classes by geographic exposure? If so, would the separation of sub-asset classes by U.S. and non-U.S. be helpful or would even more granularity be appropriate?

108. As an alternative to the proposed requirement that advisers provide additional explanatory information in situations where a qualifying hedge fund has significant exposure to “catch-all” sub-asset class categories (*i.e.*, if the long or short dollar value is equal to or exceeds either (1) five percent of a fund’s net asset value or (2) \$1 billion), should we add additional sub-asset classes to further break out the types of instruments that are being classified in

\$53 billion) and convertible bonds (\$95 billion) as of 2020 Q1. See Private Fund Statistics Q2 2020 available at <https://www.sec.gov/divisions/investment/private-funds-statistics/private-funds-statistics-2020-q2.pdf>.

<sup>143</sup> In connection with the proposed amendments, we also propose to remove Question 44, which under the proposal would be duplicative of the new reporting requirements in proposed Question 32.

<sup>144</sup> See Form PF, Section 3, Question 63(f) and (g).

<sup>145</sup> See Form PF Frequently Asked Questions, *supra* footnote 79, Question 26.2.

<sup>146</sup> See Form PF Frequently Asked Questions, *supra* footnote 79, Question 26.5. See also *supra* footnote 129.

<sup>147</sup> The proposed amendments to this list, as well as other changes to instructions in specific parts of proposed Question 32, are discussed below.

<sup>148</sup> These sub-asset classes include: loans (excluding leveraged loans and repos), other structured products, other derivatives, other commodities, digital assets, and investments in other sub-asset classes.

<sup>149</sup> Some filers report significant exposure to these “other” categories. For example, the public Private Fund Statistics Second Quarter 2020 (“Private Fund Statistics Q2 2020”) (Table 46) shows about \$100 billion in aggregate QHF GNE reported as “other loans,” more than other asset categories of interest, such as ABS/structured products (ex. MBS but including CLO/CDOs) (about

these “catch-all” buckets? If we should add more sub-asset classes, what should they be? Is the proposed threshold for requiring that advisers provide additional explanatory information set at the appropriate level? Should it be higher or lower?

109. With respect to sub-asset classes pertaining to loans, should we add additional sub-asset classes to capture loans originated by banks versus other entities for purposes of monitoring systemic risk? Should we require reporting on private funds’ origination activities in a separate question that would ask whether the private fund originate loans and if so much has it originated?

110. Should any other sub-asset classes reflected in the proposal be broken out separately in proposed Question 32? If so, what sub-asset classes and why?

111. Should the short dollar value of repo match borrowings by reverse repo reported in the counterparty exposure table in Question 41, and if they do not match, should we require explanation?

112. The current instructions to Question 30 require advisers to include closed out and OTC forward positions that have not yet expired/matured. However, SEC staff Form PF Frequently Asked Question 44.1 states that reporting is not required for closed out positions if closed out with the same counterparty if there is no remaining legally enforceable obligation. Further, we understand that advisers use different internal methods to account for closed out and OTC forward positions not yet expired/matured, which introduces inconsistencies in data reported on Form PF. Should we require advisers to report closed out and OTC forward positions that have not yet expired/matured even if closed out as suggested by the current instructions? Alternatively, should we only require reporting unless the OTC forward positions are closed out with the same counterparty and there is no remaining legally enforceable obligation (consistent with our proposed revision to Instruction 15)?

113. Is it clear in proposed Question 32 how to classify positions in certain sub-asset classes as “long” or “short” in light of the proposed changes to Instruction 15<sup>150</sup> with respect to classifying positions? Should we provide additional guidance specific to proposed Question 32? If so, what additional instructions or guidance would be helpful?

114. Current Question 30 and several other current and/or proposed questions

in Section 2 of Form PF would not be necessary if large hedge fund advisers instead filed information about each qualifying hedge fund’s portfolio positions similar to what is required by Section 3 for large liquidity fund advisers or on Form N–PORT for registered investment companies. Should we require, or permit, large hedge fund advisers to file this kind of position level information for qualifying hedge private funds instead of, or as an optional alternative to, responding to current Question 30 and certain other questions concerning portfolio holdings, such as position concentrations, currency, geographic and industry exposure, and market factor testing? For example, if in lieu of completing current Question 30 (exposure reporting), current Question 28 (country exposure), current Question 34 (position concentration), current Question 35 (large positions), and current Question 44 (aggregate value of derivatives positions), and potentially additional questions including those concerning counterparty exposures, advisers could instead choose to file position level information, would this help alleviate the reporting burden?

*Separate reporting for positions held physically, synthetically or through derivatives and indirect exposure.* The proposal would require advisers to report the dollar value of a qualifying hedge fund’s long positions and the dollar value of the fund’s short positions in certain sub-asset classes by “instrument type” (*i.e.*, cash/physical instruments, futures, forwards, swaps, listed options, unlisted options, and other derivative products, ETFs, exchange traded product, U.S. registered investment companies (excluding ETFs and money market funds), non-U.S. registered investment companies, internal private fund or external private fund, commodity pool, or other company, fund or entity).<sup>151</sup> For each

<sup>151</sup> See Form PF Glossary of Terms (proposed definition of “instrument type”). See also proposed Question 32(a). Sub-asset classes that would require reporting by instrument type (see proposed Question 32(a)(1)) include: listed equity issued by financial institutions; American Depositary Receipts; other single name listed equity; indices on listed equity; other listed equity; unlisted equity issued by financial institutions; other unlisted equity, investment grade corporate bonds issued by financial institutions (other than convertible bonds); investment grade corporate bonds not issued by financial institutions (other than convertible bonds); non-investment grade corporate bonds issued by financial institutions (other than convertible bonds); non-investment grade corporate bonds not issued by financial institutions (other than convertible bonds); investment grade convertible bonds issued by financial institutions; investment grade convertible bonds not issued by financial institutions; non-investment grade convertible bonds issued by financial institutions;

month of the reporting period, advisers would be required to report long and short positions in these sub-asset classes held physically, synthetically or through derivatives, and indirectly through certain entities,<sup>152</sup> separately in order to provide the Commissions and FSOC sufficient information to understand, monitor, and assess qualifying hedge funds’ exposures to certain types of assets and investment products. The current instructions (and the associated definitions) require advisers to combine exposure held physically, synthetically, or through

non-investment grade convertible bonds not issued by financial institutions; U.S. treasury bills; U.S. treasury notes and bonds; agency securities; GSE bonds; sovereign bonds issued by G10 countries other than the U.S., other sovereign bonds (including supranational bonds); U.S. state and local bonds; MBS; ABCP; CDO (senior or higher); CDO (mezzanine); CDO (junior equity); CLO (senior or higher); CLO (mezzanine); CLO (junior equity); other ABS, other structured products; U.S. dollar interest rate derivatives; non-U.S. currency interest rate derivatives; foreign exchange derivatives; correlation derivatives; inflation derivatives; volatility derivatives; variance derivatives; other derivatives, agricultural commodities; crude oil commodities; natural gas commodities; power and other energy commodities; gold commodities; other (non-gold) precious metal commodities; base metal commodities; other commodities; real estate; digital assets; investments in other sub-asset classes. These sub-asset classes are reported at the sub-asset class level and not by instrument type (see proposed Question 30(a)(2)): leveraged loans, loans (excluding leveraged loans and repo); overnight repo, term repo (other than overnight), open repo; sovereign single name CDS; financial institution single name CDS; other single name CDS, index CDS; exotic CDS; U.S. currency holdings, non-U.S. currency holdings, certificates of deposit, other deposits, money market funds, other cash and cash equivalents (excluding bank deposits, certificates of deposit and money market funds). In connection with the proposal we also propose to amend the Glossary of Terms to (i) amend the definitions of agency securities, convertible bonds, corporate bonds, GSE bonds, leveraged loans, sovereign bonds, and U.S. treasury securities, in each case to include positions held indirectly through another entity, (ii) remove the definitions of crude oil, derivative exposures to unlisted equities, gold, natural gas, and power, and (iii) amend the definitions of commodities and other commodities. See Form PF Glossary of Terms. Additionally, for foreign exchange derivatives, advisers would report forex swaps and currency swaps separately, and in determining dollar value, would not net long and short positions within sub-asset classes or instrument types (with the exception of spot foreign exchange longs and shorts).

<sup>152</sup> In determining the reporting fund’s exposure to sub-asset classes for positions held indirectly through entities, the proposal would permit advisers to allocate the position among sub-asset classes and instrument types using reasonable estimates consistent with its internal methodologies and conventions of service providers. Furthermore, if a reporting fund’s position in any such entity represents less than (1) 5% of the reporting fund’s net asset value and (2) \$1 billion, the proposal would permit advisers to report an entire entity position in one sub-asset class and instrument type that best represents the sub-asset class exposure of the entity, unless the adviser would allocate the exposure more granularly under its own internal methodologies and conventions of its service providers.

<sup>150</sup> See discussion at Section I.L.D of this Release.

derivatives when reporting certain fixed income and other sub-asset classes.<sup>153</sup> Even when certain sub-asset classes currently separate physical and derivative exposure (e.g., listed equities), all derivative instrument types are combined regardless of each derivative instrument type's risk characteristics. Furthermore, the form's current instructions for reporting investment exposure obtained through funds or other entities are different. For example, instructions require advisers to categorize ETFs based on the assets the ETF holds, while other registered investment companies are reported as a separate sub-asset class, and may obscure the extent of a reporting fund's exposure to particular sub-asset classes. This difference and lack of granularity in reporting makes it difficult to understand the activities of qualifying hedge funds and limits the utility of data collected for purposes of understanding the role qualifying hedge funds play in certain market events. For example, when monitoring funds' activities during recent market events like the March 2020 COVID-19 turmoil, the existing aggregation of U.S. treasury securities with related derivatives did not reflect the role hedge funds played in the U.S. treasury market.

We request comment on the proposed amendments.

115. Do advisers' internal risk reporting systems track long and short positions by instrument type? Does the proposed definition of "instrument type" present different types of risk such that it would be valuable to collect information separately for each instrument? Are the proposed instrument types appropriate?

Alternatively, should we aggregate instrument types so that there are fewer options or should there be a different set of instrument types for different sub-asset classes? If so, what should they be?

116. Should we require reporting of dollar value by instrument type as proposed or for fewer sub-asset classes?

117. In proposed Question 32 we would not require advisers to report positions in certain sub-asset classes by instrument type<sup>154</sup> because we

understand that exposure to these sub-asset classes would generally be held physically (e.g., currency holdings) or through a single instrument type (e.g., repo and credit-default swaps). Should we also require reporting by instrument type for any of these sub-asset classes?

118. Do the proposed amendments better capture exposures to sub-asset classes held physically, synthetically or through derivatives, and indirectly through certain entities? If not, how should we modify the proposal to better capture these types of exposures?

*Adjusted exposure reporting.* While we would continue to require advisers to report "gross" long and short exposure, *i.e.*, the dollar value of a qualifying hedge fund's long positions and dollar value of the fund's short positions for various sub-asset classes (and by instrument type for certain sub-asset classes as explained above), we propose to require advisers to also report the "adjusted" exposure of long and short positions for each sub-asset class in which a fund has a reportable position.<sup>155</sup> Based on our experience, we have found that gross exposure reporting, while useful because the information indicates fund size on a comparable basis among funds, may inflate some qualifying hedge funds' reported long and short exposures in a way that does not properly represent the economic exposure and market risk of a reporting fund's portfolio. For example, when only looking at gross exposure, certain relative value strategies that are designed to match long and short exposures in the same or similar (highly correlated) assets may reflect very high leverage, but not have the same level of risk as portfolios with less leverage but that are more exposed directionally. Furthermore, some advisers, for purposes of managing risk, do not view their portfolio on a "gross" basis because they do not believe it provides a meaningful measure of risk. We believe that "gross" exposure reporting by itself presents an incomplete picture that represents a significant data gap for purposes of systemic risk analysis.

We propose to require advisers to determine adjusted exposure for each "sub-asset" using a specified methodology that is designed to facilitate comparisons of the reported data. Specifically, the proposal would require advisers to calculate and report "adjusted exposure" of long and short positions for each sub-asset class by netting (1) positions that have the same underlying "reference asset" across

"instrument type" (*i.e.*, cash/physical instruments, futures, forwards, swaps, listed options, unlisted options, other derivative products, and positions held indirectly through another entity such as ETFs, other exchange traded products,<sup>156</sup> U.S. registered investment companies (excluding ETFs and money market funds), investments in non-U.S. registered investment companies,<sup>157</sup> other private funds, commodity pools, or other companies, funds or entities) and (2) fixed income positions that fall within certain predefined maturity buckets (*i.e.*, 0 to 1 year, 1 to 2 year, 2 to 5 year, 5 to 10 year, 10 year, 10 to 15 year, 15 year, 15 to 20 year, and 20+ year).<sup>158</sup>

For purposes of determining "adjusted exposure," we propose to permit cross counterparty netting consistent with information reported by a fund internally and to current and prospective investors, because we believe it would better reflect the fund's economic exposure. For example, a fund with market-neutral trades may lose substantial amounts of capital in a period of market stress if prices diverge, regardless of the identities of the counterparties. Additionally, counterparty identification may be

<sup>156</sup> In connection with this proposed amendment, we also propose to define "exchange traded product" as "an investment traded on a stock exchange that invests in underlying securities or assets, such as an ETF or exchange traded note." See Form PF Glossary of Terms. Given that the exchange traded product market has grown significantly since Form PF was first adopted, we believe that activity in exchange traded products may present different systemic risks than traditional listed equities and other instruments that might be used to obtain exposure to underlying assets owned within an ETF. Furthermore, we believe added insight into whether the underlying sub-asset class exposure is held through an ETF would enhance FSOC's analysis of systemic risk associated with this asset class.

<sup>157</sup> See Form PF Glossary of Terms (proposed definition of "investments in non-U.S. registered investment companies"). Furthermore, we also propose to remove the term "U.S. registered investment companies" from the Form PF Glossary of Terms.

<sup>158</sup> See Form PF Glossary of Terms. We propose to define "reference asset" as a security or other investment asset to which a fund is exposed through direct ownership (*i.e.*, a physical or cash position), synthetically (*i.e.*, the subject of a derivative or similar instrument held by the fund), or indirect ownership (e.g., through ETFs, other exchange traded products, U.S. registered investment companies, non-U.S. registered investment companies, internal private funds, external private funds, commodity pools, or other companies, funds, or entities). An adviser may identify a reporting fund's reference assets according to its internal methodologies and the conventions of service providers, provided that these methodologies and conventions are consistently applied, do not conflict with any instructions or guidance relating to Form PF and reported information is consistent with information it reports internally and to investors and counterparties.

<sup>153</sup> We propose to require advisers to report the dollar value of long and short positions for the sub-asset class (and not instrument type) for following sub-asset classes: leveraged loans, loans (excluding leveraged loans and repo); overnight repo, term repo (other than overnight), open repo; sovereign single name CDS; financial institution single name CDS; other single name CDS, index CDS; exotic CDS; U.S. currency holdings, non-U.S. currency holdings, certificates of deposit, other deposits, money market funds, other cash and cash equivalents (excluding bank deposits, certificates of deposit and money market funds). See proposed Question 32(a).

<sup>154</sup> See *supra* footnote 151.

<sup>155</sup> Proposed Question 32(b). See also Form PF Glossary of Terms (proposed definition of "adjusted exposure").

ambiguous for some positions, such as when a fund simply has a long position in an equity security traded over an exchange or purchased from a broker without the use of any financing.

Finally, if a fund does not net across all instrument types in monitoring the economic exposure of the fund's investment positions for purposes of internal reporting and reporting to investors, we would (in addition to adjusted exposure determined as specified above) also require the adviser to report adjusted exposure based on an adviser's internal methodologies and describe in Question 4 how the adviser's internal methodology differs from the standard approach in proposed Question 32. This additional information would provide better insight into how these advisers assess the economic exposure of their reporting fund's portfolio, while still ensuring an adviser provides information that supports our and FSOC's ability to aggregate and compare the data across funds.

We request comment on the proposed amendments.

119. The proposal would permit advisers to net across counterparties without limit if consistent with methodologies used for internal reporting and reporting to investors. Is this appropriate? Alternatively, should we only allow cross-counterparty netting to the extent that it is permitted by legal agreement?

120. Is the proposed definition of "reference asset" sufficiently clear? Should we instead propose a definition that tailors the definition to different asset classes (e.g., repo exposures could be netted in accordance with GAAP rules for balance sheet netting, treasury exposures could be netted within maturity buckets)?

121. The proposed definition of "reference asset" specifies using the cheapest-to-deliver security for bond futures. Should additional or alternative approaches for bond futures be included in the proposed definition? Are there other potentially ambiguous cases that should be clarified? If so, what are they?

122. Is the proposed method for determining adjusted exposure appropriate? For example, is the proposed netting of fixed income positions that fall within certain predefined maturity buckets appropriate? Should we identify additional or different maturity buckets? If so, which maturity buckets?

123. As an alternative, should we instead require ETFs, exchange traded products, U.S. and non-U.S. registered investment companies, other private funds, commodity pools, or other

companies, funds or entities to be reported as stand-alone sub-asset classes?

*Require advisers to report a uniform interest rate risk measure.* We propose to require advisers to report the 10-year zero coupon bond equivalent<sup>159</sup> for all sub-asset classes with interest rate risk (by instrument type if applicable)<sup>160</sup> rather than providing advisers with a choice to report duration, weighted average tenor ("WAT"), or an unspecified 10-year bond equivalent.<sup>161</sup> The proposal would require advisers to report the 10-year zero coupon bond equivalent of the dollar value of long and short positions in each sub-asset class (and by instrument type, if applicable) as well as for the adjusted exposure of long and short exposures for each sub-asset class for each monthly period.

The proposed change is designed to improve reporting and obtain better data, because the current approach, while providing optionality, makes it difficult to compare and aggregate data reported by different funds effectively. Furthermore, we believe that the 10-year zero coupon bond equivalent is commonly used by hedge fund advisers and would be a better and more consistent measure of interest rate risk than duration, WAT, or the current unspecified 10-year equivalent. WAT

<sup>159</sup> We are proposing a new glossary definition of 10-year bond equivalent to explain that the term 10-year bond equivalent means "the equivalent position in a 10-year zero coupon bond, expressed in the base currency of the reporting fund." See Form PF Glossary of Terms (proposed definition of "10-year bond equivalent"). We also would make a conforming change to the definition of interest rate derivative to use this new definition.

<sup>160</sup> We propose to require advisers to report the 10-year zero coupon bond equivalent for the following sub-asset classes: investment grade corporate bonds issued by financial institutions (other than convertible bonds); investment grade corporate bonds not issued by financial institutions (other than convertible bonds); non-investment grade corporate bonds issued by financial institutions (other than convertible bonds); non-investment grade convertible bonds issued by financial institutions; investment grade convertible bonds not issued by financial institutions; non-investment grade convertible bonds issued by financial institutions; non-investment grade convertible bonds not issued by financial institutions; U.S. treasury bills; U.S. treasury notes and bonds; U.S. agency securities; GSE bonds; sovereign bonds issued by G10 countries other than the U.S.; other sovereign bonds (including supranational bonds); U.S. state and local bonds; leveraged loans; loans (excluding leveraged loans and repo); overnight repo; term repo (other than overnight); open repo; MBS; ABCP; Senior or higher CDO; Mezzanine CDO; Junior equity CDO; Senior or higher CLO; Mezzanine CLO; Junior equity CLO; other ABS; other structured product; U.S. dollar interest rate derivatives; non-U.S. currency interest rate derivatives; and certificates of deposit. See proposed Question 32(c).

<sup>161</sup> See proposed Question 32(c).

may be an incomplete measure because it does not always reflect the presence of options embedded in bonds or differing sensitivity to interest rate changes in circumstances where base currencies are subject to a higher or lower risk-free rate, and it also may not be meaningful for interest rate derivative products. Duration can tend toward infinity for certain derivatives, which can provide little meaning or utility. In addition, methodologies for calculations of duration and a 10-year equivalent (if not standardized to a zero coupon bond) may vary, which can result in variability among calculations. Therefore, we believe that by eliminating additional reporting options, requiring the 10-year zero coupon bond equivalent would provide a common denominator across funds that advisers would be able to easily calculate and that would provide a consistent and comparable metric. In this regard, we do not believe the proposed requirement would create an additional burden for advisers that currently report based on a 10-year equivalent for these types of assets, which we estimate represents roughly 40 percent of the total number of advisers responding to Question 30.<sup>162</sup>

We request comment on the proposed amendments.

124. Are the proposed changes with respect to reporting of the 10-year zero coupon bond appropriate? If not, what alternative do you suggest?

125. What would be the burden on advisers of standardizing reporting to the 10-year zero coupon bond equivalent for sub-asset classes with interest rate risk, by instrument type?

126. Alternatively, should we use a measure other than the 10-year zero coupon bond equivalent and if so, what measure should be used (e.g., duration, WAT or another measure)?

127. As an alternative to the 10-year zero coupon bond equivalent, we considered whether to standardize the interest rate risk measure to DV01, which we would define as the gain or loss for a 1 basis point decline in the risk-free interest rate, expressed in U.S. dollars. In this regard, we understand that both duration and a 10-year bond equivalent rely on an initial calculation of DV01. Would DV01 be a better alternative for standardization to provide consistent reporting across all funds compared to the 10-year zero coupon bond equivalent? If DV01 is preferred, should we use a different formula (e.g., a 1 basis point increase)? If we should use a different formula,

<sup>162</sup> Based on analysis of Form PF data 2021Q4 and 2020Q4.

what should it be and why? Would the burden on advisers of standardizing reporting to DV01 be different than standardizing to the 10-year zero coupon bond equivalent?

128. Should we define 10-year bond equivalent in the Glossary of Terms as “the equivalent position in a 10-year zero coupon bond, expressed in the base currency of the reporting fund,” as proposed? The glossary definition of “interest rate derivative” requires reporting relating to interest rate derivatives to be presented as “in terms of 10-year bond-equivalents.”

129. Do you agree that the 10-year zero coupon bond equivalent is commonly used by hedge fund advisers and would be a better and more consistent measure of interest rate risk than duration, WAT, or the current unspecified 10-year equivalent?

*Amended list of sub-asset classes.* In proposed Question 32, we would revise the list of reportable sub-asset classes in two ways. First, some sub-asset classes are consolidated and tailored to reflect our proposed reporting of the dollar value of long and short positions by instrument type. For example, sub-asset classes for listed and unlisted equity derivatives are combined with sub-asset classes for listed and unlisted equities, and similarly, sub-asset classes for physical commodities and commodity derivatives are combined.<sup>163</sup> Likewise, some current sub-asset classes would now be reflected as instrument types, such as internal private funds, external private funds and registered investment companies (now separated in to ETFs, U.S. registered investment companies and non-U.S. registered investment companies). Second, the proposal would add new sub-asset classes to provide additional information to help the Commissions and FSOC better understand qualifying hedge funds’ investment exposures to certain asset types, and reduce reporting in certain “catch-all” sub-asset classes, such as “other listed equity.”

Specifically, the proposal would: (1) expand equity exposure reporting to add sub-asset classes for (a) listed equity

securities (including new sub-asset classes for other single name listed equities and indices on listed equities), and (b) American depository receipts (“ADRs”); (2) add additional sub-asset classes for reporting “repo” and “reverse repo” positions, based on term; (3) add additional sub-asset classes for asset backed securities (“ABS”) and other structured products; (4) add new sub-asset classes and revise existing sub-asset classes that capture certain derivatives, including certain credit derivatives and volatility and variance derivatives; (5) specify sub-asset classes pertaining to investments in cash and cash equivalents and commodities; and (6) add a new sub-asset class for digital assets.

#### Listed Equity Securities

We propose to add new sub-asset classes for certain categories of listed equity securities, specifically, for other single name listed equities and indices on listed equities. This change is designed to provide added granularity to reporting on listed equities<sup>164</sup> given the potential impact of these new sub-asset classes from an overall systemic risk perspective, as the form currently only requires advisers to single out and report for listed equities issued by financial institutions with all other listed equities reported in a catch-all category “other listed equity.” Identifying single equities separately from equity index exposure can help distinguish broadly diversified portfolios from those that could be more concentrated, and also help to identify what strategies are being pursued by multi-strategy funds. Additionally, single equity positions may be more vulnerable to short squeezes<sup>165</sup> (*i.e.*, a type of manipulation in which prices are manipulated upward to force short sellers out of their positions, as short sellers are required by brokers to maintain margin above a certain level, and as prices rise short sellers must add cash to their margin accounts or close out their short positions) than index positions, so the level of granularity the proposal would obtain with respect to this information would help to identify

better entities that may be affected during a short squeeze event.

We request comments on the proposed amendments.

130. Should we add new sub-asset classes for other single name listed equities and indices on listed equities as proposed? Are the proposed categories appropriate? If not, is there another alternative that we should use?

#### ADRs

We propose to add a new sub-asset class for ADRs in line with how ADRs are reported on the CFTC’s Form CPO-PQR.<sup>166</sup> While ADRs are purchased in U.S. dollars, these instruments have currency risk because the underlying security is priced in its home country currency, and the ADR’s U.S. dollar price fluctuates one-for-one with each movement in the home currency. Accordingly, the proposal would require ADRs to be reported separately from other listed equity instruments. This requirement also would help increase the utility of the information reported under the “other listed equity” sub-asset class on Form PF, which requires reporting of multiple other sub-asset classes.

We request comment on the proposed amendments.

131. Should we break out ADRs separately from the “other listed equity” category on Form PF as proposed?

#### Repurchase Agreements (“Repos”)

We propose to add additional sub-asset classes to the “repos” section of proposed Question 32 to capture a breakdown of repos by term (*e.g.*, overnight, other than overnight, and open term). Hedge funds often borrow cash overnight and pledge securities such as government bonds as collateral. We believe that collecting more information on the different types of repos held by qualifying hedge funds would allow the Commissions and FSOC to understand better the role of these funds in potentially amplifying funding stresses and the risks associated with short-term funding for certain trading strategies, particularly in light of the issues the repo market experienced during the fall of 2019 and in March 2020.<sup>167</sup>

<sup>166</sup> As noted above, where applicable, we have proposed to align Form PF with Form CPO-PQR to (1) enable filers that currently are required to file both Form PF and Form CPO-PQR independently to compile and use similar data in completing both forms and (2) enable users of the reported data (*e.g.*, FSOC and other regulatory agencies) to (i) link data for funds that file both forms and (ii) aggregate and compare data across data sets more easily.

<sup>167</sup> *See, e.g.*, 2021 Financial Stability Oversight Council Annual Report at 12 and 159 available at

<sup>163</sup> In connection with the proposed amendments, we would amend the definitions of “listed equity” and “unlisted equity” to reflect that filers should include synthetic or derivative exposure as well as positions held indirectly through another entity (*e.g.*, through an ETF, exchange traded product, U.S.-registered investment companies, non-U.S. registered investment companies, internal private fund or external private fund, commodity pool, or other company, fund or entity). Additionally, we would amend the definition of “listed equity derivatives” to include derivatives relating to ADRs, and other derivatives relating to indices on listed equities. *See* Form PF Glossary of Terms (proposed definition of “listed equity,” “unlisted equity,” and “listed equity derivatives”).

<sup>164</sup> *See* current Question 26 and current Question 30, which require reporting on listed equities but do not separate out single names from indices. Investments in single name equities involve materially more idiosyncratic risks, such as the potential for more extreme price movements that are not correlated to other market movements, than investments in indices, and therefore we propose to require separate reporting.

<sup>165</sup> Single stock shorts often account for a higher portion of the available float and/or often have a larger days to cover (*i.e.*, the number of trading days to cover a short) than do shorts on ETFs. As a result, a potential need to cover a short could generally have a more pronounced effect on single stocks.

We request comment on the proposed amendments.

132. Should we add additional sub-asset classes to the “repos” section of proposed Question 32 as proposed? Are the proposed additional sub-asset classes appropriate? If not, is there another alternative that we should use?

133. How often do hedge funds use “open” repo transactions (*i.e.*, a repo with no defined term and which rolls over each day) and should we combine the open and overnight repo categories? Alternatively, should we require a breakdown of repo exposure by term in a separate question in Item C “financing information” of section 2 instead of in proposed Question 32?

#### Asset Backed Securities (“ABS”)/ Structured Products

We propose to separate the collateralized debt obligation (“CDO”) and collateralized loan obligation (“CLO”) sub-asset class in proposed Question 32 into two separate sub-asset classes (one for CDOs and one for CLOs), and further break out each of these new sub-asset classes based on the seniority of the instrument (*e.g.*, senior, mezzanine, and junior tranches) similar to the reporting approach on the CFTC’s Form CPO–PQR.<sup>168</sup> The proposed changes are designed to provide separate reporting for CDOs and CLOs, which we believe is important because CDOs and CLOs are fundamentally different financial products and the current combined reporting obscures the specific attributes of each product. Furthermore, given the recent focus on CLOs by FSOC<sup>169</sup> in monitoring systemic risk, we believe that having detailed product specific data for CDOs and CLOs is justified due to the potential value this information would provide for systemic risk monitoring.

We request comment on the proposed amendments.

134. Should we break out the CDO and CLO sub-asset class in proposed

<https://home.treasury.gov/system/files/261/FSOC2021AnnualReport.pdf>.

<sup>168</sup> See Form PF Glossary of Terms (proposed definitions of “CDO” and “CLO”). The proposal would separate the current definition of “CDO/CLO” into a separate definition for each financial product. The definition of CDO would only include collateralized debt obligations (including cash flow and synthetic) and the definition of CLO would include collateralized loan obligations (including cash flow and synthetic) other than MBS, and would not include any positions held via CDS. See *also supra* footnote 166 (regarding the proposed alignment of Form PF with Form CPO–PQR).

<sup>169</sup> See United States Government Accountability Office, Report to Agency Officials, “FINANCIAL STABILITY Agencies Have Not Found Leveraged Lending to Significantly Threaten Stability but Remain Cautious Amid Pandemic,” December 2020, available at: <https://www.gao.gov/assets/gao-21-167.pdf>.

Question 32 into two separate sub-asset classes (one for CDOs and one for CLOs) as proposed? If not, what alternatives do you suggest?

135. In proposed Question 32, we do not break out sub-asset classes for derivatives exposures to ABS and structured products (*e.g.*, forwards on MBS). Should these types of financial instruments be reported as “other derivatives” in proposed Question 32 or should we add additional sub-asset classes for reporting derivative exposures to these instruments?

136. Would more granular reporting for CLOs and CDOs inform monitoring and assessment of systemic risk? Instead of senior, mezzanine, and junior categories, would investment grade and non-investment grade categories be simpler and less burdensome for advisers to report? Should other categories be added? If so, what categories? Should advisers separately report securitizations and re-securitizations, as required on the CFTC’s Form CPO–PQR?

137. Should we collect separate information about MBS securitizations and re-securitizations in proposed Question 32?

138. Does the real estate sub-asset class capture real estate exposure through vehicles that are not MBS or other structured products (*e.g.*, commercial leases)? If not, how should we modify the proposal to do so?

#### Credit, Foreign Exchange, Interest Rate, and Other Derivatives

We propose to revise the credit, foreign exchange (“forex”), and interest rate and other derivative sub-asset classes to provide more detailed reporting. For example, with respect to credit derivatives, the proposal would collect more detail on single name CDS exposure to capture better information on risk signals from these instruments by adding separate sub-asset classes for sovereign single name CDS, financial institution single name CDS, and other single name CDS (to capture any credit derivatives that do not fall into the other enumerated CDS categories).<sup>170</sup> We believe that an increase in single name CDS exposure may signify a bet against an entity or the market more generally, which may have significant systemic risk implications, particularly with respect to concentrated single-issuer positions that can drive more extreme price movements and face difficulties in the unwinding process, and for counterparties on the other side of highly leveraged trades when the market

<sup>170</sup> See *also* Form PF Glossary of Terms (proposed revised definition of “single name CDS”).

moves against these positions.<sup>171</sup> Furthermore, single name CDS exposure can represent important, concentrated risk positions for a fund, similar to large single equity positions, which can be connected to market contagion events, and have systemic risk and market liquidity implications.

Similarly, we propose to add more detailed reporting for foreign exchange derivatives by adding separate sub-asset classes for forex swaps and currency swaps consistent with reporting to the Bank for International Settlements (“BIS”), while removing the less useful requirement of separate reporting for foreign exchange derivatives used for investment and hedging, as we have found the data of limited value because we do not believe that information is reported consistently across filers.<sup>172</sup> We believe that adding separate reporting for different types of foreign exchange instruments (*e.g.*, forex swaps and currency swaps) is appropriate because they have materially different risk characteristics, including different maturity profiles, and may be executed under different documentation which could affect their ability to be netted against one another. We refer to the BIS framework because we understand that it reflects a commonly accepted industry approach for classifying these instruments. Furthermore, given the significance of hedge funds’ exposure to these instruments, we believe that more granular information would better inform our understanding of systemic risk issues that may arise from holdings in these different types of instruments. We also propose to divide the current “interest rate derivatives” sub-asset class into “U.S. dollar interest rate derivatives” and “non-U.S. currency interest rate derivatives.” We believe that added granularity would be important because we have found that Form PF data consistently shows interest rate derivatives as the sub-asset class to which qualifying hedge funds have the greatest exposure over time. A

<sup>171</sup> The CFTC’s Form CPO–PQR also requests information on single name financial CDS, and the revised IOSCO Global Fund Investment Survey also collects this information.

<sup>172</sup> In connection with these proposed changes, we also propose to make changes to the definition of “foreign exchange derivative” to improve data quality with respect to how advisers report foreign exchange derivative exposure. We propose to revise the definition to (1) now include any derivative whose underlying asset is a currency other than the base currency of the reporting fund, (2) provide additional information on the treatment of cross-foreign exchange versus regular foreign exchange, and (3) require reporting of both legs of cross currency foreign exchange derivatives to reflect exposures from such transactions. See Form PF Glossary of Terms (proposed revised definition of “foreign exchange derivative”).

better understanding of whether these exposures are related to the U.S. dollar yield curve or other countries' yield curves is important from a systemic risk analysis perspective. Finally, we propose to add new sub-asset classes for various types of derivatives that are regularly used by hedge funds including correlation derivatives, inflation derivatives, volatility derivatives, and variance derivatives, which would both provide additional insight into how qualifying hedge funds use these types of financial instruments and further limit the number and type of derivatives that advisers report in the "catch-all" "other derivatives" category.<sup>173</sup>

We request comment on the proposed amendments.

139. As proposed, are the sub-asset classes for reporting on types of derivatives appropriate? For example, for forex derivatives, should we clarify, for cross-currency pairs (where U.S. dollars are not involved), that each leg of the transaction should be reported as long and/or short? What other types of derivatives sub-asset classes should be included or excluded, if any? Would the proposed sub-asset classes for reporting on derivatives be overly burdensome for advisers?

140. Form CPO-PQR requires separate reporting for futures, forwards, swaps and options. The proposed revisions captured in proposed Question 32 would collect similar detail for the interest rate derivative and foreign exchange categories, but not for other asset categories. Would it be helpful to collect this level of detail for other derivatives positions beyond interest rate and foreign exchange? Additionally, should we add additional and/or standardization of derivative reporting that would align with Financial Conduct Authority/European Securities and Markets Authority data collection by capturing, for each sub-asset class, the total gross notional value of contracts including the total notional of futures and delta-adjusted notional of options? Finally, should we amend the instructions to Question 30 to require reporting of closed out and OTC forward positions which have not yet expired/matured?

141. Should we give guidance on reporting total return swaps (e.g., as "other credit derivatives" or "interest rate swaps")?

<sup>173</sup>In connection with these proposed amendments, we also propose to add new definitions to the Glossary of Terms for "correlation derivative," "inflation derivative," "volatility derivative," and "variance derivative." See Form PF Glossary of Terms (proposed definitions of "correlation derivatives," "inflation derivative," "volatility derivative," and "variance derivative").

142. With respect to the proposed addition of a new sub-asset class for volatility derivatives, do hedge funds use volatility derivatives? Additionally, are the sub-asset class categories in the proposed volatility derivative section appropriate? If not, should we add other sub-asset class categories or combine some of these categories?

143. Should we require a more granular break out of interest rate derivative exposures? If so, what categories should we include? The definition of "interest rate derivative" instructs advisers to present interest rate derivatives as 10-year bond equivalents. As noted, the proposal would specify that the 10-year zero coupon bond equivalent would be required. Should we change how interest rate derivatives should be reported (e.g., the total gross notional value of outstanding contracts including the total notional value of futures and delta-adjusted value of options)?

144. We propose to add new definitions for "correlation derivative," "inflation derivative," "volatility derivative," and "variance derivative." Are these definitions appropriate? If not, how would you modify one or more definitions?

145. As noted above, we believe adding separate reporting for different types of foreign exchange instruments (e.g., forex swaps and currency swaps) is appropriate because they have materially different risk characteristics and may be executed under different documentation and we refer to the BIS framework because we understand that it reflects a commonly accepted industry approach for classifying these instruments. Do you agree with our view, and is the proposed approach appropriate? If not, what alternative approach do you suggest?

#### Cash and Commodities

We propose to make revisions to the sub-asset class categories for cash and commodities.

We would require advisers to break out cash and cash equivalents<sup>174</sup> between U.S. currency holdings and non-U.S. currency holdings, while also

<sup>174</sup>Some advisers include treasuries in their reporting of "cash" because it was part of the definition of "cash and cash equivalents." We propose to revise the definition of "cash and cash equivalents" to reflect that treasuries should not be included in "cash and cash equivalents" sub-asset class. In connection with this proposed change we also propose to add a new separate definition for "government securities." See Form PF Glossary of Terms (proposed revised definition of "cash and cash equivalents" and proposed definition of "government securities"). See also discussion at Section II.B.2 of this Release regarding the revised definitions of cash and cash equivalents and government securities.

removing the current requirement to report on investments in funds for cash management purposes (other than money market funds) because in our experience advisers use inconsistent methods for determining whether a private fund investment is being used for cash management purposes and we believe that other information reported in current section 2b is more useful for assessing liquidity management (e.g., current Question 33 with respect to unencumbered cash).<sup>175</sup>

Additionally, we propose to broaden the current power commodity sub-asset classes to also capture other energy commodities, and add additional commodity sub-asset classes (e.g., other (non-gold) precious metals, agricultural commodities, and base metal commodities) to provide added granularity with respect to these financial products given their potential systemic risk implications and to better inform our and FSOC's understanding of the activities of hedge funds in these important commodities markets. We have found that a limitation of the current form is that very different commodities (e.g., wheat and nickel) are reported together in the same sub-asset class (i.e., "other commodities") making the reported data less meaningful for analysis. We believe that, with added granularity, we would be in a better position to identify concentrated exposures to particular commodities, data that could be valuable in the event of a dislocation in a particular commodity market.<sup>176</sup> The additional

<sup>175</sup>Additionally, in many cases we would be able to obtain more information about all internal fund investments (including whether a fund looks like a cash management vehicle) through the new information the proposal would require to be reported in section 1b. See discussion at Section II.B.2 of this Release.

<sup>176</sup>For example, we believe the addition of a base metal commodities sub-asset class would allow for identification of large players in the base metals market (such as those impacted by the March 2022 "nickel squeeze"). During the March 2022 "nickel squeeze," the price of nickel rose unusually steeply and rapidly in response to commodity price increases caused by Russia's invasion of Ukraine, and this event, coupled with one or more market participants holding large short positions, caused prices to increase in an extreme manner (e.g., a one-day increase of 63% for the generic first futures contract on March 7, 2022). See e.g., Shabalala, Zandi, Nickel booms on short squeeze while other metals retreat, Reuters (March 2022) available at <https://www.reuters.com/markets/europe/lme-nickel-jumps-another-10-after-record-rally-supply-fears-2022-03-08/>; Nagarajan, Shalini, Nickel Trading Halted at LME Until Friday After Wild Price Spike (businessinsider.com) (March 2022) available at <https://markets.businessinsider.com/news/commodities/nickel-price-london-metal-exchange-suspends-trading-shanghai-short-squeeze-2022-3#:-:text=The%20London%20Metal%20Exchange%20has,17%25%20to%20their%20daily%20limit.>

commodity sub-asset classes that we propose to add, *i.e.*, other (non-gold) precious metals, agricultural commodities and base metal commodities, were chosen because we believe they are most relevant from a systemic risk perspective given the size of these markets and what we currently know of hedge fund exposures to these markets.<sup>177</sup>

We request comment on the proposed amendments.

146. With respect to reporting on cash and cash equivalents, should we request separate reporting for US and non-US deposits? Would additional detail be burdensome for advisers? With respect to the proposed category “other cash and cash equivalents (excluding bank deposits, certificates of deposit, money market funds and U.S. treasury bills, notes and bonds),” should we require advisers to provide a description in Question 4 of what is reported in this sub-asset class?

147. We propose to add additional sub-asset classes for commodities. Are the proposed additional commodities sub-asset classes appropriate? If not, what alternatives do you suggest? Should we add more or fewer sub-asset classes for commodities? If we should add more, what additional sub-asset classes do you recommend? Should we add a sub-asset class for other physical assets?

#### Digital Assets

The proposal would add a new sub-asset class for digital assets and define the term “digital asset.”<sup>178</sup> We have observed the growth as well as the volatility of this asset class in recent years.<sup>179</sup> We understand that many hedge funds have been formed recently to invest in digital assets, while many existing hedge funds are also allocating a portion of their portfolios to digital assets.<sup>180</sup> Accordingly, we believe it is important to collect information on funds’ exposures to digital assets in

order to understand better their overall market exposures.

We request comment on the proposed amendments.

148. Should the sub-asset class for “digital assets” provide more granularity? For example, should we have separate sub-asset classes for digital assets that represent an ability to convert or exchange the digital asset for fiat currency or another asset, including another digital asset, and those that do not represent such a right to convert or exchange; for digital assets that represent a right to convert or exchange for fiat currency or another digital asset, those where the redemption obligation is supported by an unconditional guarantee of payment, such as some “central bank digital currencies,” and those redeemable upon demand from the issuer, whether or not collateralized by a pool of assets or a reserve; for digital assets that do not represent any direct or indirect obligation of any party to redeem; and for digital assets that represent an equity, profit, or other interest in an entity? Should we require advisers to report the digital asset by name (*e.g.*, Bitcoin and Ether) or describe its characteristics?

#### Open and Large Position Reporting

Advisers to qualifying hedge funds currently report (1) a fund’s total number of “open positions” determined on the basis of each position and not with reference to a particular issuer or counterparty,<sup>181</sup> and (2) the percentage of a fund’s net asset value and sub-asset class for each open position that represents five percent or more of a fund’s net asset value.<sup>182</sup> We have found that advisers use different methods for identifying and counting their “open positions,” which has made making meaningful comparisons among funds difficult. This has also potentially obscured certain large exposures, which may make concentration assessments less exact. For example, an “open position” might indicate a position held physically, or synthetically through derivatives, or both. As such, we propose to require that advisers provide information about a fund’s investment exposures based on “reference assets,” which would capture securities or other assets to which a fund has exposure, be it direct or indirect ownership, synthetic exposure, or exposure through derivatives.<sup>183</sup> The proposal is designed to provide insight into the extent of a fund’s portfolio concentration and large exposures to any reference assets. The

proposal would require advisers to report (1) the total number of reference assets to which a fund holds long and short netted exposure, (2) the percentage of net asset value represented by the aggregated netted exposures of reference assets with the top five long and short netted exposures, and (3) the percentage of net asset value represented by the aggregate netted exposures of reference assets representing the top ten long and short netted exposures. We are proposing to require reporting for the top five long and short netted positions and the top ten netted long and short positions because combined these two metrics provide a holistic view of a reporting fund’s portfolio concentration. We also understand that these are commonly used industry metrics for assessing portfolio concentration levels. We propose to define “netted exposure” as the sum of all positions with legal and contractual rights that provide exposure to the same reference asset, taking into account all positions, including offsetting and partially offsetting positions, relating to the same reference asset (without regard to counterparties or issuers of a derivative or other instrument that reflects the price of the reference asset).<sup>184</sup>

The proposal also would require advisers to provide certain information on a fund’s reference asset to which the fund has gross exposure (as of the end of each month of the reporting period) equal to or exceeding (1) one percent of net asset value, if the reference asset is a debt security and the reporting fund’s gross exposure to the reference asset exceeds 20 percent of the size of the debt security issuance, (2) one percent of net asset value, if the reference asset is a listed equity security and the reporting fund’s gross exposure to the reference asset exceeds 20 percent of average daily trading volume measured over 90 days preceding the reporting date, or (3) (a) five percent of the reporting fund’s net asset value or (b) \$1 billion. Advisers would be required to report: (1) the dollar value (in U.S. dollars) of all long and the dollar value (in U.S. dollars) of all short positions with legal and contractual rights that provide exposure to the reference asset; (2) netted exposure to the reference asset; (3) sub-asset class and instrument

<sup>184</sup> Netted exposure to a reference asset would either be long or short, and advisers would determine the value of each netted exposure to each reference asset in U.S. dollars, expressed as the delta adjusted notional value, or as the 10-year bond equivalent for reference assets that are fixed income assets. Advisers would not report exposure to cash and cash equivalents. See proposed Question 39. See also Form PF Glossary of Terms (proposed definition of “netted exposure”).

<sup>177</sup> These proposed change with respect to commodities sub-asset classes would also better align Form PF with Form CPO-PQR.

<sup>178</sup> See discussion at Section II.B.3 of this Release. See also Form PF Glossary of Terms (proposed definitions of “digital asset”).

<sup>179</sup> In early 2021 the digital asset market surpassed \$1 trillion, mostly driven by the rise in Bitcoin’s price, which some speculate may be driven in part by hedge fund investments. See Brettell, Karen and Chavez-Dreyfuss, Crypto market cap surges above \$1 trillion for first time, *Reuters* (January 2021) available at <https://www.reuters.com/world/china/crypto-market-cap-surges-above-1-trillion-first-time-2021-01-07/>.

<sup>180</sup> See C. Williamson, Managers Taking Bigger Steps Into Crypto, *Pensions&Investments* (March 2022) available at <https://www.pionline.com/crypto-currency/hedge-fund-managers-taking-bigger-steps-cryptocurrency>.

<sup>181</sup> Current Question 34.

<sup>182</sup> Current Question 35.

<sup>183</sup> See proposed Question 39.

type; (4) the title or description of the reference asset; (5) the reference asset issuer (if any) name and LEI; (6) CUSIP (if any);<sup>185</sup> and (7) if the reference asset is a debt security, the size of issue, and if the reference asset is a listed equity, the average daily trading volume, measured over 90 days preceding the reporting date. Additionally, advisers may at their option choose to provide the FIGI for the reference asset, but they are not required to do so.<sup>186</sup> We propose to define “gross exposure” to a “reference asset” as the sum of the absolute value of all long and short positions with legal and contractual rights that provide exposure to the reference asset.<sup>187</sup> We considered varying levels of thresholds and believe that the proposed thresholds described above are appropriate based on the following reasoning. First, the five percent threshold has been carried over from the current version of Form PF and is also a commonly used metric for identifying significant positions in a portfolio.<sup>188</sup> In addition, while a portfolio is generally viewed as diversified when it holds at least 20 different positions, when a position goes above five percent it reduces portfolio diversification. Second, the \$1 billion threshold represents a level for large funds (e.g., those with net asset values in excess of \$20 billion) that is large enough so as to have potential systemic risk implications even if the position is less than five percent of the fund. Finally, the proposed one percent threshold is aimed at limiting filer burdens while still providing insight into the risks associated with a position that may be small relative to a fund’s overall portfolio but which constitutes a large fraction of the market for a particular holding, given that a liquidation by one fund can trigger a disorderly liquidation. A disorderly liquidation of this kind may raise systemic risk concerns as it may lead to liquidation losses at other funds for which the position is more impactful and possibly lead to a cascade of additional unwinds.

The purpose of these amendments is to improve our ability to assess the magnitude of hedge fund portfolio

concentration, as well as to identify directional exposure. From a systemic risk and an investor protection perspective, high portfolio concentration carries the risk of amplified losses that can occur when a fund’s investment represents a large portion of a particular investment, asset class, or market segment. Leveraged portfolios further amplify this risk. The proposed amendments are designed to better capture a fund’s concentration risk (e.g., where gross exposure to a reference asset is large compared to the fund’s NAV and/or compared to the market for a reference security). Reporting positions that are large compared to market size also may provide some insight about whether multiple firms are “crowding” into trades in certain types of securities or other financial assets. We believe that such “crowding” may increase the risk that one fund’s forced selling may trigger systemic effects across a particular market. We also believe that collecting information about the composition of exposure to a reference asset would allow us and FSOC to link the information reported in proposed Question 40 to exposure reporting in proposed Question 32, which would give the reported data added context and facilitate understanding of a fund’s investment portfolio and assessment of any implications for systemic risk and investor protection purposes. For example, in a convertible arbitrage trade involving a position in a convertible bond and an offsetting position in the equity securities of the same issuer, reference asset exposure might be obtained by positions in two different sub-asset classes (i.e., investment grade convertible bonds and equities) and using a combination of instrument types (e.g., physical ownership and futures or a swap). The combination of information reported in proposed Question 32 and proposed Question 40 would facilitate our ability to identify this type of situation, better understand a qualifying hedge fund’s investment approach and whether it is taking on concentrated positions (potentially with leverage), and assess whether or not a qualifying hedge fund’s activities may have systemic risk or investor protection implications.

We request comment on these proposed amendments.

149. The proposal would require advisers to report (1) the total number of reference assets to which a fund holds long and short netted exposure, (2) the percent of net asset value represented by the aggregated netted exposures of reference assets with the top five long and short netted

exposures, and (3) the percent of net asset value represented by the aggregate netted exposures of reference assets representing the top ten long and short netted exposures. Are these requirements appropriate? If not, how should we modify them? For example, should we require reporting on more or fewer long and short netted exposures rather than just the top five and the top ten? Instead of requiring disclosure on specific exposures described above, should we require a full position disclosure filing similar to Form N-PORT?

150. Does our proposed “reference asset” definition work in the context of these questions? For example, does the definition capture interest rate derivatives? If not, how should we modify the definition or these questions to capture interest rate derivatives? If we should collect information about interest rate derivatives, should we specify reporting by maturity bucket and currency? If so, should we use the same maturity buckets that we have proposed for purposes of calculating “adjusted” exposure in proposed Question 32?

151. Should the “reference asset” definition be more specific or provide more guidance on how to “look through” certain instruments (e.g., a correlation basket or an index (such as the NASDAQ) or ETFs or other pooled vehicles and private funds)?

152. Should we provide additional guidance in the definition of “reference asset” such as instructing advisers to refer to the “issuer”? Should we provide instructions or guidance on how advisers should address “reference assets” that have varying term structures (e.g., use maturity buckets)?

153. The proposal would require advisers to provide certain information on a fund’s reference asset to which the fund has gross exposure (as of the end of each month of the reporting period) equal to or exceeding (1) one percent of net asset value, if the reference asset is a debt security and the reporting fund’s gross exposure to the reference asset exceeds 20 percent of the size of the debt security issuance, (2) one percent of net asset value, if the reference asset is a listed equity security and the reporting fund’s gross exposure to the reference asset exceeds 20 percent of average daily trading volume measured over 90 days preceding, or (3) either (a) five percent of the reporting fund’s net asset value or (b) \$1 billion. Are these thresholds appropriate? If not, how should they be modified? Should separate thresholds be used to compare netted exposures, and gross exposures, to equity volume and debt issue size?

<sup>185</sup> Advisers would also be required to provide at least one of the following other identifiers: (1) ISIN; (2) ticker if ISIN is not available); (3) other unique identifier (if ticker and ISIN are not available). For reference assets with no CUSIP, or other identifier, advisers would be required to describe the reference asset. See proposed Question 40(a).

<sup>186</sup> See proposed Question 40(a)(xi).

<sup>187</sup> See proposed Question 40 and Form PF Glossary of Terms (proposed revised definition of “gross exposure”).

<sup>188</sup> E.g., Schedule 13G/13D uses a five percent threshold.

For fixed income, is the reference to “debt security issuance” clear? While this reference is designed to capture a full issue size, should it instead reference individual tranches of an issue?

154. For position reporting in Question 40, should we also require advisers to report the number of shares, principal amount or other unit, currency value and percent of value compared to NAV? Would this be burdensome to report?

155. In Question 40, are there other unique identifiers, in addition to or in lieu of LEI or CUSIP that we should add in addition to those proposed (e.g., for commodities or indices)? Alternatively, should we permit advisers to report FIGI in lieu of CUSIP in Question 40 rather than the requiring advisers to report CUSIP?

#### b. Borrowing and Counterparty Exposure

*Counterparty exposure.* As noted above, we propose to revise and enhance how advisers report information about their relationships with creditors and other counterparties (including CCPs) and the associated collateral arrangements for their hedge funds.<sup>189</sup> For qualifying hedge funds, we propose to include a new consolidated counterparty exposure table, similar to the new consolidated counterparty exposure table proposed for hedge funds in section 1c of the form,<sup>190</sup> which would capture all cash, securities, and synthetic long and short positions by a reporting fund, a fund’s credit exposure to counterparties, and amounts of collateral posted and received. This table would replace the information currently required by Questions 43, 44, 45, and 47, each of which would be deleted under the proposal.<sup>191</sup> Under the proposal, proposed Questions 42 and 43 would continue to collect information about a reporting fund’s key individual counterparties, but in more detail. These revisions are designed to improve data quality and comparability, close data gaps and provide better insight into qualifying hedge funds’ borrowing and financing relationships, their credit exposure to counterparties and collateral practices, and also would enhance the Commissions’ and FSOC’s ability to assess the activities of qualifying hedge funds and their

counterparties for investor protection purposes and in monitoring systemic risk.

The proposed new consolidated counterparty exposure table would be designed to capture information on all non-portfolio credit exposure that a qualifying hedge fund has to its counterparties (including CCPs) and the exposure that creditors and other counterparties have to the fund, taking into account netting. The new table would require advisers to report in U.S. dollars, as of the end of each month of the reporting period, a qualifying hedge fund’s borrowings and other transactions with creditors and other counterparties by type of borrowing or transaction (e.g., unsecured, secured borrowing and lending under a prime brokerage agreement, secured borrowing and lending via repo or reverse repo, other secured borrowing and lending, derivatives cleared by a CCP, and uncleared derivatives) and the collateral posted or received by a reporting fund in connection with each type of borrowing or other transaction.<sup>192</sup> The proposed table also would require advisers to qualify hedge funds to (1) classify each type of borrowing by creditor type (i.e., U.S. depository institution, U.S. creditors that are not depository institutions, and non-U.S. creditors); (2) classify posted collateral by type (e.g., cash and cash equivalents, government securities, securities other than cash and cash equivalents and government securities and other types of collateral or credit support (including the face amount of letters of credit and

similar third party credit support) received and posted by a reporting fund, and secured borrowing and lending (prime brokerage or other brokerage agreement), and (3) report, at the end of each month of the reporting period, the expected increase in collateral required to be posted by the reporting fund if the margin increases by one percent of position size for each type of borrowing or other transaction. We believe that measuring the impact of a one percent margin change will allow for a meaningful assessment of qualifying hedge funds’ vulnerability to changes in financing costs and identification of funds that are most sensitive to potential margin changes. We also believe that measuring this impact would provide a conventional way to obtain data on funds’ vulnerability to margin increases that is easy to scale up for analysis purposes and allows for uniform comparisons across hedge funds to see which funds have lockup agreements and which funds do not. Furthermore, the proposed table is designed to consolidate existing questions and provide more specific instructions in an effort to eliminate information gaps and improve the reliability of data collected. We believe that this new approach would collect better information about a qualifying hedge fund’s borrowing and financing, cleared and uncleared derivatives positions, and collateral practices as well as a fund’s credit exposure to counterparties resulting from excess margin, haircuts and positive mark-to-market derivatives transactions, which we believe would enhance FSOC’s systemic risk assessments.

We request comment on the proposed addition of this new table.

156. Is the information to be collected in the proposed new table appropriate? If not, how should we modify the proposed reporting requirements? Would reporting in the proposed new table be overly burdensome for advisers? If so, how should we modify the proposed table to reduce burdens on advisers?

157. Would the proposed table capture an accurate overall view of the non-portfolio credit exposure that a qualifying hedge fund has in aggregate to its counterparties (including CCPs) and the exposure that creditors and other counterparties have to the fund? Are the table instructions clear? Would the instructions properly capture a reporting fund’s borrowing and other transactions with creditors? Do we need to modify the proposed instructions for calculating and reporting associated collateral to clarify any matters? Do we need to modify the instructions with

<sup>189</sup> See discussion at Section II.B.3 of this Release.

<sup>190</sup> See discussion at Section II.B.3 of this Release.

<sup>191</sup> In connection with the proposed removal of current Question 44, we propose to make a corresponding amendment to current Question 13, which would be redesignated as Question 19, to remove an instruction that would no longer be relevant.

<sup>192</sup> The instructions would direct advisers to classify borrowings and other transactions and associated collateral based on the governing legal agreement (e.g., a prime brokerage or other brokerage agreement for cash margin and securities lending and borrowing, a global master repurchase agreement for repo/reverse repo, and ISDA master agreement for synthetic long positions, synthetic short positions and other derivatives), and instruct advisers how to report when there is cross-margining under a fund’s prime brokerage agreement. We are also proposing to add new definitions of “synthetic long position” and “synthetic short position” to the Glossary of Terms. See Form PF Glossary of Terms (proposed definitions of “synthetic long position” and “synthetic short position”). Additionally, the instructions would permit advisers to net a reporting fund’s exposure with each counterparty and among affiliated entities of a counterparty to the extent such exposures may be contractually or legally set-off or netted across those entities and/or one affiliate guarantees or may otherwise be obligated to satisfy the obligations of another under the agreements governing the transactions. The instructions would also direct advisers to classify borrowing by creditor type (e.g., percentage borrowed from U.S. depository institutions, U.S. creditors that are not U.S. depository institutions, non-U.S. creditors) based on the legal entity that is the contractual counterparty for such borrowing and not based on parent company or other affiliated group.

respect to netting to increase clarity or avoid undue burden?

158. We propose to specify how to classify certain types of transactions based on legal agreement. We are proposing to classify all transactions under a master securities loan agreement (“MSLA”) as other secured borrowing. Is another classification more appropriate? If so, what classification do you suggest? For example, should borrowing and collateral received and lending and posted collateral under an MSLA be reported in a separate category of borrowing or consolidated with prime broker borrowing? Are the instructions provided for cross margining reasonable and practicable, or should they be changed in any way?

159. In connection with the proposal, we propose to add a new definition for “synthetic short position.” Is the list of assets to be included or excluded from the definition appropriate or should we provide a different list of assets? If we should provide a different list, what assets should be included and excluded?

160. Is it clear that advisers should calculate the expected increase or decrease based on a margin increase of one percent of position size in proposed Question 41 or should we provide further guidance or clarify the question? Should the metric be something other than the expected increase or decrease based on a margin increase of one percent of position size? If so, what metric should be used?

161. As an alternative, should we include a drop-down box with possible types of other secured borrowings (e.g., letters of credit, loans secured by other collateral such as real estate, equipment, receivables, etc.) and also include an “other” “catch-all” category that would need to be explained in Question 4?

**Significant counterparty reporting.** The proposal would require advisers, for each of their qualifying hedge funds, to identify all creditors and counterparties (including CCPs) where the amount a fund has borrowed (including any synthetic long positions) before posted collateral equals or is greater than either (1) five percent of the fund’s net asset value or (2) \$1 billion.<sup>193</sup> We believe this threshold is

<sup>193</sup> See proposed Question 42. Advisers would use calculations performed to complete the new table in proposed Question 41 for purposes of identifying the counterparties to be reported in proposed Question 42 and Question 43, and the calculation method would be designed to be similar to the calculations used to identify counterparties in proposed Question 27 and proposed Question 28 in order to facilitate aggregation and analysis of data across hedge funds and qualifying hedge funds. Furthermore, if more than five counterparties meet

appropriate because it highlights two different but potentially significant risks. First, five percent of a fund’s net asset value represents an amount of borrowing that, if repayment was required, could be a significant loss of financing that could result in a forced unwind and forced sales from the reporting fund’s portfolio. Second, \$1 billion represents an amount that, in the case of a very large fund, may not represent five percent of the fund’s net asset value, but may be large enough to create stress for certain of its counterparties. This change is designed to specify how securities held should be treated, avoiding a common source of error in how advisers have completed the current form, and allowing both counterparty risks related to collateralized transactions to be viewed in one place, i.e., the risk that collateral will not be returned, and the risk that the borrower of cash will fail to repay the amount borrowed, risks that we have found cannot be fully observed based on information collected on the current form. For the top five creditors and other counterparties from which a fund has borrowed the most (including any synthetic long positions) before posted collateral, advisers would be required to identify the counterparty (by name, LEI, and financial institutional affiliation) and to provide information detailing a fund’s transactions and the associated collateral. We have proposed a “top five” reporting threshold as this level is consistent with the current threshold for reporting on collateral practices on Form PF.<sup>194</sup> Advisers would be required to present this information using a proposed individual counterparty exposure<sup>195</sup> table that follows the same format as the new consolidated counterparty exposure table described above for Question 41, including borrowings and other transactions by type and collateral posted and received by type. For all other creditors and counterparties from which the amount a fund has borrowed

the threshold, advisers would complete an individual counterparty exposure table for the top five creditors or other counterparties to which a reporting fund owed the greatest amount in respect of cash borrowing entries (before posted collateral), and also identify all other creditors and counterparties (including CCPs) to which the reporting fund owed an amount in respect of cash borrowing entries (before posted collateral) equal to or greater than either (1) five percent of the reporting fund’s net asset value as of the data reporting date or (2) \$1 billion. See also Form PF Glossary of Terms (proposed definitions of “cash borrowing entries” and “collateral posted entries”).

<sup>194</sup> See current Question 36.

<sup>195</sup> In connection with the proposal, we propose to add a new definition for “individual counterparty exposure table” to the Form PF Glossary of Terms.

(including any synthetic long positions) before posted collateral that equals or is greater than either (1) five percent of the fund’s net asset value or (2) \$1 billion, advisers would be required to identify each counterparty (by name, LEI, and financial institution affiliation) and report the amount of such borrowings and the collateral posted by the fund in U.S. dollars.

Similarly, the proposal would require advisers, for each of their qualifying hedge funds, to identify all counterparties (including CCPs) to which a fund has net mark-to-market counterparty credit exposure after collateral that equals or is greater than either (1) five percent of the fund’s net asset value or (2) \$1 billion.<sup>196</sup> We believe this threshold is appropriate because both portions of the threshold highlight potential systemic risk: five percent of net asset value is a level that we believe represents significant exposure (based on the impact on performance) in the event of counterparty default, and \$1 billion, while it may not equal five percent of a large hedge fund’s assets, may indicate a larger systemic stress involving a fund’s counterparties. For the top five of these counterparties, advisers would identify the counterparty (by name, LEI and financial institution affiliation) and provide information detailing a fund’s relationship with these counterparties including associated collateral using the same table required for individual counterparty reporting.<sup>197</sup> The proposal also would require qualifying hedge funds to identify all other counterparties (by name, LEI, and financial institution affiliation) to which a fund has net mark-to-market exposure after collateral that equals or is greater than either (1) five percent of a fund’s net asset value or (2) \$1 billion and would require these advisers to report the amount of the exposure before and after collateral posted by either the counterparty or the reporting fund as applicable. The purpose of this new requirement is to enhance our ability to understand the impact a particular counterparty failure like those that occurred during the 2008 financial crisis and in the period since (e.g., the failure of MF Global in 2011),<sup>198</sup> which we believe is important

<sup>196</sup> See proposed Question 43.

<sup>197</sup> Under the proposal, however, if an adviser completes the table in Question 42 for a particular counterparty, the adviser would not be required to complete the table twice.

<sup>198</sup> See e.g., Gapper, John and Kaminska, Izabella, Downfall of MF Global—US broker-dealer bankruptcy highlights global reach of eurozone crisis, *Financial Times* (November 2011) available at <https://www.ft.com/content/2882d766-06fb-11e1-90de-00144feabdc0>.

for systemic risk assessments and from an investor protection perspective. In assessing the risk to a fund of a counterparty default, the proposal would look at whether a fund has net borrowing exposure or net lending exposure to a counterparty. If the fund is a net borrower with respect to a counterparty, we would measure cash borrowed by the fund against collateral posted by fund. Alternatively, when the fund is a net lender with respect to a counterparty, we would measure cash loaned to the counterparty against collateral posted by the counterparty to assess whether the counterparty has posted insufficient collateral (relative to the amount borrowed).<sup>199</sup>

These proposed amendments are designed to streamline the form by consolidating information currently collected in Question 47 into proposed Question 42, and to improve the quality and comparability of reported information and our ability to integrate the data obtained for analysis with other regulatory data sets by specifying how advisers determine borrowing and counterparty credit exposure.<sup>200</sup> The proposed changes, in conjunction with the proposed new consolidated counterparty exposure table, would also provide a better overall view of hedge funds' borrowing and other financing arrangements and counterparty credit exposure and associated collateral, which we believe would provide critical insight into (1) creditor and counterparty exposure to qualifying hedge funds through synthetic long positions through derivatives, (2) potential gaps in margin received by and posted by qualifying hedge funds and the size of any such gaps, (3) qualifying hedge funds' exposure to a large counterparty failure, and (4) the expected impact on a fund's financing arrangements of a change in margin requirements.

Finally, the proposal would remove the requirement from current Question 38 for advisers to report the percentage of the total amount of collateral and other credit support that a fund has posted to counterparties that may be re-

hypothecated.<sup>201</sup> We are proposing this change because we believe that this reporting is burdensome for advisers, and we have found that the data obtained is generally not reliable because advisers cannot easily collect and report the required information as re-hypothecation commonly occurs from omnibus accounts into which advisers generally do not have visibility.<sup>202</sup> We request comment on the proposed amendments.

162. Should we amend counterparty reporting as proposed, including the proposed counterparty identifying information? Is the proposed identifying information appropriate? If not, what alternatives do you suggest? Would the proposed amendments lead to more accurate data regarding counterparties?

163. We have proposed to limit more detailed reporting in proposed Question 42 to the top five creditor and counterparties from which a fund has borrowed the most (including any synthetic long positions) before posted collateral, and in proposed Question 43 to the top five counterparties to which a fund has the greatest net mark to market counterparty credit exposure after collateral. Should we expand this question to require more detailed reporting for the top, for example, ten creditors and/or counterparties, as applicable? Alternatively, should we further limit the scope of creditor and/or counterparty reporting? Should we require that all creditor and/or counterparties be listed?

164. Do advisers find the re-hypothecation reporting burdensome? Are advisers able to collect and report information currently required by Question 38 given omnibus accounts?

165. Are securities lending and borrowing different from other types of trading and financing activities (e.g., repo/reverse repo, prime broker borrowing) for purposes of counterparty monitoring and risk assessment? If so, should we treat them differently?

166. As proposed, calculations in these questions would exclude collateral that is not cash and cash equivalents or other securities to avoid including letters of credit and other illiquid assets (e.g., real estate) posted as collateral. What other types of collateral would be omitted under this instruction? Would it omit types of

collateral commonly accepted by creditors and other counterparties? If so, how should we modify the question?

167. This proposal would collect information about top counterparties based on a fund's borrowing from each counterparty legal entity, rather than borrowing from all entities affiliated with a major financial institution. Could this approach result in data gaps where a fund borrows from different counterparties with one affiliated group below the reporting threshold? Alternatively, should we require funds to aggregate borrowings from all affiliates of major counterparties, and report on each affiliate in this counterparty reporting? What data gaps might occur using this alternative approach? Is the proposed threshold (i.e., equal to or greater than either (1) five percent of the fund's net asset value or (2) \$1 billion) for identifying counterparties to which the fund is exposed appropriate? Will it capture those counterparties to which the fund may have material counterparty credit exposure? Should we adopt a combination of thresholds (e.g., greater than five percent or \$1 billion for individual counterparties and greater than 10 percent or \$1 billion for any affiliated group of counterparties)?

#### c. Market Factor Effects

The proposal would require advisers to qualifying hedge funds to respond to all market factors to which their portfolio is directly exposed, rather than allowing advisers to omit a response to any market factor that they do not regularly consider in formal testing in connection with the reporting fund's risk management, as Form PF currently provides.<sup>203</sup> These proposed changes are designed to enhance investor protection efforts and systemic risk assessment by allowing the Commissions and FSOC to track better common market factor sensitivities, as well as correlations and trends in those market factor sensitivities.

We also propose to change the stress thresholds to (1) require advisers to report one threshold for each market factor, rather than two as is currently required, and (2) propose different thresholds for certain market factors to capture stress scenarios that are plausible but still infrequent market moves.<sup>204</sup> Information resulting from

<sup>199</sup> See Form PF Glossary of Terms (proposed definitions of "cash borrowing entries," "collateral posted entries," "cash lending entries," and "collateral received entries") for a detailed description of these calculations.

<sup>200</sup> The proposal would require creditor legal name and LEI, which would aid in the identification of counterparties and facilitate analysis of the interconnectedness of market participants (e.g., Form N-PORT and Form N-CEN already collect LEI for registered investment company counterparties, and including LEIs here would facilitate analysis across data sets).

<sup>201</sup> We would redesignate Question 38 as Question 45.

<sup>202</sup> See MFA Letter to Chairman Clayton, Sept. 17, 2018, available at [https://www.managedfunds.org/wp-content/uploads/2020/04/MFA.Form-PF-Recommendations.attachment.final\\_9.17.18.pdf](https://www.managedfunds.org/wp-content/uploads/2020/04/MFA.Form-PF-Recommendations.attachment.final_9.17.18.pdf) (noting the rehypothecated securities are taken out of an omnibus account, which makes reporting for advisers with any certainty difficult).

<sup>203</sup> See current Question 42 and proposed Question 47. For market factors that have no direct effect on a reporting fund's portfolio, we propose to instruct filers to enter zero.

<sup>204</sup> For example, on the current form, advisers must report the effect of an increase or decrease in equity prices by five percent and by 20 percent, while under the proposal advisers would only

stress testing at thresholds in the current form (one low and one high) is not useful because the thresholds are either too frequent (for the lower threshold) or too extreme and may not result in accurate estimates (for the higher threshold). Based on our experience with this information, we do not believe that collecting data at multiple thresholds<sup>205</sup> for each market factor is significantly more meaningful than collecting market factor sensitivity at a single plausible but still infrequent threshold.

The proposal also would add a market factor test concerning non-parallel risk free interest rate movements. It would test hedge fund exposure to changes in the slope of the yield curve, which is currently untested and can be a source of systemic risk when there are sudden interest rate changes. For example, this market factor could provide meaningful information on hedge funds that take complex positions, such as market neutral strategies (e.g., basis trading in particular) and other strategies that employ trades that take advantage of spreads in yield curves coupled with high use of leverage.

The proposal also would revise the instructions so advisers would report the long component and short component consistently with market convention, rather than opposite from market convention, as Form PF currently provides in order to reduce inadvertent mistakes in completing the form.<sup>206</sup> We request comment on the proposed amendments.

report the effect of a 10 percent increase or decrease, which is a more plausible but still infrequent scenario.

<sup>205</sup> See current Question 42.

<sup>206</sup> The proposal would amend the instructions to provide that “risk free interest rates” would include interest rate swap rates in which a fixed rate is exchanged for a risk-free floating rate such as the secured overnight financing rate (“SOFR”) or the sterling overnight index average (“SONIA”). Additionally, the proposal would amend the instructions to specify that (1) for market factors involving interest rates and credit spreads, advisers should separate the effect on its portfolio into long and short components where (i) the long component represents the aggregate result of all positions whose valuation changes in the opposite direction from the market factor under a given stress scenario, and (ii) the short component represents the aggregate result of all positions whose valuation changes in the same direction as the market factor under a given stress scenario, and (2) for market factors other than interest rates and credit spreads, advisers should separate the effect on its portfolio into long and short components where (i) the long component represents the aggregate result of all positions whose valuation changes in the same direction as the market factor under a given stress scenario and (ii) the short component represents the aggregate result of all positions whose valuation changes in the opposite direction from the market factor under a given stress scenario. See proposed Question 47.

168. Should Form PF require advisers to qualifying hedge funds to respond to all market factors, as proposed? Alternatively, should Form PF allow advisers to omit a response to any market factor that it does not regularly consider in formal testing in connection with the reporting fund’s risk management? Do advisers or their reporting funds regularly consider all, some, or other market factors we are proposing? If so which ones and why? Are adjustments needed for advisers that use a different stress test methodology than that required by the question as proposed?

169. Should we revise the stress thresholds, as proposed? Would the proposed thresholds capture stress scenarios that are plausible but still infrequent market moves? Is there a better way to meet this objective? Are adjustments needed for advisers that test thresholds similar, but not identical to, those proposed?

170. Should Form PF include a market factor concerning non-parallel risk free interest rate movements, as proposed? Would this proposed amendment provide meaningful exposure information for hedge funds that take complex positions, such as market neutral strategies (e.g., basis trading in particular) and other strategies that employ trades that take advantage of spreads in yield curves coupled with a high use of leverage? Would any of the other market factors better describe the risks such strategies are exposed to?

171. Are the proposed amendments to how advisers would report long and short components consistent with market convention? Do market conventions vary by asset type? Would the proposed change relieve or increase burdens? Please provide supportive data. Is there a more effective way to require advisers to report long and short components that would be consistent with market conventions and allow for data comparability?

172. Are there any definitions or instructions that we should clarify or change in this question?

173. As an alternative, should Form PF require all advisers to all types of reporting funds to report market factor data? Which ones and why?

d. Additional Amendments to Section 2b

*Currency exposure reporting.* The proposal would require qualifying hedge funds to report for each month of the reporting period, in U.S. dollars, (1) the net long value and short value of a fund’s currency exposure arising from foreign exchange derivatives and all

other assets and liabilities denominated in currencies other than a fund’s base currency, and (2) each currency to which the fund has long dollar value or short dollar value exposure equal to or exceeding either (a) five percent of a fund’s net asset value or (b) \$1 billion.<sup>207</sup> In responding, advisers would be required to include currency exposure obtained indirectly through positions held in other entities (e.g., investment companies, other private funds, commodity pools or other companies, funds or entities) and could report reasonable estimates if consistent with internal methodologies and conventions of service providers.<sup>208</sup> This proposed requirement is designed to provide insight into whether notional currency exposures reported by qualifying hedge funds in Question 30 represent directional exposure or are hedges of equity and/or fixed income positions. This new question would allow us to understand whether a qualifying hedge fund’s portfolio is exposed to a given currency, and it would also provide a view into the fund’s currency exposure resulting from holdings in foreign securities (e.g., Eurobonds). While current Question 30 requires advisers to separate currency exposure relating to hedging from other currency, we have found that this data has not been very useful for determining whether a currency position is speculative or a hedge. Additionally, we believe that it is important to consider a qualifying hedge fund’s currency exposure to identify vulnerabilities to currency fluctuations and market events that affect different countries and regions. Finally, we believe the proposed threshold of either (1) five percent of a fund’s net asset value or (2) \$1 billion for reporting individual currency exposure is appropriate because it represents, in each prong of the threshold, a material level of portfolio exposure to currency risk at which we believe a deterioration in the value of a particular currency could have a significant negative impact on a fund’s investors. We also believe that if multiple large funds have significant exposure to a currency that is rapidly devaluing, this circumstance could raise financial stability concerns, and this proposed reporting would better enable review of this type of situation. More broadly, we also would be able to use

<sup>207</sup> Proposed Question 33.

<sup>208</sup> This instruction is designed to simplify and reduce the burdens of reporting sub-asset class exposures. Furthermore, the proposal would permit advisers to provide good faith estimates and take currency hedges into account, if consistent with their internal methodologies and information reported internally and to investors.

the information obtained to identify concentrations in particular currencies and assess the potential impact of market events that affect particular currencies. We request comment on the proposed amendments.

174. Should we add new Question 33, as proposed?

175. Would this new question enhance systemic risk analysis, including the impact of currency risk? Is there a better way to meet this objective? How could we modify the proposed question to better meet its objective?

176. Is the proposed threshold of either (1) five percent of a fund's net asset value or (2) \$1 billion for reporting individual currency exposure appropriate? If not, what threshold is appropriate?

*Turnover.* The proposal would require reporting on a per fund basis on the value of turnover in certain asset classes rather than on an aggregate basis as currently required.<sup>209</sup> We believe that requiring this reporting on a per fund basis would provide more detailed information to us and FSOC while at the same time simplifying reporting for advisers. We understand that advisers do not currently aggregate turnover related information among funds. Aggregating solely for Form PF reporting is particularly burdensome as the required data is typically on separate reporting systems and advisers must "roll-up" data from these sources to report on the form.

We also propose to add new categories for turnover reporting that would disaggregate combined categories and better capture turnover of potentially relevant securities, such as various types of derivatives (e.g., listed equity, interest rate, foreign exchange), which we believe would help support analysis of hedge fund market activity.<sup>210</sup> Furthermore, we propose to add a new consolidated foreign exchange and currency swaps category and make other changes.<sup>211</sup> During the March 2020 COVID-19-related market turmoil, FSOC sought to evaluate the role hedge funds played in disruptions

<sup>209</sup> Proposed Question 34. In connection with the proposed amendments, the proposal would move reporting on the value of turnover in certain asset classes and the geographical breakdown of investments from section 2a to section 2b.

<sup>210</sup> We also propose to break out some categories by futures, swaps, and options as different types of derivatives have different risk profiles and implications for systemic risk, and to add a category for "other derivative instrument types" so that all derivatives are reported.

<sup>211</sup> We propose to add instructions requiring advisers to report turnover in derivatives separately from turnover in physical holdings for asset classes in proposed Question 32 and to make other conforming changes to reflect changes to defined terms in the Form PF Glossary of Terms.

in the U.S. treasury market by unwinding cash-futures basis trade positions and taking advantage of the near-arbitrage between cash and futures prices of U.S. treasury securities.<sup>212</sup> Because the existing requirement regarding turnover reporting on U.S. treasury securities is highly aggregated, the SEC staff, during retrospective analyses on the March 2020 market events, was unable to obtain a complete picture of activity relating to long treasuries and treasury futures. Given the significant size of hedge funds' exposures to certain derivative products, we believe it is important to gain more insight into trading activities with respect to these financial instruments to better enable the Commissions and FSOC to assess and monitor the activity of qualifying hedge funds for systemic risk implications.<sup>213</sup> Expanded reporting on turnover also would provide better information for assessing trading frequency in lieu of requiring advisers to report what percentage of their hedge funds' net asset value is managed using high-frequency trading strategies.<sup>214</sup>

We request comment on the proposed Question 34.

177. Would the proposed detailed turnover reporting provide additional insight into a fund's activities in key markets? Should additional categories be added to provide a clearer view of turnover and its potential to help us and FSOC identify and monitor activities that could indicate systemic risk in the market? If so, what categories do you suggest and why? Should we exclude any of the proposed categories? If so, why?

178. The current instructions state that turnover value should be reported as the sum of the absolute value of transactions, and as such the reported value of turnover for certain derivatives may be very large (reflecting notional value). Should we use a different measure for valuing turnover (e.g.,

<sup>212</sup> See U.S. Credit Markets Interconnectedness and the Effects of the COVID-19 Economic Shock, U.S. Securities Exchange Commission, October 2020 available at [https://www.sec.gov/files/US-Credit-Markets\\_COVID-19\\_Report.pdf](https://www.sec.gov/files/US-Credit-Markets_COVID-19_Report.pdf). See Financial Stability Oversight Council 2021 Annual Report, available at <https://home.treasury.gov/system/files/261/FSOC2021AnnualReport.pdf>.

<sup>213</sup> As of the end of the third quarter of 2021, interest rate derivatives currently make up approximately 25 percent of gross notional exposure (GNE) reported on Form PF, while foreign exchange derivatives make up 15 percent of GNE. Additionally, commodity, credit, and other derivatives when combined make up five percent, or nearly \$1.5 trillion. See Private Fund Statistics Q3 2021, *supra* footnote 7.

<sup>214</sup> See current Question 21. We propose to remove Question 21 as it would be redundant in light of the proposed expanded turnover reporting.

market value)? Recognizing that the current instructions result in consistency in reported value among questions on Form PF, would a different measure be more or less useful?

179. Do you agree that aggregating information may be burdensome for some advisers? Do some advisers maintain the required data on different systems such that "rolling-up" the data from different sources to report on the form would be complex and time consuming?

*Country and industry exposure.* We are proposing to require advisers to report all countries (by ISO country code)<sup>215</sup> to which a reporting fund has exposure equal to or exceeding either (1) five percent of its net asset value or (2) \$1 billion, and to report the dollar value of long exposure and the dollar value of short exposure in U.S. dollars, for each monthly period to improve data comparability across funds.<sup>216</sup> Under the current approach, only certain regions are identified and these regions are not uniformly defined, which results in data that is not consistent.<sup>217</sup> In addition, at times we have needed to identify countries of interest not on this list. As such, we propose to replace the country of interest and regional reporting with this new country level information. Finally, we believe that the proposed threshold of either (1) five percent of net asset value or (2) \$1 billion is appropriate because it represents a material level of portfolio exposure to risk relating to individual countries and geographic regions, and is a level that could significantly impact a fund and its investors if, for example, there are currency fluctuations or geopolitical instability. Furthermore, the data obtained would allow for identification of industry concentrations in particular countries and/or regions and help assess the potential impact of market events on these geographic segments. We believe that the five percent threshold level constitutes a reasonable shock to a fund's net asset value. For example, to the extent there is a market-wide event, a worst-case scenario would be for long positions to lose their full value, in this shock case

<sup>215</sup> This is similar to reporting on Form N-PORT and will improve the comparability of data between Form PF and Form N-PORT.

<sup>216</sup> Proposed Question 35. In connection with the proposed amendments, the proposal would move reporting on geographical breakdown of investments from section 2a to section 2b.

<sup>217</sup> Currently, consistent with staff guidance in Form PF Frequently Asked Questions 28.1 and 28.2 advisers may report geographical exposure based on internal methods and indicate in Question 4 if methods do not reflect risk and economic exposure. See Form PF Frequently Asked Questions, *supra* footnote 79.

at least five percent. Furthermore, and particularly for funds without a benchmark, five percent is often evaluated for industry, individual position, and country risk, and is a common and easy to measure threshold. With respect to the \$1 billion threshold, we believe it constitutes sufficiently large nominal value exposure from a risk perspective.

We also propose to add a new question that would require advisers to provide information about each industry to which a reporting fund has exposure equal to or exceeding either (1) five percent of its net asset value or (2) \$1 billion.<sup>218</sup> Advisers would be required to report, for each monthly period, the long dollar value and short dollar value of a reporting fund's exposure by industry based on the NAICS<sup>219</sup> code of the underlying exposure. The purpose of this new question would be to collect information that would provide insight into hedge funds' industry exposures in a standardized way to allow for comparability among funds and meaningful aggregation of data to assess overall industry-specific concentrations. Further, we believe the proposed threshold of either (1) five percent of net asset value or (2) \$1 billion is appropriate because it represents a material level of portfolio exposure to risk relating to individual industries, and is a level that could significantly impact a fund and its investors if, for example, there are market or geopolitical events that affect performance by a particular industry, such as the burst of the "tech bubble" in the early 2000s or COVID-19's impact on airline, accommodation and food service industries. Furthermore, the data obtained would allow for identification of industry concentrations and help assess the potential impact of market events on industries. While we considered a lower threshold, we believe that the proposed threshold strikes an appropriate balance between identifying significant industry exposure and the burdens of reporting this information on Form PF. We believe this information would be useful to the Commissions and FSOC in monitoring systemic risk, particularly if multiple funds have significant concentrations in industries that are experiencing periods of stress or disruption.

When responding to these questions about country and industry exposure, advisers would be required to include exposure obtained indirectly through

positions held in other entities (e.g., investment companies, other private funds, commodity pools or other company, funds or entities). Without this requirement, a fund's exposure to geographic regions and industries could be obscured and hinder the Commissions' and FSOC's ability to assess risks and the potential impact of events and trends that affect a particular industry or geographic region, both of which could have implications for investors. While we believe that advisers typically maintain this information, the proposed instructions to these questions seek to minimize filer burdens by permitting advisers to report reasonable estimates if such reporting is consistent with internal methodologies and information reported internally and to investors.

We request comment on the proposed Question 35 and proposed Question 36.

180. Should we require advisers to report all countries (by ISO country code)<sup>220</sup> to which a reporting fund has exposure of equal to or exceeding (1) five percent or more of its net asset value or (2) \$1 billion, and to report exposure in U.S. dollars? Is this threshold appropriate? If not, should the threshold be higher or lower? Do you agree that removing regional level reporting is appropriate? Are there any other alternatives? If so, what alternatives?

181. Should we require advisers to provide information about each industry to which a reporting fund has exposure equal to or exceeding (1) five percent or more of its net asset value or (2) \$1 billion? Is this threshold appropriate? If not, should the threshold be higher or lower?

182. With respect to requiring advisers to provide information about portfolio industry exposure, what level of industry detail should be gathered (for example, 2-digit NAICS codes represent 20 unique industries)? Is it more burdensome to provide more detail, or does aggregation to broader industry categories create additional burden?

183. We propose to modify the instructions to require that investments be categorized based on concentration of risk and economic exposure. Should we add instructions or guidance for currency crosses or dollar denominated non-U.S. sovereign debt? Furthermore, current Question 77 (for private equity funds) also uses NAICS codes for reporting industry exposure. Should we use Global Industry Classification

Standard (GICS) codes or another classification standard? Finally, how should ETFs and other exchange traded products be reported in this question? Are these financial instruments typically coded to industry sector? If not, what alternatives do you suggest and why?

184. We propose to require advisers, when responding to proposed Question 35 and proposed Question 36 to include exposure obtained indirectly through positions held in other entities (e.g., investment companies, other private funds, commodity pools or other funds or entities). Is this appropriate? If not, why? Would this be overly burdensome for advisers?

*Central clearing counterparty (CCP) reporting.* We propose to require advisers to identify each CCP or other third party holding collateral posted by a qualifying hedge fund in respect of cleared exposures (including tri-party repo) equal to or exceeding either (1) five percent of a reporting fund's net asset value or (2) \$1 billion.<sup>221</sup> The proposed new question would exclude counterparties already reported in proposed Question 42 and proposed Question 43,<sup>222</sup> and require advisers to provide information on: (1) the legal name of the CCP or third party; (2) LEI (if available); (3) whether the CCP or third party is affiliated with a major financial institution; (4) the reporting fund's posted margin (in U.S. dollars); and (5) the reporting fund's net exposure (in U.S. dollars). We are proposing this new question based on our experience with Form PF since adoption as we have found data gaps with respect to identifying qualifying hedge fund exposures to CCPs and other third parties that hold collateral in connection with cleared exposures. Furthermore, we understand that (1) many large hedge fund advisers already track margin posted for cleared exposures because margin requirements at any given time may well exceed the clearinghouse's exposure to a fund and therefore are an important credit risk exposure metric for a fund, and (2) that CCP recovery, resiliency and resolution also are current concerns for some advisers.<sup>223</sup> Given these factors, we

<sup>221</sup> Proposed Question 44.

<sup>222</sup> See discussion at Section II.C.2.b of this Release.

<sup>223</sup> See "A Path Forward For CCP Resilience, Recovery, And Resolution," March 10, 2020 available at <https://www.blackrock.com/corporate/literature/whitepaper/path-forward-for-ccp-resilience-recovery-and-resolution.pdf>. See also J.P. Morgan Press Release, March 10, 2020, available at <https://www.jpmorgan.com/solutions/cib/markets/a-path-forward-for-ccp-resilience-recovery-and-resolution>.

<sup>218</sup> Proposed Questions 36.

<sup>219</sup> North American Industry Classification System.

<sup>220</sup> This is similar to reporting on Form N-PORT and will improve the comparability of data between Form PF and Form N-PORT.

believe that the burden of this proposed new question would be justified by valuable insight the data obtained would provide into an area that could have significant implications from a systemic risk perspective. Additionally, we have chosen a reporting threshold of equal to or exceeding either (1) five percent of net asset value or (2) \$1 billion to be consistent with the thresholds for other counterparty exposure questions,<sup>224</sup> as we believe that a qualifying hedge fund is similarly exposed where a third party holds collateral irrespective of whether the third party is a CCP or other counterparty. The proposal would also remove current Question 39, which requires information about transactions cleared directly through a CCP, as the information collected is duplicative of information already collected in current Question 24. We request comment on the proposed addition of new Question 44.

185. Should we collect information about the exposure of qualifying hedge funds to CCPs and other third parties holding collateral in respect of cleared exposures? If so, what information should be collected on these exposures? Does the proposed question collect helpful information? Should we collect different information, more information or less information? Is the proposed reported threshold of equal to or exceeding either (1) five percent of a reporting fund's net asset value or (2) \$1 billion appropriate? If not, how should the threshold be modified?

186. Do you agree that many large hedge fund advisers already track margin posted for cleared exposures because margin requirements at any given time may well exceed the clearinghouse's exposure to a fund and therefore are an important credit risk exposure metric for a fund? Additionally, do you agree that CCP recovery, resiliency, and resolution also are current concerns for some advisers?

*Risk metrics.* We propose to eliminate the requirement that an adviser indicate whether there are risk metrics other than, or in addition to, Value at Risk ("VaR") that the adviser considers important to managing a reporting fund's risks.<sup>225</sup> Advisers generally do not report detailed information in response to this requirement. Currently, about 60 percent of advisers to qualifying hedge funds (representing about 75 percent of the aggregate gross asset value of qualifying hedge funds) report using VaR or market factor

changes in managing their hedge funds.<sup>226</sup> Instead, we propose to require advisers to provide additional information about a reporting fund's portfolio risk profile, including reporting on portfolio correlation, investment performance by strategy and volatility of returns and drawdowns.<sup>227</sup> The proposal would expand the amount of data collected by collecting risk data in circumstances where advisers do not use VaR or market factor changes, and thus provide insight across all (rather than only some) qualifying hedge funds. This new information would provide uniform and consistently reported risk information that will enhance our ability to monitor and assess investment risks of qualifying hedge funds to gauge systemic risk. In particular, volatility of returns and drawdown data is a simple measure of risk that enables us to monitor risk-adjusted returns, changes in volatility and thereby risk profiles.

We request comment on the proposed removal of Question 41.

187. Do you agree with the proposed removal of Question 41? Instead, should we change this question to make it easier for advisers to report more detailed information? Do you believe that new Questions 48, 49 and 23(c) will provide better information about the risk profiles of qualifying hedge funds?

*Investment performance by strategy.* The proposal would require advisers to qualifying hedge funds that indicate more than one investment strategy for a fund in proposed Question 25 to report monthly gross investment performance by strategy if the adviser calculates and reports this data for such fund, whether to current and prospective investors, counterparties, or otherwise.<sup>228</sup> An

<sup>226</sup> See Private Funds Statistics Q2 2020 (Table 58/59). Current Question 40 requires advisers to report certain risk data if the adviser regularly calculates VaR of the reporting fund. Current Question 42 requires advisers, for specific market factors, to determine the effect of specified changes on a reporting fund's portfolio, but permits advisers to omit a response to any market factor that they do not regularly consider in formal testing in connection with a reporting fund's risk management.

<sup>227</sup> See Proposed Question 48 (portfolio correlation), proposed Question 49 (investment performance breakdown by strategy), and proposed Question 23(c) (volatility of returns and drawdown reporting). See discussion at Section II.B.2 of this Release. We propose to also revise the title of Item C. of current section 2b to "Reporting fund risk metrics and performance" to reflect that the proposal would add new questions on performance to this section of the form.

<sup>228</sup> Proposed Question 49. The strategies in proposed Question 49 would be based on the strategies set forth in proposed Question 25 (the proposal would also revise the strategy categories in current Question 20, which we would redesignate as Question 25, to better reflect our understanding of hedge fund strategies and to improve data quality and comparability). See discussion at Section II.B.3 of this Release.

adviser would be required to provide monthly performance results only if such results are calculated for a reporting fund (whether for purposes of reporting to current and prospective investors, counterparties, or otherwise), but would not be required to respond to this question if the adviser reports performance for the fund as an internal rate of return. This question is designed to integrate Form PF hedge fund data with the Federal Reserve Board's reporting on Financial Accounts of the United States, which the Federal Reserve uses to track the sources and uses of funds by sector, and which are a component of a system of macroeconomic accounts including the National Income and Product accounts and balance of payments accounts, all of which serve as a comprehensive set of information on the economy's performance. We also believe that this information could be helpful to the Commissions' and FSOC's monitoring and analysis of strategy-specific systemic risk in the hedge fund industry. We request comment on the proposed addition of new Question 49.

188. Do you agree with the addition of new Question 49 as proposed? If not, what alternatives would you suggest and why? Would responding to this question be burdensome? If it would be overly burdensome, how would you suggest we modify the proposal?

*Portfolio correlation.* The proposal would add a new question on portfolio correlation to collect data on the effects of a breakdown in correlation.<sup>229</sup> Based on feedback from advisers filing Form PF and data reported on Form PF, it appears that hedge funds using the most leverage tend to engage in long/short, relative value, and similar strategies that seek to pair trades in highly correlated instruments, possibly with a focus on factor models. For these hedge funds, VaR calculations that rely on static correlation matrices may not factor in periods of market turmoil when assumed correlations break down. Therefore, a breakdown in assumed correlations could cause these funds to de-lever and could have a significant impact on financial stability, particularly if there are "crowded" or overlapping positions across funds, which could lead to cascade effects. We recommend a new question that gathers data on the effects of a breakdown in assumed correlations rather than just historical correlations. The proposed new question would focus on assessing the risks associated with a correlation breakdown, and would require qualifying hedge funds to report for

<sup>224</sup> See discussion at Section II.C.2.b of this Release.

<sup>225</sup> See current Question 41.

<sup>229</sup> Proposed Question 48.

their portfolios (as of the end of each month of the reporting period) (1) the average pairwise 3-month realized prior Pearson correlation of each portfolio position's periodic (e.g., daily or weekly) total rates of return using the greatest available frequency of data over the measurement window (e.g., daily or weekly), (2) the frequency of the data used over the prior 3-month window (e.g., daily or weekly) (3) the expected annualized volatility utilizing 3-month realized prior Pearson correlations of each portfolio position's periodic (e.g., daily or weekly) total rates of return and assuming realized prior volatilities of portfolio positions with the same frequency window as that chosen when computing 3-month realized correlations, and (4) what the resulting annualized volatility would be if a reporting fund uniformly reduced or increased pairwise correlations by 20 percentage points utilizing 3-month realized prior Pearson correlations of portfolio positions' periodic rates of return and assuming 3-month realized prior volatilities of portfolio positions' periodic rates of return with the same frequency window as that chosen when computing 3-month realized correlations. This question is designed to (1) isolate the impact of a breakdown in correlation on the volatility of long/short funds that may de-lever if there is an increase in their volatility, (2) avoid some of the pitfalls of VaR models such as relying on backwards looking assumptions on the relationship between securities, and (3) provide a measure of volatility sensitivity in addition to one-day VaR. We believe that this new question would not create a significant burden for advisers because portfolio positions' periodic total rates of return and corresponding correlation matrices are likely available for most qualifying hedge funds. We request comment on the proposed addition of new Question 48.

189. Are the effects of a breakdown in correlations useful for monitoring systemic risk? Would this question provide helpful information for purposes of comparing fund activities and assessing risk? Does it offer insight into funds with a range of strategies or is it useful for only some strategies? What other questions could isolate the effects of a breakdown in correlations? Will it be burdensome for advisers to qualifying hedge funds to respond to this question and, if so, what burdens will be imposed? Are total rates of return and corresponding correlation matrices readily available for most qualifying hedge funds? If not, what strategies would have the most

difficulty completing this question? Are there less burdensome questions that could help isolate the effects of a breakdown in correlations?

190. As an alternative or in addition to measuring sensitivity to correlation, would any of the following approaches be preferable to our proposal: (1) subtract aggregate portfolio VaR from the sum of VaR computed at the asset class level, or some other sub-portfolio level, to measure the impact of diversification and the sensitivity to correlation, or (2) combine single factor stress tests for the portfolio assuming zero correlation?

191. As proposed, would responding to new Question 48 create an undue burden for advisers? If so, how should we modify the question to make it less burdensome for respondents? Does the flexibility embedded in the proposed question (i.e., the flexibility for a fund to choose its own frequency of position marks (be it daily, weekly, monthly)) make it easier for funds to respond?

192. Is the proposed 20 percentage point sensitivity metric appropriate? If not, what alternative do you suggest?

*Portfolio Liquidity.* We propose to require advisers to include cash and cash equivalents when reporting portfolio liquidity, rather than excluding them, as the question currently provides.<sup>230</sup> We understand that reporting funds typically include cash and cash equivalents when analyzing their portfolio liquidity. We believe the proposed change would improve data quality by reducing inadvertent errors that result from requiring advisers to report in a way that is different from how they may report internally. We believe this proposed change is more reflective of industry practice, and it is preferable to receive reported data in a format that reflects how advisers typically analyze portfolio liquidity.

We also propose to amend the form's instructions to allow advisers to assign each investment to more than one period, rather than directing advisers to assign each investment to only one period, as Question 32 currently provides. We understand that directing advisers to assign an investment to only one period may make a reporting fund's portfolio appear less liquid than it is because it would not reflect that reporting funds may divide up sales in different periods (e.g., a reporting fund could sell off a portion in the first time period, and sell of the remainder in subsequent time periods). Therefore, this proposed change is designed to

reflect the liquidity of a reporting fund's portfolio more accurately.

While advisers would continue to be able to rely on their own methodologies to report portfolio liquidity, we propose to add an instruction explaining that estimates must be based on a methodology that takes into account changes in portfolio composition, position size, and market conditions over time. Based on experience with the form, we have found that some advisers have used static methodologies that do not consider portfolio composition and position size relative to the market, and therefore do not reflect a reasoned view about when positions could be liquidated at or near carrying value. Therefore, this proposed change is designed to continue to allow advisers to use their own methodologies, but improve data quality to ensure that the methodologies generate reporting that reflects a reasonable view of portfolio liquidity in light of changes in portfolio composition and size, and market conditions, over time.

Finally, to facilitate more accurate reporting, collect better data, and reduce filer errors, we propose to amend the table to be included in proposed Question 37 to reflect that information should be reported as a percentage of NAV consistent with SEC staff Form PF Frequently Asked Questions.<sup>231</sup>

We request comment on the proposed amendments.

193. Should proposed Question 37's portfolio liquidity requirements include cash and cash equivalents, as proposed, regardless of what types of advisers would complete it? Would this proposed amendment help the Commissions and FSO better analyze portfolio liquidity? Would this proposed change make Form PF more consistent with how the industry analyzes portfolio liquidity? Is there a better way to meet these objectives? For example, should Form PF instead require advisers to report cash and cash equivalents for all reporting funds separately than other positions when reporting portfolio liquidity?

194. Do you agree that reporting funds typically include cash and cash equivalents when analyzing their portfolio's liquidity?

195. Should Form PF allow advisers to assign investments to more than one period, as proposed? Would this proposed change more accurately reflect the liquidity of a reporting fund's portfolio?

196. Should Form PF continue to allow advisers to rely on their own

<sup>230</sup> See current Question 32 and proposed Question 37.

<sup>231</sup> See Form PF Frequently Asked Questions, *supra* footnote 79, Question 32.3.

methodologies in reporting on portfolio liquidity?

197. Should Form PF include an instruction that provides that estimates must be based on a methodology that takes into account changes in portfolio composition, position size, and market conditions over time, as proposed? Would this proposed change improve data quality? Is there a better way to achieve this objective? If we add the instruction to this question, in particular, would it suggest that the instruction would not apply to other liquidity analysis, or other portfolio metrics?

198. As an alternative, should Form PF require all advisers to report portfolio liquidity for all reporting funds?

199. Should Form PF change how advisers report portfolio liquidity in any other ways? For example, should we require advisers to report information in dollars, in addition to or instead of reporting as a percentage of the portfolio, as Form PF currently requires? Would such a requirement help the Commissions and FSOC to compare portfolio liquidity with other data on Form PF that advisers report in dollars?

*Financing Liquidity.* Question 46 is designed to show the extent to which financing may become rapidly unavailable for qualifying hedge funds.<sup>232</sup> We propose to amend current Question 46 to improve data quality thereby supporting more effective systemic risk analysis.<sup>233</sup> Advisers would provide the dollar amount of financing that is available to the reporting fund, including financing that is available but not used, by the following types: (1) “unsecured borrowing,” (2) “secured borrowing” via prime brokerage, (3) secured borrowing via reverse repo, and (4) other secured borrowings.<sup>234</sup> Currently, the Commissions and FSOC infer this data from this question and current Question 43 (concerning the reporting fund’s borrowings).<sup>235</sup> However, these

<sup>232</sup> See 2011 Form PF Adopting Release, *supra* footnote 3, at text accompanying n.281.

<sup>233</sup> We would redesignate Question 46 as Question 50.

<sup>234</sup> Form PF defines “unsecured borrowing” as obligations for borrowed money in respect of which the borrower has not posted collateral or other credit support. Form PF defines “secured borrowing” as obligations for borrowed money in respect of which the borrower has posted collateral or other credit support. For purposes of this definition, reverse repos are secured borrowings. See Form PF Glossary of Terms. These categories are designed to be consistent with borrowing categories that qualifying hedge funds would report on the new counterparty exposure table.

<sup>235</sup> Current Question 43 collects data on the reporting fund’s borrowing by type (*e.g.*, unsecured, and secured by type, *i.e.*, prime broker, reverse repo

inferences may not be accurate given the number of assumptions that currently go into making such inferences. This proposed information would help us understand the extent to which a fund’s financing could be rapidly withdrawn and not replaced.

We request comment on the proposed amendments.

200. Should Form PF require advisers to report the amount of financing that is available to the reporting fund but not used, as a dollar amount, as proposed? Alternatively, should Form PF require advisers to report this information in a different way? For example, should Form PF require advisers to report the amount of financing that is available to the reporting fund but not used, as a percentage of total financing? Would it be more or less burdensome for advisers to report this information as a dollar amount than as a percentage of total financing? Please provide supportive data.

201. As an alternative, should Form PF require all advisers to report financing liquidity for any size hedge funds they advise? If so, why?

#### *D. Proposed Amendments To Enhance Data Quality*

We are also proposing several amendments to the instructions to Form PF to enhance data quality.<sup>236</sup> Specifically, we are proposing the following changes:

*Reporting of percentages.* For questions that require information to be expressed as a percentage, we propose to require that percentages be rounded to the nearest one hundredth of one percent rather than rounded to the nearest whole percent. We believe that this additional level of precision is important, especially for questions where it is common for filers to report low percentage values (*e.g.*, risk metric questions such as current Question 40 and current Question 42) to avoid situations where advisers round to zero and no data is reported, potentially obscuring small changes that may be meaningful from a risk analysis or stress testing perspective.

*Value of investment positions and counterparty exposures.* We propose to specify how private fund advisers determine the value of investment positions (including derivatives) and counterparty exposures. The proposed changes are designed to provide a more consistent presentation of reported

or other), while current Question 46 only collects a total amount of financing available, both used and unused, with no breakdown by type of financing.

<sup>236</sup> Proposed Instruction 15 (provides guidelines for advisers in responding to questions on Form PF relying on their own methodology).

information on investment and counterparty exposures to support more accurate aggregation and comparisons among private funds by us and FSOC in assessing systemic risk. Under the form’s current instructions, advisers may report portfolios with similar exposures differently.<sup>237</sup> We understand that some advisers net legs of partially offsetting trades when calculating the value of derivatives positions in accordance with internal methodologies, but others do not, resulting in inconsistent reporting that may obscure a fund’s risk profile. We propose to require these trades to be reported independently on a gross basis, consistent with derivatives reporting on Form N–PORT.<sup>238</sup> We also propose to instruct advisers that for all positions reported on Form PF, advisers should not include as “closed-out” a position if the position is closed out with the same counterparty and results in no credit or market exposure to the fund, making the approach on Form PF with respect to closed out positions consistent with rule 18f–4 of the Investment Company Act and our understanding of filers’ current practices.<sup>239</sup>

*Reporting of long and short positions.* We propose to amend the instructions regarding the reporting of long and short positions on Form PF to improve the accuracy and consistency of reported data used for systemic risk analysis. We propose to specify that if a question requires the adviser to distinguish long positions from short positions, the adviser should classify positions based on the following: (1) a long position experiences a gain when the value of the market factor to which it relates increases (and/or the yield of that factor decreases), and (2) a short position experiences a loss when the value of the market factor to which it relates increases (and/or the yield of that factor decreases).

*Calculating certain derivative values.* We propose to amend the instruction to provide that, (1) for calculating the value of interest rate derivatives, “value” means the 10-year bond

<sup>237</sup> See Form PF: General Instruction 15.

<sup>238</sup> Specifically, proposed Instruction 15 requires that if a question in Form PF requests information regarding a “position” or “positions,” advisers must treat legs of a transaction even if offsetting or partially offsetting, or even if entered into with the same counterparty under the same master agreement as two separate positions, even if reported internally as part of a larger transaction. See also instructions to N–PORT, General Instruction G.

<sup>239</sup> See Use of Derivatives by Registered Investment Companies and Business Development Companies, IC Release No. 34084 (Nov. 2, 2020). Section II.E.2.c. [85 FR 83162, 83210] Dec. 21, 2020. See also Form PF Frequently Asked Questions, *supra* footnote 79, Question 44.1.

equivalent, and (2) for calculating the value of options, “value” means the delta adjusted notional value (expressed as a 10-year bond equivalent for options that are interest rate derivatives).<sup>240</sup> The amended instruction would also provide that in determining the value of these derivatives, advisers should not net long and short positions or offset trades, but should exclude closed-out positions that are closed out with the same counterparty provided that there is no credit or market exposure to the fund. The proposed amendments are designed to provide more consistent reporting by advisers, which we believe would help support more accurate aggregation of data, better comparisons among funds, and a more accurate picture for purposes of assessing systemic risk.<sup>241</sup>

*Currency Conversions for Reporting in U.S. Dollars.* We propose to amend Instruction 15 to clarify that if a question requests a monetary value, advisers should provide the information in U.S. dollars as of the data reporting date or other requested date (as applicable) and use a foreign exchange rate for the applicable date. We also propose to amend Instruction 15 to provide that if a question requests a monetary value for transactional data that covers a reporting period, advisers should provide the information in U.S. dollars, rounded to the nearest thousand, using foreign exchange rates as of the dates of any transactions to convert local currency values to U.S. dollars.<sup>242</sup>

We request comment on the proposed amendments to Instruction 15.

202. Should we require reporting of “gross” positions and exposure as proposed? Would the proposed approach cause advisers to report misleading data? Would the proposed approach cause compliance or operational issues? What other approach could we take to obtain consistent data that would better reveal risks associated with a particular fund? We understand that most advisers’ risk management systems incorporate offsetting or netting methods, but they may take different approaches. Should we permit advisers to report using the offsetting or netting methods they use internally? Would that provide useful data? Should we instead require advisers to offset and net based on a consistent, prescribed method?

<sup>240</sup> See Form PF Glossary of Terms (proposed definition of “10-year bond equivalent” specifies the zero coupon bond equivalent).

<sup>241</sup> This is consistent with prior staff positions. See Form PF Frequently Asked Questions, *supra* footnote 79, Questions 24.3 and 26.1.

<sup>242</sup> See proposed Instruction 15.

203. The proposal would instruct advisers to not include as “closed-out” a position if the position is closed out with the same counterparty and results in no credit or market exposure to the fund. Do you agree that the proposed changes would make the approach on Form PF with respect to closed out positions consistent with rule 18f–4 of the Investment Company Act and filers’ current practices? If not, what alternative approach do you suggest?

204. Should we capture derivative exposure differently or request additional measures of derivatives? For example, the CFTC’s Form CPO–PQR requires reporting of positive/negative open trade equity (OTE), which refers to the amount of unrealized gain/loss on open derivative positions. Would this measure improve our ability to assess and compare private fund activities and assess systemic risk?

205. Does reporting to the nearest one hundredth of one percent involve additional burdens compared to the current requirement to round to the nearest one percent? Would it meaningfully increase the accuracy of the reporting? Would permitting rounding to the nearest one percent on any of the questions on Form PF that request information expressed as a percentage reduce burdens on filers?

206. Are the proposed instructions with respect to classifying long and short positions consistent with industry conventions? Are these instructions clear for different types of products? If not, how should they be modified? For example, are there any elements of the Alternative Investment Fund Managers Directive or Open Protocol Enabling Risk Aggregation that would be helpful to incorporate?

207. The proposal would require that advisers report two or more legs of a transaction—even if offsetting—as separate positions. This proposed amendment is designed to elicit a more consistent presentation of investment and counterparty exposures. We understand, however, that this approach may inflate the value of a reporting fund’s long and short investment exposures in a way that does not represent the adviser’s view of a reporting fund’s investment exposures and the associated risks. Is this a valid concern? Are there other approaches we should use for investment exposure reporting? For example, should we require netting of long and short positions under certain conditions (*e.g.*, identical underlying securities and same counterparty) when consistent with the adviser’s internal recordkeeping and risk management? Should we require advisers to report exposures on both a

“gross” basis as well as after all netting consistent with the adviser’s internal recordkeeping and risk management?

208. The proposal would amend the instruction to provide that, (1) for calculating the value of interest rate derivatives, “value” means the 10-year bond equivalent, and (2) for calculating the value of options, “value” means the delta adjusted notional value (expressed as a 10-year bond equivalent for options that are interest rate derivatives). Is this approach appropriate? If not, what alternatives do you suggest?

209. Are the proposed instructions with respect to reporting in U.S. dollars when a question requests a monetary value appropriate? If not, how should they be modified? If a reporting fund’s base currency is not U.S. dollars, how and when do advisers convert the base currency to U.S. dollars? Should Form PF include additional instructions on how or when to convert base currency to U.S. dollars? For example, should Form PF require advisers to report the conversion rate? Is further specificity needed regarding return series, volatility and other percentage measures for funds that have base currencies other than the U.S. dollar?

#### *E. Proposed Additional Amendments*

The proposal would make several additional amendments to the general instructions to Form PF. Specifically, we propose to amend Instruction 14 to allow advisers to request a hardship exemption electronically to make it easier to submit a temporary hardship exemption,<sup>243</sup> and provide, by way of an amendment to rule 204(b)–1(f) under the Advisers Act, that for purposes of determining the date on which a temporary hardship exemption is filed, “filed” means the earlier of the date the request is postmarked or the date it is received by the Commission.<sup>244</sup> We are

<sup>243</sup> The proposal would also update the mailing address to which advisers requesting a temporary hardship exemption should mail their exemption filing, include the email address for submitting electronically the adviser’s signed exemption filing in PDF format, add an instruction noting that filers should not complete or file any other sections of Form PF if they are filing a temporary hardship exemption. See Proposed Instruction 14. The proposal would indicate that the reference regarding the instruction pertaining to temporary hardship exemptions should refer to Instruction 14 instead of Instruction 13. See Form PF General Instruction 3, Section 5—Advisers requesting a temporary hardship exemption.

<sup>244</sup> We are also amending rule 204(b)–1(f) under the Advisers Act to remove certain filing instructions in the rule for temporary hardship exemptions and instead direct filers to the instructions in the form. See 204(b)–1(f)(2)(i) (indicating that advisers should complete and file Form PF in accordance with the instructions to Form PF, no later than one business day after the electronic Form PF filing was due).

proposing the latter change to assist advisers with determining what constitutes a “filed” temporary hardship exemption in the context of the requirement that the request be filed no later than one business day after a filer’s electronic Form PF filing was due as required under Instruction 14.

Additionally, the proposal would amend Instruction 18 based on recent rule changes made by the CFTC with respect to Form CPO–PQR.<sup>245</sup> While the CFTC no longer considers Form PF reporting on commodity pools as constituting substituted compliance with CFTC reporting requirements, some CPOs may continue to report such information on Form PF.

The proposal would revise the terms “EEA,” which Form PF defines as the European Economic Area and “G10,” which Form PF defines as The Group of Ten, to (1) remove outdated country compositions and (2) include an instruction that if the composition of the EEA or G10 changes after the effective date of these proposed amendments to Form PF if adopted, advisers would use the current composition as of the data reporting date. This proposed amendment is designed to address questions from advisers about whether to report data based on the composition of the EEA and G10 as of the effective date of these proposed amendments to Form PF if adopted, or the current composition of the EEA and G10, if it changes.

We request comment on the proposed amendments.

210. Would the proposed amendments to Instruction 14 and to rule 204(b)–1(f) under the Advisers Act make it easier to submit a temporary hardship exemption and assist advisers in determining the date on which a temporary hardship exemption is filed? If not, are there alternatives?

211. Would the proposed amendments to the Glossary of Terms appropriately update the terms and provide clarification? Is there a better way to meet these objectives? If so, please provide examples.

212. The proposal would amend Instruction 18 based on recent rule changes made by the CFTC with respect to Form CPO–PQR. Is this proposed change appropriate?

213. The proposal would remove the list of country compositions and include an instruction that if the composition of the EEA or G10 changes after the effective date of these proposed amendments to Form PF (if adopted), advisers would use the current

composition as of the data reporting date. Is this approach appropriate? If not, what alternative approach do you suggest?

### III. Economic Analysis

#### A. Introduction

The SEC is mindful of the economic effects, including the costs and benefits, of the proposed amendments. Section 202(c) of the Advisers Act provides that when the SEC is engaging in rulemaking under the Advisers Act and is required to consider or determine whether an action is necessary or appropriate in the public interest, the SEC shall also consider whether the action will promote efficiency, competition, and capital formation, in addition to the protection of investors.<sup>246</sup> The analysis below addresses the likely economic effects of the proposed amendments, including the anticipated and estimated benefits and costs of the amendments and their likely effects on efficiency, competition, and capital formation. The SEC also discusses the potential economic effects of certain alternatives to the approaches taken in this proposal.

Many of the benefits and costs discussed below are difficult to quantify. For example, the SEC cannot quantify the effects of how regulators may adjust their policies and oversight of the private fund industry in response to the additional data collected under the proposed rule. Also, in some cases, data needed to quantify these economic effects are not currently available and the SEC does not have information or data that would allow such quantification. For example, costs associated with the proposal may depend on existing systems and levels of technological expertise within the private fund advisers, which could differ across reporting persons. While the SEC has attempted to quantify economic effects where possible, much of the discussion of economic effects is qualitative in nature. The SEC seeks comment on all aspects of the economic analysis, especially any data or information that would enable a quantification of the proposal’s economic effects.

#### B. Economic Baseline and Affected Parties

##### 1. Economic Baseline

As discussed above, the Commissions adopted Form PF in 2011, with additional amendments made to section 3 along with certain money market

reforms in 2014.<sup>247</sup> Form PF complements the basic information about private fund advisers and funds reported on Form ADV.<sup>248</sup> Unlike Form ADV, Form PF is not an investor-facing disclosure form. Information that private fund advisers report on Form PF is provided to regulators on a confidential basis and is nonpublic.<sup>249</sup> The purpose of Form PF is to provide the Commissions and FSOC with data that regulators can deploy in their regulatory and oversight programs directed at assessing and managing systemic risk and protecting investors.<sup>250</sup>

Private funds and their advisers play an important role in both private and public capital markets. These funds, including hedge funds, currently have more than \$18.0 trillion in gross private fund assets.<sup>251</sup> Hedge funds in particular have more than \$9.7 trillion in gross private fund assets.<sup>252</sup> Private funds invest in large and small businesses and use strategies that range from long-term investments in equity

<sup>247</sup> See *supra* footnote 3. When the SEC adopted the amendments to section 3 in 2014 in connection with certain money market reforms, it noted that under the proposal it was concerned that some of the proposed money market reforms could result in assets shifting from registered money market funds to unregistered products such as liquidity funds, and that the proposed amendments were designed to help the SEC and FSOC track any potential shift in assets and better understand the risks associated with the proposed money market reforms. See, e.g., D. Hiltgen, *Private Liquidity Funds: Characteristics and Risk Indicators* (DERA White Paper Jan. 2017) (“Hiltgen Paper”), available at <https://www.sec.gov/files/2017-03/Liquidity%20Fund%20Study.pdf>; 2011 Form PF Adopting Release; 2014 Form PF Amending Release at 466; Commissioner Aguilar Statement, July 23, 2014, available at <https://www.sec.gov/news/public-statement/2014-07-23-open-meeting-statement-laa>.

<sup>248</sup> Investment advisers to private funds report on Form ADV, on a public basis, general information about private funds that they advise, including basic organizational, operational information, and information about the fund’s key service providers. Information on Form ADV is available to the public through the Investment Adviser Public Disclosure System, which allows the public to access the most recent Form ADV filing made by an investment adviser. See, e.g., Form ADV, available at <https://www.investor.gov/introduction-investing/investing-basics/glossary/form-adv>. See also Investment Adviser Public Disclosure, available at <https://adviserinfo.sec.gov/>.

<sup>249</sup> As discussed above, SEC staff publish quarterly reports of aggregated and anonymized data regarding private funds on the SEC’s website. See *supra* footnote 7; see also Private Fund Statistics Q3 2021

<sup>250</sup> See *supra* section I.

<sup>251</sup> These estimates are based on staff review of data from the Private Fund Statistics report for the third quarter of 2021, issued in March 2022. Private fund advisers who file Form PF currently have \$18.1 trillion in gross assets. See Private Fund Statistics Q3 2021.

<sup>252</sup> See Division of Investment Management, Private Fund Statistics, (Aug. 21, 2021), available at <https://www.sec.gov/divisions/investment/private-funds-statistics.shtml>.

<sup>245</sup> See Form CPO–PQR Release, *supra* footnote 56.

<sup>246</sup> 15 U.S.C. 80b–2(c).

securities to frequent trading and investments in complex instruments. Their investors include individuals, institutions, governmental and private pension funds, and non-profit organizations.

Before Form PF was adopted, the SEC and other regulators, including the CFTC, had limited visibility into the economic activity of private fund advisers and relied largely on private vendor databases about private funds that covered only voluntarily provided private fund data and did not represent the total population.<sup>253</sup> Form PF represented an improvement in available data about private funds, both in terms of its reliability and completeness.<sup>254</sup> Generally, investment advisers registered (or required to be registered) with the Commission with at least \$150 million in private fund assets under management must file Form PF. Smaller private fund advisers and all private equity fund advisers file annually to report general information such as the types of private funds advised (e.g., hedge funds, private equity funds, or liquidity funds), fund size, use of borrowings and derivatives, strategy, and types of investors.<sup>255</sup> In addition, large private equity advisers provide data about each private equity fund they manage. Large hedge fund and liquidity fund advisers also provide data about each reporting fund they manage, and are required to file quarterly.<sup>256</sup>

The SEC and other regulators now have almost a decade of experience with analyzing the data collected on Form PF. The collected data has helped FSOC establish a baseline picture of the private fund industry for the use in assessing systemic risk<sup>257</sup> and improved the SEC's oversight of private fund advisers.<sup>258</sup> Form PF data also has enhanced the SEC's and FSOC's ability to frame regulatory policies regarding the private fund industry, its advisers, and the markets in which they participate, as well as more effectively evaluate the outcomes of regulatory

<sup>253</sup> See, e.g., SEC 2020 Annual Staff Report Relating to the Use of Form PF Data (Nov. 2020), available at <https://www.sec.gov/files/2020-pf-report-to-congress.pdf>.

<sup>254</sup> Id.

<sup>255</sup> Id.

<sup>256</sup> Id.

<sup>257</sup> See, e.g., OFR, 2021 Annual Report to Congress (Nov. 2021), available at <https://www.financialresearch.gov/annual-reports/files/OFR-Annual-Report-2021.pdf>; Financial Stability Oversight Council, 2020 Annual Report, available at <https://home.treasury.gov/system/files/261/FSOC2020AnnualReport.pdf>.

<sup>258</sup> See, e.g., SEC 2020 Annual Staff Report Relating to the Use of Form PF Data (Nov. 2020), available at <https://www.sec.gov/files/2020-pf-report-to-congress.pdf>.

policies and programs directed at this sector, including the management of systemic risk and the protection of investors.<sup>259</sup> Additionally, based on the data collected through Form PF filings, regulators have been able to regularly inform the public about ongoing private fund industry statistics and trends by generating quarterly Private Fund Statistics reports<sup>260</sup> and by making publicly available certain results of staff research regarding the characteristics, activities, and risks of private funds.<sup>261</sup> As discussed above, these data may also be used by the CFTC for the purposes of its regulatory programs, including examinations, investigations and investor protection efforts.<sup>262</sup>

However, this decade of experience with analyzing Form PF data has also highlighted certain limitations of information collected on Form PF, including information gaps and situations where more granular and timely information would improve the SEC's and FSOC's understanding of the private fund industry and the potential systemic risk relating to its activities, and improve regulators' ability to protect investors.<sup>263</sup> For example, as discussed above, when monitoring funds' activities during recent market events like the March 2020 COVID-19

<sup>259</sup> See *supra* footnotes 257, 258.

<sup>260</sup> See *supra* footnote 249.

<sup>261</sup> See, e.g., David C. Johnson and Francis A. Martinez, *Form PF Insights on Private Equity Funds and Their Portfolio Companies* (OFR Brief Series No. 18-01, June 14, 2018), available at <https://www.financialresearch.gov/briefs/2018/06/14/form-pf-insights-on-private-equity-funds/>; Hiltgen Paper; G. Aragon, T. Ergun, M. Getmansky, and G. Girardi, *Hedge Funds: Portfolio, Investor, and Financing Liquidity*, (DERA White Paper, May 2017), available at [https://www.sec.gov/files/dera\\_hf-liquidity.pdf](https://www.sec.gov/files/dera_hf-liquidity.pdf); George Aragon, Tolga Ergun, and Giulio Girardi, *Hedge Fund Liquidity Management: Insights for Fund Performance and Systemic Risk Oversight* (DERA White Paper, Apr. 2021), available at [https://www.sec.gov/files/dera\\_hf-liquidity-management.pdf](https://www.sec.gov/files/dera_hf-liquidity-management.pdf); Mathias S. Kruttli, Phillip J. Monin, and Sumudu W. Watugala, *The Life of the Counterparty: Shock Propagation in Hedge Fund-Prime Broker Credit Networks* (OFR Working Paper No. 19-03, Oct., 2019), available at [https://www.financialresearch.gov/working-papers/files/OFRwp-19-03\\_the-life-of-the-counterparty.pdf](https://www.financialresearch.gov/working-papers/files/OFRwp-19-03_the-life-of-the-counterparty.pdf); Mathias S. Kruttli, Phillip J. Monin, Lubomir Petrasek, and Sumudu W. Watugala, *Hedge Fund Treasury Trading and Funding Fragility: Evidence from the COVID-19 Crisis* (Federal Reserve Board, Finance and Economics Discussion Series No. 2021-038, Apr. 2021), available at <https://www.federalreserve.gov/econres/feds/hedge-fund-treasury-trading-and-funding-fragility-evidence-from-the-covid-19-crisis.htm>; Mathias S. Kruttli, Phillip J. Monin, and Sumudu W. Watugala, *Investor Concentration, Flows, and Cash Holdings: Evidence from Hedge Funds* (Federal Reserve Board, Finance and Economics Discussion Series No. 2017-121 Dec. 15, 2017), available at <https://www.federalreserve.gov/econres/feds/investor-concentration-flows-and-cash-holdings-evidence-from-hedge-funds.htm>.

<sup>262</sup> See *supra* section I.

<sup>263</sup> See *supra* section I.

turmoil, the existing aggregation of U.S. treasury securities with related derivatives did not reflect the role hedge funds played in the U.S. treasury market.<sup>264</sup> Also during the COVID-19 market turmoil, FSOC sought to evaluate the role hedge funds played in disruptions in the U.S. treasury market by unwinding cash-futures basis trade positions and taking advantage of the near-arbitrage between cash and futures prices of U.S. treasury securities. Because the existing requirement regarding turnover reporting on U.S. treasury securities is highly aggregated, the SEC staff, during retrospective analyses on the March 2020 market events, was unable to obtain a complete picture of activity relating to long treasuries and treasury futures.<sup>265</sup> The need for more granular and timely information collected on Form PF is further heightened by the increasing significance of the private fund industry to financial markets, and resulting regulatory concerns regarding potential risks to U.S. financial stability from this sector.<sup>266</sup> The SEC's and FSOC's experiences analyzing Form PF data has also identified certain areas of Form PF where questions result in data received that is redundant to other questions, or instructions that result in unnecessary reporting burden for some advisers.<sup>267</sup>

<sup>264</sup> See *supra* section II.C.2.a.

<sup>265</sup> See *supra* section II.C.2.d. This also includes the SEC's and FSOC's experience analyzing data from multiple regulatory filings. For example, one SEC staff paper has used Form PF data and Form N-MPF data to study rule 2a-7 risk limits and implications of money market reforms. See, e.g., Hiltgen Paper.

<sup>266</sup> The private fund industry has experienced significant growth in size and changes in terms of business practices, complexity of fund structures, and investment strategies and exposures in the past decade. See *supra* footnote 7. See also Financial Stability Oversight Council Update on Review of Asset Management Product and Activities (2014), available at <https://www.treasury.gov/initiatives/fsoc/news/Documents/FSOC%20Update%20on%20Review%20of%20Asset%20Management%20Products%20and%20Activities.pdf>.

<sup>267</sup> Based on the PRA analysis in section IV.A.3, the current costs associated with filing Form PF report are estimated to be \$4,173.75 per quarterly filing or \$16,695 annually for smaller private fund advisers, \$41,737.50 per quarterly filing or \$166,950 annually for large hedge fund advisers, \$19,477.50 per quarterly filing or \$77,910 annually for large liquidity fund advisers, and \$27,825 per quarterly filing or \$111,300 annually for large private equity advisers. The calculation for large liquidity fund advisers incorporates the adjustment explained in footnote 9 to Table 6 (yielding an estimate of costs prior to the proposal of  $\$29,216.25/105^*70 = \$19477.50$ ). See Table 6. A 2018 industry survey of large hedge fund advisers observed filing costs that ranged from 35% to 72% higher than SEC cost estimates. See Managed Funds Association, "A Streamlined Form PF: Reducing Regulatory Burden," September 17, 2018, p. 3, available at <https://www.managedfunds.org/wp-content/>

## 2. Affected Parties

The proposal amends the general instructions and basic information reporting requirements facing all categories of private fund advisers. As discussed above, these include, but are not limited to, advisers to hedge funds, private equity funds, real estate funds, securitized asset funds, liquidity funds, and venture capital funds.<sup>268</sup> The proposal further amends reporting requirements for large hedge fund advisers, including specific revisions for large hedge fund advisers to qualifying hedge funds.<sup>269</sup>

Hedge funds, the focus of part of the proposal, are one of the largest categories of private funds,<sup>270</sup> and as such play an important role in the U.S. financial system due to their ability to mobilize large pools of capital, take economically important positions in a market, and their extensive use of leverage, derivatives, complex structured products, and short selling.<sup>271</sup> While these features may

*uploads/2018/09/MFA.Form-PF-Recommendations.attachment.final\_9.17.18.pdf*. However, a 2015 academic survey of SEC-registered investment advisers to private funds affirmed the SEC's cost estimates for smaller private fund advisers' Form PF compliance costs, and observed that the SEC overestimated Form PF compliance costs for larger private fund advisers. See Wulf Kaal, *Private Fund Disclosures Under the Dodd-Frank Act*, 9 Brooklyn Journal of Corporate, Financial, and Commercial Law 428 (2015).

<sup>268</sup> See *supra* section I.

<sup>269</sup> Form PF currently defines "hedge fund" broadly to include any private fund (other than a securitized asset fund) that has any of the following three characteristics: (1) a performance fee or allocation that takes into account unrealized gains, or (2) a high leverage (*i.e.*, the ability to borrow more than half of its net asset value (including committed capital) or have gross notional exposure in excess of twice its net asset value (including committed capital)) or (3) the ability to short sell securities or enter into similar transactions (other than for the purpose of hedging currency exposure or managing duration). Any non-exempt commodity pools about which an investment adviser is reporting or required to report are automatically categorized as hedge funds. Excluded from the "hedge fund" definition in Form PF are vehicles established for the purpose of issuing asset backed securities ("securitized asset funds"). See Form PF Glossary of Terms. "Large" hedge fund advisers are those, collectively with their related persons, with at least \$1.5 billion in hedge fund assets under management as of the last day of any month in the fiscal quarter immediately preceding the adviser's most recently completed fiscal quarter. Qualifying hedge funds are hedge funds that have a net asset value (individually or in combination with any feeder funds, parallel funds and/or dependent parallel managed accounts) of at least \$500 million as of the last day of any month in the fiscal quarter immediately preceding the adviser's most recently completed fiscal quarter. See *supra* section I.I.C.

<sup>270</sup> See *infra* footnote 273.

<sup>271</sup> See, *e.g.*, Lloyd Dixon, Noreen Clancy, and Krishna B. Kumar, *Hedge Fund and Systemic Risk, RAND Corporation* (2012); John Kambhu, Til Schuermann, and Kevin Stiroh, *Hedge Funds, Financial Intermediation, and Systemic Risk, Federal Reserve Bank of New York's Economic Policy Review* (2007).

enable hedge funds to generate higher returns as compared to other investment alternatives, the same features may also create spillover effects in the event of losses (whether caused by their investment and derivatives positions or use of leverage or both) that could lead to significant stress or failure not just at the affected fund but also across financial markets.<sup>272</sup>

In the third quarter of 2021, there were 9,484 hedge funds reported on Form PF, managed by 1,758 advisers, with nearly \$9.8 trillion in gross assets under management, which represented approximately 54% of assets reported by private fund advisers.<sup>273</sup> Currently, hedge fund advisers with between \$150 million and \$2 billion in regulatory assets (that do not qualify as large hedge fund advisers) file Form PF annually, in which they provide general information about funds they advise such as the types of private funds advised, fund size, their use of borrowings and derivatives, strategy, and types of investors. Large hedge fund advisers (those with at least \$1.5 billion in regulatory assets under management attributable to hedge funds)<sup>274</sup> file Form PF quarterly, in which they provide data about each hedge fund they managed during the reporting period (irrespective of the size of the fund). Large hedge fund advisers must report more information on Form PF about qualifying hedge funds (those with at least \$500 million as of the last day of any month in the fiscal quarter immediately preceding the adviser's most recently completed fiscal quarter)<sup>275</sup> than other hedge funds they manage during the reporting period. In the third quarter of 2021, there were 2,013 qualifying hedge funds reported on Form PF, managed by 592 advisers, with \$8.3 trillion in gross assets under management, which represented approximately 85 percent of the reported hedge fund assets.<sup>276</sup>

Private equity funds are another large category of funds in the private fund industry. In the third quarter of 2021, there were 15,835 private equity funds reported on Form PF, managed by 1,455 advisers, with \$4.8 trillion in gross

<sup>272</sup> See *supra* footnotes 257, 266.

<sup>273</sup> In the third quarter of 2021, hedge fund assets accounted for 54 percent of the gross asset value ("GAV") (\$9.8/\$18.1 trillion) and 42.5 percent of the net asset value ("NAV") (\$5.1/\$12.0 trillion) of all private funds reported on Form PF. Private Fund Statistics Q3 2021 at p. 5.

<sup>274</sup> See *supra* footnote 269.

<sup>275</sup> *Id.*

<sup>276</sup> In the third quarter of 2021, qualifying hedge fund assets accounted for 85 percent of the GAV (\$8.3/\$9.8 trillion) and 82 percent of the NAV (\$4.2/\$5.1 trillion) of all hedge funds reported on Form PF. Private Fund Statistics Q3 2021 at pp. 4–5.

assets under management, which represented over one quarter of the reported gross assets in the private fund industry.<sup>277</sup> Many private equity funds focus on long-term returns by investing in a private, non-publicly traded company or business—the portfolio company—and engage actively in the management and direction of that company or business in order to increase its value.<sup>278</sup> Other private equity funds may specialize in making minority investments in fast-growing companies or startups.<sup>279</sup>

For the remaining categories of funds (real estate funds, securitized asset funds, liquidity funds, venture capital funds, and other private funds), advisers required to file Form PF had, in the third quarter of 2021, investment discretion over \$3.5 trillion in gross assets under management.<sup>280</sup> These assets were managed by 1,442 fund advisers managing 12,019 funds.<sup>281</sup>

Private funds are typically limited to accredited investors and qualified clients such as pension funds, insurance companies, foundations and endowments, and high income and net worth individuals.<sup>282</sup> Private funds that rely on the exclusion from the definition of "investment company" provided in Section 3(c)(7) of the Investment Company Act are limited to investors that are also qualified purchasers (as defined in section 2(a)(51) of the Investment Company Act). Retail U.S. investors with exposure to private funds are typically invested in private funds indirectly through public and private pension plans and other institutional investors.<sup>283</sup> In the third quarter of 2021, public pension plans had \$1,586

<sup>277</sup> In the third quarter of 2021, private equity assets accounted for 26 percent of the GAV (\$4.8/\$18.1 trillion) and 35 percent of the NAV (\$4.1/\$12.0 trillion) of all private funds reported on Form PF. Private Fund Statistics Q3 2021 at p. 5.

<sup>278</sup> After purchasing controlling interests in portfolio companies, private equity advisers frequently get involved in managing those companies by serving on the company's board; selecting and monitoring the management team; acting as sounding boards for CEOs; and sometimes stepping into management roles themselves. See, *e.g.*, Private Equity Funds, Securities and Exchange Commission, available at <https://www.investor.gov/introduction-investing/investing-basics/investment-products/private-investment-funds/private-equity>.

<sup>279</sup> *Id.*

<sup>280</sup> Private Fund Statistics Q3 2021 at p. 5.

<sup>281</sup> Private Fund Statistics Q3 2021 at p. 4.

<sup>282</sup> See, *e.g.*, Private Equity Funds, Securities and Exchange Commission, (*Investor.gov*: Private Equity Funds), available at <https://www.investor.gov/introduction-investing/investing-basics/investment-products/private-investment-funds/private-equity>; Hedge Funds, Securities and Exchange Commission (*Investor.gov*: Hedge Funds), available at <https://www.investor.gov/introduction-investing/investing-basics/investment-products/private-investment-funds/hedge-funds>.

<sup>283</sup> See *supra* footnotes 251, 282.

billion invested in reporting private funds while private pension plans had \$1,263 billion invested in reporting private funds, making up 13.2 percent and 10.5 percent of the overall beneficial ownership in the private equity industry, respectively.<sup>284</sup> Private fund advisers have also sought to be included in individual investors' retirement plans, including their 401(k)s.<sup>285</sup>

### C. Benefits and Costs

#### 1. Benefits

The proposal is designed to facilitate two primary goals the SEC sought to achieve with reporting on Form PF as articulated in the original adopting release, namely: (1) facilitating FSOC's understanding and monitoring of potential systemic risk relating to activities in the private fund industry and assisting FSOC in determining whether and how to deploy its regulatory tools with respect to nonbank financial companies; and (2) enhancing the SEC's abilities to evaluate and develop regulatory policies and improving the efficiency and effectiveness of the SEC's efforts to protect investors and maintain fair, orderly, and efficient markets.<sup>286</sup>

The SEC believes the proposal would accomplish these goals in three key ways, each discussed in detail in the following sections. First, the proposal would provide for solutions to potential reporting errors and issues of data quality when analyzing Form PF filings across advisers and when analyzing multiple different regulatory filings. Higher quality data across different funds and across different regulatory filings can allow the SEC and FSOC to develop an understanding of one set of advisers and apply it to other advisers more rapidly, or apply lessons from one financial market to other financial markets. This can help the SEC and FSOC develop more effective regulatory responses, and help the SEC protect investors by identifying areas in need of outreach, examinations, and investigations in response to potential systemic risks, conflicting arrangements between advisers and investors, and other sources of investor harm.

Second, the proposal would help Form PF more completely and accurately capture information relevant to ongoing trends in the private fund industry in terms of ownership, size, investment strategies, and exposures. This can improve the SEC's and FSOC's understanding of new developing systemic risks and potential conflicting arrangements, thereby further aiding in the development of regulatory responses, and also aiding the SEC in efforts to protect investors by identifying areas in need of outreach, examinations, and investigations.

Third, the proposal would streamline reporting and reduce reporting burdens without compromising investor protection efforts and systemic risk analysis. This would improve the efficiency and effectiveness of the SEC's efforts to protect investors and maintain fair, orderly and efficient markets.

The SEC anticipates that the increased ability for the SEC's and FSOC's oversight, resulting from the proposed amendments, could promote better functioning and more stable financial markets, which may lead to efficiency improvements. The SEC does not anticipate significant effects of the proposed amendments on competition in the private fund industry because the reported information generally would be nonpublic and similar types of advisers would have comparable burdens under the amended Form. For similar reasons, the SEC does not anticipate significant effects of the proposed amendments on capital formation.

The proposal would amend the general instructions (as well as implement additional amendments), section 1 (requiring basic information about advisers and the private funds they advise), and section 2 (requiring information about hedge funds advised by large private fund advisers) of Form PF. The benefits associated with each of these specific elements are discussed in greater detail below.

#### a. Proposed Amendments to General Instructions, Proposed Amendments To Enhance Data Quality, and Proposed Additional Amendments

The proposal would update the Form PF general instructions to revise how all private fund advisers satisfy certain requirements on Form PF, it would issue a series of amendments to enhance data quality, and it would lastly issue a series of additional amendments.<sup>287</sup> There are five categories of such proposals.

First, the proposal would amend the general instructions for reporting of

master-feeder arrangements and parallel fund structures.<sup>288</sup> These revisions to the general instructions would improve consistency of reporting associated with measuring private fund interconnectedness and investment in other private funds by revising instructions for reporting of ownership structures and revising instructions that were previously ambiguous and resulted in reporting errors and issues of data quality across advisers. For example, as discussed above, Form PF currently provides advisers with flexibility to respond to questions regarding master-feeder arrangements, parallel fund structures, and use of funds of funds either in the aggregate or separately, as long as they do so consistently throughout Form PF. The revised instructions would specify how to respond to these questions to prevent some advisers from responding in the aggregate and some advisers from responding separately.<sup>289</sup> The proposal would also require reporting on the total value of parallel managed accounts.<sup>290</sup> The SEC anticipates these improved data would assist the SEC and FSOC in assessing potential risks to financial stability resulting from increasingly complex ownership and investment structures of private funds. While master-feeder arrangements, parallel fund structures, and use of funds of funds all allow private funds to benefit from larger pools of capital, diversify risk, and enjoy shared returns,<sup>291</sup> these same features have inherent risks of

<sup>288</sup> See *supra* section II.A.1. However, an adviser would continue to aggregate these structures for purposes of determining whether the adviser meets a reporting threshold.

<sup>289</sup> Similar benefits would be obtained from proposed revisions to Instruction 7, which address that advisers to funds of funds currently have flexibility to choose whether to disregard a private fund's equity investments in other private funds for all Form PF purposes so long as they do so consistently throughout Form PF. Other proposed revisions could also provide benefits associated with consistency of reporting by revising instructions to avoid error across filers, such as the revisions to Instruction 8 that the instruction on which investments to include in determining reporting thresholds and responding to questions applies only to investments in funds that are not private funds, and to provide that advisers would not be required to look through a reporting fund's investments in any other fund that is not a private fund, other than a trading vehicle. See *supra* section II.A.2. Similar benefits would also be obtained from the proposed amendments updating instructions to provide conformity with CFTC's amendments to Form CPO-PQR, including those that specify when advisers that are also CPOs should complete particular sections of Form PF. See *supra* section II.E, see also Proposed Instruction 18.

<sup>290</sup> See *supra* section II.A.1.

<sup>291</sup> See, e.g., Robert Harris, Tim Jenkinson, Steven Kaplan, Ruediger Stucke, *Financial Intermediation in Private Equity: How Well Do Funds of Funds Perform?*, 129 *Journal of Financial Economics* 2, 287–305 (Aug. 2018).

<sup>284</sup> Private Fund Statistics Q3 2021 at p. 15.

<sup>285</sup> See, e.g., Dep't of Labor, Information Letter (June 3, 2020), available at <https://www.dol.gov/agencies/ebsa/about-ebsa/our-activities/resource-center/information-letters/06-03-2020>.

<sup>286</sup> See *supra* section I. While the proposed amendments are also designed to improve the usefulness of this data for the CFTC, this economic analysis does not include the benefits associated with enhancements to the CFTC's use of reporting on Form PF.

<sup>287</sup> See *supra* section II.A, I.D, I.E.

spillovers in losses, as losses in a master fund or underlying investment of a fund of funds cause losses in connected funds as well. Complex ownership structures may also create conflicts of interest when the same individuals serve as directors on boards of both master and feeder funds under a single owner,<sup>292</sup> and may also mask instances of fraud and a private fund's methods for committing fraud.<sup>293</sup> Investor protection efforts would therefore benefit from more consistent data providing connections from master funds to feeder funds and other ownership information.

Second, the proposal would amend the general instructions for reporting for private funds that invest in other funds or trading vehicles.<sup>294</sup> Specifically, the proposal would revise Instructions 7 and 8 to require advisers to include information pertaining to their trading vehicles when completing Form PF.<sup>295</sup> Because private funds may use trading vehicles for a wide variety of purposes, more complete and accurate visibility into asset class exposures, position sizes, and counterparty exposures relied on by trading vehicles can enhance the SEC's and FSOC's systemic risk and financial stability assessment efforts and the SEC's efforts to protect investors by identifying areas in need of outreach, examination, or investigation.

Third, the proposal would amend the general instructions for reporting timelines by revising Instruction 9 to

require large hedge fund advisers and large liquidity fund advisers to update Form PF within a certain number of days after the end of each calendar quarter, rather than each fiscal quarter, as Form PF currently requires.<sup>296</sup> The SEC anticipates that these amendments would improve the consistency of reporting across different private fund advisers, across quarterly and annual filings, and across different regulatory forms,<sup>297</sup> which may improve the ability of regulators to analyze filing data across fund advisers and across different regulatory forms by resolving reporting errors and issues of data quality. These data analyses are important contributors to the SEC's and FSOC's efforts to assess systemic risk and develop a complete picture of private fund markets. The SEC anticipates that these improved reporting alignments may enhance the SEC's and FSOC's abilities to assess potential risks presented by private funds.<sup>298</sup> For example, as discussed above, academic research has used Form PF data and Form N-MPF data to study rule 2a-7 risk limits and implications of money market reforms.<sup>299</sup> Standardizing data across regulatory filings can lead to further industry insights from combined regulatory filing data, and these industry insights may improve systemic risk assessment and regulator investor protection efforts. However, as discussed above, because almost all large hedge fund advisers and large liquidity fund advisers already effectively file on a calendar quarter basis because their fiscal quarter ends on the calendar quarter, the SEC anticipates that these benefits may be marginal.<sup>300</sup>

Fourth, the proposal would issue a series of amendments that impact several sections of Form PF and which would broadly enhance data quality by potentially resolving reporting errors and issues of data quality. These amendments would specify that reported percentages be rounded to the nearest one hundredth of one percent, provide consistent instruction for reporting of investment and counterparty exposures, provide consistent instruction on the reporting of long and short positions, and provide consistent instruction for reporting of derivative values.<sup>301</sup> We believe the resulting improved data quality would improve the ability of the SEC and FSOC to evaluate market risk and measure industry trends, thereby increasing the efficiency with which regulatory responses are developed, improving systemic risk assessment and regulator programs to protect investors.

Lastly, the proposal would issue a series of additional amendments that would amend instructions related to temporary hardship exemptions, provide conformity with the CFTC's amendments to Form CPO-PQR (including those that specify when advisers that are also CPOs should complete particular sections of Form PF), and revise definitions of the terms EEA and G10 within Form PF.<sup>302</sup> The additional amendments updating instructions to the temporary hardship exemption to Form PF, by way of an amendment to rule 204(b)-1(f) under the Advisers Act, would make it easier to submit a temporary hardship exemption and would assist advisers in determining what constitutes a "filed" temporary hardship exemption.<sup>303</sup> These amendments may facilitate more successful submissions of temporary hardship exemptions by private fund advisers who require one, and may thereby reduce costs to those private fund advisers. Similarly, by providing conformity with the CFTC's amendments to Form CPO-PQR, including those that specify when advisers that are also CPOs should complete particular sections of Form PF, and revising definitions associated with the terms EEA and G10, the proposal may reduce confusion for advisers filing Form PF, thereby reducing the burden of filing.<sup>304</sup>

<sup>292</sup> See, e.g., Todd Ehret, *Platinum Fraud Charges Shine Light On Cayman Director Responsibilities*, Reuters Financial Regulatory Forum, March 30, 2017, available at <https://www.reuters.com/article/bc-finreg-cayman-private-structure/platinum-fraud-charges-shine-light-on-cayman-director-responsibilities-idUSKBN17030>.

<sup>293</sup> See, e.g., Melvyn Teo, *Lessons Learned from Hedge Fund Fraud*, Eureka Hedge, Oct. 2009, available at <https://www.eurekahedge.com/Research/News/506/Lessons-Learned-From-Hedge-Fund-Fraud>.

<sup>294</sup> These proposed amendments would include requiring advisers to include the value of a private fund's investments in other private funds when determining whether the adviser must file Form PF; requiring an adviser to include the value of a reporting fund's investments in other private funds when responding to questions on the fund, but to not look through its investments in other private funds when responding to questions about the reporting fund's investment and other activities; amending the general instructions to explain how advisers would report information if the reporting fund holds investments or conducts activities through a trading vehicle; amending Instruction 8 to indicate that the instruction on which investments to include in determining reporting thresholds and responding to questions applies only to investments in funds that are not private funds; and providing that advisers would not be required to look through a reporting fund's investments in any other fund that is not a private fund, other than a trading vehicle. See *supra* section II.A.2.

<sup>295</sup> See *supra* section II.A.2.

<sup>296</sup> See *supra* section II.A.3.

<sup>297</sup> See *supra* section II.A.3.

<sup>298</sup> While the amendments to general instructions associated with reporting timelines would primarily offer economic benefits associated with improvement in data quality and resolutions to data gaps, the proposed amendments to reporting timelines would also provide a potential improvement to regulators' ability to evaluate markets for investor protection efforts and systemic risk assessment, in that they accelerate the provision of data from quarterly reporting. See *supra* section II.A.3. Moreover, as the proposal would make reporting timelines more consistent, there could be reduced costs associated with regulatory filings, as private fund advisers reduce their need to track differentiated calendar quarter and fiscal quarter data.

<sup>299</sup> See *supra* section III.B.1.

<sup>300</sup> See *supra* section II.A.3. Specifically, and as discussed above, based on staff analysis of Form ADV data as of December 2021, 99.2 percent of private fund advisers already effectively file on a calendar basis because their fiscal quarter or year ends on the calendar quarter or year end, respectively. The 0.8 percent of private fund advisers that have a non-calendar fiscal approach represents approximately 274 private funds, totaling \$200 billion in gross asset value. See *supra* section II.A.3.

<sup>301</sup> See *supra* section II.D.

<sup>302</sup> See *supra* section II.E, Proposed Instruction 18.

<sup>303</sup> See *supra* section II.E.

<sup>304</sup> See *supra* section II.E, Proposed Instruction 18.

b. Proposed Amendments to Basic Information About the Adviser and the Private Funds it Advises

The proposed amendments to section 1, which requires all private fund advisers to report information about the adviser and the private funds they manage, include revisions to section 1a (concerning basic identifying information),<sup>305</sup> revisions to section 1b (concerning all of a private fund adviser's private funds),<sup>306</sup> and revisions to section 1c (more specifically concerning all of a private fund adviser's hedge funds).<sup>307</sup> The proposed changes would provide greater insight into all private funds' operations and strategies, and would further assist in assessing industry trends. This section discusses how the SEC believes the proposed changes would thereby enhance the SEC's and FSOC's systemic risk assessment efforts and the SEC's efforts to protect investors by identifying areas in need of outreach, examination, or investigation. This would be accomplished in four key ways.

First, the proposed changes would provide more prescriptive requirements to improve comparability across advisers and reduce reporting errors and issues of data quality by aligning data across filers and across regulatory filings, based on experience with the form. This greater alignment could improve the efficiency with which the SEC and FSOC evaluate market risk and measure industry trends, thereby increasing the efficiency with which regulatory responses are developed, improving systemic risk assessment and regulator programs to protect investors. For example, revisions to section 1a (relating to adviser reporting of identifying information for all private funds they advise) would revise instructions on the use of LEIs and RSSD IDs for advisers and related persons, and could help link data more efficiently between Form PF and other regulatory filings that use these universal identifiers.<sup>308</sup> Several revisions to section 1b (relating to adviser reporting of basic information for all private funds they advise) would modify instructions and could prevent

advisers from inadvertently reporting different fund types on different regulatory filings (or, when different reporting on two different forms is appropriate, the revised instructions are designed to solicit the reason for differentiated reporting), facilitating more robust data analyses that use combined data from multiple regulatory forms.<sup>309</sup> Revisions to section 1c would require advisers to indicate which investment strategies best describe the reporting fund's strategies on the last day of the reporting period, addressing any ambiguity about how to report information if the reporting fund changes strategies over time.<sup>310</sup> The SEC believes these revisions to section 1, and others,<sup>311</sup> would improve the accuracy and reliability of Form PF data, thereby potentially improving the SEC's and FSOC's efforts to assess developing systemic risks and FSOC's efforts to assess broader financial instability, as well as potentially improving the SEC's efforts to protect investors by identifying areas in need of outreach, examination, or investigation.

Second, the proposal would expand the data collected by the forms into newly emerging areas of risk. These expanded areas of reporting broadly capture key trends in (i) private fund advisers' ownership structures, and (ii) private fund advisers' investment and trading strategies, including increasing exposures to new asset classes, changing exposures across different categories of counterparties, and increasing use of financial tools for increasing fund performance.

With respect to updated reporting on ownership structures, as discussed above, interconnected ownership structures have inherent risks of

spillovers in losses, as losses in a master fund or underlying investment of a fund of funds cause losses in connected funds as well, and so enhanced data on detailed ownership structures could improve systemic risk assessment efforts.<sup>312</sup> These improved data could also contribute to efforts to protect investors from conflicts of interest and other sources of potential harm.<sup>313</sup> The types of enhancements to Form PF's data on interconnected ownership structures include, for example, requiring advisers to provide LEIs for themselves and any of their related persons, such as reporting funds and parallel funds,<sup>314</sup> and expanding the required reporting detail on the value of the reporting fund's investments in funds of funds.<sup>315</sup> Similar to the amendments to general instructions, the SEC believes that these revisions would improve measurement of these complex ownership structures, thereby potentially improving the SEC's and FSOC's efforts to assess developing systemic risks and FSOC's efforts to assess broader financial instability, as well as potentially improving the SEC's efforts to protect investors from conflicting arrangements and identify other areas in need of outreach, examination, or investigation.<sup>316</sup>

Many revisions would also keep Form PF filings up to date with key developing trends among private fund advisers' investing and trading practices. These revisions would improve consistency of reporting of modern private fund issues across fund advisers, provide more complete and accurate information on developing trends, and improve the SEC's and FSOC's abilities to effectively and efficiently assess new systemic risks and other potential sources of investor harm, as well as inform the SEC's and FSOC's broader views on the private fund landscape.

For example, in Form PF section 1c, the proposal would require hedge funds to report whether their investment strategy includes digital assets,<sup>317</sup> which are a growing and increasingly important area of hedge fund strategy.<sup>318</sup> The proposal would

<sup>312</sup> See *supra* section III.C.1.a.

<sup>313</sup> *Id.*

<sup>314</sup> See *supra* section II.B.1.

<sup>315</sup> See *supra* section II.B.2.

<sup>316</sup> See *supra* section III.C.1.a.

<sup>317</sup> See *supra* section II.B.3.

<sup>318</sup> See, e.g., AIMA, PwC, and Elwood Asset Management, *3rd Annual Global Crypto Hedge Fund Report 2021*, available at <https://www.aima.org/educate/aima-research/third-annual-global-crypto-hedge-fund-report-2021.html> (concluding that approximately a fifth of hedge funds were investing in such assets in 2021, with

<sup>305</sup> See *supra* section II.B.1.

<sup>306</sup> See *supra* section II.B.2.

<sup>307</sup> See *supra* section II.B.3.

<sup>308</sup> See *supra* section II.B.1. For example, the proposed reporting of a fund's and its adviser's LEI is consistent with the way fund relationships are reported in the Global LEI system. See, e.g., LEI ROC, *Policy on Fund Relationships and Guidelines for the Registration of Investment Funds in the Global LEI System* (May 20, 2019), available at [https://www.leiroc.org/publications/gls/roc\\_20190520-1.pdf](https://www.leiroc.org/publications/gls/roc_20190520-1.pdf).

<sup>309</sup> See *supra* section II.B.2. For example, the Division of Investment Management relies on Form PF and Form ADV filings in providing quarterly summaries of private fund industry statistics and trends. See, e.g., Division of Investment Management, *Private Fund Statistics*, (Aug. 21, 2021), available at <https://www.sec.gov/divisions/investment/private-funds-statistics.shtml>.

<sup>310</sup> See *supra* section II.B.3.

<sup>311</sup> Other proposed revisions that would provide this benefit include the proposal revising reporting of regulatory versus net assets under management; reporting of assumptions the adviser makes in responding to questions on Form PF; reporting of types of fund; reporting of master-feeder arrangements, internal/external private funds, and parallel fund structures; reporting of monthly gross and net asset values; reporting of the value of unfunded commitments; reporting on the value of borrowing activity; reporting of fair value hierarchy; reporting of beneficial ownership; reporting of fund performance; more granular reporting of hedge fund strategies; more granular reporting of hedge fund counterparty exposures including identification of counterparties representing a fund's greatest exposure; and more granular reporting of hedge fund trading and clearing mechanisms. See *supra* section II.B.

therefore help the SEC and FSOC to assess new sources of potential systemic risk and develop regulatory responses, and would further allow the SEC to analyze new areas of potential investor harm to determine any necessary outreach, examination, or investigation.

As another example, the proposal would introduce several questions on counterparty exposures, corresponding to both CCP exposures and bilateral counterparty (*i.e.*, non-CCP) exposures. These additions to Form PF include requiring advisers to report hedge fund borrowing, lending, and collateral with respect to transactions involving both their bilateral counterparties and CCPs, requiring reporting of hedge fund derivative and repo activity that was cleared by a CCP (as well as activity not cleared by a CCP), and instructing advisers on what exposures to net.<sup>319</sup> There are two economic considerations associated with counterparty exposure reporting on Form PF. First and foremost, bilateral exposures and CCP exposures have different risk profiles, with CCPs offering risk reduction mechanisms and other economic benefits by netting trading across counterparties and across different assets within an asset class or by centralizing clearance and settlement activities.<sup>320</sup> The SEC therefore believes the proposal could help Form PF provide insight into relative trends in bilateral trading versus central counterparty trading and resulting systemic risks from counterparty exposures. Second, while CCPs reduce the systemic risk associated with the failure of any single hedge fund or other private fund, the failure of a large CCP itself could potentially represent a substantial systemic risk event in the future.<sup>321</sup> While a systemic risk event such as the failure of a CCP has never occurred in the United States, CCPs in other countries have failed,<sup>322</sup> and the SEC believes the proposal could help Form PF provide new insights into the potential for such systemic risk events in the future. FSOC has also designated

on average three percent of their total hedge fund assets under management invested, and 86 percent of those hedge funds intended to deploy more capital into this asset class by the end of 2021); *see also supra* footnote 111 and accompanying text.

<sup>319</sup> *See supra* section II.B.3.

<sup>320</sup> Siro Aramonte and Wenqian Huang, *Costs and Benefits of Switching to Central Clearing*, BIS Quarterly Review (Dec. 2019), available at [https://www.bis.org/publ/qtrpdf/r\\_qt1912z.htm](https://www.bis.org/publ/qtrpdf/r_qt1912z.htm); Albert J. Menkveld & Guillaume Vuillemeij, *The Economics of Central Clearing*, 13 Ann. Rev. Fin. Econ. 153 (2021).

<sup>321</sup> *Id.*

<sup>322</sup> For example, the Hong Kong Futures Guarantee Corporation failed during the stock market crash of 1987. *See* Menkveld & Vuillemeij, *supra* footnote 320.

many CCP institutions as “systemically important,”<sup>323</sup> and recommends that regulators continue to coordinate to evaluate threats from both default and non-default losses associated with CCPs.<sup>324</sup>

The SEC therefore believes these revisions, and others like them,<sup>325</sup> would help the SEC and FSOC better understand the modern landscape of the private fund industry, thereby potentially improving the SEC’s and FSOC’s efforts to assess developing systemic risks and FSOC’s efforts to assess broader financial instability, as well as potentially improving the SEC’s efforts to protect investors by identifying areas in need of outreach, examination, or investigation.

Third, there are revisions that would expand the scope of certain questions from only covering qualifying hedge funds advised by large hedge fund advisers to covering all hedge funds advised by any private fund adviser. By expanding the universe of private funds that are covered by several questions, the proposal would enhance the SEC’s and FSOC’s ability to conduct broad, representative measurements regarding the private fund industry. For example, the proposal would require all advisers to report whether each reporting fund they advise provides investors with withdrawal or redemption rights in the ordinary course, rather than only requiring large hedge fund advisers to report it for the qualifying hedge funds they advise, as Form PF currently requires.<sup>326</sup> Because the activities of private fund advisers may differ significantly depending on their size, this enhanced coverage would potentially enhance regulators’ abilities to obtain a representative picture of the private fund industry and lead to more robust conclusions regarding emerging industry trends and characteristics. The SEC believes these proposed amendments, and others,<sup>327</sup> would

<sup>323</sup> Financial Stability Oversight Council, 2012 Annual Report, Appendix A, available at <https://home.treasury.gov/system/files/261/2012-Annual-Report.pdf>.

<sup>324</sup> Financial Stability Oversight Council, 2021 Annual Report, p. 14, available at <https://home.treasury.gov/system/files/261/FSOC2021AnnualReport.pdf>.

<sup>325</sup> Other proposed revisions that would provide this benefit include the proposal reporting of withdrawal and redemption rights; reporting of other inflows and outflows; more granular reporting of hedge fund strategies; more granular reporting of hedge fund counterparty exposures including identification of counterparties representing a fund’s greatest exposure; and more granular reporting of hedge fund trading and clearing mechanisms. *See supra* section II.B.

<sup>326</sup> *See supra* section II.B.2.

<sup>327</sup> The proposed revisions to reporting of base currency would provide similar benefits. *See supra* section II.B.

enhance regulator’s picture of the private fund industry, thereby potentially improving the SEC’s and FSOC’s efforts to assess developing systemic risks and FSOC’s efforts to assess broader financial instability, as well as potentially improving the SEC’s efforts to protect investors by identifying areas in need of outreach, examination, or investigation.

Lastly, certain proposed changes would streamline reporting and reduce reporting burden by removing certain questions where other questions provide the same or superseding information. For example, the proposal would remove current Question 19, which requires advisers to hedge funds to report whether the hedge fund has a single primary investment strategy or multiple strategies, and would also remove current Question 21, which requires advisers to hedge funds to approximate what percentage of the hedge fund’s net asset value was managed using high frequency trading strategies.<sup>328</sup> The SEC believes that these revisions would directly lower the costs and help reduce part of the burden on advisers of completing Form PF filings.<sup>329</sup>

### c. Proposed Amendments to Information About Hedge Funds Advised by Large Private Fund Advisers

The proposed changes to section 2 would provide greater insight into operations and strategies into hedge funds advised by large private fund advisers specifically, and would also assist in assessing broader hedge fund industry trends. This section discusses how the SEC believes the proposed changes would thereby enhance the SEC’s and FSOC’s investor protection and systemic risk assessment efforts. This would be accomplished in three key ways.

As with section 1, first, the proposed changes would provide more prescriptive requirements to improve comparability across advisers and reduce reporting errors and issues of data quality, based on experience with the form. This would be accomplished by standardizing reporting of information across different advisers and across different regulatory filings. For example, the proposed amendments to Question 30 (on qualifying hedge fund exposures to different types of assets) would replace the existing

<sup>328</sup> *See supra* section II.B.3.

<sup>329</sup> These benefits from streamlined reporting and reduced reporting burden would be offset by increased costs associated with the additional and more granular detail that would be required on Form PF under the proposal. *See infra* section III.C.2, IV.A.3.

complex table in Question 30 with reporting instructions that would use a series of drop-down menu selections and provide additional narrative reporting instructions and additional information on how to report exposures.<sup>330</sup> Similarly, advisers to qualifying hedge funds would now be required to report the 10-year zero coupon bond equivalent for all sub-asset classes with interest rate risk, rather than providing advisers with a choice to report duration, WAT, or an unspecified 10-year equivalent.<sup>331</sup> Several revisions (relating to adviser reporting of basic information for all hedge funds that it advises) would revise instructions relating to reporting of adjusted long and short exposures and market factor effects on a hedge fund's portfolio.<sup>332</sup> These revisions could potentially prevent, for example, data errors associated with reporting of long and short components of a portfolio or discrepancies across advisers in their choices of which market factors to report (as Form PF currently allows advisers to omit a response to any market factor that they do not regularly consider in formal risk management testing).<sup>333</sup> As another example, the proposal would provide for a new sub-asset class in investment exposure reporting for ADRs, in line with how ADRs are reported on the CFTC's Form CPO-PQR, potentially improving assessment of currency risk across regulatory filings.<sup>334</sup> As a final example, the proposal would revise reporting for positions held physically, synthetically, or through derivatives and indirect exposure, and would require reporting turnover on a per fund basis instead of in the aggregate as well as providing for more granular reporting of turnover.<sup>335</sup>

<sup>330</sup> See *supra* section II.C.2.

<sup>331</sup> *Id.*

<sup>332</sup> See *supra* section II.C.2.a; II.C.2.c.

<sup>333</sup> *Id.* For example, higher quality data on short positions could facilitate more accurate and timely identification of significant market participants during periods of volatility related to shorting activity, such as the January 2021 "meme stock" episodes. See, e.g., Staff Report on Equity and Options Market Structure Conditions in Early 2021 (Oct. 14, 2021), available at <https://www.sec.gov/files/staff-report-equity-options-market-structure-conditions-early-2021.pdf>.

<sup>334</sup> See *supra* section II.C.2.a.

<sup>335</sup> As discussed above, when monitoring funds' activities during recent market events like the March 2020 COVID-19 turmoil, the existing aggregation of U.S. treasury securities with related derivatives did not reflect the role hedge funds played in the U.S. treasury market. See *supra* section II.C.2.a, III.B.1. Also during the COVID-19 market turmoil, FSO sought to evaluate the role hedge funds played in disruptions in the U.S. treasury market by unwinding cash-futures basis trade positions and taking advantage of the near-arbitrage between cash and futures prices of U.S. treasury securities. Because the existing

The SEC believes these revisions, and others,<sup>336</sup> would align Form PF data across filers, thereby potentially improving the efficiency with which the SEC and FSO evaluate market risk and measure industry trends, thereby increasing the efficiency with which regulatory responses are developed, improving systemic risk assessment and regulatory programs to protect investors.

Second, the proposed changes would help Form PF provide greater insight into newly emerging areas of risk, including increasing exposures to new asset classes, changing exposures across different categories of counterparties, and changing risk management practices (such as changing practices around posting of collateral). The SEC believes these proposed changes would help Form PF more completely and accurately capture information relevant to ongoing trends in the private fund industry. For example, in addition to the more general investment strategy questions in section 1c described above,<sup>337</sup> section 2b would define the term "digital asset" and would require large advisers to qualifying hedge funds to report their total exposures to digital assets.<sup>338</sup> As another example, large advisers to qualifying hedge funds would be required to report exposures to additional commodity sub-asset classes (e.g., other (non-gold) precious metals, agricultural commodities, and base metal commodities).<sup>339</sup> They would also be required to report all other counterparties (by name, LEI, and financial institution affiliation) to which a fund has net mark-to-market exposure after collateral that equals or is greater than either (1) five percent of a fund's net asset value or (2) \$1 billion, facilitating regulators' abilities to understand the impact a particular

requirement regarding turnover reporting on U.S. treasury securities is highly aggregated, the SEC staff, during retrospective analyses on the March 2020 market events, was unable to obtain a complete picture of activity relating to long treasuries and treasury futures. See *supra* section II.C.2.d, III.B.1.

<sup>336</sup> Other proposed revisions that would provide this benefit include the proposal revising reporting of reportable sub-asset classes, including those for certain categories of listed equity securities, repos, asset-backed securities and other structured products, derivatives, and cash and commodities; revising reporting of open and large position reporting; revising reporting of counterparty exposures including reporting of significant counterparties; revising currency reporting; requiring significant country and industry exposure; requiring additional reporting on fund portfolio risk profiles; requiring more granular reporting of investment performance by strategy; amending reporting of portfolio liquidity; and amending reporting of financing liquidity. See *supra* section II.C.

<sup>337</sup> See *supra* section III.C.1.b.

<sup>338</sup> See *supra* section II.C.2.a.

<sup>339</sup> See *supra* section II.C.2.a.

counterparty failure like those that occurred during the 2008 financial crisis and in the period since (e.g., the failure of MF Global in 2011).<sup>340</sup> Advisers would also be required to report certain of their exposures to CCPs,<sup>341</sup> and would be required to report each CCP (or other third party) holding collateral in respect of cleared exposures in excess of 5 percent of the fund's net asset value, or \$1 billion.<sup>342</sup> As discussed above, these (and other) new granular reporting requirements would represent new possible sources of systemic risk for the SEC and FSO to evaluate, and also new areas of focus for the SEC's regulatory outreach, examination, and investigation.<sup>343</sup> The SEC believes these revisions, and others,<sup>344</sup> would improve the SEC's and FSO's efforts to assess developing systemic risks and FSO's efforts to assess broader financial stability, as well as potentially improve the SEC's efforts to protect investors by identifying areas in need of outreach, examination, or investigation.

Lastly, the proposal would remove certain questions where other questions provide the same or superseding information, which the SEC believes would streamline reporting and reduce reporting burden. For example, the proposal would remove section 2a entirely, proposing that the aggregated information in section 2a is redundant to information required to be reported in other sections,<sup>345</sup> and would remove the requirement from Question 38 for advisers to report the percentage of the

<sup>340</sup> See *supra* section II.C.2.a, footnote 198 and accompanying text.

<sup>341</sup> See *supra* section II.C.2.b.

<sup>342</sup> See *supra* section II.C.2.d.

<sup>343</sup> See *supra* section III.C.1.b. For example, the SEC believes the addition of a base metal commodities sub-asset class would allow for identification of large players in the base metals market (such as those impacted by the March 2022 "nickel squeeze," during which the price of nickel rose unusually steeply and rapidly in response to commodity price increases caused by Russia's invasion of Ukraine). See *supra* footnote 176.

<sup>344</sup> Other proposed revisions that would provide this benefit include revising reporting for positions held physically, synthetically, or through derivatives and indirect exposure; revising reportable sub-asset classes, including those for certain categories of listed equity securities, repos, asset-backed securities and other structured products, derivatives, and other cash and commodities; further revising reporting of counterparty exposures including reporting of significant counterparties (in addition to the revisions to CCP exposures); revising currency reporting; requiring more granular reporting of turnover; requiring significant country and industry exposure; requiring additional reporting on fund portfolio risk profiles; requiring more granular reporting of investment performance by strategy; requiring new reporting on portfolio correlation; amending reporting of portfolio liquidity; and amending reporting of financing liquidity. See *supra* section II.C.

<sup>345</sup> See *supra* section II.C.1.

total amount of collateral and other credit support that a fund has posted to counterparties that may be re-hypothecated.<sup>346</sup> The SEC believes that these revisions, and others,<sup>347</sup> would directly lower the costs and reduce the burden to advisers of completing Form PF filings.

## 2. Costs

The proposed amendments to Form PF would lead to certain additional costs for private fund advisers. Any portion of these costs that is not borne by advisers would ultimately be passed on to private funds' investors. These costs would vary depending on the scope of the required information, which is determined based on the size and types of funds managed by the adviser as well as each fund's investment strategies, including choices of asset classes and counterparties. These costs are quantified, to the extent possible, by examination of the analysis in section IV.A.3.

The SEC anticipates that the costs to advisers associated with Form PF would be composed of both direct compliance costs and indirect costs. Direct costs for advisers would consist of internal costs (for compliance attorneys and other non-legal staff of an adviser, such as computer programmers, to prepare and review the required disclosure) and external costs (including filing fees as well as any costs associated with outsourcing all or a portion of the Form PF reporting responsibilities to a filing agent, software consultant, or other third-party service provider).<sup>348</sup>

The SEC believes that the direct costs associated with the proposed amendments would be most significant for the first updated Form PF report that a private fund adviser would be required to file because the adviser would need to familiarize itself with the new reporting form and may need to configure its systems to gather the required information efficiently. In subsequent reporting periods, the SEC anticipates that filers would incur significantly lower costs because much of the work involved in the initial report is non-recurring and because of efficiencies realized from system

configuration and reporting automation efforts accounted for in the initial reporting period. This is consistent with the results of a survey of private fund advisers, finding that the majority of respondents identified the cost of subsequent annual Form PF filings at about half of the initial filing cost.<sup>349</sup>

The SEC anticipates that the proposed amendments aimed at improving data quality and comparability would impose limited direct costs on advisers given that advisers already accommodate similar requirements in their current Form PF reporting and can utilize their existing capabilities for preparing and submitting an updated Form PF. The SEC expects that most of the costs would arise from the proposed requirements to report additional and more granular information on Form PF. These direct costs would mainly include an initial cost to setup a system for collecting, verifying additional more granular information, and limited ongoing costs associated with periodic reporting of this additional information.<sup>350</sup> We believe that the

<sup>349</sup> See Wulf Kaal, *Private Fund Disclosures Under the Dodd-Frank Act*, 9 Brooklyn Journal of Corporate, Financial, and Commercial Law 428 (2015).

<sup>350</sup> Based on the PRA analysis in section IV.A.3, initial costs associated with filing the first updated Form PF report are estimated to increase by \$4,790 for smaller private fund advisers, \$15,557 for large hedge fund advisers, \$8,780 for large liquidity fund advisers, and \$8,780 for large private equity advisers. These figures are calculated as the cost of filing under the proposal minus the cost of filing prior to the proposal for each category of adviser. See Table 5. Direct internal compliance costs associated with the proposal are estimated at \$1,866.25 per quarterly filing or \$7,465 annually for smaller private fund advisers. Direct internal compliance costs associated with the proposal are estimated at \$6,582.5 per quarterly filing or \$26,330 annually for large hedge fund advisers. Direct internal compliance costs associated with the proposal are estimated at \$3,172.5 per quarterly filing or \$12,690 annually for large liquidity fund advisers. Direct internal compliance costs associated with the proposal are estimated at \$3,885 per quarterly filing or \$15,540 annually for large private equity advisers. These figures are calculated as the cost of filing under the proposal minus the cost of filing prior to the proposal for each category of adviser, with an additional correction for large liquidity fund advisers to incorporate the adjustment explained in footnote 9 to Table 6 (yielding an estimate of costs prior to the proposal of  $\$29,216.25/105 \times 70 = \$19,477.50$ ). See Table 6. It is estimated that there will be no additional direct external costs and no changes to filing fees associated with the proposed amendments. See Table 8. The SEC anticipates that there may be additional first-time filing costs for filers who do not currently file on a calendar quarter basis, but that these costs are likely to be small and not likely to impact subsequent filings beyond the first. As discussed above, a 2018 industry survey of large hedge fund advisers found filing costs that ranged from 35% to 72% higher than SEC cost estimates. These industry cost estimates would therefore suggest costs associated with the proposed changes to Form PF that are potentially 35% to 72% higher than those estimated here. See MFA Letter to

proposed amendment to rule 204(b)–1(f) under the Advisers Act would have minimal costs associated with it, as the proposed amendment only makes it easier to submit a temporary hardship exemption and assists advisers in determining what constitutes a “filed” temporary hardship exemption.<sup>351</sup> As discussed in the benefits section, the SEC believes that part of the costs to advisers arising from the proposed amendments would be mitigated by the cost savings resulting from reduced ambiguities and inefficiencies that currently exist in the reporting requirements, as this may reduce the amount of time and effort required for some advisers to prepare and submit Form PF information.<sup>352</sup>

Indirect costs for advisers would include the costs associated with additional actions that advisers may decide to undertake in light of the additional reporting requirements on Form PF. Specifically, to the extent that the proposed amendments provide an incentive for advisers to improve internal controls and devote additional time and resources to managing their risk exposures and enhancing investor protection, this may result in additional expenses for advisers, some of which may be passed on to the funds and their investors.

Form PF collects confidential information about private funds and their trading strategies, and the inadvertent public disclosure of such competitively sensitive and proprietary information could adversely affect the funds and their investors. However, the SEC anticipates that these adverse effects would be mitigated by certain aspects of the Form PF reporting requirements and controls and systems designed by the SEC for handling the data. For example, because data on Form PF generally could not, on its own, be used to identify individual investment positions, the ability of a

Chairman Clayton, *supra* note 202, at 3. However, a 2015 survey of SEC-registered investment advisers to private funds affirmed the SEC's cost estimates for smaller private fund advisers' Form PF compliance costs, and found that the SEC overestimated Form PF compliance costs for larger private fund advisers. These academic literature cost estimates would therefore suggest that the costs associated with the proposed changes to Form PF estimated here are potentially conservatively large. See Wulf Kaal, *Private Fund Disclosures Under the Dodd-Frank Act*, 9 Brooklyn Journal of Corporate, Financial, and Commercial Law 428 (2015). See also *supra* footnote 267.

<sup>351</sup> See *supra* section II.E.

<sup>352</sup> The proposal also seeks to limit unnecessary costs by avoiding redundancies between new questions and existing questions. For example, if the proposal is adopted, the SEC would remove current Question 22, as it would be redundant in light of the proposed expanded turnover reporting. See *supra* footnote 214.

<sup>346</sup> See *supra* section II.C.1.

<sup>347</sup> Other proposed revisions that would provide this benefit include the proposal consolidating Question 47 into Question 36; removing the requirement from Question 38 for advisers to report the percentage of the total amount of collateral and other credit support that a fund has posted to counterparties that may be re-hypothecated; and requiring reporting turnover on a per fund basis instead of in the aggregate. See *supra* section II.C.

<sup>348</sup> See section IV.A.3 (for an analysis of the direct costs associated with the new Form PF requirements for quarterly and annual filings).

competitor to use Form PF data to replicate a trading strategy or trade against an adviser is limited. The SEC has controls and systems for the use and handling of the proposed modified and new Form PF data in a manner that reflects the sensitivity of the data and is consistent with the maintenance of its confidentiality. The SEC has substantial experience with the storage and use of nonpublic information reported on Form PF as well as other nonpublic information that the SEC handles in the course of business.

#### D. Reasonable Alternatives

##### 1. Alternatives to Proposed Amendments to General Instructions, Proposed Amendments To Enhance Data Quality, and Proposed Additional Amendments

The SEC has considered alternatives to the proposed amendments to general instructions, proposed amendments to enhance data quality, and the proposed additional amendments considered in this proposal (including the amendments to the process for requesting temporary hardship exemptions, by way of an amendment to rule 204(b)–1(f) under the Advisers Act). The alternatives considered have been in the form of different choices of framing, level of additional detail requested by Form PF, level of detail removed from Form PF, and precise information targeted.

For example, in the general instructions, the SEC considered an alternative that would require advisers to report only at the master fund level or only at the feeder fund level. As another example, with respect to trading vehicles, the proposal currently would require advisers to report a trading vehicle as a separate reporting fund, the adviser must report the trading vehicle as a hedge fund, qualifying hedge fund, liquidity fund, private equity fund, or other type of fund, if it meets certain requirements, but the SEC considered an alternative that would only require advisers to report trading vehicles as investments in another fund. As a final example, the SEC considered requiring annual filers to file within 30 calendar days after the end of their fiscal year, rather than 120 calendar days.

While many alternatives may be able to capture more detailed information, or may be able to capture relevant information with a smaller reporting burden for advisers, the SEC believes that each of the amendments to general instructions, amendments to enhance data quality, and additional amendments as proposed improve data quality and enhance the usefulness of

reported data without imposing undue reporting burden. As discussed above we request suggestions and comments on each proposed revision and addition.<sup>353</sup>

##### 2. Alternatives to Proposed Amendments to Basic Information About the Adviser and the Private Funds It Advises

The SEC has also considered alternatives to the proposed amendments to basic information about advisers and the private funds they advise. As above, these alternatives are in the form of different choices of framing, level of additional detail requested by Form PF, level of detail removed from Form PF, and precise information targeted.

For example, with respect to identifying information for private funds in section 1a, the SEC considered an alternative that would provide more granularity for advisers to list categories of funds, such as differentiating between different types of funds of funds (for example, differentiating between multi-manager funds of funds and multi-asset funds of funds). As another example, with respect to basic information reported for all private funds in section 1b, the SEC considered alternatives that would limit reporting information about withdrawal rights, redemption rights, and contributions to only funds and advisers of a certain size. The SEC also considered various alternatives with respect to reporting of digital assets, such as distinguishing between digital assets that represent an ability to convert or exchange the digital asset for fiat currency or another asset, including another digital asset, and those that do not represent such a right to convert or exchange; for digital assets that represent a right to convert or exchange for fiat currency or another digital asset, those where the redemption obligation is supported by an unconditional guarantee of payment, such as some “central bank digital currencies,” and those redeemable upon demand from the issuer, whether or not collateralized by a pool of assets or a reserve; for digital assets that do not represent any direct or indirect obligation of any party to redeem; and for digital assets that represent an equity, profit, or other interest in an entity. As a final example, with respect to basic information reported for all hedge funds, the proposal would currently require advisers to identify each creditor or other counterparty (including CCPs) to which the reporting fund owes cash and synthetic financing borrowing (before

posted collateral) equal to or greater than either (1) five percent of net asset value of the reporting fund as of the data reporting date or (2) \$1 billion, but the SEC considered alternatives that would change the proposed thresholds, either increasing or decreasing Form PF’s definition of what constitutes a significant counterparty.

The SEC believes that each of the amendments as proposed improve data quality and enhance the usefulness of reported data without imposing undue reporting burden, but as discussed above we request suggestions and comments on each proposed revision and addition.<sup>354</sup>

##### 3. Alternatives to Proposed Amendments to Information About Hedge Funds Advised by Large Private Fund Advisers

The SEC has considered alternatives to the proposed amendments to information about hedge funds advised by large private fund advisers. As above, these alternatives are in the form of different choices of framing, level of additional detail requested by Form PF, level of detail removed from Form PF, and precise information targeted.

For example, with respect to investment exposure reporting, the proposal would continue to require reporting on qualifying hedge fund exposures to different types of assets, but would revise the instructions and format of this reporting. As an alternative, the SEC considered a proposal that would require or permit large hedge fund advisers to file portfolio position-level information for qualifying hedge funds similar to what is required for large liquidity fund advisers, and large hedge fund advisers who do so would be allowed to forgo responding to certain specific investment exposure questions in section 2, including Question 30. We believe that the questions as currently proposed improve data quality and enhance the usefulness of reported data without imposing undue reporting burden, but we request comment on each proposed revision and addition.<sup>355</sup>

As another example, the SEC considered alternative approaches for instructing reporting advisers on how to net long and short positions for each sub-asset class. One prong of the proposed instructions for netting long and short positions relies on a newly defined term “reference asset,” with which we propose to define as “a security or other investment asset to which the reporting fund is exposed

<sup>354</sup> See *supra* section II.B.

<sup>355</sup> See *supra* section II.C.

<sup>353</sup> See *supra* section II.A, I.D, I.E.

through direct ownership, synthetically, or indirect ownership,”<sup>356</sup> and instructs advisers to net positions that have the same underlying reference asset across instrument types. The SEC has considered instead tailoring these instructions to different asset classes. For example, the SEC considered instructing advisers to net repo exposures in accordance with GAAP rules for balance sheet netting, or instructing advisers with exposures whose underlying reference assets are treasury securities to net within predefined maturity buckets. However, the SEC believes that providing netting instructions through the proposed single definition of “reference asset” improves data quality and enhances the usefulness of report data without imposing undue burden.<sup>357</sup>

As final example, the SEC also considered requiring advisers to report DV01 instead of the 10-year zero coupon bond equivalent. We understand that the 10-year zero coupon bond equivalent is the most widely used duration measure currently applied in the industry, and would require the fewest number of private funds to update their calculations of duration to comply with the reporting requirement, but as discussed above the SEC requests comment on whether DV01 would be a more appropriate reporting requirement.<sup>358</sup>

Broadly, the SEC believes that each of the amendments as proposed improve data quality and enhance the usefulness of reported data without imposing undue reporting burden, but as discussed above we request suggestions and comments on each proposed revision and addition.<sup>359</sup>

#### 4. Alternatives to the Definition of the Term “Hedge Fund”

The SEC has also considered amending the definition of “hedge fund” which is defined in the Glossary of Terms as any private fund (other than a securitized asset fund) (a) with respect to which one or more investment advisers (or related persons of investment advisers) may be paid a performance fee or allocation calculated by taking into account unrealized gains (other than a fee or allocation the calculation of which may take into account unrealized gains solely for the purpose of reducing such fee or allocation to reflect net unrealized

losses); (b) that may borrow an amount in excess of one-half of its net asset value (including any committed capital) or may have gross notional exposure in excess of twice its net asset value (including any committed capital); or (c) that may sell securities or other assets short or enter into similar transactions (other than for the purpose of hedging currency exposure or managing duration).<sup>360</sup> As noted above, the current definition of “hedge fund” is designed to include any private fund having any one of three common characteristics of a hedge fund: (1) a performance fee, (2) leverage, or (3) short selling. In particular, this existing definition in Form PF of “hedge fund” focuses on a reporting fund’s ability to engage in certain borrowing and short selling, rather than actual or intended borrowing and short selling. Some reporting funds may consider themselves “private equity funds,” but advisers report them as hedge funds, because the reporting fund’s governing documents permit the fund to engage in certain borrowing and short selling (even though it did not do so at any time in the past 12 months).

As discussed above, hedge funds and private equity funds are two separate categories of private funds, and typically differ in their characteristics, such as a hedge fund being more likely to engage in extensive use of (non-subscription lines of credit) leverage, derivatives, complex structured products, and short selling, and a private equity fund being more likely to focus on long-term returns and engage actively in the management and direction of the companies it invests in.<sup>361</sup> Under the existing definition, an adviser to a fund that holds itself out as a private equity fund and is permitted in its fund governing documents to engage in certain short-selling, but has not done so in the past 12 months, would be reported in Form PF data as a hedge fund with zero short exposure. Depending on how widespread this definitional mismatch is, it could have an impact on data quality.<sup>362</sup>

Accordingly, the SEC is requesting additional information on the issue.<sup>363</sup> In doing so, the SEC is requesting comment on a potential alternative definition of “hedge fund,” under

which, to qualify as a hedge fund under the leverage prong of the potential alternative definition, a fund would have to satisfy subsection (b) of the definition (the leverage prong), as it does today, but also must have actually borrowed or used any leverage during the past 12 months, excluding any borrowings secured by unfunded commitments (*i.e.*, subscription lines of credit). Additionally, to qualify as a hedge fund under the short selling prong of the potential alternative definition (the short selling prong), the fund must have actually engaged in certain short selling during the past 12 months. The SEC also considered alternative definitions requiring, for example, longer or shorter time periods, different time periods for borrowing versus short selling, or requirements for the reporting fund to provide redemption rights in the ordinary course.

A revised definition could better ensure advisers report information in closer accordance with their characteristics.<sup>364</sup> For example, an adviser to a private fund that has actually engaged in short selling in the preceding 12 months would meet this alternative definition of hedge fund and thus report the value of its short positions as part of section 2, Item B.<sup>365</sup> Meanwhile, for example, an adviser to a private fund that holds itself out as a private equity fund, has not borrowed or used any leverage during the preceding 12 months (excluding subscription lines of credit), and has not sold securities or other assets short (or entered into similar transactions) would not meet this alternative definition of a hedge fund, and would report information more relevant for a private equity fund such as, among other items, the average debt-to-equity ratio of its portfolio investments.<sup>366</sup> The SEC also believes an alternative definition would reduce the unnecessary reporting burden faced by advisers to deemed hedge funds that

<sup>364</sup> This benefit may be mitigated to the extent that any private fund advisers deliberately seek to fill hedge fund reporting requirements because they believe their burden of reporting the hedge fund sections of Form PF is lower than the burden they would face from reporting the private equity sections of Form PF. Any such private fund advisers could, under the proposed definition, have their funds take on de minimis leverage or short selling, and therefore still be instructed to report as a hedge fund. However, we estimate that Form PF filing is on average more burdensome for large hedge fund advisers than for large private equity advisers, and so there may be very few, if any, private fund advisers deliberately filing as a hedge fund adviser instead of as a private equity adviser. See *infra* section IV.A.3

<sup>365</sup> See *supra* section I.I.C.2.

<sup>366</sup> See *supra* section I.I.C.2; see also Form PF, section 4.

<sup>356</sup> See Proposed Form PF Glossary of Terms. The proposal would also instruct advisers to net fixed income positions that fall within certain predefined maturity buckets. See *supra* section I.I.C.

<sup>357</sup> See *supra* section I.I.C.

<sup>358</sup> See *supra* section I.I.C.

<sup>359</sup> See *supra* section I.I.C.

<sup>360</sup> See *supra* section I.I.C.

<sup>361</sup> See *supra* section III.B.2.

<sup>362</sup> The SEC does not have data on how many reporting funds would be considered deemed hedge funds, but the SEC estimates that up to 30 percent of qualifying hedge funds could be deemed hedge funds that advisers should report as private equity funds. See Form PF data from current Question 49(a), as of the third quarter of 2021.

<sup>363</sup> See *supra* section I.I.C.

hold themselves out as private equity funds but currently comply with instructions to report information on Form PF section 2; however, this benefit would be partially mitigated by the impacted private fund advisers who would now need to report on necessary Form PF sections for private equity fund advisers.<sup>367</sup>

A potential unintended consequence of the existing reporting approach for hedge funds could be incomplete data sets for private equity funds, as well as less accurate reporting about hedge funds. However, a revised definition that focuses on actual or contemplated use may also result in incomplete data sets for hedge funds, which are a class of funds that may be systemically significant. In particular, when first adopting the definition, the Commissions reasoned that even a reporting fund for which leverage or short selling is an important part of its strategy may not engage in that practice during every reporting period.<sup>368</sup> Because a reporting fund may vary from year to year in its use of leverage or short selling, a revised definition that focuses on actual or contemplated use would also cause fluctuations in the data from year to year, depending on which funds use leverage or short selling in a particular year, potentially

<sup>367</sup> See *supra* section II.C.2; III.C.2; see also *infra* section IV.A.3. We estimate that for advisers who would be required to file an initial filing as a large private equity adviser instead of a large hedge fund adviser because of the potential alternative definition of “hedge fund,” the impact on their filing costs would be the difference in the proposed new cost of filing for large private equity advisers minus the current cost of filing for large hedge fund advisers. We estimate this figure would be negative, reflecting a cost savings. Thus, the potential alternative definition would reduce the costs for initial filers who would be impacted by the definition of “hedge fund” by approximately \$30,883. See *infra* section IV.A.3, Table 5. We estimate that for the advisers who would be impacted by the potential alternative definition of “hedge fund” and would have to make ongoing annual filings as a large private equity adviser instead of ongoing quarterly filings as a large hedge fund adviser, the impact of the alternative definition on their filing costs would be the difference in the proposed new cost of filing for large private equity advisers minus four times the cost of filing prior to the proposal for large hedge fund advisers. We again estimate this figure to be negative, and estimate an ongoing annual cost savings to these advisers of \$135,240. See *infra* section IV.A.3, Table 6. Because Form PF defines large hedge fund advisers by considering a threshold of \$1.5 billion in assets under management but defines large private equity advisers by considering a threshold of \$2 billion in assets under management, there may be private fund advisers who, under the potential alternative definition, would no longer be required to file as a large hedge fund adviser, and would also not be required to instead report as a large private equity adviser.

<sup>368</sup> See *supra* footnote 3; see also 2011 Form PF Adopting Release, at text accompanying footnote 78.

impacting the quality or usefulness of resulting data. The potential costs of this alternative definition also include transition filing costs for advisers impacted by the definition, who would be required to update their reporting methods to capture information from their funds relevant for reporting on Form PF as a private equity fund instead of as a hedge fund, and completing corresponding sections of the form targeted at each category.<sup>369</sup>

The SEC has also considered conforming changes to the definition of “hedge fund” for the purposes of Form ADV.<sup>370</sup> Form ADV relies on a definition of “hedge fund” for the purposes of only one question, which requires advisers to identify the type of private fund they advise by selecting from a list of funds, including hedge funds.<sup>371</sup> As a result, we do not believe there would be any substantial additional economic effects of making conforming changes to Form ADV. By amending the definition in Form ADV so that it would be consistent with how the proposal would define it in Form PF, this alternative would maintain the baseline consistency of information between Form PF and Form ADV. The SEC anticipates that the costs associated with a potential alternative definition of “hedge fund” on Form ADV would be de minimis, as private fund advisers would not be required to complete any more or fewer questions on Form ADV, at any more or fewer intervals.

#### E. Request for Comment

The SEC requests comment on all aspects of our economic analysis, including the potential costs and benefits of the proposed amendments and alternatives thereto, and whether the amendments, if the SEC were to adopt them, would promote efficiency,

<sup>369</sup> We estimate that the average cost of a transition filing is \$19.25. See Table 7.

<sup>370</sup> See *supra* section II.C. Form ADV filers include advisers registered with the SEC and those applying for registration with the SEC, as well as exempt reporting advisers. Some private fund advisers that are required to report on Form ADV are not required to file Form PF (for example, exempt reporting advisers and advisers with less than \$150 million in private fund assets under management). Other advisers are required to file Form PF and are not required to file Form ADV (for example, advisers to commodity pools that are not private funds). Based on the staff review of Form ADV filings and the Private Fund Statistics, less than 10 percent of funds reported on Form ADV but not on Form PF in 2020.

<sup>371</sup> See Form ADV: Instructions for Part 1A, Instruction 6 and Form ADV Part 1A, Schedule D, section 7.B.(1), Question 10 (“Question 10”) (defining the term “hedge fund,” and specifying that the definition applies for purposes of Question 10). Form ADV also uses the term “hedge fund” in Part 2A, but does not refer to the definition provided for Question 10.

competition, and capital formation. In addition, the SEC requests comments on our selection of data sources, empirical methodology, and the assumptions the SEC has made throughout the analysis. Commenters are requested to provide empirical data, estimation methodologies, and other factual support for their views, in particular, on costs and benefits estimates. In addition, the SEC requests comment on:

214. Whether there are any additional costs and benefits associated with the proposed amendments to Form PF that we should include in our analysis? What additional materials and data should the SEC consider for estimating these costs and benefits?

215. Whether our assumptions about costs associated with the proposal are accurate? For example, is it accurate to assume that certain costs may be mitigated given that advisers already accommodate similar requirements in their current Form PF and Form ADV reporting and can utilize their existing capabilities for preparing and submitting an updated Form PF?

216. Whether there are any additional benefits or costs that should be included associated with the reasonable alternatives considered?

#### IV. Paperwork Reduction Act

##### CFTC:

The information collection titled “Form PF and Rule 204(b)–1” (OMB Control No. 3235–0679) was issued to the SEC and implements sections 404 and 406 of the Dodd-Frank Act by requiring private fund advisers that have at least \$150 million in private fund assets under management to report certain information regarding the private funds they advise on Form PF. The SEC makes information on Form PF available to the CFTC, subject to the confidentiality provisions of the Dodd-Frank Act, and the CFTC may use information collected on Form PF in its regulatory programs, including examinations, investigations and investor protection efforts relating to private fund advisers.

CFTC rule 4.27<sup>372</sup> does not impose any additional burden upon registered CPOs and CTAs that are dually registered as investment advisers with the SEC (“dual registrants”). There is no requirement to file Form PF with the CFTC, and any filings made by dual registrants with the SEC are made pursuant to the Advisers Act. While

<sup>372</sup> CFTC rule 4.27, 17 CFR 4.27, was adopted pursuant to the CFTC’s authority set forth in section 4n of the Commodity Exchange Act (“CEA”), 7 U.S.C. 6n. CFTC regulations are found at Title 17 Chapter I of the Code of Federal Regulations (“CFR”).

CFTC rule 4.27(d) states that dually registered CPOs and CTAs that file Form PF with the SEC will be deemed to have filed Form PF with the CFTC for purposes of any enforcement action regarding any false or misleading statement of material fact in Form PF, the CFTC is not imposing any additional burdens herein. Therefore, any burden imposed by Form PF on entities registered with both the CFTC and the SEC has been fully accounted for within the SEC's calculations regarding the impact of this collection of information under the PRA, as set forth below.<sup>373</sup>

#### SEC:

The proposal would revise an existing "collection of information" within the meaning of the Paperwork Reduction Act of 1995 ("PRA").<sup>374</sup> The SEC is submitting the collection of information to the Office of Management and Budget ("OMB") for review in accordance with the PRA.<sup>375</sup> The title for the collection of information is "Form PF and Rule 204(b)-1" (OMB Control Number 3235-0679), and includes both Form PF and rule 204(b)-1 ("the rules").<sup>376</sup> An agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a currently valid OMB control number.

#### A. Form PF

Compliance with the information collection titled "Form PF and Rule 204(b)-1" is mandatory. The respondents are investment advisers that (1) are registered or required to be registered under Advisers Act section 203, (2) advise one or more private funds, and (3) managed private fund assets of at least \$150 million at the end of their most recently completed fiscal year (collectively, with their related persons).<sup>377</sup> Form PF divides respondents into groups based on their size and types of private funds they manage, requiring some groups to file more information more frequently than others. The types of respondents are (1) smaller private fund advisers, that report annually (*i.e.*, private fund advisers that do not qualify as large private fund advisers), (2) large hedge fund advisers, that report more information quarterly (*i.e.*, advisers with

at least \$1.5 billion in hedge fund assets under management), (3) large liquidity fund advisers, that report more information quarterly (*i.e.*, advisers that manage liquidity funds and have at least \$1 billion in combined money market and liquidity fund assets under management), and (4) large private equity advisers, that report more information annually (*i.e.*, advisers with at least \$2 billion in private equity fund assets under management). As discussed more fully in section II above and as summarized in sections IV.A.1 and IV.A.3.a below, the proposal would revise how all types of respondents report certain information on Form PF.

#### 1. Purpose and Use of the Information Collection

The rules implement provisions of Title IV of the Dodd-Frank Act, which amended the Advisers Act to require the SEC to, among other things, establish reporting requirements for advisers to private funds.<sup>378</sup> The information collected on Form PF is designed to facilitate FSOC's monitoring of systemic risk in the private fund industry and assist FSOC in determining whether and how to deploy its regulatory tools with respect to nonbank financial companies.<sup>379</sup> The SEC also may use information collected on Form PF in its regulatory programs, including examinations, investigations, and investor protection efforts relating to private fund advisers.<sup>380</sup>

The proposed amendments are designed to enhance FSOC's ability to monitor systemic risk as well as bolster the SEC's regulatory oversight of private fund advisers and investor protection efforts. The proposal would amend the form's general instructions, as well as section 1 of Form PF, which would apply to all Form PF filers. The proposal also would amend section 2 of Form PF, which would apply to large hedge fund advisers that advise qualifying hedge funds (*i.e.*, hedge funds with a net asset value of at least \$500 million).

#### 2. Confidentiality

Responses to the information collection will be kept confidential to the extent permitted by law.<sup>381</sup> Form PF elicits non-public information about private funds and their trading strategies, the public disclosure of which could adversely affect the funds and their investors. The SEC does not intend to make public Form PF

information that is identifiable to any particular adviser or private fund, although the SEC may use Form PF information in an enforcement action and FSOC may use it to assess potential systemic risk.<sup>382</sup> SEC staff issues certain publications designed to inform the public of the private funds industry, all of which use only aggregated or masked information to avoid potentially disclosing any proprietary information.<sup>383</sup> The Advisers Act precludes the SEC from being compelled to reveal Form PF information except (1) to Congress, upon an agreement of confidentiality, (2) to comply with a request for information from any other Federal department or agency or self-regulatory organization for purposes within the scope of its jurisdiction, or (3) to comply with an order of a court of the United States in an action brought by the United States or the SEC.<sup>384</sup> Any department, agency, or self-regulatory organization that receives Form PF information must maintain its confidentiality consistent with the level of confidentiality established for the SEC.<sup>385</sup> The Advisers Act requires the SEC to make Form PF information available to FSOC.<sup>386</sup> For advisers that are also commodity pool operators or commodity trading advisers, filing Form PF through the Form PF filing system is filing with both the SEC and CFTC.<sup>387</sup> Therefore, the SEC makes Form PF information available to FSOC and the CFTC, pursuant to Advisers Act section 204(b), making the information subject to the confidentiality protections applicable to information required to be filed under that section. Before sharing any Form PF information, the SEC requires that any such department, agency, or self-regulatory organization represent to the SEC that it has in place controls designed to ensure the use and handling of Form PF information in a manner consistent with the protections required by the Advisers Act. The SEC has instituted procedures to protect the confidentiality of Form PF information in a manner consistent with the protections required in the Advisers Act.<sup>388</sup>

<sup>382</sup> See 15 U.S.C. 80b-10(c) and 15 U.S.C. 80b-4(b).

<sup>383</sup> See *e.g.*, Private Funds Statistics, issued by staff of the SEC Division of Investment Management's Analytics Office, which we have used in this PRA as a data source, available at <https://www.sec.gov/divisions/investment/private-funds-statistics.shtml>.

<sup>384</sup> See 15 U.S.C. 80b-4(b)(8).

<sup>385</sup> See 15 U.S.C. 80b-4(b)(9).

<sup>386</sup> See 15 U.S.C. 80b-4(b)(7).

<sup>387</sup> See 2011 Form PF Adopting Release, *supra* footnote 3 at n.17.

<sup>388</sup> See 5 CFR 1320.5(d)(2)(viii).

<sup>373</sup> 44 U.S.C. 3501-3521.

<sup>374</sup> 44 U.S.C. 3501 through 3521.

<sup>375</sup> 44 U.S.C. 3507(d); 5 CFR 1320.11.

<sup>376</sup> The SEC also submitted the collection of information to OMB in connection with the 2022 SEC Form PF Proposal (ICR Reference No. 202202-3235-026) (conclusion date May 17, 2022) available at [https://www.reginfo.gov/public/do/PRAViewICR?ref\\_nbr=202202-3235-026](https://www.reginfo.gov/public/do/PRAViewICR?ref_nbr=202202-3235-026); 2022 SEC Form PF Proposal, *supra* footnote 3.

<sup>377</sup> See 17 CFR 275.204(b)-1.

<sup>378</sup> See 15 U.S.C. 80b-4(b) and 15 U.S.C. 80b-11(e).

<sup>379</sup> See Form PF.

<sup>380</sup> *Id.*

<sup>381</sup> See 5 CFR 1320.5(d)(2)(vii) and (viii).

## 3. Burden Estimates

We are revising our total burden estimates to reflect the proposed amendments, updated data, and new

methodology for certain estimates.<sup>389</sup> The tables below map out the Form PF requirements as they apply to each group of respondents and detail our burden estimates.

a. Proposed Form PF Requirements by Respondent

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**Table 1: Proposed Form PF Requirements by Respondent**

Form PF	Smaller private fund advisers	Large hedge fund advisers	Large liquidity fund advisers	Large private equity advisers
Section 1a and section 1b (basic information about the adviser and the private funds it advises) <b>Proposed revisions</b>	Annually	Quarterly	Quarterly	Annually
Section 1c (additional information concerning hedge funds) <b>Proposed revisions</b>	Annually, if they advise hedge funds	Quarterly	Quarterly, if they advise hedge funds	Annually, if they advise hedge funds
Section 2 (additional information concerning qualifying hedge funds) <b>Proposed revisions</b>	No	Quarterly	No	No
Section 3 (additional information concerning liquidity funds) <b>No proposed revisions</b>	No	No	Quarterly	No
Section 4 (additional information concerning private equity funds) <b>No proposed revisions</b>	No	No	No	Annually
Section 5 (temporary hardship request) <b>The proposal would revise filing instructions</b>	Optional, if they qualify	Optional, if they qualify	Optional, if they qualify	Optional, if they qualify
Transition Filings (indicating the adviser is no longer obligated to file on a quarterly basis) <b>No proposed revisions</b>	Not applicable	If they cease to qualify as a large hedge fund adviser	If they cease to qualify as a large liquidity fund adviser	Not Applicable
Final Filings (indicating the adviser is no longer subject to the rules) <b>No proposed revisions</b>	If they qualify	If they qualify	If they qualify	If they qualify

<sup>389</sup> For the previously approved estimates, see ICR Reference No. 202011-3235-019 (conclusion date

Apr. 1, 2021), available at [https://www.reginfo.gov/public/do/PRAViewICR?ref\\_nbr=202011-3235-019](https://www.reginfo.gov/public/do/PRAViewICR?ref_nbr=202011-3235-019).

b. Annual Hour Burden Estimates  
Below are tables with annual hour burden estimates for (1) initial filings,

(2) ongoing annual and quarterly filings, and (3) transition filings, final filings, and temporary hardship requests.

**Table 2: Annual Hour Burden Estimates for Initial Filings**

Respondent <sup>1</sup>		Number of Respondents = Aggregate Number of Responses <sup>2</sup>	Hours Per Response <sup>3</sup>	Hours Per Response Amortized Over 3 Years <sup>4</sup>	Aggregate Hours Amortized Over 3 Years <sup>5</sup>
Smaller Private Fund Advisers	Requested	309 responses <sup>6</sup>	50 hours	$\div 3 = 17$ hours	5,253 hours
	Previously Approved	272 responses	40 hours	23 hours	6,256 hours
	Change	37 responses	10 hours	(6) hour	(1,003) hours
Large Hedge Fund Advisers	Requested	15 responses <sup>7</sup>	345 hours	$\div 3 = 115$ hours	1,725 hours
	Previously Approved	17 responses	325 hours	658 hours	11,186 hours
	Change	(2) responses	20 hours	(543) hours	(9,461) hours
Large Liquidity Fund Advisers	Requested	1 responses <sup>8</sup>	210 hours	$\div 3 = 70$ hours	70 hours
	Previously Approved	2 responses	200 hours	588 hours	1,176 hours
	Change	(1) responses	10 hours	(518) hours	(1,106) hours
Large Private Equity Advisers	Requested	13 responses <sup>9</sup>	210 hours	$\div 3 = 70$ hours	910 hours
	Previously Approved	9 responses	200 hours	133 hours	1,197 hours
	Change	4 responses	10 hours	(63) hours	(287) hours

**Notes:**

1. We expect that the hourly burden will be most significant for the initial report because the adviser will need to familiarize itself with the new reporting form and may need to configure its systems in order to efficiently gather the required information. In addition, we expect that some large private fund advisers will find it efficient to automate some portion of the reporting process, which will increase the burden of the initial filing but reduce the burden of subsequent filings.
2. This concerns the initial filing; therefore, we estimate one response per respondent. The proposed changes are due to using updated data to estimate the number of advisers.
3. Hours per response changes are due to the proposed amendments.
4. We propose to amortize the initial time burden over three years because we believe that most of the burden would be incurred in the initial filing. We propose to use a different methodology to calculate the estimate than the methodology staff used for the previously approved burdens. We believe the previously approved burdens for initial filings inflated the estimates by using a methodology that included subsequent filings for the next two years, which, for annual filers, included 2 subsequent filings, and for quarterly filers, included 11 subsequent filings. For the requested burden, we propose to calculate the initial filing, as amortized over the next three years, by including only the hours related to the initial filing, not any subsequent filings. This approach is designed to more accurately estimate the initial burden, as amortized over three years. (For example, to estimate the previously approved burden for a large hedge fund adviser making its initial filing, staff estimated that the adviser would have an amortized average annual burden of 658 hours: ((1 initial filing x 325 hours) + (11 subsequent filings (because it files quarterly) x 150 hours) = 1,975 hours. 1,975 hours / 3 years = approximately 658 previously approved hours per response, amortized over three years).) Changes are due to using the revised methodology and the proposed amendments.
5. (Number of responses) x (hours per response amortized over three years) = aggregate hours amortized over three years. Changes are due to (1) using updated data to estimate the number of advisers, (2) the new methodology to estimate the hours per response, amortized over three years, and (3) the proposed amendments.
6. Private Funds Statistics show 2,394 smaller private fund advisers filed Form PF in the third quarter of 2021. Based on filing data from the last five years, an average of 12.9 percent of them did not file for the previous due date. ( $2,394 \times 0.129 = 309$  advisers.)
7. Private Funds Statistics show 592 large hedge fund advisers filed Form PF in the third quarter of 2021. Based on filing data from the last five years, an average of 2.6 percent of them did not file for the previous due date. ( $592 \times 0.026 = 15$  advisers.)
8. Private Funds Statistics show 24 large liquidity fund advisers filed Form PF in the third quarter of 2021. Based on filing data from the last five years, an average of 1.5 percent of them did not file for the previous due date. ( $24 \times 0.015 = 0.36$  advisers, rounded up to 1 adviser.)
9. Private Funds Statistics show 369 large private equity advisers filed Form PF in the third quarter of 2021. Based on filing data from the last five years, an average of 3.5 percent of them did not file for the previous due date. ( $369 \times 0.035 = 13$  advisers.)

Table 3: Annual Hour Burden Estimates for Ongoing Annual and Quarterly Filings

Respondent <sup>1</sup>		Number of Respondents <sup>2</sup>		Number of Responses <sup>3</sup>		Hours Per Response <sup>4</sup>		Aggregate Hours <sup>5</sup>
Smaller Private Fund Advisers	Requested	2,085 advisers <sup>6</sup>	x	1 response	x	20 hours	=	41,700 hours
	Previously Approved	2,055 advisers	x	1 response	x	15 hours	=	30,825 hours
	Change	30 advisers		0		5 hours		10,875 hours
Large Hedge Fund Advisers	Requested	577 advisers <sup>7</sup>	x	4 responses	x	160 hours	=	369,280 hours
	Previously Approved	537 advisers	x	4 responses	x	150 hours	=	322,200 hours
	Change	40 advisers		0		10 hours		47,080 hours
Large Liquidity Fund Advisers	Requested	23 advisers <sup>8</sup>	x	4 responses	x	75 hours	=	6,900 hours
	Previously Approved	20 advisers	x	4 responses	x	70 hours	=	5,600 hours
	Change	3 advisers		0		5 hour		1,300 hours
Large Private Equity Advisers	Requested	356 advisers <sup>9</sup>	x	1 response	x	105 hours	=	37,380 hours
	Previously Approved	313 advisers	x	1 response	x	100 hours	=	31,300 hours
	Change	43 advisers		0		5 hour		6,080 hours

## Notes:

1. We estimate that after an adviser files its initial report, it will incur significantly lower costs to file ongoing annual and quarterly reports, because much of the work for the initial report is non-recurring and likely created system configuration and reporting efficiencies.
2. Changes to the number of respondents are due to using updated data to estimate the number of advisers.
3. Smaller private fund advisers and large private equity advisers file annually. Large hedge fund advisers and large liquidity fund advisers file quarterly.
4. Hours per response changes are due to the proposed amendments.
5. Changes to the aggregated hours are due to (1) using updated data to estimate the number of advisers and (2) the proposed amendments.
6. Private Funds Statistics show 2,394 smaller private fund advisers filed Form PF in the third quarter of 2021. We estimated that 309 of them filed an initial filing, as discussed in Table 2: Annual Hour Burden Estimates for Initial Filings. (2,394 total smaller advisers – 309 advisers that made an initial filing = 2,085 advisers that make ongoing filings.)
7. Private Funds Statistics show 592 large hedge fund advisers filed Form PF in the third quarter of 2021. We estimated that 15 of them filed an initial filing, as discussed in Table 2: Annual Hour Burden Estimates for Initial Filings. (592 total large hedge fund advisers – 15 advisers that made an initial filing = 577 advisers that make ongoing filings.)
8. Private Funds Statistics show 24 large liquidity fund advisers filed Form PF in the third quarter of 2021. Estimates for Initial Filings. (24 total large liquidity fund advisers – 1 adviser that made an initial filing = 23 advisers that make ongoing filings.)
9. Private Funds Statistics show 369 large private equity advisers filed Form PF in the third quarter of 2021. We estimated that 13 of them filed an initial filing, as discussed in Table 2: Annual Hour Burden Estimates for Initial Filings. (369 total large private equity advisers – 13 advisers that made an initial filing = 356 advisers that make ongoing filings.)

**Table 4: Annual Hour Burden Estimates for Transition Filings, Final Filings, and Temporary Hardship Requests**

<b>Filing Type<sup>1</sup></b>		<b>Aggregate Number of Responses<sup>2</sup></b>		<b>Hours Per Response</b>		<b>Aggregate Hours<sup>3</sup></b>
<b>Transition Filing from Quarterly to Annual</b>	<b>Requested</b>	68 responses <sup>4</sup>	x	0.25 hours	=	17 hours
	<b>Previously Approved</b>	45 responses	x	0.25 hours	=	11.25 hours
	<b>Change</b>	23 responses		0 hours		5.75 hours
<b>Final Filings</b>	<b>Requested</b>	233 responses <sup>5</sup>	x	0.25 hours	=	58.25 hours
	<b>Previously Approved</b>	54 responses	x	0.25 hours	=	13.5 hours
	<b>Change<sup>6</sup></b>	179 responses		0 hours		44.75 hours
<b>Temporary Hardship Requests</b>	<b>Requested</b>	3 responses <sup>7</sup>	x	1 hour	=	3 hours
	<b>Previously Approved</b>	4 responses	x	1 hour	=	4 hours
	<b>Change</b>	(1) responses		0 hours		(1) hour

**Notes:**

- Advisers make limited Form PF filings in three situations. First, any adviser that transitions from filing quarterly to annually because it has ceased to qualify as a large hedge fund adviser or large liquidity fund adviser, must file a Form PF indicating that it is no longer obligated to report on a quarterly basis. Second, any adviser that is no longer subject to Form PF's reporting requirements, must file a final filing indicating this. Third, an adviser may request a temporary hardship exemption if it encounters unanticipated technical difficulties that prevent it from making a timely electronic filing. A temporary hardship exemption extends the deadline for an electronic filing for seven business days. To request a temporary hardship exemption, the adviser must file a request on Form PF. The proposal would amend how advisers file temporary hardship exemption requests, as discussed in section II.E of this Release; however, the proposed amendment would not result in any changes to the hours per response.
- Changes to the aggregate number of responses are due to using updated data. Changes for final filings also are due to using a different methodology, as discussed below.
- Changes to the aggregate hours are due to the changes in the aggregate number of responses.
- Private Funds Statistics show 616 advisers filed quarterly reports in the third quarter of 2021. Based on filing data from the last five years, an average of 11.1 percent of them filed a transition filing. (616 x 0.111 = 68 responses.)
- Private Funds Statistics show 3,379 advisers filed Form PF in the third quarter of 2021. Based on filing data from the last five years, an average of 6.9 percent of them filed a final filing. (3,379 x 0.069 = approximately 233 responses.)
- Changes for final filings are due to using a different methodology. The previously approved estimates used a percentage of quarterly filers to estimate how many advisers filed a final report. We propose to use a percentage of all filers to estimate how many advisers filed a final report, because all filers may file a final report, not just quarterly filers. Therefore, this proposed methodology is designed to more accurately estimate the number of responses for final filings.
- Based on experience receiving temporary hardship requests, we estimate that 1 out of 1,000 advisers will file a temporary hardship exemption annually. Private Funds Statistics show 3,379 advisers filed Form PF in the third quarter of 2021. (3,379 / 1,000 = approximately 3 responses.)

c. Annual Monetized Time Burden Estimates

Below are tables with annual monetized time burden estimates for (1) initial filings, (2) ongoing annual and

quarterly filings, and (3) transition filings, final filings, and temporary hardship requests.<sup>390</sup>

**Table 5: Annual Monetized Time Burden of Initial Filings**

Respondent <sup>1</sup>		Per Response <sup>2</sup>	Per Response Amortized Over 3 years <sup>3</sup>	Aggregate Number of Responses <sup>4</sup>	Aggregate Monetized Time Burden Amortized Over 3 Years
Smaller Private Fund Advisers	Requested	\$18,250 <sup>5</sup>	$\div 3 = \$6,083$	x 309 responses	= \$1,879,647
	Previously Approved	\$13,460		x 272 responses	= \$3,661,120
	Change	\$4,790		37 responses	(\$1,781,473)
Large Hedge Fund Advisers	Requested	\$118,680 <sup>6</sup>	$\div 3 = \$39,560$	x 15 responses	= \$593,400
	Previously Approved	\$103,123		x 17 responses	= \$1,753,091
	Change	\$15,557		(2) responses	(\$1,159,691)
Large Liquidity Fund Advisers	Requested	\$72,240 <sup>7</sup>	$\div 3 = \$24,080$	x 1 responses	= \$24,080
	Previously Approved	\$63,460		x 2 responses	= \$126,920
	Change	\$8,780		(1) responses	(\$102,840)
Large Private Equity Advisers	Requested	\$72,240 <sup>8</sup>	$\div 3 = \$24,080$	x 13 responses	= \$313,040
	Previously Approved	\$63,460		x 9 responses	= \$571,140
	Change	\$8,780		4 responses	(\$258,100)

<sup>390</sup> The hourly wage rates are based on (1) SIFMA's *Management & Professional Earnings in the Securities Industry 2013*, modified by SEC staff to account for an 1,800-hour work-year and

inflation, and multiplied by 5.35 to account for bonuses, firm size, employee benefits and overhead; and (2) SIFMA's *Office Salaries in the Securities Industry 2013*, modified by SEC staff to account for

an 1,800-hour work-year and inflation, and multiplied by 2.93 to account for bonuses, firm size, employee benefits and overhead.

**Notes:**

1. We expect that the monetized time burden will be most significant for the initial report, for the same reasons discussed in Table 2: Annual Hour Burden Estimates for Initial Filings. Accordingly, we anticipate that the initial report will require more attention from senior personnel, including compliance managers and senior risk management specialists, than will ongoing annual and quarterly filings. Changes are due to using (1) updated hours per response estimates, as discussed in Table 2: Annual Hour Burden Estimates for Initial Filings, (2) updated aggregate number of responses, as discussed in Table 2: Annual Hour Burden Estimates for Initial Filings, and (3) updated wage estimates. Changes to the aggregate monetized time burden, amortized over three years, also are due to amortizing the monetized time burden, which the previously approved estimates did not calculate, as discussed below.
2. For the hours per response in each calculation, see Table 2: Annual Hour Burden Estimates for Initial Filings.
3. We propose to amortize the monetized time burden for initial filings over three years, as we do with other initial burdens in this PRA, because we believe that most of the burden would be incurred in the initial filing. The previously approved burden estimates did not calculate this.
4. See Table 2: Annual Hour Burden Estimates for Initial Filings.
5. For smaller private fund advisers, we estimate that the initial report will most likely be completed equally by a compliance manager at a cost of \$339 per hour and a senior risk management specialist at a cost of \$391 per hour.  $((\$339 \text{ per hour} \times 0.5) + (\$391 \text{ per hour} \times 0.5)) \times 50 \text{ hours per response} = \$18,250$ .
6. For large hedge fund advisers, we estimate that for the initial report, of a total estimated burden of 345 hours, approximately 60 percent will most likely be performed by compliance professionals and 40 percent will most likely be performed by programmers working on system configuration and reporting automation (that is approximately 207 hours for compliance professionals and approximately 138 hours for programmers). Of the work performed by compliance professionals, we anticipate that it will be performed equally by a compliance manager at a cost of \$339 per hour and a senior risk management specialist at a cost of \$391 per hour. Of the work performed by programmers, we anticipate that it will be performed equally by a senior programmer at a cost of \$362 per hour and a programmer analyst at a cost of \$263 per hour.  $((\$339 \text{ per hour} \times 0.5) + (\$391 \text{ per hour} \times 0.5)) \times 207 \text{ hours} = \$75,555$ .  $((\$362 \text{ per hour} \times 0.5) + (\$263 \text{ per hour} \times 0.5)) \times 138 \text{ hours} = \$43,125$ .  $\$75,555 + \$43,125 = \$118,680$ .
7. For large liquidity fund advisers, we estimate that for the initial report, of a total estimated burden of 210 hours, approximately 60 percent will most likely be performed by compliance professionals and approximately 40 percent will most likely be performed by programmers working on system configuration and reporting automation (that is approximately 126 hours for compliance professionals and 84 hours for programmers). Of the work performed by compliance professionals, we anticipate that it will be performed equally by a compliance manager at a cost of \$339 per hour and a senior risk management specialist at a cost of \$391 per hour. Of the work performed by programmers, we anticipate that it will be performed equally by a senior programmer at a cost of \$362 per hour and a programmer analyst at a cost of \$263 per hour.  $((\$339 \text{ per hour} \times 0.5) + (\$391 \text{ per hour} \times 0.5)) \times 126 \text{ hours} = \$45,990$ .  $((\$362 \text{ per hour} \times 0.5) + (\$263 \text{ per hour} \times 0.5)) \times 84 \text{ hours} = \$26,250$ .  $\$45,990 + \$26,250 = \$72,240$ .
8. For large private equity advisers, we expect that for the initial report, of a total estimated burden of 210 hours, approximately 60 percent will most likely be performed by compliance professionals and approximately 40 percent will most likely be performed by programmers working on system configuration and reporting automation (that is approximately 126 hours for compliance professionals and 84 hours for programmers). Of the work performed by compliance professionals, we anticipate that it will be performed equally by a compliance manager at a cost of \$339 per hour and a senior risk management specialist at a cost of \$391 per hour. Of the work performed by programmers, we anticipate that it will be performed equally by a senior programmer at a cost of \$362 per hour and a programmer analyst at a cost of \$263 per hour.  $((\$339 \text{ per hour} \times 0.5) + (\$391 \text{ per hour} \times 0.5)) \times 126 \text{ hours} = \$45,990$ .  $((\$362 \text{ per hour} \times 0.5) + (\$263 \text{ per hour} \times 0.5)) \times 84 \text{ hours} = \$26,250$ .  $\$45,990 + \$26,250 = \$72,240$ .

**Table 6: Annual Monetized Time Burden of Ongoing Annual and Quarterly Filings**

<b>Respondent<sup>1</sup></b>	<b>Per Response<sup>2</sup></b>	<b>Aggregate Number of Responses</b>	<b>Aggregate Monetized Time Burden</b>
<b>Smaller Private Fund Advisers</b>	<b>Requested</b>	\$6,040 <sup>3</sup> x 2,085 responses <sup>4</sup> =	\$12,593,400
	<b>Previously Approved</b>	\$4,173.75 x 2,055 responses =	\$8,577,056
	<b>Change</b>	\$1,866.25 30 responses	\$4,016,344
<b>Large Hedge Fund Advisers</b>	<b>Requested</b>	\$48,320 <sup>5</sup> x 2,308 responses <sup>6</sup> =	\$111,522,560
	<b>Previously Approved</b>	\$41,737.50 x 2,148 responses =	\$89,652,150
	<b>Change</b>	\$6,582.50 160 responses	\$21,870,410
<b>Large Liquidity Fund Advisers</b>	<b>Requested</b>	\$22,650 <sup>7</sup> x 92 responses <sup>8</sup> =	\$2,083,800
	<b>Previously Approved</b>	\$29,216.25 x 80 responses =	\$2,337,300
	<b>Change<sup>9</sup></b>	(\$6,566.25) 12 responses	(\$253,500)
<b>Large Private Equity Advisers</b>	<b>Requested</b>	\$31,710 <sup>10</sup> x 356 responses <sup>11</sup> =	\$11,288,760
	<b>Previously Approved</b>	\$27,825 x 313 responses =	\$8,709,225
	<b>Change</b>	\$3,885 43 responses	\$2,579,505

**Notes:**

1. We expect that the monetized time burden will be less costly for ongoing annual and quarterly reports than for initial reports, for the same reasons discussed in Table 3: Annual Hour Burden Estimates for Ongoing Annual and Quarterly Filings. Accordingly, we anticipate that senior personnel will bear less of the reporting burden than they would for the initial report. Changes are due to using (1) updated wage estimates, (2) updated hours per response estimates, as discussed in Table 3: Annual Hour Burden Estimates for Ongoing Annual and Quarterly Filings, and (3) updated number of respondents, as discussed in Table 3: Annual Hour Burden Estimates for Ongoing Annual and Quarterly Filings. Changes to estimates concerning large liquidity fund advisers primarily appear to be due to correcting a calculation error, as discussed below.
2. For all types of respondents, we estimate that both annual and quarterly reports would be completed equally by (1) a compliance manager at a cost of \$339 per hour, (2) a senior compliance examiner at a cost of \$260, (3) a senior risk management specialist at a cost of \$391 per hour, and (4) a risk management specialist at a cost of \$218 an hour.  $(\$339 \times 0.25 = \$84.75) + (\$260 \times 0.25 = \$65) + (\$391 \times 0.25 = \$97.75) + (\$218 \times 0.25 = \$54.50) = \$302$ . To calculate the cost per response for each respondent, we used the hours per response from Table 3: Annual Hour Burden Estimates for Ongoing Annual and Quarterly Filings.
3. Cost per response for smaller private fund advisers:  $(\$302 \text{ per hour} \times 20 \text{ hours per response} = \$6,040 \text{ per response.})$
4.  $(2,085 \text{ smaller private fund advisers} \times 1 \text{ response annually} = 2,085 \text{ aggregate responses.})$

5. Cost per response for large hedge fund advisers: ( $\$302$  per hour x 160 hours per response =  $\$48,320$  per response.)
6. (577 large hedge fund advisers x 4 responses annually = 2,308 aggregate responses.)
7. Cost per response for large liquidity fund advisers: ( $\$302$  per hour x 75 hours per response =  $\$22,650$  per response.)
8. (23 large liquidity fund advisers x 4 responses annually = 92 aggregate responses.)
9. The previously approved estimates appear to have mistakenly used 105 hours instead of the actual estimate for large liquidity fund advisers (which was 70 hours per response), causing the monetized time burden to be inflated in error. Therefore, the extent of these changes are primarily due to using the correct hours per response, which we now estimate as 75 hours, as discussed in Table 3: Annual Hour Burden Estimates for Ongoing Annual and Quarterly Filings.
10. Cost per response for large private equity advisers: ( $\$302$  per hour x 105 hours per response =  $\$31,710$  per response.)
11. (356 private equity advisers x 1 response annually = 356 aggregate responses.)

**Table 7: Annual Monetized Time Burden for Transition Filings, Final Filings, and Temporary Hardship Requests**

Filing Type <sup>1</sup>		Per Response		Aggregate Number of Responses <sup>2</sup>	=	Aggregate Monetized Time Burden
<b>Transition Filing from Quarterly to Annual</b>	<b>Requested</b>	\$19.25 <sup>3</sup>	x	68 responses	=	\$1,309
	<b>Previously Approved</b>	\$17.75	x	45 responses	=	\$798.75
	<b>Change</b>	\$1.50		23 responses		\$510.25
<b>Final Filings</b>	<b>Requested</b>	\$19.25 <sup>4</sup>	x	233 responses	=	\$4,485.25
	<b>Previously Approved</b>	\$17.75	x	54 responses	=	\$958.50
	<b>Change</b>	\$1.50		179 responses		\$3,526.75
<b>Temporary Hardship Requests</b>	<b>Requested</b>	\$237.50 <sup>5</sup>	x	3 responses	=	\$712.50
	<b>Previously Approved</b>	\$221.63	x	4 responses	=	\$886.52
	<b>Change</b>	\$15.87		(1) responses		(\$174.02)

**Notes:**

1. All changes are due to using updated data concerning wage rates and the number of responses.
2. See Table 4: Annual Hour Burden Estimates for Transition Filings, Final Filings, and Temporary Hardship Requests.
3. We estimate that each transition filing will take 0.25 hours and that a compliance clerk would perform this work at a cost of \$77 an hour. (0.25 hours x \$77 = \$19.25.)
4. We estimate that each final filing will take 0.25 hours and that a compliance clerk would perform this work at a cost of \$77 an hour. (0.25 hours x \$77 = \$19.25.)
5. We estimate that each temporary hardship request will take 1 hour. We estimate that a compliance manager would perform five-eighths of the work at a cost of \$339 and a general clerk would perform three-eighths of the work at a cost of \$68. (1 hour x ((5/8 of an hour x \$339 = \$212) + (3/8 of an hour x \$68 = \$25.50)) = \$237.50 per response.

## d. Annual External Cost Burden Estimates

Below is a table with annual external cost burden estimates for initial filings

as well as ongoing annual and quarterly filings. There are no filing fees for transition filings, final filings, or temporary hardship requests and we

continue to estimate there would be no external costs for those filings, as previously approved.

**Table 8: Annual External Cost Burden for Ongoing Annual and Quarterly Filings as well as Initial Filings**

Respondent <sup>1</sup>	Number of Responses Per Respondent <sup>2</sup>	Filing Fee Per Filing <sup>3</sup>	Total Filing Fees	External Cost of Initial Filing <sup>4</sup>	External Cost of Initial Filing Amortized Over 3 Years <sup>5</sup>	Number of Initial Filings <sup>6</sup>	Aggregate External Cost of Initial Filing Amortized Over 3 Years <sup>7</sup>	Total Aggregate External Cost <sup>8</sup>
Smaller Private Fund Advisers	Requested	1 x \$150 =	\$150	\$10,000 ÷ 3 =	\$3,333	x 309 =	\$1,029,897	\$1,388,997 <sup>9</sup>
	Previously Approved	1 x \$150 =	\$150				Not Applicable	\$349,050
	Change	0	\$0	\$0			Not Applicable	\$1,039,947
Large Hedge Fund Advisers	Requested	4 x \$150 =	\$600	\$50,000 ÷ 3 =	\$16,667	x 15 =	\$250,005	\$605,205 <sup>10</sup>
	Previously Approved	4 x \$150 =	\$600	\$50,000		x 17 =	\$850,000	\$1,182,400
	Change	0	\$0	\$0		(2)	(\$599,995)	(\$577,195)
Large Liquidity Fund Advisers	Requested	4 x \$150 =	\$600	\$50,000 ÷ 3 =	\$16,667	x 1 =	\$16,667	\$31,067 <sup>11</sup>
	Previously Approved	4 x \$150 =	\$600	\$50,000		x 2 =	\$100,000	\$113,200
	Change	0	\$0	\$0		(1)	(\$83,333)	(\$82,133)
Large Private Equity Advisers	Requested	1 x \$150 =	\$150	\$50,000 ÷ 3 =	\$16,667	x 13 =	\$216,671	\$272,021 <sup>12</sup>
	Previously Approved	1 x \$150 =	\$150	\$50,000		x 9 =	\$450,000	\$498,300
	Change	0	\$0	\$0		4	(\$233,329)	(\$226,279)

**Notes:**

1. We estimate that advisers would incur the cost of filing fees for each filing. For initial filings, advisers may incur costs to modify existing systems or deploy new systems to support Form PF reporting, acquire or use hardware to perform computations, or otherwise process data that Form PF requires.
2. Smaller private fund advisers and large private equity advisers file annually. Large hedge fund advisers and large liquidity fund advisers file quarterly.
3. The SEC established Form PF filing fees in a separate order. Since 2011, filing fees have been and continue to be \$150 per annual filing and \$150 per quarterly filing. See Order Approving Filing Fees for Exempt Reporting Advisers and Private Fund Advisers, Advisers Act Release No. 3305 (Oct. 24, 2011) [76 FR 67004 (Oct. 28, 2011)].
4. In the previous PRA submission for the rules, staff estimated that the external cost burden for initial filings would range from \$0 to \$50,000 per adviser. This range reflected the fact that the cost to any adviser may depend on how many funds or the types of funds it manages, the state of its existing systems, the complexity of its business, the frequency of Form PF filings, the deadlines for completion, and the amount of information the adviser must disclose on Form PF. Staff also estimated that smaller private fund advisers would be unlikely to bear such costs because the information they must provide is limited and will, in many cases, already be maintained in the ordinary course of business. Given the proposed amendments, we propose to estimate that the external cost burden for smaller private fund advisers would range from \$0 to \$10,000, per smaller private fund adviser. This range reflects the proposed amendments and is designed to reflect that the cost to any smaller private fund adviser may depend on how many funds or the type of funds it manages, the state of its existing systems, and the complexity of its business. We propose to use the upper range to calculate the estimate for smaller private fund advisers: \$10,000. Also, given the proposed amendments, we continue to estimate that the external cost burden for initial filings for large hedge fund advisers, large liquidity fund advisers, and large private equity advisers would continue to range from \$0 to \$50,000 for the same reasons as the current estimates for those types of advisers. We propose to use the upper range to calculate the estimates: \$50,000.
5. We propose to amortize the external cost burden of initial filings over three years, as we do with other initial burdens in this PRA, because we believe that most of the burden would be incurred in the initial filing. The previously approved burden estimates did not calculate this.
6. See Table 2: Annual Hour Burden Estimates for Initial Filings.
7. Changes to the aggregate external cost of initial filings, amortized over three years are due to (1) the proposed amendments, (2) using updated data, and (3) amortizing the external cost of initial filings over three years, which the previously approved PRA did not calculate.
8. Changes to the total aggregate external cost are due to (1) the proposed amendments, (2) using updated data, and (3) amortizing the external cost of initial filings over three years, which the previously approved PRA did not calculate.
9. Private Funds Statistics show 2,394 smaller private fund advisers filed Form PF in the third quarter of 2021. (2,394 smaller private fund advisers x \$150 total filing fees) + \$1,029,897 aggregate external cost of initial filing amortized over three years = \$1,388,997 total aggregate external cost.
10. Private Funds Statistics show 592 large hedge fund advisers filed Form PF in the third quarter of 2021. (592 large hedge fund advisers x \$600 total filing fees) + \$250,005 aggregate external cost of initial filing amortized over three years = \$605,205 total aggregate external cost.
11. Private Funds Statistics show 24 large liquidity fund advisers filed Form PF in the third quarter of 2021. (24 large liquidity fund advisers x \$600 total filing fees) + \$16,667 aggregate external cost of initial filing amortized over three years = \$31,067 total aggregate external cost.
12. Private Funds Statistics show 369 large private equity advisers filed Form PF in the third quarter of 2021. (369 large private equity advisers x \$150 total filing fees) + \$216,671 aggregate external cost of initial filing amortized over three years = \$272,021 total aggregate external cost.

e. Summary of Estimates and Change in Burden

**Table 9: Aggregate Annual Estimates**

<b>Description<sup>1</sup></b>	<b>Requested</b>	<b>Previously Approved</b>	<b>Change</b>
<b>Respondents</b>	3,379 respondents <sup>2</sup>	3,225 respondents	154 respondents <sup>3</sup>
<b>Responses</b>	5,483 responses <sup>4</sup>	5,056 responses	427 responses <sup>5</sup>
<b>Time Burden</b>	463,296 hours <sup>6</sup>	409,768 hours	53,528 hours <sup>7</sup>
<b>Monetized Time Burden (Dollars)</b>	\$140,305,194 <sup>8</sup>	\$122,152,100.25	\$18,153,094 <sup>9</sup>
<b>External Cost Burden (Dollars)</b>	\$2,297,290 <sup>10</sup>	\$3,628,850	(\$1,331,560) <sup>11</sup>

**Notes:**

- Changes are due to (1) the proposed amendments, (2) using updated data, and (3) using different methodologies to calculate certain estimates, as described in this PRA.
- Private Funds Statistics show the following advisers filed Form PF in the third quarter of 2021: 2,394 smaller private fund advisers + 592 large hedge fund advisers + 24 large liquidity fund advisers + 369 large private equity advisers = 3,379 advisers.
- Changes are due to using updated data.
- For initial filings (Table 2): (309 smaller private fund adviser responses + 15 large hedge fund adviser responses + 1 large liquidity fund adviser response + 13 large private equity adviser responses = 338 responses.) For ongoing annual and quarterly filings (Table 6): (2,085 smaller private fund adviser responses + 2,308 large hedge fund adviser responses + 92 large liquidity fund adviser responses + 356 large private equity adviser responses = 4,841 responses.) (338 responses for initial filings + 4,841 responses for ongoing annual and quarterly filings + 68 responses for transition filings + 233 responses for final filings + 3 responses for temporary hardship requests = 5,483 responses.)
- Changes are due to using updated data concerning the number of filers.
- For initial filings: (5,253 hours for smaller private fund advisers + 1,725 hours for large hedge fund advisers + 70 hours for large liquidity fund advisers + 910 hours for large private equity advisers = 7,958 hours). For ongoing annual and quarterly filings: (41,700 hours for smaller private fund advisers + 369,280 hours for large hedge fund advisers + 6,900 for hours large liquidity fund advisers + 37,380 hours for large private equity advisers = 455,260 hours). (7,958 hours for initial filings + 455,260 for ongoing annual and quarterly filings + 17 hours for transition filings + 58.25 hours for final filings + 3 hours for temporary hardship requests = 463,296 hours.
- Although we would expect the time burden to increase more, given the proposed amendments, we estimate a smaller increase primarily because we propose to use a different methodology to calculate initial burden hours, as discussed in Table 2: Annual Hour Burden

Estimates for Initial Filings, because the previously approved burdens for initial filings appear to have inflated the estimates.

8. For initial filings: (\$1,879,647 for smaller private fund advisers + \$593,400 for large hedge fund advisers + \$24,080 for large liquidity fund advisers + \$313,040 for large private equity advisers = \$2,810,167). For ongoing annual and quarterly filings: (\$12,593,400 for smaller private fund advisers + \$111,522,560 for large hedge fund advisers + \$2,083,800 for large liquidity fund advisers + \$11,288,760 for large private equity advisers = \$137,488,520). (\$2,810,167 for initial filings + \$137,488,520 for ongoing annual and quarterly filings + \$1,309 for transition filings + \$4,485.25 for final filings + \$712.50 for temporary hardship requests = \$140,305,194.
9. Although we would expect the monetized time burden to increase more, given the proposed amendments, we estimate a smaller increase primarily because we propose to use a different methodology to calculate it. We believe the previously approved burden inflated the estimates by using a methodology that inflated an element of the total: the monetized time burden for initial filings. To calculate the monetized time burden for initial filings, the previously approved estimates included subsequent filings. For the requested total burden, we propose to calculate the initial filing element by including only the hours related to the initial filing, not any subsequent filings. We also propose to amortize the monetized time burden for an initial filing over three years, by dividing the initial filing burden by three years, as discussed in Table 5: Annual Monetized Time Burden of Initial Filings. The proposed methodology is designed to more accurately reflect the estimates.
10. For the external cost burden: \$1,388,997 for smaller private fund advisers + \$605,205 for large hedge fund advisers + \$31,067 for large liquidity fund advisers + \$272,021 for large private equity advisers = \$2,297,290.
11. Although we would expect the external cost burden to increase, given the proposed amendments, we estimate it would decrease primarily because we propose to use a different methodology to calculate it. We believe the previously approved burden inflated the estimates by (1) multiplying the filing fees by three years and (2) not amortizing the external costs for initial filings: (\$742,950 aggregate annual filing fees x 3 years = \$2,228,850 in filing fees) + \$1,400,000 external costs of initial filings = \$3,628,850). We propose to not multiply the aggregate annual filing fees by three years because we are estimating the external cost burden for one year, not three. We propose to amortize the external cost for initial filings over three years, by dividing the external cost of an initial filing by three years, as discussed in Table 8: Annual External Cost Burden for Ongoing Annual and Quarterly Filings as well as Initial Filings. The proposed methodology is designed to more accurately reflect the estimates.

#### BILLING CODE 8011-01-C

#### B. Request for Comments

We request comment on whether our estimates for burden hours and external costs as described above are reasonable. Pursuant to 44 U.S.C. 3506(c)(2)(B), the SEC solicits comments in order to (1) evaluate whether the proposed collection of information is necessary for the proper performance of the functions of the SEC, including whether the information will have practical utility; (2) evaluate the accuracy of the SEC's estimate of the burden of the proposed collection of information; (3) determine whether there are ways to enhance the quality, utility, and clarity of the information to be collected; and (4) determine whether there are ways to minimize the burden of the collection of

information on those who are to respond, including through the use of automated collection techniques or other forms of information technology.

Persons wishing to submit comments on the collection of information requirements of the proposed amendments should direct them to the OMB Desk Officer for the Securities and Exchange Commission, [MBX.OMB.OIRA.SEC\\_desk\\_officer@omb.eop.gov](mailto:MBX.OMB.OIRA.SEC_desk_officer@omb.eop.gov), and should send a copy to Secretary, Securities and Exchange Commission, 100 F Street NE, Washington, DC 20549-1090, with reference to File No. S7-22-22. OMB is required to make a decision concerning the collections of information between 30 and 60 days after publication of this release; therefore a comment to OMB is best assured of having its full effect if

OMB receives it within 30 days after publication of this release. Requests for materials submitted to OMB by the Commission with regard to these collections of information should be in writing, refer to File No. S7-22-22, and be submitted to the Securities and Exchange Commission, Office of FOIA Services, 100 F Street NE, Washington, DC 20549-2736.

#### V. Regulatory Flexibility Act Certification

##### CFTC:

The Regulatory Flexibility Act (the "RFA")<sup>391</sup> requires that Federal agencies consider whether the rules they propose will have a significant economic impact on a substantial

<sup>391</sup> 5 U.S.C. 601, *et. seq.*

number of “small entities”<sup>392</sup> whenever an agency publishes a general notice of proposed rulemaking for any rule, pursuant to the notice-and-comment provisions of the Administrative Procedure Act.<sup>393</sup>

Registered CPOs and CTAs that are dually registered as investment advisers with the SEC are only required to file Form PF with the SEC pursuant to the Advisers Act. CFTC rule 4.27(d) provides that dually registered CPOs and CTAs that file Form PF with the SEC will be deemed to have filed Form PF with the CFTC, for purposes of any enforcement action regarding any false or misleading statement of material fact in Form PF. The CFTC is not imposing any additional obligation herein beyond what is already required of these entities when filing Form PF with the SEC.

Entities impacted by the Form PF are the SEC’s regulated entities and no small entity on its own would meet the Form PF’s minimum reporting threshold of \$150 million in regulatory assets under management attributable to private funds. Also, any economic impact imposed by Form PF on small entities registered with both the CFTC and the SEC has been accounted for within the SEC’s initial regulatory flexibility analysis regarding the impact of this collection of information under the RFA. Accordingly, the Chairman, on behalf of the CFTC, hereby certifies pursuant to 5 U.S.C. 605(b) that the proposed rules will not have a significant economic impact on a substantial number of small entities.

#### SEC:

The Regulatory Flexibility Act of 1980 (“Regulatory Flexibility Act”)<sup>394</sup> requires the SEC to prepare and make available for public comment an initial regulatory flexibility analysis of the impact of the proposed rule amendments on small entities, unless the SEC certifies that the rules, if adopted would not have a significant economic impact on a substantial number of small entities.<sup>395</sup> For the purposes of the Advisers Act and the Regulatory Flexibility Act, an investment adviser generally is a small entity if it (1) has assets under management having a total value of less than \$25 million, (2) did not have total assets of \$5 million or more on the last day of the most recent fiscal year, and (3) does not control, is not controlled by, and is not under common control with another investment adviser that

has assets under management of \$25 million or more, or any person (other than a natural person) that had total assets of \$5 million or more on the last day of its most recent fiscal year.<sup>396</sup>

Pursuant to section 605(b) of the Regulatory Flexibility Act, the SEC hereby certifies that the proposed amendments to Advisers Act rule 204(b)–1 and Form PF would not, if adopted, have a significant economic impact on a substantial number of small entities. By definition, no small entity on its own would meet rule 204(b)–1 and Form PF’s minimum reporting threshold of \$150 million in regulatory assets under management attributable to private funds. Based on Form PF and Form ADV data as of December 2021, the SEC estimates that no small entity advisers are required to file Form PF. The SEC does not have evidence to suggest that any small entities are required to file Form PF but are not filing Form PF. Therefore, there would be no significant economic impact on a substantial number of small entities. The SEC encourages written comments on the certifications. Commentators are asked to describe the nature of any impact on small entities and provide empirical data to support the extent of the impact.

#### VI. Consideration of Impact on the Economy

For purposes of the Small Business Regulatory Enforcement Fairness Act of 1996 (“SBREFA”),<sup>397</sup> the SEC must advise OMB whether a proposed regulation constitutes a “major” rule. Under SBREFA, a rule is considered “major” where, if adopted, it results in or is likely to result in the following:

- An annual effect on the economy of \$100 million or more;
- A major increase in costs or prices for consumers or individual industries; or
- Significant adverse effects on competition, investment, or innovation.

The SEC requests comment on whether the proposal would be a “major rule” for purposes of SBREFA. The SEC solicits comment and empirical data on the following:

- The potential effect on the U.S. economy on an annual basis;
- Any potential increase in costs or prices for consumers or individual industries; and
- Any potential effect on competition, investment, or innovation.

Commenters are requested to provide empirical data and other factual support for their views to the extent possible.

#### VII. Statutory Authority

##### CFTC:

The CFTC is not proposing any amendments to its rules in this rulemaking.

##### SEC:

The SEC is proposing amendment to rule 204(b)–1 [17 CFR 275.204(b)–1] pursuant to its authority set forth in sections 204(b) and 211(e) of the Advisers Act [15 U.S.C. 80b–4 and 15 U.S.C. 80b–11], respectively.

The SEC is proposing amendments to rule 279.9 pursuant to its authority set forth in sections 204(b) and 211(e) of the Advisers Act [15 U.S.C. 80b–4 and 15 U.S.C. 80b–11], respectively.

#### List of Subjects in 17 CFR Parts 275 and 279

Reporting and recordkeeping requirements, Securities.

For the reasons set forth in the preamble, title 17, chapter II of the Code of Federal Regulations is proposed to be amended as follows.

#### PART 275—RULES AND REGULATIONS, INVESTMENT ADVISERS ACT OF 1940

- 1. The general authority citation for part 275 continues to read as follows.

**Authority:** 15 U.S.C. 80b–2(a)(11)(G), 80b–2(a)(11)(H), 80b–2(a)(17), 80b–3, 80b–4, 80b–4a, 80b–6(4), 80b–6a, and 80b–11, unless otherwise noted.

\* \* \* \* \*

- 2. Amend § 275.204(b)–1 by:

- a. Revising paragraph (f)(2)(i) to remove the phrases “in paper format,” and “, Item A of Section 1a and Section 5 of Form PF, checking the box in Section 1a indicating that you are requesting a temporary hardship exemption”;

- b. Redesignating paragraph (f)(4) as paragraph (f)(5); and

- c. Adding new paragraph (f)(4).

The addition reads as follows:

#### § 275.204(b)–1 Reporting by investment advisers to private funds.

\* \* \* \* \*

(f) \* \* \*

(4) A request for a temporary hardship exemption is considered filed upon the earlier of the date the request is postmarked or the date it is received by the Commission.

\* \* \* \* \*

<sup>392</sup> See 5 U.S.C. 603(a) and 5 U.S.C. 605(b).

<sup>393</sup> 5 U.S.C. 553. The Administrative Procedure Act is found at 5 U.S.C. 551 *et seq.*

<sup>394</sup> 5 U.S.C. 601, *et seq.*

<sup>395</sup> See 5 U.S.C. 603(a) and 5 U.S.C. 605(b).

<sup>396</sup> 17 CFR 275.0–7.

<sup>397</sup> Public Law 104–121, Title II, 110 Stat. 857 (1996) (codified in various sections of 5 U.S.C., 15 U.S.C. and as a note to 5 U.S.C. 601).

**PART 279—FORMS PRESCRIBED  
UNDER THE INVESTMENT ADVISERS  
ACT OF 1940**

■ 3. The authority citation for part 279 continues to read as follows:

**Authority:** The Investment Advisers Act of 1940, 15 U.S.C. 80b–1, *et seq.*, Pub. L. 111–203, 124 Stat. 1376.

■ 4. § 279.9 Form, PF, reporting by investment bankers to private funds. Form PF [referenced in § 279.9] is revised to read as follows. The revised version of Form PF is attached as Appendix A.

**Note:** The text of Form PF does not, and the amendments will not, appear in the Code of Federal Regulations.

By the Commissions.

Dated: August 10, 2022.

**Christopher Kirkpatrick,**  
*Secretary, Commodity Futures Trading  
Commission.*

**Vanessa A. Countryman,**  
*Secretary, Securities and Exchange  
Commission.*

**BILLING CODE 8011–01–P**

**Appendix A****FORM PF (Paper Version)  
Reporting Form for Investment Advisers to  
Private Funds and Certain Commodity Pool  
Operators and Commodity Trading Advisors**

OMB APPROVAL	
OMB Number:	3235-0679
Expires:	[Date]
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**Form PF: General Instructions****Page 1**

Read these instructions carefully before completing Form PF. Failure to follow these instructions, properly complete Form PF, or pay all required fees may result in your Form PF being delayed or rejected.

In these instructions and in Form PF, “you” means the *private fund adviser* completing or amending this Form PF. If you are a “separately identifiable department or division” (SID) of a bank, “you” means the SID rather than the bank (except as provided in Question 1(a)). Terms that appear in *italics* are defined in the Glossary of Terms to Form PF.

**1. Who must complete and file a Form PF?**

You must complete and file a Form PF, if:

- A. You are registered or required to register with the *SEC* as an investment adviser;

**OR**

You are registered or required to register with the *CFTC* as a *CPO* or *CTA* and you are also registered or required to register with the *SEC* as an investment adviser;

**AND**

- B. You manage one or more *private funds*.

**AND**

- C. You and your *related persons*, collectively, had at least \$150 million in *private fund assets under management* as of the last day of your most recently completed fiscal year.

Many *private fund advisers* meeting these criteria will be required to complete only Section 1 of Form PF and will need to file only on an annual basis. *Large private fund advisers*, however, will be required to provide additional data, and *large hedge fund advisers* and *large liquidity fund advisers* will need to file every quarter. See Instructions 3 and 9 below.

For purposes of determining whether you meet the reporting threshold, you are not required to include the *regulatory assets under management* of any *related person* that is *separately operated*. See Instruction 5 below for more detail.

If your *principal office and place of business* is outside the United States, for purposes of this Form PF you may disregard any *private fund* that, during your last fiscal year, was not a *United States person*, was not offered in the United States, and was not beneficially owned by any *United States person*.

**2. I have a *related person* who is required to file Form PF. May I and my *related person* file a single Form PF?**

*Related persons* may (but are not required to) report on a single Form PF information with respect to all such *related persons* and the *private funds* they advise. You must identify in your response to Question 1 the *related persons* as to which you are reporting and, where information is

requested about you or the *private funds* you advise, respond as though you and such *related persons* were one firm.

### 3. How is Form PF organized?

#### Section 1 – All Form PF filers

Section 1a All *private fund advisers* required to file Form PF must complete Section 1a. Section 1a asks general identifying information about you and the types of *private funds* you advise.

Section 1b All *private fund advisers* required to file Form PF must complete Section 1b. Section 1b asks for certain information regarding the *private funds* that you advise.

Section 1c All *private fund advisers* that are required to file Form PF and advise one or more *hedge funds* must complete Section 1c. Section 1c asks for certain information regarding the *hedge funds* that you advise.

#### Section 2 – Large hedge fund advisers

Section 2 If you and your *related persons*, collectively, had at least \$1.5 billion in *hedge fund assets under management* as of the last day of any month in the fiscal quarter immediately preceding your most recently completed fiscal quarter, you must complete a separate Section 2 with respect to each *qualifying hedge fund* that you advise. You are not required to include the *regulatory assets under management* of any *related person* that is *separately operated*.

In addition, you must complete a separate Section 2 for each *parallel fund* that is part of a *parallel fund structure* that, in the aggregate, comprises a *qualifying hedge fund* (even if that *parallel fund* is not itself a *qualifying hedge fund*); and you must complete a separate Section 2 for the *master fund* of any *master-feeder arrangement* that, in the aggregate, comprises a *qualifying hedge fund* (even if that *master fund* is not itself a *qualifying hedge fund*) in accordance with Instruction 6.

#### Section 3 – Large liquidity fund advisers

Section 3 You are required to complete Section 3 if (i) you advise one or more *liquidity funds* and (ii) as of the last day of any month in the fiscal quarter immediately preceding your most recently completed fiscal quarter, you and your *related persons*, collectively, had at least \$1 billion in *combined money market and liquidity fund assets under management*. You are not required to include the *regulatory assets under management* of any *related person* that is *separately operated*.

You must complete a separate Section 3 with respect to each *liquidity fund* that you advise.

**Section 4 – Large private equity advisers**

Section 4 You are required to complete Section 4 if you and your *related persons*, collectively, had at least \$2 billion in *private equity fund assets under management* as of the last day of your most recently completed fiscal year. You are not required to include the *regulatory assets under management* of any *related person* that is *separately operated*.

You must complete a separate Section 4 with respect to each *private equity fund* that you advise.

**Section 5 – Advisers requesting a temporary hardship exemption**

Section 5 See Instruction 14 for details.

**4. I am a subadviser or engage a subadviser for a private fund. Who is responsible for reporting information about that private fund?**

Only one *private fund adviser* should complete and file Form PF for each *private fund*. If the adviser that filed *Form ADV Section 7.B.1* with respect to any *private fund* is required to file Form PF, the same adviser must also complete and file Form PF for that *private fund*. If the adviser that filed *Form ADV Section 7.B.1* with respect to any *private fund* is not required to file Form PF (e.g., because it is an *exempt reporting adviser*) and one or more other advisers to the fund is required to file Form PF, another adviser must complete and file Form PF for that *private fund*.

Where a question requests aggregate information regarding the *private funds* that you advise, you should only include information regarding the *private funds* for which you are filing Section 1b of Form PF.

**5. For purposes of determining whether I meet any reporting threshold, when am I required to aggregate information regarding parallel funds, parallel managed accounts, master-feeder arrangements, and funds managed by related persons?**

- You must aggregate any *private funds* that are part of the same *master-feeder arrangement* (even if you did not, or were not permitted to, aggregate these *private funds* for purposes of *Form ADV Section 7.B.1*).
- You must aggregate any *private funds* that are part of the same *parallel fund structure*.
- Any *dependent parallel managed account* must be aggregated with the largest *private fund* to which that *dependent parallel managed account* relates.
- You must treat any *private fund* or *parallel managed account* advised by any of your *related persons* as though it were advised by you (including *related persons* that you have not identified in Question 1(b) as *related persons* for which you are filing Form PF, though you may exclude *related persons* that are *separately operated*). Where you are aggregating *dependent parallel managed accounts* to determine whether you meet a reporting threshold, assets held in the accounts should be treated as assets of the *private funds* with which they are aggregated.

**6. How do I report information regarding parallel funds, parallel managed accounts, master-feeder arrangements, and funds reported by related persons?**

You must separately report each component fund of *master feeder arrangements* and *parallel fund structures*. However:

- Do not report a *feeder fund* that invests all of its assets in (i) a single *master fund*, and/or (ii) *cash and cash equivalents* (i.e., a disregarded feeder fund). In reporting a *master fund*, you must identify whether each *feeder fund* is a disregarded *feeder fund* in Question 7 and “look through” to any disregarded *feeder funds’* investors in responding to Questions 21 - 22, 51 - 53 and 61 - 65.
- Do not report information regarding *parallel managed accounts* (except in Question 16).
- Report information for any *private fund* advised by any of your *related persons* unless you have identified that *related person* in Question 1(b) as a *related person* for which you are filing Form PF.

*Example 1.*

You advise a *master-feeder arrangement* with two *feeder funds*. *Feeder fund X* has invested \$500 in the *master fund* and holds a *foreign exchange derivative* with a notional value of \$100. *Feeder fund Y* invests \$200 in the *master fund* and has no other assets or liabilities, except cash. The *master fund* has used the \$700 received from the *feeder funds* to invest in *corporate bonds*. None of these funds has any other assets or liabilities.

For purposes of determining whether any of the funds comprises a *qualifying hedge fund*, this *master-feeder arrangement* should be treated as a single *private fund* whose only investments are \$700 in *corporate bonds* and a *foreign exchange derivative* with a notional value of \$100.

For reporting purposes, if the aggregated *master-feeder arrangement* comprises a *qualifying hedge fund*, the *master fund* is reported as a *qualifying hedge fund* (complete Section 2 (even if is not a *qualifying hedge fund* by itself) and report *feeder fund X* and *feeder fund Y* as *internal private fund* investors in Question 7).

A separate report for *feeder fund X* is required because the fund holds assets in addition to its investment in the *master fund* and *cash and cash equivalents* (complete Section 1b and 1c). Further, if *feeder fund X* meets the threshold to be a *qualifying hedge fund*, it also must be reported as a *qualifying hedge fund* (complete Section 2).

A separate report is not required for *feeder fund Y* because it invests in a single *master fund* and has no other assets or liabilities except cash.

*Example 2.*

You advise a *parallel fund structure* consisting of two *hedge funds*, named *parallel fund A* and *parallel fund B*. You also advise a related *dependent parallel managed account*. The account and each fund have invested in *corporate bonds* of Company X and have no other assets or liabilities. The value of *parallel fund A’s* investment is \$400, the value of *parallel fund B’s* investment is \$300 and the value of the *dependent parallel managed account’s* investment is \$200. For purposes of determining whether either of the *parallel funds* is a *qualifying hedge fund*, the entire *parallel fund structure* and the related *dependent parallel managed account* should be treated as a single *private fund* whose only asset is \$900 of *corporate bonds* issued by Company X.

For reporting purposes, both *parallel fund A* and *parallel fund B* must be reported separately (for each of *parallel fund A* and *B*, complete section 1b and 1c, and Section 2 if the *parallel fund structure* is a *qualifying hedge fund*). You would disregard the value of the investment by the *dependent parallel managed account* when reporting for *parallel fund A* and *B*, and instead, report the value of that investment (\$200) in Question 16 for the largest *parallel fund, parallel fund A*.

7. I advise a *private fund* that invests in other *private funds* (e.g., a “fund of funds”) or trading vehicles. How should I treat these investments for purposes of Form PF?

**Reporting thresholds.** You must include the value of *private fund* investments in other *private funds* in determining whether you are required to file Form PF. However, you may include or exclude a *private fund’s* investments in other *private funds* (including *internal private funds* and *external private funds*) in determining whether you meet thresholds for filing as a *large hedge fund adviser, large liquidity fund adviser, or large private equity adviser* and whether a reporting fund is a *qualifying hedge fund*.

**Funds that invest substantially all of their assets in other private funds.** If you advise a *private fund* that (i) invests substantially all of its assets in the equity of *private funds* (including *internal private funds and external private funds*) and (ii) aside from such *private fund* investments, holds only *cash and cash equivalents* and instruments acquired for the purpose of hedging currency exposure, then you are only required to complete Section 1b for that fund.

**Trading vehicles.** If the *reporting fund* holds assets, incurs leverage, or conducts trading or other activities through a *trading vehicle*, and the *reporting fund* is the only equity owner of the *trading vehicle*, you may either (i) identify the *trading vehicle* in Section 1b, Question 7(b), and report answers on an aggregated basis for the *reporting fund* and such *trading vehicle*, or (ii) report the *trading vehicle* as a separate *reporting fund*. However, you must report a *trading vehicle* as a separate *reporting fund* if the *trading vehicle* holds assets, incurs leverage or conducts trading or other activities on behalf of more than one *reporting fund*. If you report a *trading vehicle* as a separately reported fund, you must report it as a *hedge fund* if a *hedge fund* invests through the *trading vehicle* and you must report it as a *qualifying hedge fund* if a *qualifying hedge fund* invests in the *trading vehicle*. Otherwise, you must report it as a *liquidity fund, private equity fund, or other type of fund* based on its activities.

**Responding to questions.** Except as otherwise provided in the instructions for a particular question in Form PF, include the value of a *reporting fund’s* investments in other *private funds* (both *internal and external*) in responding to questions under this Form PF. For example, (i) include the value of the *reporting fund’s* investments in other *private funds* in reporting *gross asset value and net asset value* in Question 11 and 12, but (ii) exclude the value of a *reporting fund’s* investment in other *private funds* in Question 3, the instructions to which explain that you must not include the value of a *reporting fund’s* investments in other *internal private funds* in responding to the question.

Do not “look through” the *reporting fund’s* investments in *internal private funds or external private funds* (other than a *trading vehicle* as explained above) in responding to questions on the Form, unless the question instructs you to report exposure obtained indirectly through positions in such funds or other entities. For example, do not look through to the creditors of or counterparties to other *private funds* in responding to questions that ask about a *reporting fund’s* borrowing and counterparty exposure (e.g., Questions 18, 26, 27, 28). However, selected questions in Section 2 of the Form require you to report indirect exposure resulting from positions held through other entities

including *private funds*, and you must “look through” the *reporting fund’s* investments in *internal private funds* and *external private funds* in responding to these questions. (See Question 32, Question 33, Question 35, Question 36, Question 39, and Question 40.)

Solely for purposes of this Instruction 7, you may treat as a *private fund* any issuer formed under the laws of a jurisdiction other than the United States that has not offered or sold its securities in the United States or to *United States persons* but that would be a *private fund* if it had engaged in such an offering or sale.

**8. I advise a *private fund* that invests in funds or other entities that are not *private funds* or *trading vehicles*. How should I treat these investments for purposes of Form PF?**

Include the *value* of investments in any fund or other entity for all purposes under this Form PF. For example, you must include the value of these investments in determining reporting thresholds and responding to questions. For example, include the value of these investments in determining gross asset value in Question 11 and net asset value in Question 12.

Do not “look through” a *reporting fund’s* investments in any fund or other entity, unless the question instructs you to report exposure obtained indirectly through positions in such funds or other entities. For example, do not “look through” to the creditors of or counterparties to any fund or other entity in responding to questions that ask about a *reporting fund’s* borrowing and counterparty exposure (e.g., Questions 18, 26, 27, 28). However, selected questions in Section 2 of the Form require you to report indirect exposure resulting from positions held through entities, such as a fund or other entity, and you must “look through” the *reporting fund’s* investments such funds or other entities in responding to these questions. (See Question 32, Question 33, Question 35, Question 36, Question 39, and Question 40.)

**9. When am I required to update Form PF?**

You are required to update Form PF at the following times:

*Periodic filings  
(large hedge  
fund advisers)*

Within 60 calendar days after the end of each calendar quarter, you must file a *quarterly update* that updates the answers to all Items in this Form PF relating to the *hedge funds* that you advise.

If your fiscal year does not end at the end of a calendar quarter, you must file a *quarterly update* that updates the answers to all Items in this Form PF within 60 days after the end of the next calendar quarter after your fiscal year end.

You may, however, submit an initial filing for the next calendar quarter after your fiscal year end that updates information relating only to the *hedge funds* that you advise so long as you amend your Form PF within 120 calendar days after the end of your fiscal year to update information relating to any other *private funds* that you advise. When you file such an amendment, you are not required to update information previously filed for such quarter.

*Periodic filings  
(large liquidity  
fund advisers)*

Within 15 calendar days after the end of each calendar quarter, you must file a *quarterly update* that updates the answers to all Items in this Form PF relating to the *liquidity funds* that you advise.

If your fiscal year does not end at the end of a calendar quarter, you must file a *quarterly update* that updates the answers to **all Items in this Form PF** within 15 days after the end of the next calendar quarter after your fiscal year end.

You may, however, submit an initial filing for the next calendar quarter after your fiscal year end that updates information relating only to the *liquidity funds* that you advise so long as you amend your Form PF within 120 calendar days after the end of your fiscal year to update information relating to any other *private funds* that you advise (subject to the next paragraph). When you file such an amendment, you are not required to update information previously filed for such quarter.

If you are both a *large liquidity fund adviser* and a *large hedge fund adviser*, you must file your *quarterly updates* with respect to the *liquidity funds* that you advise within 15 calendar days and with respect to the *hedge funds* you advise within 60 calendar days.

*Periodic filings  
(all other  
advisers)*

Within 120 calendar days after the end of your fiscal year, you must file an *annual update* that updates the answers to all Items in this Form PF.

*Large hedge fund advisers and large liquidity fund advisers* are not required to file *annual updates* but instead file *quarterly updates* for the next calendar quarter after their fiscal year end.

*Transition filing*

If you are transitioning from quarterly to annual filing because you are no longer a *large hedge fund adviser* or *large liquidity fund adviser*, then you must complete and file Item A of Section 1a and check the box in Section 1a indicating that you are making your final quarterly filing. You must file your transition filing no later than the last day on which your next *quarterly update* would be timely.

*Final filing*

If you are no longer required to file Form PF, then you must complete and file Item A of Section 1a and check the box in Section 1a indicating that you are making your final filing. You must file your final filing no later than the last day on which your next Form PF update would be timely. This applies to all Form PF filers.

**Failure to update your Form PF as required by these instructions is a violation of SEC and, where applicable, CFTC rules and could lead to revocation of your registration.**

**10. How do I obtain *private fund* identification numbers for my *reporting funds*?**

Each *private fund* must have an identification number for purposes of reporting on *Form ADV* and Form PF. *Private fund* identification numbers can only be obtained by filing *Form ADV*.

If you need to obtain a *private fund* identification number and you are required to file a *quarterly update* of Form PF prior to your next annual update of *Form ADV*, then you must acquire the identification number by filing an other-than-annual amendment to your *Form ADV* and following the instructions on Form ADV for generating a new number. When filing an other-than-annual amendment for this purpose, you must complete and file all of *Form ADV Section*

7.B.1 for the new *private fund*.

See Instruction 6 to Part 1A of *Form ADV* for additional information regarding the acquisition and use of *private fund* identification numbers.

**11. Who must sign my Form PF or update?**

The individual who signs the Form PF depends upon your form of organization: For a sole proprietorship, the sole proprietor.

- For a partnership, a general partner.
- For a corporation, an authorized principal officer.
- For a limited liability company, a managing member or authorized person.
- For a SID, a principal officer of your bank who is directly engaged in the management, direction or supervision of your investment advisory activities.
- For all others, an authorized individual who participates in managing or directing your affairs.

The signature does not have to be notarized and should be a typed name.

If you and one or more of your *related persons* are filing a single Form PF, then Form PF may be signed by one or more individuals; however, the individual, or the individuals collectively, must have authority, as provided above, to sign both on your behalf and on behalf of all such *related persons*.

**12. How do I file my Form PF?**

You must file Form PF electronically through the Form PF filing system on the Investment Adviser Registration Depository website ([www.iard.com](http://www.iard.com)), which contains detailed filing instructions. Questions regarding filing through the Form PF filing system should be addressed to the Financial Industry Regulatory Authority (FINRA) at 240-386-4848.

**13. Are there filing fees?**

Yes, you must pay a filing fee for your Form PF filings. The Form PF filing fee schedule is published at <http://www.sec.gov/iard> and <http://www.iard.com>.

**14. What if I am not able to file electronically?**

A temporary hardship exemption is available if you encounter unanticipated technical difficulties that prevent you from making a timely filing with the Form PF filing system, such as a computer malfunction or electrical outage. This exemption does not permit you to file on paper; instead, it extends the deadline for an electronic filing for seven “business days” (as such term is used in *SEC* rule 204(b)-1(f)).

To request a temporary hardship exemption, you must complete and file on paper Item A of Section 1a and Section 5 of Form PF, checking the box in Section 1a indicating that you are requesting a temporary hardship exemption. Do not complete or file any other sections of Form PF. Mail one manually signed original and one copy of your exemption filing to: U.S. Securities and Exchange Commission, Investment Adviser Regulation Office, Mail Stop X-XX, 100 F Street NE, Washington, DC 20549 or submit electronically your signed exemption filing in PDF format by email to [FormPF@sec.gov](mailto:FormPF@sec.gov). You must preserve in your records a copy of any temporary hardship exemption filing. Any request for a temporary hardship exemption must be filed no later than one

business day after the electronic Form PF filing was due. For more information, see *SEC* rule 204(b)-1(f).

**15. May I rely on my own methodologies in responding to Form PF? How should I enter requested information?**

You may respond to this Form using your own internal methodologies and the conventions of your service providers, provided the information is consistent with information that you report internally and to current and prospective investors. However, your methodologies must be consistently applied and your responses must be consistent with any instructions or other guidance relating to this Form. You may explain any of your methodologies, including related assumptions, in Question 4.

In responding to Questions on this Form, the following guidelines apply unless otherwise specifically indicated:

- provide the requested information as of the close of business on the *data reporting date*;
- if information is requested for any month or quarter, provide the requested information as of the close of business on the last calendar day of the month or quarter, respectively;
- if a question requests information expressed as a percentage, enter the response as a percentage (not a decimal) rounded to the nearest one hundredth of one percent;
- if a question requests a monetary value, provide the information in U.S. dollars as of the *data reporting date* (or other requested date), rounded to the nearest thousand, using a foreign exchange rate for the applicable date;
- if a question requests a monetary value for transactional data that covers a reporting period, provide the information in U.S. dollars, rounded to the nearest thousand, using foreign exchange rates as of the dates of any transactions to convert local currency values to U.S. dollars (see questions 14, 23(c)(iv)(B), 23(c)(iv)(C), 23(c)(iv)(D), 29, 30(a) and 34);
- if a question requests a numerical value other than a percentage or a dollar value, provide information rounded to the nearest whole number;
- if a question requests information regarding a “position” or “positions,” treat two or more legs of a transaction even if offsetting or partially offsetting, or even if entered into with the same counterparty under the same master agreement as two separate positions, even if reported internally as part of a larger transaction. However, exclude closed-out positions that are closed out with the same counterparty provided that there is no credit or market exposure to the *reporting fund*;
- if a question requires you to distinguish long positions from short positions, classify positions as follows: a long position experiences a gain when the price of the market factor to which it relates increases (and/or the yield of that factor decreases), and a short position experiences a loss when the price of the market factor to which it relates increases (and/or the yield of that factor decreases).
- do not net long and short positions;
- for derivatives (other than *interest rate derivatives* and options), “value” means *gross notional*

*value*; for *interest rate derivatives*, *value* means the *10 year bond equivalent*; for options, “*value*” means delta adjusted notional value (expressed as a *10 year bond equivalent* for options that are *interest rate derivatives*); in determining the “*value*” of derivatives positions, do not net long and short positions or offsetting or partially offsetting trades; but exclude closed-out positions that are closed out with the same counterparty provided that there is no credit or market exposure to the *reporting fund*;

- for all other investments and for all *borrowings* where the reporting fund is the creditor, “*value*” means market value or, where there is not a readily available market value, fair value; for *borrowings* where the reporting fund is the debtor, “*value*” means the value you report internally and to current and prospective investors;
- for question 25, the numerator you use to determine the percentage of *net asset value* should be measured on the same basis as *gross asset value*. Your response to this question may total more than 100%.

**16. How do I amend Form PF, for example, to make a correction?**

If you discover that information you filed on Form PF was not accurate at the time of filing, you may correct the information by re-filing and checking the box in Section 1a indicating that you are amending a previously submitted filing. You are not required to update information that you believe in good faith properly responded to Form PF on the date of filing even if that information is subsequently revised for purposes of your recordkeeping, risk management or investor reporting (such as estimates that are refined after completion of a subsequent audit).

*Large hedge fund advisers* and *large liquidity fund advisers* that comply with their fourth quarter filing obligations by submitting an initial filing followed by an amendment in accordance with Instruction 9 will not be viewed as affirming responses regarding one fund solely by providing updated information regarding another fund at a later date.

**17. How may I preserve on Form PF the anonymity of a *private fund* that I advise?**

If you seek to preserve the anonymity of a *private fund* that you advise by maintaining its identity in your books and records in numerical or alphabetical code, or similar designation, pursuant to rule 204-2(d), you may identify the *private fund* on Form PF using the same code or designation in place of the fund’s name.

**18. How should I treat a *commodity pool* for purposes of Form PF?**

Commodity pools should be treated as *hedge funds* for purposes of Form PF. If you are reporting on Form PF regarding a *commodity pool* that is not a *private fund*, then you may treat it as a *private fund* for purposes of Form PF. However, such a *commodity pool* is not required to be included when determining whether you exceed one or more reporting thresholds. If such a *commodity pool* is a *qualifying hedge fund* and you are otherwise required to report information in section 2 of Form PF, then you must report regarding the *commodity pool* in section 2 of Form PF.

Federal Information Law and Requirements for a Collection of Information

Section 204(b) of the *Advisers Act* [15 U.S.C. § 80b-4(b)] authorizes the *SEC* to collect the information that Form PF requires. The information collected on Form PF is designed to facilitate the Financial Stability Oversight Council’s (“*FSOC*”) monitoring of systemic risk in the private fund industry and to assist *FSOC* in determining whether and how to deploy its regulatory tools with respect to nonbank financial companies. The *SEC* and *CFTC* may also use information collected on Form PF in their regulatory programs, including

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examinations, investigations and investor protection efforts relating to private fund advisers. Filing Form PF is mandatory for advisers that satisfy the criteria described in Instruction 1 to the Form. *See also* 17 C.F.R. § 275.204(b)-1. The SEC does not intend to make public information reported on Form PF that is identifiable to any particular adviser or *private fund*, although the SEC may use Form PF information in an enforcement action. *See* Section 204(b) of the *Advisers Act*.

An agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a currently valid control number. The Office of Management and Budget has reviewed this collection of information under 44 U.S.C. § 3507. Any member of the public may direct any comments concerning the accuracy of the burden estimate and any suggestion for reducing this burden to: Secretary, U.S. Securities and Exchange Commission, 100 F Street NE, Washington, DC 20549.

Form PF Section 1a	Information about you and your <i>related persons</i> (to be completed by all Form PF filers)	Page 1 of 55
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**Section 1a: Information about you and your *related persons***

Check the box that indicates what you would like to do:

a. If you are not a large hedge fund adviser or large liquidity fund adviser:

- Submit your first filing on Form PF for the period ended:
- Submit an *annual update* for the period ended:
- Amend a previously submitted filing for the period ended:
- Submit a final filing
- Request a temporary hardship exemption

b. If you are a large hedge fund adviser or large liquidity fund adviser:

- Submit your first filing on Form PF for the [1st, 2nd, 3rd, 4th] quarter, which ended:
- Submit a *quarterly update* (including fourth quarter updates) for the [1st, 2nd, 3rd, 4th] quarter, which ended:
- Amend a previously submitted filing for the [1st, 2nd, 3rd, 4th] quarter, which ended:
- Transition to annual reporting
- Submit a final filing
- Request a temporary hardship exemption

**Item A. Information about you**

1. (a) Provide your name and the other identifying information requested below.

*(This should be your full legal name. If you are a sole proprietor, this will be your last, first, and middle names. If you are a SID, enter the full legal name of your bank. Please use the same name that you use in your Form ADV.)*

Legal name	SEC 801-Number	NFA ID Number, if any	Large trader ID, if any	Large trader ID suffix, if any	LEI, if any

(b) Provide the following information for each of the *related persons*, if any, with respect to which you are reporting information on this Form PF:

Legal name	SEC 801-Number	NFA ID Number, if any	Large trader ID, if any	Large trader ID suffix, if any	LEI, if any



Form PF Section 1a	Information about you and your <i>related persons</i> (to be completed by all Form PF filers)	Page 3 of 55
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**Item B. Information about assets of *private funds* that you advise**

3. Provide a breakdown of your *regulatory assets under management* and your *net assets under management* as follows:

*(If you are filing a quarterly update for your first, second or third fiscal quarter, you are only required to update row (a), in the case of a large hedge fund adviser, or row (b), in the case of a large liquidity fund adviser. To avoid double counting, (i) do not include the value of your private funds' investments in other internal private funds, and (ii) if one or more of your private funds invests or conducts activities through a trading vehicle, do not report the trading vehicle separately, and instead include the assets of the trading vehicle as part of the regulatory assets under management and net assets of the trading vehicle's private fund equity owner.)*

	<i>Regulatory assets under management</i>	<i>Net assets under management</i>
(a) <i>Hedge funds</i> .....		
(b) <i>Liquidity funds</i> .....		
(c) <i>Private equity funds</i> .....		
(d) <i>Real estate funds</i> .....		
(e) <i>Securitized asset funds</i> .....		
(f) <i>Venture capital funds</i> .....		
(g) <i>Other private funds</i> .....		
(h) <i>Funds and accounts other than private funds (i.e., the remainder of your assets under management)</i> .....		

**Item C. Miscellaneous**

4. You may use the space below to explain any assumptions that you made in responding to any question in this Form PF. Assumptions must be in addition to, or reasonably follow from, any instructions or other guidance relating to Form PF. If you are aware of any instructions or other guidance that may require a different assumption, provide a citation and explain why that assumption is not appropriate for this purpose. To the extent responses relate to a particular Question, provide the Question number(s), as applicable.

Question number	Description
[drop-down list for question number or "all" options.]	

Form PF Section 1b	Information about the <i>private funds</i> you advise (to be completed by all Form PF filers that advise <i>hedge funds</i> )	Page 4 of 55
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**Section 1b: Information about the *private funds* you advise**

You must complete a separate Section 1b for each *private fund* that you advise, except as provided by Instruction 6.

**Item A. Reporting fund identifying information**

5. (a) Name of the *reporting fund*
- (b) *Private fund* identification number of the *reporting fund*
- (c) *NFA* identification number of the *reporting fund*, if applicable
- (d) *LEI* of the *reporting fund*, if any
- |  |
|--|
|  |
|  |
|  |
|  |
6. (a) For purposes of reporting on this Form PF, what type of fund is the *reporting fund*? [Select one]  
[drop-down list for *hedge fund that is not a qualifying hedge fund, qualifying hedge fund, liquidity fund, private equity fund, real estate fund, securitized asset fund, venture capital fund, or "other."*]  
*If you identify the reporting fund as "other," describe the reporting fund in Question 4, including why it would not qualify for any of the other selections. If you identify the reporting fund as a different type of fund on Form ADV, explain why in Question 4.*
- (b) Is the *reporting fund* a commodity pool?  
 Yes  No
- (c) Does the *reporting fund* operate as a *UCITS*?  
 Yes  No
- (d) If you checked yes in (c), in what countries does the *reporting fund* operate as a *UCITS*?  
[Drop-down list]
- (e) Does the *reporting fund* operate as an *AIF*?  
 Yes  No
- (f) If you checked yes in (e), in what countries does the *reporting fund* operate as an *AIF*?  
[Drop-down list]
- (g) Does the *reporting fund* market itself as a *money market fund* outside the United States?  
 Yes  No
- (h) If you checked yes in (g), in what countries does the *reporting fund* market itself as a *money market fund*? [Drop-down list]

Form PF Section 1b	Information about the <i>private funds</i> you advise (to be completed by all Form PF filers that advise <i>hedge funds</i> )	Page 5 of 55
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7. (a) Is the reporting fund the master fund of a master-feeder arrangement? If so, check “yes” below, and complete (i) and (ii) for each feeder fund. Otherwise, check “no.” See Instructions 5, 6, and 7 for information on treatment of master-feeder arrangements.)

Yes  No

(i) Name of feeder fund.....

(ii) Private fund identification number of the feeder fund .....

(iii) Is the feeder fund a separate reporting fund? If so, check “yes,” below. If the feeder fund is a “disregarded” feeder fund in accordance with Instruction 6, check “no.”

Yes  No

(b) Do any internal private funds (other than the feeder funds identified in (a) above) invest in the reporting fund? If so, check “yes” and complete (i), (ii), and (iii) for each such internal private fund. Otherwise, check “no.”

Yes  No

(i) Name of internal private fund.....

(ii) Internal private fund’s LEI, if it has one.....

(iii) Private fund identification number of the internal private fund....

8. (a) Is the reporting fund a component of a parallel fund structure? If so, check “yes” below. Otherwise, check “no.” (See Instructions 5 and 6 for information regarding the treatment of parallel funds.)

Yes  No

If you responded “yes” to Question 7(a), complete (b) through (e) below for each component in the parallel fund structure.

(b) Name of the parallel fund

(c) Private fund identification number of the parallel fund

(d) NFA identification number of the parallel fund, if applicable

(e) LEI of the parallel fund, if any


9. If the reporting fund holds assets, incurs leverage or conducts trading or other activities through a trading vehicle, provide the following information about each trading vehicle.

(a) Legal name .....

(b) LEI, if any.....

(c) Other identifying information (indicate type used, if applicable. E.g., RSSD ID).....

10. (a) Does the reporting fund provide investors with withdrawal/redemption rights in the ordinary course?

Yes  No

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- (b) If the *reporting fund* provides investors with withdrawal/redemption rights in the ordinary course, indicate whether withdrawals/redemptions are permitted (regardless of whether there are notice requirements, “gates,” lock-ups, or other restrictions on withdrawals/redemptions) (check one):
- any business day
  - at intervals of least two business days and up to a month
  - at intervals longer than monthly up to quarterly
  - at intervals longer than quarterly up to annually
  - at intervals of more than one year

**Item B. Assets, financing, and investor concentration**

11.

	Date	<i>Gross Asset Value</i>
(a) <i>Gross asset value of the reporting fund as of the end of the reporting period.....</i>	[Drop-down list of month, day, year]	
(b) If you are filing a <i>quarterly update</i> , provide the <i>reporting fund's gross asset value as of the end of the first month of the reporting period.....</i>	[Drop-down list of month, day, year]	
(c) If you are filing a <i>quarterly update</i> , provide the <i>reporting fund's gross asset value as of the end of the second month of the reporting period.....</i>	[Drop-down list of month, day, year]	

*(The amount of the gross asset value of the reporting fund as of the end of the reporting period may differ from the amount you reported in response to question 11 of Form ADV Section 7.B.1. For instance, the amounts may not be the same if you are filing Form PF on a quarterly basis or because you may not aggregate a master-feeder arrangement for purposes of this Form PF.)*

12.

	Date	<i>Net Asset Value</i>
(a) <i>Net asset value of the reporting fund as of the end of the reporting period.....</i>	[Drop-down list of month, day, year]	
(b) If you are filing a <i>quarterly update</i> , provide the <i>reporting fund's net asset value as of the end of the first month of the reporting period.....</i>	[Drop-down list of month, day, year]	
(c) If you are filing a <i>quarterly update</i> , provide the <i>reporting fund's net asset value as of the end of the second month of the reporting period.....</i>	[Drop-down list of month, day, year]	

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13. Value of unfunded commitments included in gross asset value and net asset value reported in Questions 11 and 12 (if the reporting fund does not contract for unfunded commitments, enter NA).....

14. Provide the following information concerning the reporting fund's activity during the reporting period.

*(For the purpose of this question, contributions include all new contributions from investors, but exclude contributions of committed capital that you have already included in gross asset value calculated in accordance with Form ADV, Part 1A, Instruction 6.e.(3). Withdrawals and redemptions from the reporting fund include all withdrawals, redemptions and other distributions of any kind to investors.)*

*(If you are filing a quarterly update, provide this information for each month of the reporting period.)*

(a) Contributions to the reporting fund during the reporting period.....

(b) Withdrawals and redemptions from the reporting fund during the reporting period...

15. (a) Value of reporting fund's investments in equity of external private funds: \_\_\_\_\_

(b) Check "yes" if the reporting fund is a feeder fund in a master-feeder arrangement and complete the information below for the master fund in which this fund invests. Otherwise, check "no."

Yes  No

(i) Name of master fund.....

(ii) Private fund identification number of the master fund:.....

(iii) The master fund's LEI, if any.....

(iv) Value of the private fund's investments in equity of the master fund:.....

(c) Check "yes" if the reporting fund invests in any internal private funds and complete the information below for each such internal private fund. Otherwise, check "no." Do not complete (c)(i) through (c)(iv) for a master fund identified in (b), above.

Yes  No

(i) Name of internal private fund.....

(ii) Private fund identification number of the internal private fund.....

(iii) The internal private fund's LEI, if any.....

(iv) Value of the private fund's investments in equity of the internal private fund:

16. Value of all parallel managed accounts related to the reporting fund: \_\_\_\_\_

*(If any of your parallel managed accounts relates to more than one of the private funds you advise, only report the value of the account once, in connection with the largest private fund to which it relates)*

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17. What is the *reporting fund's* base currency?  
[drop-down list of currencies]  
Other \_\_\_\_\_

18. Provide the following information regarding the *value* of the *reporting fund's borrowings* and the types of creditors.

*(You are not required to respond to this question for any reporting fund with respect to which you are answering questions in Section 2. Do not net out amounts that the reporting fund loans to creditors or the value of collateral pledged to creditors.)*

*(The percentages borrowed from the specified types of creditors should add up to approximately 100%.)*

(a) Dollar amount of total *borrowings*

(b) Percentage borrowed from *U.S. depository institutions*

(c) Percentage borrowed from *U.S. creditors that are not U.S. depository institutions*

(d) Percentage borrowed from *non-U.S. creditors*


19. (a) Does the *reporting fund* have any outstanding derivatives positions?

Yes  No

(b) If you responded "yes" to Question 19(a), provide the aggregate *value* of all derivatives positions of the *reporting fund*.....

20. Provide a summary of the *reporting fund's* assets and liabilities categorized using the hierarchy below and indicate the date as of which this categorization was performed. For assets and liabilities that you report internally and to current and prospective investors as representing fair value, or for which you are required to determine fair value in order to report the *reporting fund's* regulatory assets under management on Form ADV, categorize them into the following categories based on the valuation assumptions utilized:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 – Other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 – Unobservable inputs, such as your assumptions or the fund's assumptions used to determine the fair value of the asset or liability.

For any assets and liabilities that you report internally and to current and prospective investors as representing a measurement attribute other than fair value, and for which you are not required to determine fair value in order to report the *reporting fund's* regulatory assets under management on Form ADV, separately report these assets and liabilities in the "cost-based" measurement column.

Do not report *cash and cash equivalents* in any other column except for the *cash and cash equivalents* column.

*(If the fund's financial statements are prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP") or another accounting standard that requires the categorization of assets and liabilities using a fair value hierarchy similar to that established under U.S. GAAP, then respond to this question using the fair value hierarchy established under the applicable accounting standard. Report the absolute value of all liabilities. If you report assets as a negative value, you must provide an explanation in Question 4.)*

*(You should use the estimated values for the fiscal year for which you are reporting if the audit of the financial statement is not yet completed when the Form PF is required to be filed and explain that the*

<b>Form PF Section 1b</b>	<b>Information about the <i>private funds</i> you advise</b> (to be completed by all Form PF filers that advise <i>hedge funds</i> )	Page 9 of 55
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*information is an estimate in Question 4. You may, but are not required to, amend when the audited financial statements are complete.)*

*(This question requires the use of fair values and cost-based measurements, which may be different from the values contemplated by Instruction 15. You are only required to respond to this question if you are filing an annual update or a quarterly update for your fourth fiscal quarter.)*

As of date [drop-down box for month, day, year]

	Level 1	Level 2	Fair Value Level 3	Cost-based	Cash and Cash Equivalents
Assets					
Liabilities					

21. Specify the approximate percentage of the *reporting fund's* equity that is beneficially owned by the five beneficial owners having the largest equity interests in the *reporting fund*. \_\_\_\_\_
- (For purposes of this question, if you know that two or more beneficial owners of the reporting fund are affiliated with each other, you should treat them as a single beneficial owner. If the reporting fund is the master fund in a master feeder arrangement, include the beneficial owners of a disregarded feeder fund described by Instruction 6 as beneficial owners of the reporting fund.)*

22. Specify the approximate percentage of the *reporting fund's* equity that is beneficially owned by the following groups of investors. If you select "other," describe in Question 4 the type of investor, why it would not qualify for any of the other groups, and any other information to explain your selection.

*(Include each investor in only one group. The total should add up to approximately 100%. With respect to beneficial interests outstanding prior to March 31, 2012, that have not been transferred on or after that date, you may respond to this question using good faith estimates based on data currently available to you. If the reporting fund is the master fund in a master feeder arrangement, include the beneficial owners of a disregarded feeder fund described by Instruction 6 as beneficial owners of the reporting fund.)*

- (a) Individuals that are *United States persons* (including their trusts).....
- (b) Individuals that are not *United States persons* (including their trusts).....
- (c) Broker-dealers that are *United States persons*.....
- (d) Broker-dealers that are not *United States persons*.....
- (e) Insurance companies that are *United States persons*.....
- (f) Insurance companies that are not *United States persons*.....
- (g) Investment companies registered with the *SEC*.....
- (h) *External Private funds*.....
- (i) *Internal private funds*.....
- (j) Non-profits that are *United States persons*.....
- (k) Non-profits that are not *United States persons*.....
- (l) U.S. pension plans (excluding governmental pension plans).....

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- (m) Non-U.S. pension funds (plans and funds that are not U.S. private or governmental pension plans).....
- (n) Banking or thrift institutions that are *United States persons*.....
- (o) Banking or thrift institutions that are not *United States persons*.....
- (p) U.S. state or municipal *government entities* (excluding governmental pension plans).....
- (q) U.S. state or municipal governmental pension plans.....
- (r) Sovereign wealth funds and foreign official institutions (excluding pension funds).
- (s) Investors that are not *United States persons* and about which the foregoing beneficial ownership information is not known and cannot reasonably be obtained because the beneficial interest is held through a chain involving one or more third-party intermediaries.....
- (t) Other.....

#### Item C. *Reporting fund performance*

23. Complete (a) unless the *reporting fund's* performance is reported to current and prospective investors, counterparties, or otherwise, as an *internal rate of return* since inception, in which case, complete (b).

- (a) Provide the *reporting fund's* gross and net performance, as reported to current and prospective investors, counterparties, or otherwise. If such information is reported to current and prospective investors, counterparties, or otherwise, in a currency other than U.S. dollars, report the data using that currency, and identify the currency in Question 4.

If the fund reports different performance results to different groups, provide the most representative results and explain your selection in Question 4. You are required to provide monthly and quarterly performance results only if such results are calculated for the *reporting fund* (whether for purposes of reporting to current or prospective investors, counterparties, or otherwise).

If you are submitting an initial filing or an *annual update*, complete (i) through (xvi) (concerning monthly and quarterly data), only if you calculate such results, and complete (xvii) (concerning yearly data). (For example, if you are submitting an initial filing or an *annual update* and you do not calculate monthly or quarterly performance results, complete (xvii) only.)

If you are submitting a *quarterly update*, complete the following:

- Complete (i) through (iii) (concerning monthly data), if you calculate such results; and
- Complete (xiii) through (xvi) for the applicable quarter. (For example, if you are filing a quarterly update for the first quarter of *reporting funds'* fiscal year, complete (xiii) (concerning the first quarter), but do not complete (xiv) (concerning the second quarter), (xv) (concerning the third quarter), or (xvi) (concerning the fourth quarter); and
- Complete (xvii) (data concerning the *reporting fund's* most recently completed fiscal year) only if the quarterly update is for the fourth quarter of *reporting fund's* fiscal year.

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If the quarterly update is not the fourth quarter of the *reporting fund's* fiscal year, do not complete (xvii).

*(If your fiscal year is different from the reporting fund's fiscal year, then for any portion of the reporting fund's fiscal year that has not been completed as of the data reporting date, provide the relevant information from that portion of the reporting fund's preceding fiscal year.)*

*(Performance results for monthly and quarterly periods should not be annualized. If any period precedes the date of the fund's formation, enter "NA". You are not required to include performance results for any period with respect to which you previously provided performance results for the reporting fund on Form PF.)*

	End date [drop-down list of month, day, year]	Gross performance	Net of management fees, incentive fees, and allocations
<b>Monthly Data</b>			
(i) 1st month of <i>reporting period</i>			
(ii) 2nd month of <i>reporting period</i>			
(iii) 3rd month of <i>reporting period</i>			
(iv) 4th month of <i>reporting period</i>			
(v) 5th month of <i>reporting period</i>			
(vi) 6th month of <i>reporting period</i>			
(vii) 7th month of <i>reporting period</i>			
(viii) 8th month of <i>reporting period</i>			
(ix) 9th month of <i>reporting period</i>			
(x) 10th month of <i>reporting period</i>			
(xi) 11th month of <i>reporting period</i>			
(xii) 12th month of <i>reporting period</i>			
<b>Quarterly Data</b>			
(xiii) First quarter of <i>reporting fund's</i> fiscal year			
(xiv) Second quarter of <i>reporting fund's</i> fiscal year			
(xv) Third quarter of <i>reporting fund's</i> fiscal year			
(xvi) Fourth quarter of <i>reporting fund's</i> fiscal year			
<b>Yearly Data</b>			
(xvii) <i>Reporting fund's</i> most recently completed fiscal year			

Form PF Section 1b	Information about the <i>private funds</i> you advise (to be completed by all Form PF filers that advise <i>hedge funds</i> )	Page 12 of 55
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- (b) If the *reporting fund's* performance is reported to current and prospective investors, counterparties, or otherwise, as an *internal rate of return* since inception, provide the reporting fund's performance below. If such information is reported to current and prospective investors, counterparties, or otherwise, in a currency other than U.S. dollars, report the data using that currency, and identify the currency in Question 4.

If the fund reports different performance results to different groups, provide the most representative results and explain your selection in Question 4. You are required to provide quarterly performance results since inception only if such results are calculated for the *reporting fund* (whether for purposes of reporting to current and prospective investors, counterparties, or otherwise). Internal rates of return for periods longer than one year must be annualized, while internal rates of return for periods one year or less must not be annualized.

- (i) Inception date used for *internal rate of return* calculation:.....
- (ii) Inception through the first quarter of *reporting fund's* fiscal year.....
- (iii) Inception through the second quarter of *reporting fund's* fiscal year.....
- (iv) Inception through the third quarter of *reporting fund's* fiscal year.....
- (v) Inception through the end of the *reporting fund's* most recently completed fiscal year.....

- (c) If you calculate a market value on a daily basis for any position in the *reporting fund's* portfolio, report the following:

- (i) Provide the *reporting fund aggregate calculated value* at the end of the *reporting period*, and if you are filing a *quarterly update*, also report the *reporting fund aggregate calculated value* as of the end of the first and second month of the *reporting period*.
- (ii) Provide the *reporting fund's* volatility of the natural log of the daily *rate of return* for each month of the *reporting period*, computed as the standard deviation of the natural log of one plus each of the daily *rates of return* in the month, annualized by the square root of 252 trading days. When calculating the natural log of a daily *rate of return*, the rate of return, which is expressed as a percent, must first be converted to a decimal value and then one must be added to the decimal value.

	Monthly volatility of returns
(A) 1st month of <i>reporting period</i>	
(B) 2nd month of <i>reporting period</i>	
(C) 3rd month of <i>reporting period</i>	
(D) 4th month of <i>reporting period</i>	
(E) 5th month of <i>reporting period</i>	
(F) 6th month of <i>reporting period</i>	
(G) 7th month of <i>reporting period</i>	
(H) 8th month of <i>reporting period</i>	

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(I) 9th month of reporting period

(J) 10th month of reporting period

(K) 11th month of reporting period

(L) 12th month of reporting period


(iii) Is the *reporting fund's* volatility of the daily rates of return reported to current and prospective investors, counterparties, or otherwise using a different computation than Question 23(ii)? If yes, describe it in Question 4.

Yes

No

(iv)(A) Did the *reporting fund* have a negative daily rate of return for one or more days during the reporting period?

Yes

No

(B) If you responded "yes" to (iv)(A), report the following for the most recent peak to trough drawdown:

Amount in base currency \_\_\_\_\_ Beginning Date \_\_\_\_\_ End Date \_\_\_\_\_

If the drawdown was continuing on the *data reporting date*, do not enter an end date and check here

(C) Largest peak to trough drawdown of the *reporting fund* over the reporting period:

Amount in base currency \_\_\_\_\_ Beginning Date \_\_\_\_\_ End Date \_\_\_\_\_

If the drawdown was continuing on the *data reporting date*, check here

(D) Largest single day drawdown of the *reporting fund* over the reporting period:

Amount in base currency \_\_\_\_\_ Date \_\_\_\_\_

(E) Number of days with a negative daily rate of return in the reporting period \_\_\_\_\_.

Form PF Section 1c	Information about the <i>hedge funds</i> you advise (to be completed by all Form PF filers that advise <i>hedge funds</i> )	Page 14 of 55
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**Section 1c: Information about the *hedge funds* you advise**

You must complete a separate Section 1c for each *hedge fund* that you advise, except as provided by Instruction 6.

**Item A. Reporting fund identifying information**

24. (a) Name of the *reporting fund*.....
- (b) *Private fund* identification number of the *reporting fund* .....

**Item B. Certain information regarding the *reporting fund***

25. Indicate which of the investment strategies below best describe the *reporting fund's* strategies on the last day of the *reporting period*. For each strategy that you have selected, provide a good faith estimate of the percentage of the *reporting fund's net asset value* represented by that strategy. If, in your view, the *reporting fund's* allocation among strategies is appropriately represented by the percentage of deployed capital, you may also provide that information.

*(Select the investment strategies that best describe the reporting fund's strategies, even if the descriptions below do not precisely match your characterization of those strategies; select "other" only if a strategy that the reporting fund uses is significantly different from any of the strategies identified below.)*

*(The strategies listed below are mutually exclusive (i.e., do not report the same assets under multiple strategies). If providing percentages of capital, the total should add up to approximately 100%.) (If you select "other" as an investment strategy for the reporting fund, describe in Question 4 the investment strategy, why it would not qualify for any of the other categories, and any other information to explain the selection "other")*

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Strategy	% of NAV (required)	% of capital (optional)
<input type="checkbox"/> Equity, Market Neutral		
<input type="checkbox"/> Equity, Long Bias		
<input type="checkbox"/> Equity, Short Bias		
<input type="checkbox"/> Equity, Factor Driven		
<input type="checkbox"/> Equity, Statistical Arbitrage		
<input type="checkbox"/> Equity, Emerging Markets		
<input type="checkbox"/> Macro, Global Macro		
<input type="checkbox"/> Convertible Arbitrage		
<input type="checkbox"/> Relative Value, Fixed Income Corporate		
<input type="checkbox"/> Relative Value, Fixed Income Arbitrage. ( <i>E.g., U.S. treasuries, sovereign bonds, Eurodollar futures, Federal National Mortgage Association, Government National Mortgage Association, Federal Home Loan Mortgage Corporation, and to-be-announced securities, etc.</i> )		
<input type="checkbox"/> Relative Value, Volatility Arbitrage		
<input type="checkbox"/> Event Driven, Distressed		
<input type="checkbox"/> Event Driven, Risk Arbitrage/Merger Arbitrage		
<input type="checkbox"/> Event Driven, Special Situations		
<input type="checkbox"/> Credit, Asset Based Lending		
<input type="checkbox"/> Credit, Litigation Finance		
<input type="checkbox"/> Credit, Emerging Markets		
<input type="checkbox"/> Credit, Asset Backed/Structured Products. ( <i>E.g., asset backed securities, credit default swaps, collateralized loan obligation, etc.</i> )		
<input type="checkbox"/> Managed Futures/ <i>CTA</i> , Fundamental		

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<input type="checkbox"/> Managed Futures/ <i>CTA</i> , Quantitative		
<input type="checkbox"/> Investment in other funds		
<input type="checkbox"/> Real Estate		
<input type="checkbox"/> Real Estate Investment Trusts		
<input type="checkbox"/> Real Assets Excluding Real Estate		
<input type="checkbox"/> <i>Digital assets</i>		
<input type="checkbox"/> <i>Cash and cash equivalents</i> (not otherwise allocated to another strategy)		
<input type="checkbox"/> Other:		

## 26. Consolidated Counterparty Exposure Table

Report in the *consolidated counterparty exposure table* below the reporting fund's borrowing and collateral received (*B/CR*) and lending and posted collateral (*L/PC*) aggregated across all creditors and counterparties (including all *CCPs*) in U.S. dollars as of the end of the reporting period. (You are not required to complete this question if the reporting fund is a qualifying hedge fund and you complete the consolidated counterparty exposure table in Section 2).

You must net the reporting fund's exposure with each counterparty and among affiliated entities of a counterparty to the extent such exposures may be contractually or legally set-off or netted across those entities or one affiliate guarantees or may otherwise be obligated to satisfy the obligations of another under the agreements governing the transactions. Netting must be used to reflect net cash borrowed from or lent to a counterparty, but must not be used to offset securities borrowed and lent against one another, when reporting prime brokerage and repo/reverse repo transactions.

In completing the table, classify *borrowing and collateral received* and *lending and posted collateral* according to type (e.g., *unsecured borrowing*, *secured borrowing*, derivatives cleared by a *CCP*, and uncleared derivatives) and the governing legal agreement (e.g., a prime brokerage or other brokerage agreement for cash margin and securities lending and borrowing, a global master repurchase agreement for *repo/reverse repo*, or an *ISDA* master agreement for *synthetic long positions*, *synthetic short positions* and derivatives). Report transactions under a master securities loan agreement as other *secured borrowing*.

- Check this box if one or more prime brokerage agreements provide for cross-margining of derivatives and secured financing transactions. If you have checked this box, and collateral does not clearly pertain to secured financing vs. derivatives transactions, report exposures and collateral as follows:
  - For secured financing, exposures and collateral should be reported in sections (b), (c) and (d) as applicable
  - For derivatives,
    - Report the *gross notional value* and the mark-to-market exposure of the derivatives transactions with other derivatives transactions (lines (e)(i) or lines (f)(i) and (ii))

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- Report associated collateral as collateral received (*B/CR*) or posted collateral (*L/PC*) under the prime brokerage agreement (lines (b)(ii) and (iii)).
- For derivatives cleared by a *CCP*, for cases where the prime broker gathers additional collateral in excess of that required by exchanges, report collateral posted by the *reporting fund* to meet exchange requirements in the cleared derivatives section on lines (e)(ii) and (iii), and any additional collateral gathered by the prime broker under a cross margining agreement should appear on lines (b) (ii) and (iii).

## Consolidated Counterparty Exposure Table

*B/CR**L/PC*

	<i>B/CR</i>	<i>L/PC</i>
(a) <i>Unsecured borrowing – cash and cash equivalents</i>		Not Applicable
(b) <i>Secured borrowing and lending (prime brokerage or other brokerage agreement)</i>		
(i) <i>cash and cash equivalents</i> received in cash margin borrowing, or received or paid by the <i>reporting fund</i> in securities lending and short sale transactions		
(ii) <i>cash and cash equivalents</i> received or posted by the <i>reporting fund</i> as collateral for derivatives under any cross-margining agreement		
(iii) <i>government securities</i> and other securities received and posted by the <i>reporting fund</i>		
(c) <i>Secured borrowing and lending via repo and reverse repo (include tri-party repo)</i>		
(i) <i>cash and cash equivalents</i>		
(ii) <i>government securities</i> and other securities (other than <i>cash and cash equivalents</i> ) received and posted by the <i>reporting fund</i>		
(d) <i>Other secured borrowing and lending (describe in Question 4)</i>		
(i) <i>cash and cash equivalents</i>		
(ii) <i>government securities</i> and other securities (other than <i>cash and cash equivalents</i> ) received and posted by the <i>reporting fund</i>		
(e) <i>Derivative positions cleared by a CCP</i>		
(i) mark-to-market exposure of derivatives transactions before collateral		
(ii) <i>cash and cash equivalents</i> received and posted by the <i>reporting fund</i> as collateral		
(iii) <i>government securities</i> and other securities received and posted by the <i>reporting fund</i> as collateral		
(f) <i>Derivative positions that are not cleared by a CCP (uncleared)</i>		
(i) <i>gross notional value</i> of <i>synthetic long positions</i> and <i>synthetic short positions</i>		
(ii) mark-to-market exposure of derivatives transactions before collateral		
(iii) <i>cash and cash equivalents</i> received and posted by the <i>reporting fund</i> as collateral		
(iv) <i>government securities</i> and other securities received and posted by the <i>reporting fund</i> as collateral		

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27. Identify each creditor or other counterparty (including *CCPs*) to which the *reporting fund* owed an amount in respect of *cash borrowing entries* (before posted collateral) which is equal to or greater than either (1) 5% of *net asset value* as of the *data reporting date*, or (2) \$1 billion. If there are more than five such counterparties, report the five counterparties to which the *reporting fund* owed the largest dollar amount in *cash borrowing entries* before taking into account collateral posted by the *reporting fund*. (You are not required to complete this question if the reporting fund is a qualifying hedge fund and you complete Question 42 in Section 2).

In the table below, report the legal entity name and *LEI* of each creditor or other counterparty, if it has one, in columns (i) and (ii). Indicate whether the creditor or counterparty is affiliated with a major financial institution in column (iii). If you select "other," name and describe the financial institution in Question 4. Do not treat affiliated counterparty entities as a single group, except that, if the applicable contractual and legal documentation requires cross margining, report the *LEI* of the contractual counterparty, typically the prime broker.

Report the *reporting fund's cash borrowing entries* for each reported creditor or counterparty in column (iv) as a negative number. Report in column (v) the *collateral posted entries* posted by the *reporting fund* for each reported creditor or other counterparty as a positive number.

(i) Legal name of the counterparty	(ii) Counterparty <i>LEI</i> , if any	(iii) Indicate below if the counterparty is affiliated with a major financial institution	(iv) <i>Borrowing</i> by <i>reporting fund</i> (in U.S. dollars)	(v) <i>Collateral</i> posted by <i>reporting fund</i> (in U.S. dollars)
(a)		[drop-down list of counterparty names] Other: _____ [Not applicable]		
(b)		[drop-down list of counterparty names] Other: _____ [Not applicable]		
(c)		[drop-down list of counterparty names] Other: _____ [Not applicable]		
(d)		[drop-down list of counterparty names] Other: _____ [Not applicable]		
(e)		[drop-down list of counterparty names] Other: _____ [Not applicable]		

28. Provide the following information for counterparties to which the *reporting fund* had net mark to market counterparty credit exposure, after taking into account collateral received or posted by the *reporting fund*, which is equal to or greater than either (1) 5% of the *reporting fund's net asset value* as of the *data reporting date*, or (2) \$1 billion. Include *CCPs* or other third parties holding collateral posted by the *reporting fund* in respect of cleared exposures (including tri-party repo). If there are

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more than five such counterparties, report the five to which the *reporting fund* had the greatest mark to market exposure after taking into account collateral. (You are not required to complete this question if the reporting fund is a qualifying hedge fund and you complete Question 43 in Section 2).

For counterparties to which the *reporting fund* had net borrowing exposure, the *reporting fund's* net mark to market counterparty credit exposure before collateral equals the *reporting fund's* cash borrowing entries. The *reporting fund's* net mark to market counterparty credit exposure after collateral is the amount (if any) by which the *reporting fund's* collateral posted entries exceed such cash borrowing entries.

For counterparties to which the *reporting fund* had net lending exposure, the *reporting fund's* net mark to market counterparty exposure before collateral means the cash lending entries. The *reporting fund's* net mark to market counterparty credit exposure after collateral equals the amount (if any) by which the *reporting fund's* cash lending entries exceeds the collateral received entries.

For all counterparties (whether the *reporting fund* had borrowing or lending exposure), these computations will produce a positive value for the counterparties to which the *reporting fund* had net mark to market counterparty credit exposure after collateral. This may occur where the *reporting fund's* posted collateral exceeded borrowings by the *reporting fund* from a counterparty. It also may occur where collateral received by the *reporting fund* fell short of the *reporting fund's* net mark to market counterparty credit exposure through cash and cash equivalents received by a counterparty in margin borrowing, securities lending, repo and reverse repo transactions, and mark to market exposure in derivatives transactions.

Report the legal entity name and LEI of each creditor or other counterparty, if it has one, in column (i) and (ii) below. Indicate if the counterparty is affiliated with a major financial institution in column (iii). If you select "other," name and describe the financial institution in Question 4. In columns (iv) and (v), provide the *reporting fund's* net mark to market counterparty credit exposure, before taking into account collateral (which will be a negative number where the reporting fund is a net borrower, and a positive number where the reporting fund is a net lender), and net mark to market counterparty credit exposure, after taking into account collateral (which will always be a positive number for counterparties included in this table).

Do not treat affiliated counterparty entities as a single group, except that, if the applicable contractual and legal documentation requires cross margining, report the legal entity name and LEI of the contractual counterparty, typically the prime broker.

(i) Legal name of the counterparty	(ii) Counterparty LEI, if any	(iii) Indicate if the counterparty is affiliated with a major financial institution	(iv) Net mark to market exposure before collateral (in U.S. dollars)	(v) Net mark to market exposure after collateral (in U.S. dollars)
(a)		[drop-down list of counterparty names] Other: _____ [Not applicable]		
(b)		[drop-down list of counterparty names] Other: _____ [Not applicable]		

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(c)		[drop-down list of counterparty names] Other: _____ [Not applicable]		
(d)		[drop-down list of counterparty names] Other: _____ [Not applicable]		
(e)		[drop-down list of counterparty names] Other: _____ [Not applicable]		

29. Provide the following information regarding your use of trading and clearing mechanisms during the reporting period.

*(Provide good faith estimates of the mode in which each category was traded and cleared by the reporting fund, and not the market as a whole. For purposes of this question, a "trade" includes any transaction, whether entered into on a bilateral basis or through an exchange, trading facility or other system and whether long or short. With respect to clearing, transactions for which margin is held in a customer omnibus account at a CCP should be considered cleared by a CCP. Tri-party repo applies where repo/reverse repo collateral is executed using collateral management and settlement services of a third party that does not act as a CCP. Sponsored repo/reverse repo, including sponsored tri-party repo applies to transactions in which the reporting fund has been sponsored by a sponsoring member of the Fixed Income Clearing Corporation (FICC).)*

*(Enter "NA" in each part of this question for which the reporting fund engaged in no relevant trades.)*

*(In column (i) "value traded," report the total value in U.S. dollars of the reporting fund's transactions in the instrument category and trading mode during the reporting period. In determining the "value traded" of derivatives trades for purposes of Questions 29(b) and 29(c), you should use the weighted-average of the notional amount of the aggregate derivatives transactions entered into by the reporting fund during the reporting period, except for the following: (1) for options, you would use the delta adjusted notional value, (2) for interest rate derivatives, you would use the 10-year bond equivalent.)*

*(In column (ii), "end of reporting period value of positions," report the sum of the absolute value of all of the reporting fund's long and short positions in each category and mode at (a) to (d) on the last date of the reporting period. If you complete Section 2 for the reporting fund, the sum of the end of the reporting period value of positions in each category should be consistent with the sum of long and short positions for sub-asset classes in that category reported in Question 32.)*

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(i) <i>value</i> traded (in U.S. dollars)	(ii) End of reporting period <i>value</i> of positions
--	---

(a) securities (other than derivatives) that were traded by the *reporting fund*.

On a regulated exchange


*OTC*

(b) *interest rate derivatives* that were traded by the *reporting fund*

On a regulated exchange or swap execution facility


*OTC (and cleared by a CCP)*

*OTC/bilaterally transacted (and not cleared by a CCP)*

--	--

(c) *derivatives (other than interest rate derivatives)* that were traded by the *reporting fund* and:

On a regulated exchange or swap execution facility


*OTC (and cleared by a CCP)*

*OTC/bilaterally transacted (and not cleared by a CCP)*

--	--

(d) *repo/reverse repo* trades that were entered into by the *reporting fund* and:

Cleared by a *CCP* (other than sponsored *repo/reverse repo*)


Cleared by a *CCP* (sponsored *repo/ reverse repo*).

Bilaterally transacted (and not cleared by a *CCP* and not settled on *tri-party platform*)

--	--

Tri-party *repo/reverse repo* (and not cleared by a *CCP*)

--	--

30. For transactions of the *reporting fund* that are not described in any of the categories listed in items (a) through (d) of Question 29, provide:

(a) the *value* traded (in U.S. dollars) during the *reporting period*, calculated according to the method prescribed for column (i) of Question 29, and

(b) the end of *reporting period value* of positions, calculated according to the method prescribed for column (ii) of Question 29.

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**Section 2: Information about *qualifying hedge funds* that you advise.**

You must complete a separate Section 2 for each *qualifying hedge fund* that you advise, except as provided by Instruction 6. With respect to master-feeder arrangements and parallel fund structures that collectively comprise *qualifying hedge funds*, report the component funds as provided in the General Instructions. See Instructions 3, 5, and 6.

**Item A. Reporting fund identifying information**

31. (a) Name of the *reporting fund* .....
- (b) *Private fund* identification number of the *reporting fund* .....

**Item B. Reporting fund exposures and trading**
**32. Reporting fund exposures.**

For each month of the *reporting period*, report the information required by (a) to (c) below for the *reporting fund's* long and short positions, by *sub-asset class* (and *instrument type*, if applicable). Report the absolute value of short positions. You are not required to report for *sub-asset classes* for which there are no relevant positions.

For this question, *sub-asset classes* are: listed equity issued by financial institutions; American Depositary Receipts; other single name listed equity; indices on listed equity; other listed equity; unlisted equity issued by financial institutions; other unlisted equity; investment grade corporate bonds issued by financial institutions (other than convertible bonds); investment grade corporate bonds not issued by financial institutions (other than convertible bonds); non-investment grade corporate bonds issued by financial institutions (other than convertible bonds); non-investment grade corporate bonds not issued by financial institutions (other than convertible bonds); investment grade convertible bonds issued by financial institutions; investment grade convertible bonds not issued by financial institutions; non-investment grade convertible bonds issued by financial institutions; non-investment grade convertible bonds not issued by financial institutions; U.S. treasury bills; U.S. treasury notes and bonds; agency securities; GSE bonds; sovereign bonds issued by G10 countries other than the U.S., other sovereign bonds (including supranational bonds); U.S. state and local bonds; leveraged loans; loans (excluding leveraged loans and repo); overnight repo, term repo (other than overnight); open repo; MBS; ABCP; CDO (senior or higher); CDO (mezzanine); CDO (junior equity); CLO (senior or higher); CLO (mezzanine); CLO (junior equity); other ABS, other structured products; U.S. dollar interest rate derivatives; non-U.S. currency interest rate derivatives; sovereign single name CDS; financial institution single name CDS; other single name CDS, index CDS; exotic CDS; foreign exchange derivatives; correlation derivatives; inflation derivatives; volatility derivatives; variance derivatives; other derivatives, agricultural commodities; crude oil commodities; natural gas commodities; power and other energy commodities; gold commodities; other (non-gold) precious metal commodities; base metal commodities; other commodities; real estate; digital assets; U.S. currency holdings; non-U.S. currency holdings; certificates of deposit; other deposits; money market funds; other cash and cash equivalents (excluding bank deposits, certificates of deposit, money market funds, and U.S. treasury bills, notes and bonds); investments in other sub-asset classes.

Choose the *sub-asset class* (and *instrument type*, if applicable) that describes the *sub-asset class* exposure and *instrument type* of the *reporting fund's* positions with the highest degree of precision. Include positions held in side-pockets as positions of the *reporting fund*. Include any closed out and OTC forward positions that have not yet expired/matured. Provide the absolute value of short positions. Report cash borrowed via reverse repo as the short value of repos. See definitions of repo and reverse repo in the Glossary.

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(a) (1) Except for the *sub-asset classes* identified by (a)(2) below, report the dollar *value* of long positions and the dollar *value* of short positions in each *sub-asset class* by *instrument type*: For this purpose, *instrument types* are: cash/physical instruments, futures, forwards, swaps, listed options, unlisted options, other derivative products, *ETFs*, other *exchange-traded products*, U.S. registered investment companies (excluding *ETFs* and *money market funds*), *investments in non-U.S. investment companies*, *internal private funds*, *external private funds*, *commodity pools*, and any other company, fund or entity. For *foreign exchange derivatives*, report forex swaps and currency swaps separately. In determining dollar *value*, do not net long and short positions within *sub-asset classes* or *instrument types* (with the exception of spot foreign exchange longs and shorts).

In determining the *reporting fund's* exposure to *sub-asset classes* for positions held indirectly through entities, e.g., *ETFs*, other *exchange traded products*, U.S. registered investment companies (excluding *ETFs* and *money market funds*), *investments in non-U.S. investment companies*, *external private funds*, *internal private funds*, *commodity pools*, or other companies, funds or entities, you may allocate the position among *sub-asset classes* and *instrument types* using reasonable estimates consistent with your internal methodologies and conventions of service providers. If the *reporting fund's* position in any such entity represents less than (1) 5% of the *reporting fund's net asset value* and (2) \$1 billion, you may report entire entity position in one *sub-asset class* and *instrument type* that best represents the *sub-asset class exposure* of the entity, unless you would allocate the exposure more granularly under your own internal methodologies and conventions of your service providers.

- (i) Long:
- (ii) Short:

(2) Report the dollar *value* of long positions and the dollar *value* of short positions for the *sub-asset class* (not by *instrument type*) for these *sub-asset classes*: *leveraged loans*, *loans* (excluding *leveraged loans* and *repo*); *overnight repo*, *term repo* (other than *overnight*), *open repo*; *sovereign single name CDS*; *financial institution single name CDS*; *other single name CDS*, *index CDS*; *exotic CDS*; U.S. *currency holdings*, *non-U.S. currency holdings*, *certificates of deposit*, *other deposits*, *money market funds*, *other cash and cash equivalents* (excluding *bank deposits*, *certificates of deposit*, *money market funds*, and *U.S. treasury bills, notes and bonds*).

- (i) Long:
- (ii) Short:

Describe the nature of the *reporting fund's* investment positions in Question 4, if you report long or short dollar *value* equal to or exceeding either (1) 5% of the *reporting fund's net asset value* or (2) \$1 billion in any of these *sub-asset classes*: *loans* (excluding *leveraged loans* and *repo*), *other structured products*, *other derivatives*, *other commodities*, *digital assets*, *investments in other sub-asset classes*.)

(b) *Adjusted exposure* (1) For each *sub-asset class* in which the *reporting fund* held relevant positions, calculate the *adjusted exposure* of long and short positions by netting positions in the same underlying *reference asset* across *instrument type*, and for fixed income assets, within the same term, using the following maturity buckets: 0-1yr, 2 year, 2-5 year, 5-10 year, 10 year, 10-15 year, 15 year, 15-20 year, and 20+ year. You may net counterparties consistent with the information you report internally and to current and prospective investors.

- (i) Long:
- (ii) Short:

(2) If, under your methodologies for internal reporting and reporting to investors, you do not net all positions across all *instrument types* in monitoring the economic exposure of the

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reporting fund's investment positions, you must also (i) report *adjusted exposure* for each *sub-asset class* calculated using your internal methodologies, and (ii) describe in Question 4 how your internal methodologies differ from the calculations required by subsection (b)(1).

(c) Interest rate risk (*10-year bond equivalent*). For *sub-asset classes* with interest rate risk, report the *10-year bond equivalent* of the *sub-asset class* long position dollar value and short position dollar value (by instrument type, if applicable) and *adjusted exposure*. Report *10 year bond equivalent* as a long value for positions that have a gain when rates decline, and as a short value for positions that have a loss when rates decline,

(NOTE: *10-year bond equivalent* is required for these *sub-asset classes*: investment grade corporate bonds issued by financial institutions (other than convertible bonds); investment grade corporate bonds not issued by financial institutions (other than convertible bonds); non-investment grade corporate bonds issued by financial institutions (other than convertible bonds); non-investment grade corporate bonds not issued by financial institutions (other than convertible bonds); investment grade convertible bonds issued by financial institutions; investment grade convertible bonds not issued by financial institutions; non-investment grade convertible bonds issued by financial institutions; non-investment grade convertible bonds not issued by financial institutions; U.S. treasury bills, U.S. treasury notes and bonds; U.S. agency securities; GSE bonds; sovereign bonds issued by G10 countries other than the U.S, other sovereign bonds (including supranational bonds); U.S. state and local bonds; leveraged loans , loans (excluding leveraged loans and repo); overnight repo, term repo (other than overnight), open repo, MBS, ABCP, Senior or higher CDO, Mezzanine CDO, Junior equity CDO, Senior or higher CLO, Mezzanine CLO, Junior equity CLO, other ABS, other structured product; U.S. dollar interest rate derivatives, non-U.S. currency interest rate derivatives; certificates of deposit).

33. (a) For each month of the reporting period, report the net long value and net short value of the reporting fund's currency exposure arising from foreign exchange derivatives and all other assets and liabilities of the reporting fund that are denominated in a currency other than the reporting fund's base currency.

Currency	1 <sup>st</sup> Month		2 <sup>nd</sup> Month		3 <sup>rd</sup> Month	
	Long value	Short value	Long value	Short value	Long value	Short value
[drop-down of currencies]						
[drop-down of currencies]						

(b) For each month of the reporting period, identify each currency to which the reporting fund has long dollar value or short dollar value exposure equal to or exceeding either (1) 5% of the reporting fund's net asset value or (2) \$1 billion and report the long dollar value and short dollar value of this exposure in U.S. dollars.

*In responding to this question, include the spot currency exposure arising from all holdings, including assets denominated in foreign currencies, and derivative products with currency exposure. Include currency exposure obtained indirectly (e.g., through ETFs, exchange traded products, U.S. registered investment companies, non-U.S. registered investment companies, internal private funds, external private funds, commodity pools, or other companies, funds or entities). You may report reasonable estimates, if consistent with your internal methodologies and conventions of service providers.)*

Currency	1 <sup>st</sup> Month		2 <sup>nd</sup> Month		3 <sup>rd</sup> Month	
	Long value	Short value	Long value	Short value	Long value	Short value
[drop-down of currencies]						
[drop-down of currencies]						

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34. For each month of the *reporting period*, provide the *value* of turnover during the month in each of the asset classes listed below for the *reporting fund*.  
 (The *value of turnover* is the sum of the absolute values of transactions in the relevant asset class during the period.).

	1st Month	2nd Month	3rd Month
<i>Listed equity (exclude listed equity derivatives).....</i>			
<i>Corporate bonds (other than convertible bonds; exclude derivative exposure to corporate bonds)....</i>			
<i>Convertible bonds (exclude derivative exposure to convertible bonds).....</i>			
<i>Sovereign bonds and municipal bonds (exclude derivative exposure)</i>			
<i>U.S. treasury bills.....</i>			
<i>U.S. treasury notes and bonds</i>			
<i>Agency securities .....</i>			
<i>GSE bonds.....</i>			
<i>Sovereign bonds issued by G10 countries other than the U.S.....</i>			
<i>Other sovereign bonds (including supranational bonds).....</i>			
<i>U.S state and local bonds.....</i>			
<i>Listed equity derivatives.....</i>			
<i>Interest rate derivatives.....</i>			
<i>U.S. dollars</i>			
<i>Futures.....</i>			
<i>Swaps.....</i>			
<i>Options.....</i>			
<i>Other derivative instrument types</i>			
<i>Non-U.S. currencies</i>			
<i>Futures</i>			
<i>Swaps</i>			
<i>Options</i>			
<i>Other derivative instrument types</i>			
<i>Foreign Exchange Derivatives .....</i>			
<i>Swaps .....</i>			
<i>Options .....</i>			
<i>Other instrument types .....</i>			
<i>Derivative exposure to</i>			
<i>U.S treasury securities</i>			
<i>Derivative exposure to sovereign bonds issued by G10 countries other than the U.S....</i>			

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Derivative exposure to other sovereign bonds

Other Derivatives.....


35. For each month of the *reporting period*, identify by ISO country code, each country to which the *reporting fund* has long dollar value or short dollar value exposure equal or exceeding either (1) 5% of the *reporting fund's net asset value* or (2) \$1 billion., and report the long dollar value and short dollar value of this exposure in U.S. dollars.

*(See Instruction 15 for information on calculating the numerator for purposes of this Question. Categorize investments based on concentrations of risk and economic exposures, and include country exposure obtained indirectly (e.g., through ETFs, exchange traded products, U.S. registered investment companies, non-U.S. registered investment companies, internal private funds, external private funds, commodity pools, or other companies, funds or entities. You may report reasonable estimates, if consistent with your internal methodologies and conventions of service providers.)*

ISO Code	1 <sup>st</sup> Month		2 <sup>nd</sup> Month		3 <sup>rd</sup> Month	
	Long value	Short value	Long value	Short value	Long value	Short value
[drop-down of ISO Code]						
[drop-down of ISO Code]						

36. For each month of the *reporting period*, identify the *reporting fund's* exposure by industry, based on the NAICS codes of the underlying exposures, equal or exceeding either (1) 5% of the *reporting fund's net asset value* or (2) \$1 billion, and report the long dollar value and short dollar value of this exposure in U.S. dollars.

Include industry exposure obtained indirectly (e.g., through ETFs, exchange traded products, U.S. registered investment companies, non-U.S. registered investment companies, internal private funds, external private funds, commodity pools, or other companies, funds or entities). You may respond to this Question using reasonable estimates based on your internal methodologies consistent with information you report internally and to investors.

NAICS Code	1 <sup>st</sup> Month		2 <sup>nd</sup> Month		3 <sup>rd</sup> Month	
	Long value	Short value	Long value	Short value	Long value	Short value
[drop-down of NAICS Code]						
[drop-down of NAICS Code]						

37. Provide the following information regarding the liquidity of the *reporting fund's* portfolio.
- Specify the percentage by value of the reporting fund's positions that may be liquidated within each of the periods specified below. Each investment can be assigned to more than one period, but assignments should be based on the shortest period during which you believe that such position could reasonably be liquidated at or near its carrying value. Use good faith estimates for liquidity based on market conditions over the reporting period and assuming no fire-sale discounting. Estimates must be based on a methodology that takes into account changes in portfolio composition, position size and market conditions over time. In the event that individual positions are important contingent parts of the same trade, group all those positions under the liquidity period of the least liquid part (so, for example, in a convertible bond arbitrage trade, the liquidity of the short should be the same as the convertible bond). Include cash and cash equivalents.

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(The total should add up to approximately 100%.)

- 1 day or less .....
- 2 days – 7 days.....
- 8 days – 30 days.....
- 31 days – 90 days.....
- 91 days – 180 days.....
- 181 days – 365 days.....
- Longer than 365 days.....

% of NAV		

1 <sup>st</sup> Month	2 <sup>nd</sup> Month	3 <sup>rd</sup> Month

38. Value of reporting fund's unencumbered cash.....
39. Report the following with respect to the reporting fund's long and short *netted exposure* to *reference assets* at the end of each month of the reporting period:

For purposes of this Question 39, *netted exposure* means the sum of all positions with legal and contractual rights that provide exposure to the same *reference asset*. Take into account all positions, including offsetting and partially offsetting positions, relating to the same *reference asset* (without regard to counterparties or issuers of a derivative or other instrument that reflects the price of the *reference asset*). The *netted exposure* to a *reference asset* will be either long or short. Determine the value of each *netted exposure* to each *reference asset* in U.S. dollars, expressed as the delta adjusted notional value, or as the *10-year bond equivalent* for reference assets that are fixed income assets.

Do not report exposure to *cash and cash equivalents*.

1 <sup>st</sup> Month		2 <sup>nd</sup> Month		3 <sup>rd</sup> Month	
Long	Short	Long	Short	Long	Short

- (a) Total number of *reference assets* to which the reporting fund holds long and short *netted exposure* (approximate)
- (b) Percent of *net asset value* represented by the aggregated *netted exposures* of *reference assets* with the top five (5) long and short *netted exposures*.
- (c) Percent of *net asset value* represented by the aggregate *netted exposures* of *reference assets* representing the top ten (10) long and short *netted exposures*.


40. As of the end of each month in the reporting period, provide the information requested below for each *reference asset* to which the reporting fund has *gross exposure* equal to or exceeding:

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- (i) 1% of *net asset value*, if the *reference asset* is a debt security and the *reporting fund's gross exposure* to the *reference asset* exceeds 20% of the size of the debt security issuance;
- (ii) 1% of *net asset value*, if the *reference asset* is a *listed equity security* and the *reporting fund's gross exposure* to the *reference asset* exceeds 20% of average daily trading volume measured over 90 days preceding the reporting date; or
- (iii) either (1) 5% of the *reporting fund's net asset value* or (2) \$1 billion.

For purpose of this Question 40, the *reporting fund's gross exposure* to a *reference asset* means the sum of the absolute value of all long and short positions with legal and contractual rights that provide exposure to the *reference asset*.

- (a) First month of the *reporting period*, Position 1, 2, 3, etc.
  - (i) Dollar *value* (in U.S. dollars) of all long positions with legal and contractual rights that provide exposure to the *reference asset*.
  - (ii) Dollar *value* (in U.S. dollars) of all short positions with legal and contractual rights that provide exposure to the *reference asset*.
  - (iii) *Netted exposure* to *reference asset* (as defined by Question 39 Instructions).
  - (iv) *Sub-asset class and instrument type*: Instruction: *Select all that apply*. [two drop down menus]
  - (v) Title or description of *reference asset*.
  - (vi) *Reference asset issuer* (if any) name and *LEI*.
  - (vii) CUSIP (if any), and at least one of the following other identifiers: (i) ISIN; (ii) Ticker if ISIN is not available); (iii) Other unique identifier (if ticker and ISIN are not available) [Must indicate type of identifier used].
  - (viii) For *reference assets* with no CUSIP or other identifier, describe the *reference asset*.
  - (ix) If the *reference asset* is a debt security, size of issue:
  - (x) If the *reference asset* is a *listed equity*, average daily trading volume, measured over 90 days preceding the *reporting date*.
  - (xi) FIGI (optional)

(b) Second month of the *reporting period*, Position 1, 2, 3, etc. (same list of information to collect)

(c) Third month of the *reporting period*, Position 1, 2, 3, etc. (same list of information to collect)

41. [Consolidated Counterparty Exposure Table]

Report in the *consolidated counterparty exposure table* below the *reporting fund's borrowing and collateral received (B/CR) and lending and posted collateral (L/PC)* aggregated across all counterparties (including all *CCPs*) in U.S. dollars as of the end of each month of the *reporting period*.

You must net the *reporting fund's* exposure with each counterparty and among affiliated entities of a counterparty to the extent such exposures may be contractually or legally set-off or netted across those entities and/or one affiliate guarantees or may otherwise be obligated to satisfy the obligations of another under the agreements governing the transactions. Netting must be used to reflect net cash borrowed from or lent to a counterparty, but must not be used to offset securities borrowed and lent against one another, when reporting prime brokerage and repo/reverse repo transactions. Classify *borrowing* by creditor type (e.g., percentage borrowed from *U.S. depository institutions*, U.S. creditors that are not *U.S. depository institutions*, non-U.S. creditors) based on the legal entity that is the contractual counterparty for such borrowing and not based on parent company or other affiliated group.

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In completing the table, classify *borrowing and collateral received and lending and posted collateral* according to type, (e.g., *unsecured, secured borrowing, derivatives cleared by a CCP, and uncleared derivatives*) and the governing legal agreement, e.g., a prime brokerage or other brokerage agreement for cash margin and securities lending and borrowing, a global master repurchase agreement for repo/reverse repo, or an ISDA master agreement for *synthetic long positions, synthetic short positions* and other derivatives. Report transactions under master securities loan agreement as other *secured borrowing*.

- Check this box if one or more prime brokerage agreements provide for cross-margining of derivatives and secured financing transactions. If you have checked this box, and collateral does not clearly pertain to secured financing vs. derivatives transactions, report exposures and collateral as follows:
  - For secured financing, exposures and collateral should be reported in sections (b), (c) and (d) as applicable
  - For derivatives,
    - Report the *gross notional value* and the mark-to-market of the derivatives transactions with other derivatives transactions (line (e)(i) or lines (f)(i) and (ii))
    - Report associated collateral as collateral received (*B/CR*) or posted collateral (*L/PC*) under the prime brokerage agreement (lines (b)(ii),(iii), (iv) and (v)).
  - For derivatives cleared by a *CCP*, for cases where the prime broker gathers additional collateral in excess of that required by exchanges, report collateral posted by the *reporting fund* to meet exchange requirements in the cleared derivatives section on lines (e)(ii), (iii), (iv), and (v) and any additional collateral gathered by the prime broker under a cross margining agreement should appear on lines (b)(ii), (iii),(iv) and (v).

	1 <sup>st</sup> Month		2 <sup>nd</sup> Month		3 <sup>rd</sup> Month	
	<i>B/CR</i>	<i>L/PC</i>	<i>B/CR</i>	<i>L/PC</i>	<i>B/CR</i>	<i>L/PC</i>
(a) <i>Unsecured borrowing – cash and cash equivalents</i>		Not Applicable		Not Applicable		Not Applicable
(A) percentage borrowed from <i>U.S. depository institutions</i>		Not Applicable		Not Applicable		Not Applicable
(B) percentage borrowed from <i>U.S. creditors that are not U.S. depository institutions</i>		Not Applicable		Not Applicable		Not Applicable
(C) percentage borrowed from <i>non-U.S. creditors</i>		Not Applicable		Not Applicable		Not Applicable

(b) *Secured borrowing and lending (prime brokerage or other brokerage agreement)*

(i) <i>cash and cash equivalents</i> received in cash margin borrowing, or received or paid by the <i>reporting fund</i> in securities lending and short sale transactions						
(ii) <i>cash and cash equivalents</i> received and posted by the <i>reporting fund</i> as collateral for derivatives under any cross-margining agreement						
(iii) <i>government securities (other than cash and cash equivalents)</i> received and posted by the <i>reporting fund</i>						

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	1 <sup>st</sup> Month		2 <sup>nd</sup> Month		3 <sup>rd</sup> Month	
	B/CR	L/PC	B/CR	L/PC	B/CR	L/PC
(iv) securities (other than <i>cash and cash equivalents</i> and <i>government securities</i> ) received and posted by the <i>reporting fund</i>						
(v) other collateral or credit support (including face amount of letters of credit and similar third party credit support) received and posted by the <i>reporting fund</i>						
(vi) percentage of <i>secured borrowing</i> (prime brokerage or other brokerage agreement) (sum of (b)(i), (iii), (iv) and (v))						
(A) borrowed from <i>U.S. depository institutions</i>		Not Applicable		Not Applicable		Not Applicable
(B) borrowed from U.S. creditors that are not <i>U.S. depository institutions</i>		Not Applicable		Not Applicable		Not Applicable
(C) borrowed from non-U.S. creditors		Not Applicable		Not Applicable		Not Applicable
(vii) at the end of each month of the <i>reporting period</i> , expected increase in collateral required to be posted by the <i>reporting fund</i> , if required margin increases by 1% of position size.	Not Applicable		Not Applicable		Not Applicable	

(c) *Secured borrowing and lending via repo and reverse repo*  
(include tri-party repo)

(i) <i>cash and cash equivalents</i>						
(ii) <i>government securities</i> (other than <i>cash and cash equivalents</i> ) received and posted by the <i>reporting fund</i>						
(iii) securities (other than <i>cash and cash equivalents</i> and <i>government securities</i> ) received and posted by the <i>reporting fund</i>						
(iv) other collateral or credit support (including face amount of letters of credit and similar third party credit support) received and posted by the <i>reporting fund</i>						
(v) percentage of <i>secured borrowing via repo and reverse repo</i> (sum of (c)(i), (ii), (iii) and (iv))						
(A) borrowed from <i>U.S. depository institutions</i>		Not Applicable		Not Applicable		Not Applicable
(B) borrowed from U.S. creditors that are not <i>U.S. depository institutions</i>		Not Applicable		Not Applicable		Not Applicable
(C) borrowed from non-U.S. creditors		Not Applicable		Not Applicable		Not Applicable
(vi) at the end of the each month of the <i>reporting period</i> , expected increase in collateral required to be posted by the <i>reporting fund</i> , if required margin increases by 1%	Not Applicable		Not Applicable		Not Applicable	

(d) Other *secured borrowing and lending* (describe in Question 4)

(i) <i>cash and cash equivalents</i>						
(ii) <i>government securities</i> (other than <i>cash and cash equivalents</i> ) received and posted by the <i>reporting fund</i>						

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	1 <sup>st</sup> Month		2 <sup>nd</sup> Month		3 <sup>rd</sup> Month	
	B/CR	L/PC	B/CR	L/PC	B/CR	L/PC
(iii) securities (other than <i>cash and cash equivalents</i> and <i>government securities</i> ) received and posted by the <i>reporting fund</i>						
(iv) other collateral or credit support (including face amount of letters of credit and similar third party credit support) received and posted by the <i>reporting fund</i>						
(v) percentage of other <i>secured borrowing</i> (sum of (d)(i), (ii), (iii) and (iv))						
(A) borrowed from <i>U.S. depository institutions</i>		Not Applicable		Not Applicable		Not Applicable
(B) borrowed from U.S. creditors that are not <i>U.S. depository institutions</i>		Not Applicable		Not Applicable		Not Applicable
(C) borrowed from non-U.S. creditors		Not Applicable		Not Applicable		Not Applicable
(vi) at the end of each month of the <i>reporting period</i> , expected increase in collateral required to be posted by the <i>reporting fund</i> , if required margin increases by 1%	Not Applicable		Not Applicable		Not Applicable	

(e) Derivative positions cleared by a *CCP*

(i) mark-to-market exposure of derivatives transactions before collateral						
(ii) <i>cash and cash equivalents</i> received and posted by the <i>reporting fund</i> as collateral						
(iii) <i>government securities</i> (other than <i>cash and cash equivalents</i> ) received and posted by the <i>reporting fund</i> as collateral						
(iv) securities (other than <i>cash and cash equivalents</i> and <i>government securities</i> ) received and posted by the <i>reporting fund</i> as collateral						
(v) other collateral or credit support (including face amount of letters of credit and similar third party credit support) received and posted by the <i>reporting fund</i>						
(vi) at the end of each month of the <i>reporting period</i> , expected increase in collateral required to be posted by the <i>reporting fund</i> , if required margin increases by 1%	Not Applicable		Not Applicable		Not Applicable	

(f) Derivative positions that are not cleared by a *CCP* (uncleared)

(i) <i>gross notional value</i> of <i>synthetic long positions</i> and <i>synthetic short positions</i>						
(ii) mark-to-market exposure of derivatives transactions before collateral						
(iii) <i>cash and cash equivalents</i> received and posted by the <i>reporting fund</i> as collateral						
(iv) <i>government securities</i> (other than <i>cash and cash equivalents</i> ) received and posted by the <i>reporting fund</i> as collateral						

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	1 <sup>st</sup> Month		2 <sup>nd</sup> Month		3 <sup>rd</sup> Month	
	B/CR	L/PC	B/CR	L/PC	B/CR	L/PC
(v) securities (other than <i>cash and cash equivalents</i> and <i>government securities</i> ) received and posted by the <i>reporting fund</i> as collateral						
(vi) other collateral or credit support (including face amount of letters of credit and similar third party credit support) received and posted by the <i>reporting fund</i>						
(vii) percentage of <i>synthetic long positions</i> (sum of (f)(i), (iii), (iv) and (v))						
(A) from <i>U.S. depository institutions</i>		Not Applicable		Not Applicable		Not Applicable
(B) from U.S. creditors that are not <i>U.S. depository institutions</i>		Not Applicable		Not Applicable		Not Applicable
(C) from non-U.S. creditors		Not Applicable		Not Applicable		Not Applicable
(viii) at the end of each month of the <i>reporting period</i> , expected increase in collateral required to be posted by the <i>reporting fund</i> , if required margin increases by 1%	Not Applicable		Not Applicable		Not Applicable	

42. Identify each creditor or other counterparty (including *CCPs*) to which the *reporting fund* owed an amount in respect of *cash borrowing entries* (before posted collateral) which is equal to or greater than either (1) 5% of *net asset value* as of the *data reporting date*, or (2) \$1 billion. In subsection (a), complete an *individual counterparty exposure table* for the five creditors and counterparties to which the *reporting fund* owed the greatest dollar amount in *cash borrowing entries* (before posted collateral). Follow the instructions for the *consolidated counterparty exposure table* in completing each *individual counterparty exposure table*.

Identify in subsection (b) all other creditors and counterparties (including *CCPs*) that were not the top five listed in the *individual counterparty tables*, but to which the *reporting fund* owed an amount in respect of *cash borrowing entries* (before posted collateral) which is equal to or greater than either (1) 5% of the *reporting fund's net asset value* as of the *data reporting date*, or (2) \$1 billion.

For the entities identified in subsection (b), report the legal entity name and *LEI* of each creditor or other counterparty, if it has one, as indicated in subsections (a)(i) or in subsection (b) at columns (a) and (c). Indicate whether the creditor or counterparty is affiliated with a major financial institution in subsection (a)(i)(c) or in subsection (b) at column (c). If you select "other," name and describe the financial institution in Question 4. You may not treat affiliated counterparty entities as a single group, except that, if the applicable contractual and legal documentation requires cross margining, report the *LEI* of the contractual counterparty, typically the prime broker.

For subsection (b), for each entity identified, report the *cash borrowing entries* as determined above in column (d) as a negative number and report total *collateral posted entries* by the *reporting fund* in column (e) as a positive number.

(a) *Individual Counterparty Exposure Table - Top 5 Creditor Counterparties [1, 2, 3, 4, 5]:* (Because borrowing and cash lending should be netted for each counterparty, only one entry is required in each row of this table.)

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- (i) (a) Counterparty name,  
 (b) LEI, and  
 (c) indicate if affiliated with a major financial institution [drop-down menu]

B/CR L/PC

(ii) <i>Unsecured borrowing – cash and cash equivalents</i>		NA
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(iii) *Secured borrowing and lending* (prime brokerage or other brokerage agreement)

- Check this box if one or more prime brokerage agreements provide for cross-margining of derivatives and secured financing transactions. If you have checked this box, and collateral does not clearly pertain to secured financing vs. derivatives transactions, report exposures and collateral as follows:
- For secured financing, exposures and collateral should be reported in sections (iii), (iv) and (v) as applicable
  - For derivatives,
    - Report the *gross notional value* and the mark-to-market of the derivatives transactions with other derivatives transactions (lines (vi)(A) and (vii)(A) and (B))
    - Report associated collateral as collateral received (B/CR) or posted collateral (L/PC) under the prime brokerage agreement (lines (iii)(B),(C), (D) and (E)).
  - For derivatives cleared by a *CCP*, for cases where the prime broker gathers additional collateral in excess of that required by exchanges, report collateral posted by the *reporting fund* to meet exchange requirements in the cleared derivatives section on lines (vi)(B), (C), (D), and (E), and enter any additional collateral gathered by the prime broker under a cross margining agreement on lines (iii)(B),(C), (D) and (E).

(A) <i>cash and cash equivalents</i> received in cash margin borrowing, or received or paid by the <i>reporting fund</i> in securities lending and short sale transactions		
(B) <i>cash and cash equivalents</i> received and posted by the <i>reporting fund</i> as collateral for derivatives under any cross-margining agreement		
(C) <i>government securities</i> (other than <i>cash and cash equivalents</i> ) received and posted by the <i>reporting fund</i>		
(D) <i>securities</i> (other than <i>cash and cash equivalents</i> and <i>government securities</i> ) received and posted by the <i>reporting fund</i>		
(E) other collateral or credit support (including face amount of letters of credit and similar third party credit support) received and posted by the <i>reporting fund</i>		

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B/CR L/PC

## (iv) Secured borrowing and lending via repo and reverse repo (include tri-party repo)

(A) cash and cash equivalents		
(B) government securities (other than cash and cash equivalents) received and posted by the reporting fund		
(C) securities (other than cash and cash equivalents and government securities) received and posted by the reporting fund		
(D) other collateral or credit support (including face amount of letters of credit and similar third party credit support) received and posted by the reporting fund		

## (v) Other secured borrowing and lending (describe in Question 4)

(A) cash and cash equivalents		
(B) government securities (other than cash and cash equivalents) received and posted by the reporting fund		
(C) securities (other than cash and cash equivalents and government securities) received and posted by the reporting fund		
(D) other collateral or credit support (including face amount of letters of credit and similar third party credit support) received and posted by the reporting fund		

## (vi) Derivative positions cleared by a CCP

(A) mark-to-market exposure of derivatives transactions before collateral		
(B) cash and cash equivalents received and posted by the reporting fund as collateral		
(C) government securities (other than cash and cash equivalents) received and posted by the reporting fund as collateral		
(D) securities (other than cash and cash equivalents and government securities) received and posted by the reporting fund as collateral		
(E) other collateral or credit support (including face amount of letters of credit and similar third party credit support) received and posted by the reporting fund		

## (vii) Derivative positions that are not cleared by a CCP (uncleared)

(A) gross notional value of synthetic long positions and synthetic short positions		
(B) mark-to-market exposure of derivatives transactions before collateral		
(C) cash and cash equivalents received and posted by the reporting fund as collateral		
(D) government securities (other than cash and cash equivalents) received and posted by the reporting fund as collateral		
(E) securities (other than cash and cash equivalents and government securities) received and posted by the reporting fund as collateral		

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	<i>B/CR</i>	<i>L/PC</i>
(F) other collateral or credit support (including face amount of letters of credit and similar third party credit support) received and posted by the <i>reporting fund</i>		

(b) Other Creditors and Counterparties

<i>(a)</i> Legal name of creditor or other counterparty	<i>(b)</i> Counterparty LEL, if any	<i>(c)</i> Indicate if creditor or other counterparty is affiliated with a major financial institution	<i>(d)</i> Borrowing by the reporting fund (in U.S. dollars)	<i>(e)</i> Collateral posted by the reporting fund (in U.S. dollars)
(i)		[drop-down list of counterparty names] Other: [Not applicable]		
(ii)		[drop-down list of counterparty names] Other: [Not applicable]		
(iii)		[drop-down list of counterparty names] Other: [Not applicable]		

43. Provide the information required by this question for counterparties to which the *reporting fund* had net mark to market counterparty credit exposure, after taking into account collateral received or posted by the *reporting fund*, which is equal to or greater than either (1) 5% of the *reporting fund's net asset value* as of the *data reporting date*, or (2) \$1 billion. Include *CCPs* or other third parties holding posted collateral of the *reporting fund* in respect of cleared exposures (including tri-party *repo*).

For counterparties to which the *reporting fund* had net *borrowing* exposure, the *reporting fund's net mark to market counterparty credit exposure before collateral* equals the *reporting fund's cash borrowing entries*. The *reporting fund's net mark to market counterparty credit exposure after collateral* is the amount (if any) by which the *collateral posted entries* exceed such *cash borrowing entries*.

For counterparties to which the *reporting fund* had net *lending* exposure, the *reporting fund's net mark to market counterparty credit exposure before collateral* means the *cash lending entries*. The *reporting fund's net mark to market counterparty credit exposure after collateral* equals the amount (if any) by which the *reporting fund's cash lending entries* exceed the *collateral received entries*.

For all counterparties (whether the *reporting fund* had borrowing or lending exposure), these computations will produce a positive value for the counterparties to which the *reporting fund* had net mark to market counterparty credit exposure after collateral. This may occur where the *reporting fund's* posted collateral exceeded *borrowings* by the *reporting fund* from a counterparty. It also may occur where collateral received by the *reporting fund* fell short of the *reporting fund's net mark to market counterparty credit exposure through cash and cash equivalents* received by a counterparty in margin borrowing, securities lending, *repo* and *reverse repo* transactions, and mark to market exposure in derivatives transactions.

Provide the information required by the *individual counterparty exposure table* at subsection (a) for the five counterparties to which the *reporting fund* had the greatest dollar net mark to market counterparty credit exposure after collateral. Do not report any counterparties that are reported in above in Question 42(a)) and do not include counterparties to which the *reporting fund's net market to market counterparty exposure* (after

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collateral) was not greater than either (1) 5% of the *reporting fund's net asset value* on the *data reporting date*, or (2) \$1 billion.

If there are more than five counterparties to which the *reporting fund* had net mark to market counterparty credit exposure after collateral which was equal to or greater than either (1) 5% of the *reporting fund's net asset value* as of the *data reporting date*, or (2) \$1 billion (and which are not reported in Question 42(a)), identify these additional counterparties in subsection (b). Report, for each such counterparty, the *reporting fund's* net mark to market counterparty credit exposure, before taking into account collateral (column (d)) which will be a negative number where the reporting fund is a net borrower, and a positive number where the *reporting fund* is a net lender, and net mark to market counterparty credit exposure, after taking into account collateral (column (e)), which will always be a positive number for any counterparties included in this table.

In the *individual counterparty table*, report the legal entity name and *LEI* of each creditor or other counterparty, if it has one, as indicated in subsection (a)(i)(a) and (a) (i)(b) or in subsection (b), columns (a) and (b). Indicate in subsection (a)(i)(c) or subsection (b), column (c), if the counterparty is affiliated with a major financial institution. If you select "other," name and describe the financial institution in Question 4. You may not treat affiliated counterparty entities as a single group, except that, if the applicable contractual and legal documentation requires cross margining, report the legal entity name and *LEI* of the contractual counterparty, typically the prime broker.

43(a) *Individual Counterparty Exposure Table - Top "Debtor" Counterparties Complete the Individual Counterparty Exposure Table (see Q42(a)) for each of the top "debtor" counterparties)*

43(b) Other Counterparties

(a) Legal name of counterparty	(b) Counterparty <i>LEI</i> , if any	(c) Indicate if counterparty is affiliated with a major financial institution	(d) Net mark to market exposure before collateral (in U.S. dollars)	(e) Net mark to market exposure after collateral (in U.S. dollars)
(i)		[drop-down list of counterparty names] Other: [Not applicable]		
(ii)		[drop-down list of counterparty names] Other: [Not applicable]		
(iii)		[drop-down list of counterparty names] Other: [Not applicable]		

44. Identify each *CCP* or other third party holding collateral posted by the reporting fund in respect of cleared exposures (including tri-party repo) equal to or exceeding either (1) 5% of the *reporting fund's net asset value* as of the *data reporting date* or (2) \$1 billion. (*Exclude counterparties reported in Questions 42 and 43*)



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- (vi) Historical lookback period used (*in number of years; enter "NA" if none used*).....
- (vii) VaR at the end of the 1st month of the reporting period (*as a % of NAV*).....
- (viii) VaR at the end of the 2nd month of the reporting period (*as a % of NAV*).....
- (ix) VaR at the end of the 3rd month of the reporting period (*as a % of NAV*).....


47. For each of the market factors identified below, determine the effect of the specified changes on the reporting fund's portfolio and provide the results. For market factors that have no direct effect on the reporting fund's portfolio, enter zero.

*(For market factors involving interest rates and credit spreads, separate the effect on your portfolio into long and short components where (i) the long component represents the aggregate result of all positions whose valuation changes in the opposite direction from the market factor under a given stress scenario, and (ii) the short component represents the aggregate result of all positions whose valuation changes in the same direction as the market factor under a given stress scenario.) (For market factors other than interest rates and credit spreads, separate the effect on your portfolio into long and short components where (i) the long component represents the aggregate result of all positions whose valuation changes in the same direction as the market factor under a given stress scenario and (ii) the short component represents the aggregate result of all positions whose valuation changes in the opposite direction from the market factor under a given stress scenario.)*

*(Assume that changes in a market factor occur instantaneously and that all other factors are held constant. If the specified change in any market factor would make that factor less than zero, use zero instead.)*

*(Please note the following regarding the market factors identified below:*

- (i) A change in "equity prices" means that the prices of all equities move up or down by the specified amount, without regard to whether the equities are listed on any exchange or included in any index;*
- (ii) "Risk free interest rates" means rates of interest accruing on sovereign bonds issued by governments having the highest credit quality, such as U.S. treasury securities; and interest rate swap rates in which a fixed rate is exchanged for a risk-free floating rate such as the secured overnight financing rate (SOFR) or the sterling overnight index average (SONIA);*
- (iii) "Non-parallel risk free interest rate movements" means only risk free rates in the indicated segment of the yield curve move, and no other rates, factors or prices move, and that all rates within the indicated segment of the yield curve move by the same amount;*
- (iv) A change in "credit spreads" means that all spreads against risk free interest rates change by the specified amount;*
- (v) A change in "currency rates" means that the values of all currencies move up or down by the specified amount relative to the reporting fund's base currency;*
- (vi) A change in "commodity prices" means that the prices of all physical commodities move up or down by the specified amount;*
- (vii) A change in "option implied volatilities" means that the implied volatilities of all the options that the reporting fund holds increase or decrease by the specified number of percentage points (additive, not multiplicative); and*

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(viii) A change in “default rates” means that the rate at which debtors default on all instruments of the specified type increases or decreases by the specified number of percentage points.)

Not relevant	Relevant/not formally tested	Market factor – changes in market factor	Effect on long components of portfolio (as % of NAV)	Effect on short components of portfolio (as % of NAV)
<input type="checkbox"/>	<input type="checkbox"/>	Equity prices:		
		Equity prices increase 10%.....		
		Equity prices decrease 10%.....		
<input type="checkbox"/>	<input type="checkbox"/>	Risk free interest rates (changes represent a parallel shift in the yield curve):		
		All risk free interest rates increase 50 bp.....		
		All risk free interest rates decrease 50 bp.....		
<input type="checkbox"/>	<input type="checkbox"/>	Non-parallel risk free interest rate movements:		
		0-3 year rates only increase 50 bp		
		0-3 year rates only decrease 50 bp		
		>3-10 year rates only increase 50 bp		
		>3-10 year rates only decrease 50 bp		
		Only all >10 year rates increase 50 bp		
		Only all >10 year rates decrease 50 bp		
<input type="checkbox"/>	<input type="checkbox"/>	Credit spreads:		
		Credit spreads increase 100 bp.....		
		Credit spreads decrease 100 bp.....		
<input type="checkbox"/>	<input type="checkbox"/>	Currency rates:		
		Currency rates increase 10%.....		
		Currency rates decrease 10%.....		
<input type="checkbox"/>	<input type="checkbox"/>	Commodity prices:		
		Commodity prices increase 10%.....		
		Commodity prices decrease 10%.....		
<input type="checkbox"/>	<input type="checkbox"/>	Option implied volatilities:		
		Implied volatilities increase 10 percentage points.		
		Implied volatilities decrease 10 percentage points.		

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<input type="checkbox"/>	<input type="checkbox"/>	Default rates ( <i>ABS</i> ):		
		Default rates increase 10 percentage points .....		
		Default rates decrease 10 percentage points .....		
<input type="checkbox"/>	<input type="checkbox"/>	Default rates ( <i>corporate bonds</i> and <i>CDS</i> ):		
		Default rates increase 10 percentage points .....		
		Default rates decrease 10 percentage points .....		

## 48. Portfolio correlation

- (a) For the *reporting fund's* investment portfolio as of the last day of each month of the *reporting period*, what is the average pairwise 3-month realized prior Pearson correlation of the periodic (e.g., daily or weekly) total rates of return for each portfolio position using the greatest available frequency of data over that window (e.g. daily or weekly)?
- (b) What is the frequency of the data used over the prior 3-month window (e.g. daily or weekly)?
- (c) For the *reporting fund's* investment portfolio as the last day of each month of the *reporting period*, utilizing 3-month realized prior Pearson correlations of the periodic (e.g., daily or weekly) total rates of return for each portfolio position and assuming 3-month realized prior volatilities of portfolio positions' periodic (e.g., daily or weekly) total rates of return with the same frequency window as that chosen when computing 3-month realized correlations, what is the expected annualized volatility?
- (d) For your portfolio as of the last day of each month of the *reporting period*, utilizing 3-month realized prior Pearson correlations of portfolio positions' periodic (e.g., daily or weekly) rates of return and assuming 3-month realized prior volatilities of the periodic (e.g., daily or weekly) total rates of return for each portfolio position with the same frequency window as that chosen when computing 3-month realized correlations, if you uniformly reduced pairwise correlations by twenty percentage points, what would be the resulting annualized volatility?
- (e) For your portfolio as of the last day of each month of the *reporting period*, utilizing 3-month realized prior Pearson correlations of the periodic (e.g., daily or weekly) total rates of return for each portfolio position and assuming 3-month realized prior volatilities of portfolio positions' periodic (e.g., daily or weekly) rates of return with the same frequency window as that chosen when computing 3-month realized correlations, if you uniformly increased pairwise correlations by twenty percentage points, what would be the resulting annualized volatility?

(In responding to this Question, cap the correlation at 100%,-100% in the event this Question would result in a correlation outside of that range.)

49. If you indicated more than one investment strategy for the *reporting fund* in Question 25 and you calculate and report performance results to current and prospective investors, counterparties, or otherwise, for one or more of the investment strategies reported in Question 25, report the gross performance results attributable to each such strategy during the *reporting period* in base currency terms.

You are required to provide monthly performance results only if such results are calculated for the *reporting fund* (whether for purposes of reporting to current and prospective investors, counterparties, or otherwise). You are not required to respond to this question if you report performance for the reporting fund as an internal rate of return.

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Investment Strategy	1st Month	2nd Month	3d Month	Quarterly

**Item D. Financing information**

50. Financing liquidity:

(a) Provide the aggregate dollar amount of *borrowing* by and cash financing available to the *reporting fund* (including all drawn and undrawn, committed and uncommitted lines of credit as well as any term financing).....

(b) Provide the dollar amount of financing that is available to the *reporting fund* but not used by type:

- (i) *unsecured borrowing*.....
- (ii) *secured borrowing via prime brokerage*.....
- (iii) *secured borrowing via reverse repo*.....
- (iv) *other secured borrowings*.....

(c) Divide the amount reported in response to part (a) among the periods specified below depending on the longest period for which the creditor is contractually committed to provide such financing.

*(If a creditor (or syndicate or administrative/collateral agent) is permitted to vary unilaterally the economic terms of the financing or to revalue posted collateral in its own discretion and demand additional collateral, then the financing should be deemed uncommitted for purposes of this question. Uncommitted financing should be included under "1 day or less.")*

*(The total should add up to 100%.)*

	% of total financing
1 day or less .....	
2 days – 7 days.....	
8 days – 30 days .....	
31 days – 90 days .....	
91 days – 180 days .....	
181 days – 365 days.....	
Longer than 365 days.....	

**Item E. Investor information**

51. (a) As of the *data reporting date*, what percentage of the *reporting fund's net asset value*, if any, is subject to a "side-pocket" arrangement?

*(This question relates to whether assets are currently in a side-pocket and not the potential for assets to be moved to a side-pocket.)*

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(b) Have additional assets been placed in a side-pocket since the end of the prior reporting period?  
(Check "NA" if you reported no assets under Question 51(a) in the current period and/or the prior period.)

- Yes                       No                       NA

52. Provide the following information regarding the reporting fund's restrictions on investor withdrawals and redemptions.

(For Questions 52 and 53, please note that the standards for imposing suspensions and restrictions on withdrawals/redemptions may vary among funds. Make a good faith determination of the provisions that would likely be triggered during conditions that you view as significant market stress.)

(If you responded "yes" to Question [x] in Section 1b, then you must respond to Questions 49(a)-(d).)

As of the data reporting date, what percentage of the reporting fund's net asset value, if any:

- (a) May be subjected to a suspension of investor withdrawals/redemptions by an adviser or fund governing body (this question relates to an adviser's or governing body's right to suspend and not just whether a suspension is currently effective).....
- (b) May be subjected to material restrictions on investor withdrawals/redemptions (e.g., "gates") by an adviser or fund governing body (this question relates to an adviser's or governing body's right to impose a restriction and not just whether a restriction has been imposed) .....
- (c) Is subject to a suspension of investor withdrawals/redemptions (this question relates to whether a suspension is currently effective and not just an adviser's or governing body's right to suspend) .....
- (d) Is subject to a material restriction on investor withdrawals/redemptions (e.g., a "gate") (this question relates to whether a restriction has been imposed and not just an adviser's or governing body's right to impose a restriction).....




Form PF Section 3	Information about <i>liquidity funds</i> that you advise	Page 44 of 55
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**Section 3: Information about the *liquidity funds* that you advise**

You must complete a separate Section 3 for each *liquidity fund* that you advise. However, with respect to *master-feeder arrangements* and *parallel fund structures*, you may report collectively or separately about the component funds as provided in the General Instructions.

**Item A. *Reporting fund* identifying and operational information**

54. (a) Name of the *reporting fund* ..... 

--

  
 (b) *Private fund* identification number of the *reporting fund* ..... 

--
55. Does the *reporting fund* use the amortized cost method of valuation in computing its *net asset value*?  
 Yes  No
56. Does the *reporting fund* use the penny rounding method of pricing in computing its *net asset value*?  
 Yes  No
57. (a) Does the *reporting fund* have a policy of complying with the *risk limiting conditions* of rule 2a-7?  
 Yes  No
- (b) If you responded “no” to Question 57(a) above, does the *reporting fund* have a policy of complying with the following provisions of rule 2a-7:
- |                                     |                          |     |                          |    |
|-------------------------------------|--------------------------|-----|--------------------------|----|
| (i) the diversification conditions? | <input type="checkbox"/> | Yes | <input type="checkbox"/> | No |
| (ii) the credit quality conditions? | <input type="checkbox"/> | Yes | <input type="checkbox"/> | No |
| (iii) the liquidity conditions?     | <input type="checkbox"/> | Yes | <input type="checkbox"/> | No |
| (iv) the maturity conditions?       | <input type="checkbox"/> | Yes | <input type="checkbox"/> | No |

**Item B. *Reporting fund* assets**

58. Provide the following information for each month of the *reporting period*.

	1st Month	2nd Month	3rd Month
(a) Net asset value of <i>reporting fund</i> as reported to current and prospective investors			
(b) Net asset value per share of <i>reporting fund</i> as reported to current and prospective investors ( <i>to the nearest hundredth of a cent</i> )			
(c) Net asset value per share of <i>reporting fund</i> ( <i>to the nearest hundredth of a cent; exclude the value of any capital support agreement or similar</i> )			
(d) <i>WAM</i> of <i>reporting fund</i> ( <i>in days</i> )			

Form PF Section 3	<b>Information about <i>liquidity funds</i> that you advise</b>	Page 45 of 55
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- (e) *WAL of reporting fund (in days)*
- (f) *7-day gross yield of reporting fund (to the nearest hundredth of one percent)*
- (g) *Dollar amount of the reporting fund's assets that are daily liquid assets*
- (h) *Dollar amount of the reporting fund's assets that are weekly liquid assets*
- (i) *Dollar amount of the reporting fund's assets that have a maturity greater than 397 days*


Form PF Section 3	<b>Information about <i>liquidity funds</i> that you advise (to be completed by <i>large private fund advisers</i> only)</b>	Page 46 of 55
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**Item C. Financing information**

59. (a) Is the amount of total *borrowing* reported in response to Question 18 equal to or greater than 5% of the *reporting fund's net asset value*?

- Yes                       No

(b) If you responded "yes" to Question 59(a) above, divide the dollar amount of total *borrowing* reported in response to Question 18 among the periods specified below depending on the type of *borrowing*, the type of creditor and the latest date on which the reporting fund may repay the principal amount of the *borrowing* without defaulting or incurring penalties or additional fees.

*(If a creditor (or syndicate or administrative/collateral agent) is permitted to vary unilaterally the economic terms of the financing or to revalue posted collateral in its own discretion and demand additional collateral, then the borrowing should be deemed to have a maturity of 1 day or less for purposes of this question. For amortizing loans, each amortization payment should be treated separately and grouped with other borrowings based on its payment date.)*

*(The total amount of borrowings reported below should equal approximately the total amount of borrowing reported in response to Question 18.)*

	<b>2 days</b>	<b>8 days</b>	<b>31 days</b>	<b>Greater</b>
<b>1 day or less</b>	<b>to 7 days</b>	<b>to 30 days</b>	<b>to 397 days</b>	<b>than 397 days</b>

- (i) *Unsecured borrowing*
  - (A) *U.S. financial institutions*.....
  - (B) *Non-U.S. financial institutions*.....
  - (C) *Other U.S. creditors* .....
  - (D) *Other non-U.S. creditors* .....


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(ii) *Secured borrowing*

(A) <i>U.S. financial institutions</i> .....					
(B) <i>Non-U.S. financial institutions</i> .....					
(C) <i>Other U.S. creditors</i> .....					
(D) <i>Other non-U.S. creditors</i> .....					

60. (a) Does the *reporting fund* have in place one or more committed liquidity facilities?

Yes  No

(b) If you responded “yes” to Question 60(a), provide the aggregated dollar amount of commitments under the liquidity facilities.....

--

**Item D. Investor information**

61. Specify the number of outstanding shares or units of the *reporting fund's* stock or similar securities .....

--

62. Provide the following information regarding investor concentration.  
(For purposes of this question, if you know that two or more beneficial owners of the *reporting fund* are affiliated with each other, you should treat them as a single beneficial owner.)

(a) Specify the percentage of the *reporting fund's* equity that is beneficially owned by the beneficial owner having the largest equity interest in the *reporting fund*.....

(b) How many investors beneficially own 5% or more of the *reporting fund's* equity?.....


63. Provide a good faith estimate, as of the *data reporting date*, of the percentage of the *reporting fund's* outstanding equity that was purchased using *securities lending collateral* .....

64. Provide the following information regarding the restrictions on withdrawals and redemptions by investors in the *reporting fund*.  
(For Questions 64 and 65, please note that the standards for imposing suspensions and restrictions on withdrawals/redemptions may vary among funds. Make a good faith determination of the provisions that would likely be triggered during conditions that you view as significant market stress.)

As of the *data reporting date*, what percentage of the *reporting fund's* net asset value, if any:

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- (a) May be subjected to a suspension of investor withdrawals/redemptions by an adviser or fund governing body (*this question relates to an adviser's or governing body's right to suspend and not just whether a suspension is currently effective*).....
- (b) May be subjected to material restrictions on investor withdrawals/redemptions (e.g., "gates") by an adviser or fund governing body (*this question relates to an adviser's or governing body's right to impose a restriction and not just whether a restriction been imposed*) .....
- (c) Is subject to a suspension of investor withdrawals/redemptions (*this question relates to whether a suspension is currently effective and not just an adviser's or governing body's right to suspend*).....
- (d) Is subject to a material restriction on investor withdrawals/redemptions (e.g., a "gate") (*this question relates to whether a restriction has been imposed and not just an adviser's or governing body's right to impose a restriction*)...


65. Investor liquidity (as a % of net asset value):

*(Divide the reporting fund's net asset value among the periods specified below depending on the shortest period within which investors are entitled, under the fund documents, to withdraw invested funds or receive redemption payments, as applicable. Assume that you would impose gates where applicable but that you would not completely suspend withdrawals/redemptions and that there are no redemption fees. Please base on the notice period before the valuation date rather than the date proceeds would be paid to investors. The total should add up to 100%.)*

	<b>% of NAV locked for</b>
1 day or less .....	
2 days – 7 days.....	
8 days – 30 days .....	
31 days – 90 days .....	
91 days – 180 days .....	
181 days – 365 days.....	
Longer than 365 days.....	

**Item E. Portfolio Information**

66. For each security held by the *reporting fund*, provide the following information for each month of the *reporting period*.

- (a) Name of the issuer.....
- (b) Title of the issue (including coupon, if applicable).....
- (c) CUSIP.....

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- (d) *LEI*, if available.....
- (e) In addition to CUSIP and *LEI*, provide at least one of the following other identifiers, if available:
- (i) ISIN.....
- (ii) CIK.....
- (iii) Other unique identifier.....
- (f) The category of investment that most closely identifies the instrument.....  
*(Select from among the following categories of investment: U.S. Treasury Debt; U.S. Government Agency Debt; Non-U.S. Sovereign, Sub-Sovereign and Supra-National debt; Certificate of Deposit; Non-Negotiable Time Deposit; Variable Rate Demand Note; Other Municipal Security; Asset Backed Commercial Paper; Other Asset Backed Securities; U.S. Treasury Repurchase Agreement, if collateralized only by U.S. Treasuries (including Strips) and cash; U.S. Government Agency Repurchase Agreement, collateralized only by U.S. Government agency securities, U.S. Treasuries, and cash; Other Repurchase Agreement, if any collateral falls outside Treasury, Government Agency and cash; Insurance Company Funding Agreement; Investment Company; Financial Company Commercial Paper; Non-Financial Company Commercial Paper; or Tender Option Bond. If Other Instrument, include a brief description.)*
- (g) For repos, specify whether the repo is “open” (*i.e.*, the repo has no specified end date and, by its terms, will be extended or “rolled” each business day (or at another specified period) unless the investor chooses to terminate it), and provide the following information about the securities subject to the repo (*i.e.*, the collateral):  
*(If multiple securities of an issuer are subject to the repo, the securities may be aggregated, in which case provide: (i) the total principal amount and value and (ii) the range of maturity dates and interest rates.)*
- (i) Whether the repo is “open” .....
- (ii) Name of the collateral issuer .....
- (iii) CUSIP.....
- (iv) *LEI*, if available .....
- (v) Maturity date .....
- (vi) Coupon or yield.....
- (vii) The principal amount, to the nearest cent.....
- (viii) Value of the collateral, to the nearest cent.....
- (ix) The category of investment that most closely represents the collateral.....  
*(Select from among the following categories of investment: Asset-Backed Securities; Agency Collateralized Mortgage Obligations; Agency Debentures and Agency Strips; Agency Mortgage-Backed Securities; Private Label Collateralized Mortgage Obligations; Corporate Debt Securities; Equities; Money Market; U.S. Treasuries (including strips); Other Instrument. If Other Instrument, include a brief description, including, if applicable, whether it is a collateralized debt obligation, municipal debt, whole loan, or*

Form PF Section 3	Information about <i>liquidity funds</i> that you advise (to be completed by <i>large private fund advisers</i> only)	Page 50 of 55
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*international debt*).

- (h) If the rating assigned by a *credit rating agency* played a substantial role in the *reporting fund's* (or its adviser's) evaluation of the quality, maturity or liquidity of the security, provide the name of each *credit rating agency* and the rating each assigned to the security.
- (i) The maturity date used to calculate *WAM*.....
- (j) The maturity date used to calculate *WAL*.....
- (k) The ultimate legal maturity date (*i.e.*, the date on which, in accordance with the terms of the security without regard to any interest rate readjustment or *demand feature*, the principal amount must unconditionally be paid) .....
- (l) If the security has a *demand feature* on which the *reporting fund* (or its adviser) is relying when evaluating the quality, maturity, or liquidity of the security, provide the following information:  
(If the security does not have such a *demand feature*, enter "NA.")
  - (i) Identity of the *demand feature* issuer(s) .....
  - (ii) If the rating assigned by a *credit rating agency* played a substantial role in the *reporting fund's* (or its adviser's) evaluation of the quality, maturity or liquidity of the *demand feature*, its issuer, or the security to which it relates, provide the name of each *credit rating agency* and the rating assigned by each *credit rating agency* .....
  - (iii) The period remaining until the principal amount of the security may be recovered through the *demand feature*.....
  - (iv) The amount (*i.e.*, percentage) of fractional support provided by each *demand feature* issuer.....
  - (v) Whether the *demand feature* is a *conditional demand feature* .....
- (m) If the security has a *guarantee* (other than an unconditional letter of credit reported in response to Question 66(l) above) on which the *reporting fund* (or its adviser) is relying when evaluating the quality, maturity, or liquidity of the security, provide the following information:  
(If the security does not have such a *guarantee*, enter "NA.")
  - (i) Identity of the *guarantor*(s) .....
  - (ii) If the rating assigned by a *credit rating agency* played a substantial role in the *reporting fund's* (or its adviser's) evaluation of the quality, maturity or liquidity of the *guarantee*, the *guarantor*, or the security to which the *guarantee* relates, provide the name of each *credit rating agency* and the rating assigned by each *credit rating agency*.....
  - (iii) The amount (*i.e.*, percentage) of fractional support provided by each *guarantor*.....
- (n) If the security has any enhancements, other than those identified in response to Questions 66(l) and (m) above, on which the *reporting fund* (or its adviser) is relying when evaluating the quality, maturity, or liquidity of the security, provide the following information:  
(If the security does not have such an enhancement, enter "NA.")
  - (i) Identity of the enhancement provider(s) .....
  - (ii) The type of enhancement(s) .....
  - (iii) If the rating assigned by a *credit rating agency* played a substantial role in the *reporting*

Form PF Section 3	Information about <i>liquidity funds</i> that you advise (to be completed by <i>large private fund advisers</i> only)	Page 51 of 55
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*fund's* (or its adviser's) evaluation of the quality, maturity or liquidity of the enhancement, its provider, or the security to which it relates, provide the name of each *credit rating agency* used and the rating assigned by the credit rating agency.....

- (iv) The amount (*i.e.*, percentage) of fractional support provided by each enhancement provider.....
- (o) The yield of the security as of the reporting date:.....
- (p) The total *value* of the *reporting fund's* position in the security, and separately, if the *reporting fund* uses the amortized cost method of valuation, the amortized cost value, in both cases to the nearest cent:
  - (i) Including the value of any sponsor support.....
  - (ii) Excluding the value of any sponsor support.....
- (q) The percentage of the *reporting fund's* net assets invested in the security, to the nearest hundredth of a percent.....
- (r) Is the security categorized as a level 3 asset or liability in Question 20?
- (s) Is the security a *daily liquid asset*?
- (t) Is the security a *weekly liquid asset*?
- (u) Is the security an *illiquid security*?
- (v) Explanatory notes. Disclose any other information that may be material to other disclosures related to the portfolio security.  
(If none, leave blank.)

#### Item F. Parallel Money Market Funds

67. If the *reporting fund* pursues substantially the same investment objective and strategy and invests side by side in substantially the same positions as a *money market fund* advised by you or any of your *related persons*, provide the *money market fund's* EDGAR series identifier .....
- (If neither you nor any of your related persons advise such a money market fund, enter "NA.")

Form PF Section 4	Information about <i>private equity funds</i> that you advise	Page 52 of 55
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**Section 4: – Information about *private equity funds* that you advise.**

You must complete a separate Section 4 for each *private equity fund* that you advise. However, with respect to *master-feeder arrangements* and *parallel fund structures*, you may report collectively or separately about the component funds as provided in the General Instructions.

**Item A. Reporting fund identifying information**

- |         |  |  |
|---------|--|--|
| 68. (a) | Name of the <i>reporting fund</i> .....                                      |  |
| (b)     | <i>Private fund</i> identification number of the <i>reporting fund</i> ..... |  |

**Item B. Reporting fund financing and investments**

69. (a) Do you or any of your *related persons* guarantee, or are you or any of your *related persons* otherwise obligated to satisfy, the obligations of any portfolio company in which the *reporting fund* invests?  
*(You are not required to respond “yes” simply because a portfolio company is a primary obligor and is also your related person.)*
- Yes
  No

- (b) If you responded “yes” to Question 69(a) above, report the total dollar value of all such guarantees and other obligations.....

- |     |  |  |
|-----|--|--|
| 70. | What is the weighted average debt-to-equity ratio of the <i>controlled portfolio companies</i> in which the <i>reporting fund</i> invests (expressed as a decimal to the tenths place)?<br><br><i>(Weighting should be based on gross assets of each controlled portfolio company as a percentage of the aggregate gross assets of the reporting fund’s controlled portfolio companies.)</i> |  |
| 71. | What is the highest debt-to-equity ratio of any <i>controlled portfolio company</i> in which the <i>reporting fund</i> invests (expressed as a decimal to the tenths place)?   |  |
| 72. | What is the lowest debt-to-equity ratio of any <i>controlled portfolio company</i> in which the <i>reporting fund</i> invests (expressed as a decimal to the tenths place)?  |  |
| 73. | What is the aggregate gross asset value of the <i>reporting fund’s controlled portfolio companies</i> ?  |  |
| 74. | What is the aggregate principal amount of <i>borrowings</i> categorized as current liabilities on the most recent balance sheets of the <i>reporting fund’s controlled portfolio companies</i> ?   |  |
| 75. | What is the aggregate principal amount of <i>borrowings</i> categorized as long-term liabilities on the most recent balance sheets of the <i>reporting fund’s controlled portfolio companies</i> ?   |  |
| 76. | What percentage of the aggregate <i>borrowings</i> of the <i>reporting fund’s controlled portfolio companies</i> is payment-in-kind (PIK) or zero-coupon debt?   |  |
| 77. | During the <i>reporting period</i> , did the <i>reporting fund</i> or any of its <i>controlled portfolio companies</i> experience an event of default under any of its indentures, loan agreements or  |  |



<b>Form PF Section 4</b>	<b>Information about private equity funds that you advise</b>	<b>Page 54 of 55</b>
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80. Provide a breakdown of the *reporting fund's* investments in portfolio companies by industry, based on the *NAICS codes* of the companies.  
(The total should add up to 100%.)

NAICS code	% of reporting fund's total portfolio company investment

81. (a) Provide a geographical breakdown of the gross value of the *reporting fund's* investments in portfolio companies (by percentage of the total gross value of the *reporting fund's* investments in portfolio companies).  
(The total should add up to approximately 100%.)

Region	%
(i) Africa .....	
(ii) Asia and Pacific (other than the Middle East) .....	
(iii) Europe (EEA) .....	
(iv) Europe (other than EEA) .....	
(v) Middle East .....	
(vi) North America .....	
(vii) South America .....	
(viii) Supranational .....	

- (b) Provide the gross value of the *reporting fund's* investments in portfolio companies in the following countries (by percentage of the total gross value of the *reporting fund's* investments in portfolio companies).  
(The total may not add up to 100%.)

Country	%
(i) Brazil .....	
(ii) China (including Hong Kong) .....	
(iii) India .....	
(iv) Japan .....	
(v) Russia .....	
(vi) United States .....	

If you or any of your *related persons* (other than the *reporting fund*) invest in any companies that are portfolio companies of the *reporting fund*, provide the aggregate dollar amount of these investments

Form PF Section 5	Request for temporary hardship exemption (to be completed by private fund advisers requesting exemption)	Page 55 of 55
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**Section 5: Request for temporary hardship exemption**

You must complete Section 5 if you are requesting a temporary hardship exemption pursuant to *SEC* rule 204(b)-1(f).

- A. For which type of Form PF filing are you requesting a temporary hardship exemption?
- If you are not a *large hedge fund adviser* or *large liquidity fund adviser*:
    - Initial filing
    - Annual update
    - Final filing
  - If you are a *large hedge fund adviser* or *large liquidity fund adviser*:
    - Initial filing
    - Quarterly update
    - Filing to transition to annual reporting
    - Final filing
- B. Provide the following information regarding your request for a temporary hardship exemption (attach a separate page if additional space is needed).
- Describe the nature and extent of the temporary technical difficulties when you attempt to submit the filing to the Form PF filing system on the IARD:
  - Describe the extent to which you previously have submitted documents in electronic format with the same hardware and software that you are unable to use to submit this filing:
  - Describe the burden and expense of employing alternative means (e.g., a service provider) to submit the filing in electronic format in a timely manner:
  - Provide any other reasons that a temporary hardship exemption is warranted:

## GLOSSARY OF TERMS

<i>10-year bond equivalent</i>	For interest rate sensitive positions, the equivalent position in a 10-year zero coupon bond, expressed in the base currency of the <i>reporting fund</i> .
<i>7-day gross yield</i>	Based on the 7 days ended on the <i>data reporting date</i> , calculate the <i>liquidity fund's</i> yield by determining the net change, exclusive of capital changes and income other than investment income, in the value of a hypothetical pre-existing account having a balance of one share at the beginning of the period and dividing the difference by the value of the account at the beginning of the base period to obtain the base period return, and then multiplying the base period return by (365/7) with the resulting yield figure carried to the nearest hundredth of one percent. The <i>7-day gross yield</i> should not reflect a deduction of shareholders fees and fund operating expenses.
<i>ABCP</i>	Asset backed commercial paper, including (but not limited to) structured investment vehicles, single-seller conduits and multi-seller conduit programs. <u>Do not</u> include any positions held via <i>CDS</i> (these should be recorded in the <i>CDS</i> category).
<i>ABS</i>	Securities derived from the pooling and repackaging of cash flow producing financial assets.
<i>Adjusted exposure</i>	The <i>value</i> of positions after netting as specified by instructions to Question 32.
<i>Advisers Act</i>	U.S. Investment Advisers Act of 1940, as amended.
<i>Affiliate</i>	With respect to any <i>person</i> , any other <i>person</i> that directly or indirectly <i>controls</i> , is <i>controlled</i> by or is under common <i>control</i> with such person. The term <i>affiliated</i> means that two or more <i>persons</i> are <i>affiliates</i> .
<i>Agency securities</i>	Any security issued by a <i>person</i> controlled or supervised by and acting as an instrumentality of the government of the United States pursuant to authority granted by the Congress of the United States and guaranteed as to principal or interest by the United States.
<i>AIF</i>	Include bond derivatives and positions held indirectly through another entity (e.g., through an <i>ETF</i> , <i>exchange traded product</i> , U.S. registered investment companies, <i>non-U.S. registered investment companies</i> , <i>internal private fund</i> or <i>external private fund</i> , <i>commodity pool</i> , or other company, fund or entity). An alternative investment fund that is not regulated under the UCITS Directive, as defined in the Directive of the European Parliament and of the Council on alternative investment fund managers (No. 2011/61/EU), as amended, or an alternative investment fund that is captured by the Alternative Investment Fund Managers (Amendment etc.) (EU Exit) Regulations 2019, as amended.

<i>Annual update</i>	An update of this Form PF with respect to any fiscal year.
<i>Borrowing and collateral received ("B/CR")</i>	The mark-to-market value, as of the <i>data reporting date</i> , of the following: (i) <i>cash and cash equivalents</i> received as <i>borrowing</i> , (ii) securities <i>borrowed</i> or received by the <i>reporting fund</i> (include securities borrowed in connection with short sales, securities lending and <i>repo</i> ), (iii) collateral posted by a counterparty to the <i>reporting fund's</i> account, (iv) negative market-to-market value of derivatives (from the <i>reporting fund's</i> point of view), and (v) the <i>gross notional value of synthetic long positions</i> .
<i>Borrowings</i>	<i>Secured borrowings</i> and <i>unsecured borrowings</i> , collectively. <i>Borrowings</i> by a <i>reporting fund</i> include, but are not limited to (i) <i>cash and cash equivalents</i> received with an obligation to repay; (ii) securities lending transactions (count <i>cash and cash equivalents</i> and securities received by the <i>reporting fund</i> in the transaction, including securities borrowed by the <i>reporting fund</i> for short sales); (iii) <i>repo</i> or <i>reverse repo</i> (count the <i>cash and cash equivalents</i> and securities received by the <i>reporting fund</i> ); (iv) negative mark-to-market of derivative transactions from the <i>reporting fund's</i> point of view; and (v) the <i>gross notional value of synthetic long positions</i> .
<i>bp</i>	Basis points.
<i>Cash and cash equivalents</i>	Cash (including U.S. and non-U.S. currencies) and cash equivalents. For purposes of this definition, cash equivalents are: (i) bank deposits, certificates of deposit, bankers acceptances and similar bank instruments held for investment purposes; (ii) the net cash surrender value of an insurance policy; or (iii) investments in <i>money market funds</i> .  <u>Do not include any digital asset in cash and cash equivalents.</u>
<i>Cash borrowing entries</i>	For Questions 26 and 41, the sum of amounts attributable to an individual counterparty included the entries on the following lines of the <i>reporting fund's consolidated counterparty exposure table</i> : (a) <i>unsecured borrowing – cash and cash equivalents</i> , (b)(i) <i>cash and cash equivalents</i> received by the <i>reporting fund</i> in margin loans and securities lending transactions, (c)(i) <i>cash and cash equivalents</i> received by the <i>reporting fund</i> related to <i>repo</i> and <i>reverse repo</i> (include tri-party <i>repo</i> ), (d)(i) <i>cash and cash equivalents</i> received by the <i>reporting fund</i> related to other <i>secured borrowing</i> , (e)(i) - negative mark to market exposure of derivative positions cleared by a <i>CCP</i> and (f)(i) and (ii) <i>gross notional value of synthetic long positions</i> and negative mark to market exposure of uncleared derivative positions (not cleared by a <i>CCP</i> ).

<i>Cash lending entries</i>	<p>For Questions 26 and 41, the sum of amounts attributable to an individual counterparty included the entries on the following lines of the <i>reporting fund's consolidated counterparty exposure table</i>:</p> <p>(b)(i) - <i>cash and cash equivalents</i> posted by <i>reporting fund</i> to the counterparty in margin borrowing and securities lending transactions,</p> <p>(c)(i) - <i>cash and cash equivalents</i> posted by the <i>reporting fund</i> relating to <i>repo</i> and <i>reverse repo</i> (include tri-party repo),</p> <p>(d)(i) - <i>cash and cash equivalents</i> posted by the <i>reporting fund</i> relating to other <i>secured borrowing</i>,</p> <p>(e) (i) - positive mark to market exposure in derivative positions cleared by a <i>CCP</i>, and</p> <p>(f) (i) and (ii) - <i>gross notional value</i> of <i>synthetic short positions</i> and positive mark to market exposure in uncleared derivative positions (not cleared by a <i>CCP</i>).</p>
<i>CCP</i>	Central clearing counterparties (or central clearing houses) (for example, CME Clearing, The Depository Trust & Clearing Corporation, Fedwire and LCH Clearnet Limited).
<i>CDO</i>	Collateralized debt obligations (including cash flow and synthetic). <u>Do not</u> include any positions held via <i>CDS</i> (these should be recorded in the <i>CDS</i> category).
<i>CDS</i>	Credit default swaps, including any <i>LCDS</i> .
<i>CEA</i>	U.S. Commodity Exchange Act, as amended.
<i>CFTC</i>	U.S. Commodity Futures Trading Commission.
<i>CITS</i>	Undertakings for Collective Investment in Transferable Securities, as defined in the UCITS Directive of the European Parliament and of the Council (No. 2009/65/EC), as amended, or as captured by the Collective Investment Schemes (Amendment etc.) (EU Exit) Regulations 2019, as amended.
<i>CLO</i>	Collateralized loan obligations (including cash flow and synthetic) other than <i>MBS</i> . <u>Do not</u> include any positions held via <i>CDS</i> (these should be recorded in the <i>CDS</i> category).
<i>Collateral posted entries</i>	<p>For Question 26, the sum of amounts attributable to an individual counterparty included the entries on the following lines of the <i>reporting fund's consolidated counterparty exposure table</i>:</p> <p>(b)(ii) - <i>cash and cash equivalents</i> posted by the <i>reporting fund</i> as collateral for derivatives under a cross-margining agreement;</p> <p>(b) (iii) - <i>government securities</i> and other securities posted by the <i>reporting fund</i> to the counterparty in margin borrowing, securities lending transactions, and as margin for derivatives under any cross-margining agreement;</p>

- (c)(ii) - *government securities* and other securities posted by the *reporting fund* relating to *repo* and *reverse repo* (include tri-party repo),
- (d)(ii) - *government securities* and other securities posted by the *reporting fund* relating to other *secured borrowing*,
- (e)(ii) and (iii) - *cash and cash equivalents*, *government securities* and other securities posted by the *reporting fund* as collateral relating to derivative positions cleared by a *CCP* and
- (f)(iii) and (iv) - *cash and cash equivalents*, *government securities* and other securities posted by the *reporting fund* as collateral relating to uncleared derivative positions (not cleared by a *CCP*).

For Question 41, entries on the following lines of the *reporting fund's* *counterparty credit exposure and collateral table*:

- (b)(ii) - *cash and cash equivalents* posted by the *reporting fund* as collateral for derivatives under a cross-margining agreement;
- (b) (iii), and (iv) *government securities* and other securities posted by the *reporting fund* to the counterparty in margin borrowing, securities lending transactions, and as margin for derivatives under any cross-margining agreement;
- (c)(ii) and (iii) - *government securities* and other securities posted by the *reporting fund* relating to *repo* and *reverse repo* (include tri-party repo),
- (d)(ii) and (iii) - *government securities* and other securities posted by the *reporting fund* relating to other *secured borrowing*,
- (e)(ii), (iii) and (iv) - *cash and cash equivalents*, *government securities* and other securities posted by the *reporting fund* as collateral relating to derivative positions cleared by a *CCP* and
- (f)(iii), (iv) and (v) - *cash and cash equivalents*, *government securities* and other securities posted by the *reporting fund* as collateral relating to uncleared derivative positions (not cleared by a *CCP*).

*Collateral received entries*

For Question 26, the sum of amounts attributable to an individual counterparty included the entries on the following lines of the *reporting fund's consolidated counterparty exposure table*:

- (b)(ii) - *cash and cash equivalents* received by the *reporting fund* as collateral for derivatives under any cross-margining agreement;
- (b)(iii) - *government securities* and other securities received by the *reporting fund* in cash margin borrowing and securities lending transactions,
- (c)(ii) - *government securities* and other securities received by the *reporting fund* related to *repo* and *reverse repo* (include tri-party repo),
- (d)(ii) - *government securities* and other securities received related to other *secured borrowing*,
- (e)(ii) and (iii) - *cash and cash equivalents*, *government securities* and other securities received as collateral in derivative positions cleared by a *CCP* and
- (f)(iii) and (iv) - *cash and cash equivalents*, *government securities* and other securities received as collateral in uncleared derivative positions (not cleared by a *CCP*).

For Question 41, entries on the following lines of the *reporting fund's*

*counterparty credit exposure and collateral table:*

(b)(ii) - *cash and cash equivalents* received by the *reporting fund* as collateral for derivatives under any cross-margining agreement;

(b)(iii) and (iv) - *government securities* and other securities received by the *reporting fund* in cash margin borrowing and securities lending transactions;

(c)(ii) and (iii) - *government securities* and other securities received by the *reporting fund* related to *repo* and *reverse repo* (include tri-party repo);

(d)(ii) and (iii) - *government securities* and other securities received related to other *secured borrowing*;

(e)(ii), (iii) and (iv) - *cash and cash equivalents*, *government securities* and other securities received as collateral in derivative positions cleared by a *CCP* and

(f)(iii), (iv) and (v) - *cash and cash equivalents*, *government securities* and other securities received as collateral in uncleared derivative positions (not cleared by a *CCP*).

*Combined money market and liquidity fund assets under management*

With respect to any adviser, the sum of: (i) such adviser's *liquidity fund assets under management*; and (ii) such adviser's *regulatory assets under management* that are attributable to *money market funds* that it advises.

*Committed capital*

Any commitment pursuant to which a *person* is obligated to acquire an interest in, or make capital contributions to, the *private fund*.

*Commodities*

Has the meaning provided in the *CEA*.

For questions regarding *commodities*, provide the *value* of all exposure to *commodities* that you hold physically, synthetically or through derivatives (whether cash or physically settled), or indirectly through another entity (e.g., through an *ETF*, *exchange traded product*, U.S. registered investment companies, *non-U.S. registered investment companies*, *internal private fund* or *external private fund*, *commodity pool*, or other company, fund or entity).

*Commodity pool*

A "commodity pool," as defined in section 1a(10) of the *CEA*.

*Conditional demand feature*

Has the meaning provided in *rule 2a-7*.

*Consolidated counterparty exposure table*

For hedge funds, other than *qualifying hedge funds*, the Section 1c table (at Question 26) that collects the *reporting fund's borrowing and collateral received and lending and posted collateral* aggregated across all creditors and counterparties as of the end of the *reporting period*.

For *qualifying hedge funds*, the Section 2 table (at Question 41) that collects the *reporting fund's borrowing and collateral received and lending and posted collateral* aggregated across all creditors and counterparties as of the end of the *reporting period*.

## Form PF: Glossary of Terms

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<i>Control</i>	Has the meaning provided in <i>Form ADV</i> . The term <i>controlled</i> has a corresponding meaning.
<i>Controlled portfolio company</i>	With respect to any <i>private equity fund</i> , a portfolio company that is <i>controlled</i> by the <i>private equity fund</i> , either alone or together with the <i>private equity fund's affiliates</i> or other persons that are, as of the <i>data reporting date</i> , part of a club or consortium including the <i>private equity fund</i> .
<i>Convertible bonds</i>	Convertible <i>corporate bonds</i> (not yet converted into shares or cash). Include bond derivatives, but <u>do not</u> include any positions held via <i>CDS</i> (these should be recorded in the <i>CDS</i> category). Include positions held indirectly through another entity (e.g., through an <i>ETF</i> , <i>exchange traded product</i> , U.S. registered investment companies, <i>non-U.S. registered investment companies</i> , <i>internal private fund</i> or <i>external private fund</i> , <i>commodity pool</i> , or other company, fund or entity).
<i>Corporate bonds</i>	Bonds, debentures and notes, including commercial paper, issued by corporations and other non-governmental entities. <u>Do not</u> include preferred equities. Include bond derivatives, but <u>do not</u> include any positions held via <i>CDS</i> (these should be recorded in the <i>CDS</i> category). Include positions held indirectly through another entity (e.g., through an <i>ETF</i> , <i>exchange traded product</i> , U.S. registered investment companies, <i>non-U.S. registered investment companies</i> , <i>internal private fund</i> or <i>external private fund</i> , <i>commodity pool</i> , or other company, fund or entity).
<i>Correlation derivative</i>	A derivative transaction for which the underlying asset is the between the price or rate movements of two instruments.
<i>CPO</i>	A “commodity pool operator,” as defined in section 1a(11) of the <i>CEA</i> .
<i>Credit derivatives</i>	<i>Single name CDS</i> , <i>index CDS</i> and <i>exotic CDS</i> .
<i>Credit rating agency</i>	Any nationally recognized statistical rating organizations, as that term is defined in section 3(a)(62) of the Securities Exchange Act of 1934.
<i>CTA</i>	A “commodity trading advisor,” as defined in section 1a(12) of the <i>CEA</i> .
<i>Daily liquid assets</i>	Has the meaning provided in <i>rule 2a-7</i> .
<i>Data reporting date</i>	<p>If you are a <i>large hedge fund adviser</i> or a <i>large liquidity fund adviser</i> responding to Items on this Form PF relating to any <i>hedge fund</i> or <i>liquidity fund</i>, the <i>data reporting date</i> is the last calendar day of the most recently completed calendar quarter for all Items on Form PF relating to such <i>hedge funds</i> and <i>liquidity funds</i>.</p> <p>If you are filing an initial filing or <i>annual update</i> for any other <i>private fund</i>, the <i>data reporting date</i> is the last calendar day of your most recently completed fiscal year.</p>

## Form PF: Glossary of Terms

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<i>Demand feature</i>	Has the meaning provided in <i>rule 2a-7</i> .
<i>Dependent parallel managed account</i>	With respect to any <i>private fund</i> , any related <i>parallel managed account</i> <u>other than</u> a <i>parallel managed account</i> that individually (or together with other <i>parallel managed accounts</i> that pursue substantially the same investment objective and strategy and invest side by side in substantially the same positions) has a <i>gross asset value</i> greater than the <i>gross asset value</i> of such <i>private fund</i> (or, if such <i>private fund</i> is a <i>parallel fund</i> , the <i>gross asset value</i> of the <i>parallel fund structure</i> of which it is a part).
<i>Digital asset</i>	An asset that is issued and/or transferred using distributed ledger or blockchain technology (“distributed ledger technology”), including, but not limited to, so-called “virtual currencies,” “coins,” and “tokens.”
<i>EEA</i>	European Economic Area. If the composition of the EEA has changed after the effective date of this Form PF, use the current composition of the EEA as of the data reporting date.
<i>ETF</i>	Exchange-traded fund.
<i>Exchange traded products</i>	An investment traded on a stock exchange that invests in underlying securities or assets, such as an <i>ETF</i> or exchange traded note.
<i>Exempt reporting adviser</i>	Has the meaning provided in <i>Form ADV</i> .
<i>Exotic CDS</i>	<i>CDSs</i> referencing bespoke baskets or tranches of <i>CDOs</i> , <i>CLOs</i> and other structured investment vehicles, including credit default tranches.
<i>External private funds</i>	<i>Private funds</i> that neither you nor your <i>related persons</i> advise.
<i>Feeder fund</i>	See <i>master-feeder arrangement</i> .
<i>Financial industry portfolio company</i>	Any of the following: (i) a nonbank financial company, as defined in the Financial Stability Act of 2010; or (ii) any bank, savings association, bank holding company, financial holding company, savings and loan holding company, credit union or other similar company regulated by a federal, state or foreign banking regulator, including the Federal Deposit Insurance Corporation, the Board of Governors of the Federal Reserve System, the Office of the Comptroller of the Currency, the National Credit Union Administration or the Farm Credit Administration.
<i>Firm</i>	The <i>private fund adviser</i> completing or amending this Form PF.
<i>Foreign exchange derivative</i>	Any derivative whose underlying asset is a currency other than the base currency of the <i>reporting fund</i> or is an exchange rate. Cross-currency interest rate swaps and currency forwards should be included in <i>foreign exchange derivatives</i> and excluded from <i>interest rate derivatives</i> .

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If one leg of the *foreign exchange derivative* is the base currency of the *private fund*, only the foreign currency side of the transaction should be counted. If neither leg of the *foreign exchange derivative* is in the base currency, both legs should be counted.

<i>Form ADV</i>	Form ADV, as promulgated and amended by the <i>SEC</i> .
<i>Form ADV Section 7.B.1 G10</i>	Section 7.B.1 of Schedule D to <i>Form ADV</i> . The Group of Ten. If the composition of the G10 has changed after the effective date of this Form PF, use the current composition of the G10.
<i>Government entity</i>	Has the meaning provided in <i>Form ADV</i> .
<i>Government securities</i>	Are: (i) <i>U.S. treasury securities</i> ; (ii) <i>agency securities</i> ; and (iii) any certificate of deposit for any of the foregoing.
<i>Gross asset value</i>	Value of gross assets, calculated in accordance with Part 1A, Instruction 6.e(3) of <i>Form ADV</i> .
<i>Gross exposure</i>	The sum of the absolute value of all of the <i>reporting fund's</i> long and short positions with legal and contractual rights to a <i>reference asset</i> .
<i>Gross notional value</i>	The nominal or notional value of all transactions that have been entered into but not yet settled as of the <i>data reporting date</i> . For contracts with variable nominal or notional principal amounts, the basis for reporting is the nominal or notional principal amounts as of the <i>data reporting date</i> computed as the number of shares or units of the underlying <i>reference asset</i> times current price on the <i>data reporting date</i> .
<i>GSE bonds</i>	Notes, bonds and debentures issued by private entities sponsored by the U.S. federal government but not guaranteed as to principal and interest by the U.S. federal government. Include GSE MBS.  Include bond derivatives, but <u>do not</u> include any positions held via <i>CDS</i> (these should be recorded in the <i>CDS</i> category). Include positions held indirectly through another entity (e.g., through an <i>ETF</i> , <i>exchange traded product</i> , U.S. registered investment companies, <i>non-U.S. registered investment companies</i> , <i>internal private fund</i> or <i>external private fund</i> , <i>commodity pool</i> , or other company, fund or entity).
<i>Guarantee</i>	For purposes of Question 66, has the meaning provided in paragraph (a)(16)(i) of <i>rule 2a-7</i> .
<i>Guarantor</i>	For purposes of Question 66, the provider of any <i>guarantee</i> .
<i>Hedge fund</i>	<i>Any private fund (other than a securitized asset fund):</i> (a) with respect to which one or more investment advisers (or related persons of investment advisers) may be paid a performance fee or

allocation calculated by taking into account unrealized gains (other than a fee or allocation the calculation of which may take into account unrealized gains solely for the purpose of reducing such fee or allocation to reflect net unrealized losses);

- (b) that may borrow an amount in excess of one-half of its net asset value (including any committed capital) or may have gross notional exposure in excess of twice its net asset value (including any committed capital); or
- (c) that may sell securities or other assets short or enter into similar transactions (other than for the purpose of hedging currency exposure or managing duration).

Solely for purposes of this Form PF, any commodity pool about which you are reporting or required to report on Form PF is categorized as a hedge fund. For purposes of this definition, do not net long and short positions. Include any borrowings or notional exposure of another person that are guaranteed by the private fund or that the private fund may otherwise be obligated to satisfy.

*Hedge fund assets under management*

With respect to any adviser, *hedge fund assets under management* are the portion of such adviser's *regulatory assets under management* that are attributable to *hedge funds* that it advises.

*Illiquid security*

Has the meaning provided in *rule 2a-7*.

*Index CDS*

*CDSs* referencing a standardized basket of credit entities, including *CDS* indices and indices referencing leveraged loans.

*Individual counterparty exposure table*

The tables at Questions 42 and 43 that collect the *reporting fund's borrowing and collateral received and lending and posted collateral* for each identified creditors and other counterparties as of the end of the *reporting period*.

*Inflation derivative*

A derivative transaction for which the underlying asset is the rate of inflation in a given country, or the price or yield of inflation-linked debt securities.

*Instrument type*

The instrument types specified by Question 32.

*Interest rate derivative*

Any derivative whose underlying asset is the obligation to pay or the right to receive a given amount of money accruing interest at a given rate. Cross-currency interest rate swaps should be included in *foreign exchange derivatives* and excluded from *interest rate derivatives*. This information must be presented in terms of the *10-year bond equivalents*.

*Internal private funds investment grade*

*Private funds* that you or any of your *related persons* advise. A security is *investment grade* if it is sufficiently liquid that it can be sold at or near its carrying value within a reasonably short period of time and is subject to no greater than moderate credit risk.

*Internal rate of return*

The discount rate that causes the net present value of all cash flows throughout the life of the fund to be equal to zero. *See also, rate of return*.

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<i>Investments in non-U.S. registered investment companies</i>	Investments in investment companies (other than <i>private funds</i> , <i>money market funds</i> and <i>ETFs</i> ) organized outside the U.S. and not registered as investment companies under the Investment Company Act of 1940.
<i>Investments in other sub-asset classes</i>	Any investment not included in another <i>sub-asset class</i> .
<i>ISDA</i>	International Swaps and Derivatives Association
<i>Large hedge fund adviser</i>	Any <i>private fund adviser</i> that is required to file Section 2 of Form PF for a <i>qualifying hedge fund</i> . See Instruction 3 to determine whether you are required to file this section.
<i>Large liquidity fund adviser</i>	Any <i>private fund adviser</i> that is required to file Section 3 of Form PF. See Instruction 3 to determine whether you are required to file this section.
<i>Large private equity adviser</i>	Any <i>private fund adviser</i> that is required to file Section 4a of Form PF. See Instruction 3 to determine whether you are required to file this section.
<i>Large private fund adviser</i>	Any <i>large hedge fund adviser</i> , <i>large liquidity fund adviser</i> or <i>large private equity adviser</i> .
<i>LCDS</i>	Loan credit default swaps.
<i>LEI</i>	With respect to any company, the “legal entity identifier” assigned by or on behalf of an internationally recognized standards setting body and required for reporting purposes by the U.S. Department of the Treasury’s Office of Financial Research or a financial regulator. Do not substitute any other identifier that does not meet this definition.
<i>Lending and posted collateral (LPC)</i>	<p>The mark-to-market value, as of the <i>data reporting date</i>, of the following: (i) <i>cash and cash equivalents</i> received by a counterparty from the <i>reporting fund</i> with the obligation to repay (exclude portfolio investments), (ii) securities borrowed or received by a counterparty in a <i>reverse repo</i> or securities lending transaction, (iii) collateral posted by the <i>reporting fund</i> to a counterparty, (iv) positive mark-to-market value of derivatives (from the reporting fund’s point of view) and (v) gross notional value of <i>synthetic short positions</i>.</p> <p>Do not include in lending and posted collateral any portfolio holdings or transactions for investment purposes, such as debt or equity securities issued by a counterparty, or the credit exposure of the <i>reporting fund</i> obtained by making secured or unsecured loans or similar transactions as part of the <i>reporting fund’s</i> investment strategy. For example, in the case of an option on a debt security, report counterparty credit exposure in respect of the positive or negative mark-to-market value of the option and associated posted collateral; do not report the credit risk of the underlying debt security.</p>
<i>Leveraged loans</i>	Loans that are made to entities whose senior unsecured long term indebtedness is non-investment grade. This may include loans made in

	<p>connection with the financing structure of a leveraged buyout. Do not include any positions held via LCDS (these should be recorded in the CDS category). Include positions held indirectly through another entity (e.g., through an ETF, exchange traded product, U.S. registered investment companies, non-U.S. registered investment companies, internal private fund or external private fund, commodity pool, or other company, fund or entity).</p>
<i>Liquidity fund</i>	<p>Any private fund that seeks to generate income by investing in a portfolio of short term obligations in order to maintain a stable net asset value per unit or minimize principal volatility for investors.</p>
<i>Liquidity fund assets under management</i>	<p>With respect to any adviser, <i>liquidity fund assets under management</i> are the portion of such adviser's <i>regulatory assets under management</i> that are attributable to <i>liquidity funds</i> it advises (including <i>liquidity funds</i> that are also <i>hedge funds</i>).</p>
<i>Listed equity</i>	<p>Equities, including preferred equities, listed on a regulated exchange. Include synthetic or derivative exposures to equities. Include positions held indirectly through another entity (e.g., through an <i>ETF, exchange traded product</i>, U.S. registered investment companies, <i>non-U.S. registered investment companies, internal private fund or external private fund, commodity pool</i>, or other company, fund or entity).</p>
<i>Listed equity derivatives</i>	<p>All synthetic or derivative exposures to equities, including preferred equities, listed on a regulated exchange. Include e.g., single stock futures, equity index futures, derivatives relating to ADRs, and other derivatives relating to indices on <i>listed equities</i>, dividend swaps, total return swaps (contracts for difference), warrants and rights.</p>
<i>LV</i>	<p><i>Value</i> of long positions, measured as specified in Instruction 15.</p>
<i>Master fund</i>	<p>See <i>master-feeder arrangement</i>.</p>
<i>Master-feeder arrangement</i>	<p>An arrangement in which one or more funds ("<i>feeder funds</i>") invest all or substantially all of their assets in a single <i>private fund</i> ("<i>master fund</i>"). A fund would also be a <i>feeder fund</i> investing in a <i>master fund</i> for purposes of this definition if it issued multiple classes (or series) of shares or interests and each class (or series) invests substantially all of its assets in a single <i>master fund</i>.</p>
<i>Maturity</i>	<p>The maturity of the relevant asset, determined without reference to the maturity shortening provisions contained in paragraph (i) of <i>rule 2a-7</i> regarding interest rate readjustments.</p>
<i>MBS</i>	<p>Mortgage backed securities, including residential, commercial and agency. <u>Do not</u> include any positions held via <i>CDS</i> (these should be recorded in the <i>CDS</i> category).</p>

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<i>Money market fund</i>	Has the meaning provided in <i>rule 2a-7</i> .
<i>NAICS code</i>	With respect to any company, the six-digit North American Industry Classification System code that best describes the company's primary business activity and principal source of revenue. If the company reports a business activity code to the U.S. Internal Revenue Service, you may rely on that code for this purpose.
<i>Net asset value or NAV</i>	With respect to any <i>reporting fund</i> , the gross assets reported in response to Question 12 minus any outstanding indebtedness or other accrued but unpaid liabilities.
<i>Net assets under management</i>	<i>Net assets under management</i> are your <i>regulatory assets under management</i> minus any outstanding indebtedness or other accrued but unpaid liabilities.
<i>Netted exposure</i>	The <i>reporting fund's</i> exposure to a <i>reference asset</i> , after netting under instructions at Question 39.
<i>NFA</i>	The National Futures Association.
<i>Non-investment grade Non-U.S. financial institution</i>	A security is <i>non-investment grade</i> if it is not an <i>investment grade</i> security. Any of the following: (i) a financial institution chartered outside the United States; (ii) a financial institution that is separately incorporated or otherwise organized outside the United States but has a parent that is a financial institution chartered in the United States; or (iii) a branch or agency that resides in the United States but has a parent that is a financial institution chartered outside the United States.
<i>OTC</i>	With respect to any instrument, the trading of that instrument over the counter.
<i>Other ABS</i>	<i>ABS</i> products that are not covered by another <i>sub-asset class</i> .
<i>Other commodities</i>	<i>Commodities</i> other than agriculture, base metals, crude oil, natural gas, gold, other (non-gold) precious metals, and power and other energy commodities. For questions regarding <i>other commodities</i> , provide the <i>value</i> of all exposure to <i>other commodities</i> that you hold physically, synthetically or through derivatives (whether cash or physically settled), and positions held indirectly through another entity (e.g., through an <i>ETF</i> , <i>exchange traded product</i> , U.S. registered investment companies, <i>non-U.S. registered investment companies</i> , <i>internal private fund</i> or <i>external private fund</i> , <i>commodity pool</i> , or other company, fund or entity).
<i>Other derivatives</i>	Any derivative not included as another <i>instrument type</i> or <i>sub-asset class</i> .
<i>Other loans</i>	All loans other than <i>leveraged loans</i> . <i>Other loans</i> includes (but is not limited to) bilateral or syndicated loans to corporate entities.

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<i>Other private fund</i>	<i>Any private fund that is not a hedge fund, liquidity fund, private equity fund, real estate fund, securitized asset fund or venture capital fund.</i>
<i>Other structured products</i>	<i>Any structured products not included in another sub-asset class. Do not include any positions held via CDS (these should be recorded in the CDS category).</i>
<i>Parallel fund</i>	<i>See parallel fund structure.</i>
<i>Parallel fund structure</i>	<i>A structure in which one or more private funds (each, a “parallel fund”) pursues substantially the same investment objective and strategy and invests side by side in substantially the same positions as another private fund.</i>
<i>Parallel managed account</i>	<i>With respect to any private fund, a parallel managed account is any managed account or other pool of assets that you advise and that pursues substantially the same investment objective and strategy and invests side by side in substantially the same positions as the identified private fund.</i>
<i>Person</i>	<i>Has the meaning provided in Form ADV.</i>
<i>Position calculated value</i>	<i>The value of a portfolio position using the most recent price or value available for purposes of managing the investment portfolio. Where a given position is valued less frequently than daily, the last price used should be carried forward, though a current foreign exchange rate may be applied if the position is not valued in the reporting fund’s base currency. Position calculated values do not need to be subjected to fair valuation procedures. The position calculated value may be calculated using the adviser’s own internal methodologies and conventions of the adviser’s service providers, provided that these are consistent with information reported internally.</i>
<i>Principal office and place of business</i>	<i>Has the meaning provided in Form ADV.</i>
<i>Private equity fund</i>	<i>Any private fund that is not a hedge fund, liquidity fund, real estate fund, securitized asset fund or venture capital fund and does not provide investors with redemption rights in the ordinary course.</i>
<i>Private equity fund assets under management</i>	<i>With respect to any adviser, private equity fund assets under management are the portion of such adviser’s regulatory assets under management that are attributable to private equity funds it advises.</i>
<i>Private fund</i>	<i>Any issuer that would be an investment company as defined in section 3 of the Investment Company Act of 1940 but for section 3(c)(1) or 3(c)(7) of that Act. If any private fund has issued two or more series (or classes) of equity interests whose values are determined with respect to separate portfolios of securities and other assets, then each such series (or class) should be regarded as a separate private fund. This only applies with respect to series (or classes)</i>

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	that you manage as if they were separate funds and not a fund's side pockets or similar arrangements.
<i>Private fund adviser</i>	Any investment adviser that (i) is registered or required to register with the SEC (including any investment adviser that is also registered or required to register with the CFTC as a CPO or CTA) and (ii) advises one or more private funds.
<i>Private fund assets under management</i>	With respect to any adviser, <i>private fund assets under management</i> are the portion of such adviser's <i>regulatory assets under management</i> that are attributable to <i>private funds</i> it advises.
<i>Qualifying hedge fund</i>	Any <i>hedge fund</i> that has a <i>net asset value</i> (individually or in combination with any <i>feeder funds</i> , <i>parallel funds</i> and/or <i>dependent parallel managed accounts</i> ) of at least \$500 million as of the last day of any month in the fiscal quarter immediately preceding your most recently completed fiscal quarter. In determining whether a <i>hedge fund</i> meets this threshold, you may exclude the fund's investments in other <i>private funds</i> (including <i>internal private funds</i> and <i>external private funds</i> ).
<i>Quarterly update</i>	An update of this Form PF with respect to any fiscal quarter.
<i>Rate of return</i>	For a <i>reporting fund</i> , the <i>rate of return</i> is the percentage change in the <i>reporting fund aggregate calculated value</i> in the <i>reporting fund's</i> base currency from one date to another and adjusted for subscriptions and redemptions. For a portfolio position, the <i>rate of return</i> is the percentage change in the <i>position calculated value</i> , adjusted for income earned. See also, <i>internal rate of return</i> .
<i>Real estate fund</i>	Any <i>private fund</i> that is not a <i>hedge fund</i> , that does not provide investors with redemption rights in the ordinary course and that invests primarily in real estate and real estate related assets.
<i>Reference asset</i>	A security or other investment asset to which the <i>reporting fund</i> is exposed through direct ownership ( <i>i.e.</i> , a physical or cash position), synthetically ( <i>i.e.</i> , the subject of a derivative or similar instrument held by the <i>reporting fund</i> ), or indirect ownership ( <i>e.g.</i> , through <i>ETFs</i> , other <i>exchange traded products</i> , U.S. registered investment companies, <i>non-U.S. registered investment companies</i> , <i>internal private funds</i> , <i>external private funds</i> , <i>commodity pools</i> , or other companies, fund or entities. In the case of futures contracts permitting multiple deliverable assets, the <i>reference asset</i> should be the then-current cheapest to deliver instrument. You may identify the <i>reporting fund's</i> <i>reference assets</i> according to your internal methodologies and the conventions of service providers, provided that these methodologies and conventions are consistently applied and do not conflict with any instructions or guidance relating to this Form, and reported information is consistent with information you report internally and to investors and counterparties.

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<i>Regulatory assets under management</i>	Regulatory assets under management, calculated in accordance with Part 1A, Instruction 5.b of <i>Form ADV</i> .
<i>Related person</i>	Has the meaning provided in <i>Form ADV</i> .
<i>Repo</i>	Any purchase of securities coupled with an agreement to sell the same (or similar) securities at a later date at an agreed upon price ( <i>i.e.</i> , a “securities in” transaction). <u>Do not</u> include any positions held via <i>CDS</i> (these should be recorded in the <i>CDS</i> category).
<i>Reporting fund</i>	A <i>private fund</i> as to which you must report information on Form PF. Typically, each <i>private fund</i> is a <i>reporting fund</i> .
<i>Reporting fund aggregate calculated value</i>	Calculated in U.S. dollars (or the <i>reporting fund</i> 's base currency, if specified in a question). Every position in the <i>reporting fund</i> 's portfolio, including <i>cash and cash equivalents</i> , with the most recent price or value applied to the position for purposes of managing the investment portfolio. Where one or more portfolio positions are valued less frequently than daily, the last price used should be carried forward, though a current foreign exchange rate may be applied if the position is not valued in U.S. dollars or the <i>reporting fund</i> 's base currency, as required. It is not necessary to adjust the <i>reporting fund aggregate calculated value</i> for accrued fees or expenses. <i>Reporting fund aggregate calculated values</i> do not need to be subjected to fair valuation procedures. The inclusion of income accruals is recommended but not required; however, the approach should be consistent over time. The <i>reporting fund aggregate calculated value</i> may be calculated using the adviser's own internal methodologies and conventions of the adviser's service providers, provided that these are consistent with information reported internally.
<i>Reporting period</i>	With respect to an <i>annual update</i> , the twelve month period ending on the <i>data reporting date</i> . With respect to a <i>quarterly update</i> , the three month period ending on the <i>data reporting date</i> .
<i>Reverse repo</i>	Any sale of securities coupled with an agreement to repurchase the same (or similar) securities at a later date at an agreed upon price ( <i>i.e.</i> , a “securities out” transaction).
<i>Risk limiting conditions RSSD ID</i>	The conditions specified in paragraphs (d) of <i>rule 2a-7</i> . The identifier assigned by the National Information Center of the Board of Governors of the Federal Reserve System, if any.
<i>Rule 2a-7</i>	Rule 2a-7 promulgated by the <i>SEC</i> under the Investment Company Act of 1940.
<i>SEC</i>	U.S. Securities and Exchange Commission.

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<i>Secured borrowing</i>	Obligations for borrowed money in respect of which the borrower has posted collateral or other credit support. For purposes of this definition, <i>reverse repos</i> are <i>secured borrowings</i> .
<i>Securities lending collateral</i>	Cash pledged to the <i>reporting fund's</i> beneficial owners as collateral in respect of securities lending arrangements.
<i>Securitized asset fund</i>	Any <i>private fund</i> whose primary purpose is to issue asset backed securities and whose investors are primarily debt-holders.
<i>Separately operated</i>	For purposes of this Form, a <i>related person</i> is <i>separately operated</i> if you are not required to complete Section 7.A. of Schedule D to <i>Form ADV</i> with respect to that <i>related person</i> .
<i>Single name CDS</i>	<i>CDSs</i> referencing a single entity. Includes sovereign <i>single name CDS</i> , financial institution <i>single name CDS</i> , and other <i>single name CDS</i> .
<i>Sovereign bonds</i>	Any notes, bonds and debentures issued by a national government (including central governments, other governments and central banks but excluding U.S. state and local governments), whether denominated in a local or foreign currency. Include bond derivatives, but <u>do not</u> include any positions held via <i>CDS</i> (these should be recorded in the <i>CDS</i> category). Include positions held indirectly through another entity (e.g., through an <i>ETF</i> , <i>exchange traded product</i> , U.S. registered investment companies, <i>non-U.S. registered investment companies</i> , <i>internal private fund</i> or <i>external private fund</i> , <i>commodity pool</i> , or other company, fund or entity).
<i>Structured products</i>	Pre-packaged investment products, typically based on derivatives and including structured notes.
<i>Sub-asset class</i>	Each sub-asset class identified in Question 32.
<i>Synthetic long position</i>	A total return derivative or similar contract under which (i) the <i>reporting fund</i> receives returns of a risky reference asset in exchange for paying the returns of a different, riskless reference asset, or (ii) the <i>reporting fund</i> sells deep-in-the-money puts on a risky reference asset in exchange for an option premium. Total return derivatives may include, for example, a derivative that receives the total return or credit spread of equity or debt securities issued by individual issuers, or baskets or indices of such securities, including swaps, forwards, deep-in-the-money options and credit default swaps which receive the credit spread (also sometimes described as "short credit protection"). Exclude total return derivatives that have been cleared through a <i>CCP</i> ; include uncleared <i>OTC</i> derivative positions only.  Include derivatives providing the return of equity securities, real estate, <i>digital assets</i> , commodities, sovereign bonds, corporate bonds, municipal

bonds, and other assets.

Do not include *interest rate derivatives, volatility derivatives, variance derivatives* or *foreign exchange derivatives*. Do not include deep-in-the-money call options purchased by the *reporting fund* if the *reporting fund* has already paid the option premium in full, but include them if the premium is being paid over time.

*Synthetic short position*

A total return derivative or similar contract under which (i) the *reporting fund* pays returns of a risky reference asset in exchange for receiving the returns of a different, riskless reference asset, or (ii) the *reporting fund* sells deep-in-the-money calls on a risky reference asset in exchange for an option premium. Total return derivatives may include, for example, a derivative where the fund pays the total return or credit spread of equity or debt securities issued by individual issuers, or baskets or indices of such securities, including swaps, forwards, deep-in-the-money options, and credit default swaps which pay the credit spread (also sometimes described as “long credit protection”). Exclude total return derivatives that have been cleared through a *CCP*; include uncleared *OTC* derivative positions only.

Include derivatives where the fund pays the return of equity securities, real estate, *digital assets*, commodities, sovereign bonds, corporate bonds, municipal bonds and other assets.

Do not include *interest rate derivatives, volatility derivatives, variance derivatives* or *foreign exchange derivatives*. Do not include deep-in-the-money put options purchased by the *reporting fund* if the *reporting fund* has already paid the option premium in full; do include them if the premium is being paid over time.

*Trading vehicle*

A separate legal entity, wholly-owned by one or more *reporting funds*, that holds assets, incurs leverage, or conducts trading or other activities as part of a *reporting fund's* investment activities but does not operate a business.

*U.S. depository institution*

Any U.S. domiciled depository institution, including any of the following: (i) a depository institution chartered in the United States, including any federally-chartered or state-chartered bank, savings bank, cooperative bank, savings and loan association, or an international banking facility established by a depository institution chartered in the United States; (ii) banking offices established in the United States by a financial institution that is not organized or chartered in the United States, including a branch or agency located in the United States and engaged in banking not incorporated separately from its financial institution parent, United States subsidiaries established to engage in international business, and international banking facilities; (iii) any bank chartered in any of the following United States affiliated areas: U.S. territories of American Samoa, Guam, and the U.S. Virgin Islands; the Commonwealth of the Northern Mariana Islands; the Commonwealth of Puerto Rico; the Republic of the Marshall Islands; the Federated States of Micronesia; and the Trust Territory of the Pacific Islands (Palau); or (iv) a credit union (including a natural person or corporate credit union).

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<i>U.S. financial institution</i>	Any of the following: (i) a financial institution chartered in the United States (whether federally-chartered or state-chartered); (ii) a financial institution that is separately incorporated or otherwise organized in the United States but has a parent that is a financial institution chartered outside the United States; or (iii) a branch or agency that resides outside the United States but has a parent that is a financial institution chartered in the United States.
<i>U.S. treasury securities</i>	Direct obligations of the U.S. Government. Include <i>U.S. treasury security derivatives</i> . Include positions held indirectly through another entity (e.g., through an <i>ETF</i> , <i>exchange traded product</i> , U.S. registered investment companies, <i>non-U.S. registered investment companies</i> , <i>internal private fund</i> or <i>external private fund</i> , <i>commodity pool</i> , or other company, fund or entity).
<i>Unencumbered cash</i>	The sum of the <i>private fund's</i> (i) <i>cash and cash equivalents</i> , (ii) <i>government securities</i> , and (iii) the value of overnight repos used for liquidity management where the assets purchased are <i>U.S. treasury securities</i> or <i>agency securities</i> minus the sum of the following (without duplication): (i) <i>cash and cash equivalents</i> and <i>government securities</i> transferred to a collateral taker pursuant to a title transfer arrangement; and (ii) <i>cash and cash equivalents</i> and <i>government securities</i> subject to a security interest, lien or other encumbrance (this could include <i>cash and cash equivalents</i> and <i>government securities</i> in an account subject to a control agreement).
<i>Unfunded commitments</i>	<i>Committed capital</i> that has not yet been contributed to the <i>reporting fund</i> by investors.
<i>United States person</i>	Has the meaning provided in rule 203(m)-1 under the Advisers Act, which includes any natural person that is resident in the United States.
<i>Unlisted equity</i>	Equities, including preferred equities, that are not listed on a regulated exchange. Include synthetic or derivative exposures to equities and positions held indirectly through another entity (e.g., through an <i>ETF</i> , <i>exchange traded product</i> , U.S. registered investment companies, <i>non-U.S. registered investment companies</i> , <i>internal private fund</i> or <i>external private fund</i> , <i>commodity pool</i> , or other company, fund or entity).
<i>Unsecured borrowing</i>	Obligations for borrowed money in respect of which the borrower has not posted collateral or other credit support.
<i>Value</i>	See Instruction 15.
<i>VaR</i>	For a given portfolio, the loss over a target horizon that will not be exceeded at some specified confidence level.
<i>Variance derivative</i>	A derivative transaction for which the underlying asset is the price or yield variance of one or more assets or indices.

<i>Venture capital fund</i>	Any <i>private fund</i> meeting the definition of venture capital fund in rule 203(l)-1 of the <i>Advisers Act</i> .
<i>Volatility derivative</i>	A derivative transaction for which the underlying asset is the price or yield volatility of one or more assets or indices.
<i>WAL</i>	Weighted average portfolio maturity of a <i>liquidity fund</i> calculated taking into account the maturity shortening provisions contained in paragraph (i) of rule 2a-7, but determined without reference to the exceptions in paragraph (i) of rule 2a-7 regarding interest rate readjustments.
<i>WAM</i>	Weighted average portfolio maturity of a <i>liquidity fund</i> calculated taking into account the maturity shortening provisions contained in paragraph (i) of rule 2a-7.
<i>Weekly liquid assets</i>	Has the meaning provided in rule 2a-7.

## BILLING CODE 8011-01-C

**Note:** The following Commodity Futures Trading Commission (CFTC) appendices will not appear in the Code of Federal Regulations.

### CFTC Appendices to Amendments to Form PF To Amend Reporting Requirements for All Filers and Large Hedge Fund Advisers—CFTC Voting Summary and Commissioners' Statements

#### CFTC Appendix 1—Voting Summary

On this matter, Chairman Behnam and Commissioners Johnson and Goldsmith Romero voted in the affirmative. Commissioners Mersinger and Pham voted in the negative.

#### CFTC Appendix 2—Statement of Chairman Rostin Behnam

I appreciate all of the hard work of the staff in the Commodity Futures Trading Commission's Market Participants Division as well as the staff at the Securities and Exchange Commission, the Department of the Treasury, the Federal Reserve Board, and the Financial Stability Oversight Council for their work on this proposal. I look forward to the public's thoughtful comments on the proposal to improve the usefulness of Form PF.

#### CFTC Appendix 3—Statement of Commissioner Kristin N. Johnson

Transparency is an integral component of the regulatory framework that ensures the safety and soundness and enduring preeminence our financial markets.

Working in collaboration with our colleagues at the Securities and Exchange Commission (SEC) to enhance oversight and improve visibility through thoughtfully designed and well-calibrated collection approaches is consistent with our mission and statutory mandate—to “insure the

financial integrity of all transactions subject to this Act and the avoidance of systemic risk.”<sup>398</sup>

The Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act)<sup>399</sup> incorporated innovative regulatory features for promoting the stability of the US financial system, including establishing the Financial Stability Oversight Council (FSOC) to monitor for emerging systemic risks that could significantly impact our financial markets and American consumers.<sup>400</sup>

Today's proposal seeks to further our commitment to achieving these values. Consequently, I support issuing for comment the proposal to amend Form PF, and look forward to the thoughtful, substantive contributions that the proposed amendments will engender.

Congress in drafting the Dodd-Frank Act recognized that risks with systemic import are best monitored through collaboration amongst the US financial regulators, each with distinct regulatory mandates, and leveraging their resources and expertise to support FSOC's overarching responsibilities. Form PF reflects these statutory qualities. As directed by the Dodd-Frank Act, the Commission and SEC in 2011 jointly issued rules to provide FSOC with important information about private fund operations and strategies through Form PF.<sup>401</sup>

The private fund industry has only grown in size and importance since 2011. In the third quarter of 2021, private funds reported a staggering \$12 trillion of assets on Form PF.<sup>402</sup> The sheer aggregate size of private

funds signifies the potential for events in this industry to produce reverberating effects on the integrity of our financial markets and, in turn, remarkably influence the welfare of American consumers. Form PF over the last decade has provided financial regulators with needed transparency into this potentially systemically significant sector of the financial system.<sup>403</sup>

I support the Commissions' endeavor to build on data collection points that need clarity and to propose revisions in response to changes in financial markets as well as market participants and regulators' experience with Form PF as a tool for gathering information. Over the last decade, private funds have adopted new practices, investment strategies and an appetite for investing in non-traditional assets.<sup>404</sup> The proposed revisions to Form PF aim to adapt to these developments as informed by experience in administering Form PF.

Notwithstanding these important gains, I note that it will be important to hear from and consider the concerns raised by all stakeholders, including for example, concerns regarding the costs and challenges of reporting, particularly for smaller entities. I anticipate the proposal to amend Form PF will engender important substantive contributions that will refine our understanding of the benefits of data collection, enhance transparency, and improve our ability to preserve the integrity of our markets.

#### CFTC Appendix 4—Statement of Commissioner Christy Goldsmith Romero

As a U.S. financial markets regulator and a member of the Financial Stability Oversight Council (“FSOC”), the Commission has a

Commodity Futures Trading Commission on 8/10/2022) (Proposed Rules) at 8 n.7, <https://www.cftc.gov/media/7536/votingdraft081022Parts275and279/download>.

<sup>398</sup> See Proposed Rules at 150.

<sup>404</sup> Proposed Rules at 7–8.

<sup>398</sup> Section 3(b) of the Commodity Exchange Act, 7 U.S.C. 5(b).

<sup>399</sup> Public Law 111–203, 124 Stat. 1376 (2010).

<sup>400</sup> See Sections 111 and 120 of the Dodd-Frank Act.

<sup>401</sup> Reporting by Investment Advisers to Private Funds and Certain Commodity Pool Operators and Commodity Trading Advisers on Form PF, 76 FR 71128, 71129 (Nov. 16, 2011).

<sup>402</sup> Amendments to Form PF to Amend Reporting Requirements for All Filers and Large Hedge Fund Advisers (Voting Copy—As approved by the

critical responsibility to monitor, identify, and respond to systemic risks and emerging threats to U.S. financial stability. I support the proposed amendments to Form PF because they will enhance one of the Commission's tools to fulfill that critical responsibility and facilitate our regulatory oversight of private funds.<sup>1</sup>

One lesson from the financial crisis was the risk of contagion to U.S. financial markets from private-fund activities, strategies, and exposures, including those related to novel or complex derivatives. This was evident with the failure of Bear Stearns' structured credit funds in the lead-up to the financial crisis, and more recently, with the failure of Archegos Capital Management. These examples, and others, highlight the necessity for U.S. financial regulators to have visibility into funds' activities and exposures to fulfill their regulatory responsibilities and ultimately, to prevent or mitigate the buildup of systemic risk in the U.S. financial system.

This proposal marks important coordination with the Securities and Exchange Commission ("SEC") to enhance joint reporting requirements and guard against hidden risks in the U.S. financial system.

The CFTC and SEC embark on this proposed rulemaking after nearly a decade of experience of private fund reporting.<sup>2</sup> It is particularly appropriate to revisit our reporting framework given that, as U.S. financial markets have evolved over the past decade, the private fund space has grown and

<sup>1</sup> The data collected also supports the CFTC's supervision, examinations, enforcement investigations, and customer protections.

<sup>2</sup> The Dodd-Frank Wall Street Reform and Consumer Protection Act, section 112, Public Law 111-203, 124 Stat. 1376 (2010) (the "Dodd-Frank Act"), required the SEC and CFTC to establish joint rules in furtherance of the FSOC's critical mission to monitor systemic risk through the creation of Form PF. See Section 406 of the Dodd-Frank Act. Since 2012, private fund advisers, including certain commodity pool operators and commodity trading advisers that are dually-registered with both the CFTC and SEC, have been required to file reports regarding their operations and holdings through Form PF. See also Reporting by Investment Advisers to Private Funds and Certain Commodity Pool Operators and Commodity Trading Advisers on Form PF, 76 FR 71128 (Nov. 16, 2011).

evolved in tandem. This is why we seek public comment on new or revised areas of data—including those intended to provide further insight into complex structures, new types of instruments, identification data, redemption and withdrawal rights, ownership, and counterparty exposures, among other subjects. It is also important that we collect information on fund exposure to digital assets in order to understand evolving market risk.

Our objective is to increase the usefulness of the data collected; to ensure that it is actually used as Congress intended to bring transparency to risk previously hidden. I look forward to reviewing public comment on whether the proposal would meet our objective.

Thank you to Commission staff for working with my office to improve the proposal to facilitate effective oversight by the CFTC. I commend staff from both agencies on this proposal, and on future information sharing, that will promote the financial stability of U.S. financial markets.

#### **CFTC Appendix 5—Dissenting Statement of Commissioner Summer K. Mersinger**

I am respectfully voting to dissent on the joint SEC/CFTC proposed rulemaking to amend Form PF, the confidential reporting form for certain SEC-registered investment advisers to private funds. The class of registered investment advisers required to submit Form PF includes those that also are registered with the CFTC as commodity pool operators or commodity trading advisers.

As I previously stated in my concurrence to the CFTC's recent Request for Information on Climate-Related Financial Risk ("Climate RFI"),<sup>1</sup> I support efforts to engage market participants, industry, and the general public in our policy-making process. And I agree that after a decade of experience with Form PF, it is appropriate to evaluate possible amendments. If improvements can be made

<sup>1</sup> See Concurring Statement of Commissioner Summer K. Mersinger Regarding Request for Information on Climate-Related Financial Risk (June 2, 2022), available at <https://www.cftc.gov/PressRoom/SpeechesTestimony/mersingerstatement060222>.

that would enable us to collect more efficiently data that we truly need to fulfill our responsibilities, while reducing unnecessary burdens on those required to supply that data, we should consider them.

However, I do not support this particular proposal. Data and information that federal regulators request from market participants should be narrowly tailored to the purpose intended under our governing statutes, and unfortunately, that does not appear to be the overall approach in this proposal. I am even more concerned that constructive input the agencies already have received over the years from market participants that actually complete Form PF receives little attention in the proposal.

I look forward to receiving the public's comments, which I hope will inform the Commissions' consideration of final amendments to Form PF that provide for the collection of necessary data as efficiently as possible.

#### **CFTC Appendix 6—Dissenting Statement of Commissioner Caroline D. Pham**

I respectfully dissent from the proposed amendments to the Reporting Form for Investment Advisers to Private Funds and Certain Commodity Pool Operators and Commodity Trading Advisers (Form PF). The proposed joint amendments, an action of the CFTC as well as the SEC, seem to impose overly broad obligations that would be unnecessarily burdensome and would present potentially significant operational challenges and costs without a persuasive cost-benefit analysis under the Commodity Exchange Act (CEA).<sup>1</sup> In a time of economic challenges, including rising inflation, we must be careful when considering proposals that could inhibit positive economic activity that supports American businesses and jobs. I look forward to hearing from commenters as to the proposed amendments, including practical implementation issues and the relative costs and benefits of the proposal.

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<sup>1</sup> 7 U.S.C. 19.