Reporting by Investment Advisers to Private Funds and Certain Commodity Pool Operators and Commodity Trading Advisors on Form PF

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

ACTION: Joint final rules.

SUMMARY: The Commodity Futures Trading Commission (“CFTC”) and the Securities and Exchange Commission (“SEC”) (collectively, “we” or the “Commissions”) are adopting new rules under the Commodity Exchange Act and the Investment Advisers Act of 1940 to implement provisions of Title IV of the Dodd-Frank Wall Street Reform and Consumer Protection Act. The new SEC rule requires investment advisers registered with the SEC that advise one or more private funds and have at least $150 million in private fund assets under management to file Form PF with the SEC. The new CFTC rule requires commodity pool operators (“CPOs”) and commodity trading advisors (“CTAs”) registered with the CFTC to satisfy certain CFTC filing requirements with respect to private funds, should the CFTC adopt such requirements, by filing Form PF with the SEC, but only if those CPOs and CTAs are also registered with the SEC as investment advisers and are required to file Form PF under the Advisers Act. The new CFTC rule also allows such CPOs and CTAs to satisfy certain CFTC filing requirements with respect to commodity pools that are not private funds, should the CFTC adopt such requirements, by filing Form PF with the SEC. Advisers must file Form PF electronically, on a confidential basis. The information contained in Form PF is designed, among other things, to assist the Financial Stability Oversight Council in its assessment of systemic risk in the U.S. financial system.

DATES: The effective date for the addition of 17 CFR 4.27 (rule 4.27 under the Commodity Exchange Act), 17 CFR 275.204(b)–1 (rule 204(b)–1 under the Investment Advisers Act of 1940) and 17 CFR 279.9 (Form PF), as well as the revision to the authority citation for 17 CFR part 4, is March 31, 2012. See section III of this Release for compliance dates.

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I. Background

A. The Dodd-Frank Act and the Financial Stability Oversight Council

On July 21, 2010, President Obama signed into law the Dodd-Frank Wall Street Reform and Consumer Protection Act (“Dodd-Frank Act”).4 One significant focus of this legislation is to “promote the financial stability of the United States” by, among other measures, establishing better monitoring of emerging risks using a system-wide perspective.5 To further this goal, the Act establishes the Financial Stability Oversight Council (“FSOC”) and directs it to monitor risks to the U.S. financial system. The Act also gives FSOC a number of tools to carry out this mission.6 For instance, FSOC may

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1 7 U.S.C. 1a.
2 Form PF is a joint form between the SEC and the CFTC only with respect to sections 1 and 2 of the Form. Sections 3 and 4 of the Form are adopted solely by the SEC.
3 15 U.S.C. 80b. Unless otherwise noted, when we refer to the Advisers Act, or any paragraph of the Advisers Act, we are referring to 15 U.S.C. 80b of the United States Code, at which the Advisers Act is codified, and when we refer to Advisers Act rule 204(b)–1, or any paragraph of this rule, we are referring to 17 CFR 275.204(b)–1 of the Code of Federal Regulations in which this rule will be, in 2011. In addition, when we refer to the “Investment Company Act,” or any paragraph of the Investment Company Act, we are referring to 15 U.S.C 80a of the United States Code, at which the Investment Company Act of 1940 is codified.

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6 See Sections 113 and 120 of the Dodd-Frank Act. In a recent rulemaking release, FSOC explained that its response to any potential threat to financial stability will be based on an assessment of the circumstances. See Authority to Require Supervision and Regulation of Certain Nonbank
determine that a nonbank financial company will be subject to the supervision of the Board of Governors of the Federal Reserve System ("FRB") if the company may pose risks to U.S. financial stability as a result of its activities or in the event of its material financial distress. In addition, FSOC may issue recommendations to primary financial regulators, like the SEC and CFTC, for more stringent regulation of financial activities that FSOC determines may create or increase systemic risk.8

The Dodd-Frank Act anticipates that various regulatory agencies, including the Commissions, will support FSOC.9 To that end, the Dodd-Frank Act amended section 204(b) of the Advisers Act to require that the SEC establish reporting and recordkeeping requirements for advisers to private funds,10 many of which must also register for the first time as a consequence of the Dodd-Frank Act.11

These new requirements may include maintaining records and filing reports containing such information as the SEC deems necessary and appropriate in the public interest and for investor protection or for the assessment of systemic risk by FSOC.12 The SEC and CFTC must jointly issue, after consultation with FSOC, rules establishing the form and content of any reports to be filed under this new authority.13

On January 26, 2011, in a joint release, the CFTC and SEC proposed new rules and a new reporting form intended to implement this statutory mandate.14 In the release, the SEC proposed new Advisers Act rule 204(b)–1, which would require private fund advisers to file Form PF periodically with the SEC.15 In addition, the CFTC proposed new rule 4.27,16 which would

require private fund advisers that are also registered as CPOs or CTAs with the CFTC to satisfy certain proposed CFTC systemic risk reporting requirements, should the CFTC adopt such requirements, by filing Form PF.17 Today, we are adopting these proposed rules and Form PF with several changes from the proposal that are designed to respond to commenter concerns. Consistent with the proposal, advisers must report on Form PF certain information regarding the private funds they manage, and this information is intended to complement information the SEC collects on Form ADV and information the CFTC separately has proposed to collect from CPOs and CTAs.18 Collectively, these reporting forms will provide FSOC and the Commissions with important information about the basic operations and strategies of private funds and help establish a baseline picture of potential systemic risk in the private fund industry.

The SEC is adopting Advisers Act rule 204(b)–1 and Form PF to enable FSOC to obtain data that will facilitate monitoring of systemic risk in U.S. financial markets. Our understanding of the utility to FSOC of the data to be collected is based on our staffs' consultations with staff representing the members of FSOC. The design of Form PF is not intended to reflect a determination as to where systemic risk exists but rather to provide empirical data to FSOC with which it may make a determination about the extent to which the activities of private funds or their advisers pose such risk. The information made available to FSOC will be collected for FSOC's use by the Commissions in their role as the primary regulators of private fund advisers. The policy judgments implicit in the information required to be reported on Form PF reflect FSOC's role as the primary user of the reported


12 The Dodd-Frank Act does not identify specific information to be included in these reports, but section 204(b) of the Act directs the SEC to require that the records and reports required under that section cumulatively include a description of certain information about private funds, such as the amount of assets under management, use of leverage, counterparty credit risk exposure, and trading and investment positions for each private fund advised by the adviser. See Reporting by Investment Advisers to Private Funds and Certain Commodity Pool Operators and Commodity Trading Advisors on Form PF, Investment Advisers Act Release No. 3145 (January 26, 2011), 76 FR 8068 (February 11, 2011) ("Proposing Release") at 13 and accompanying text.

13 See section 211(e) of the Advisers Act.

14 As discussed below, Form PF is a joint form between the SEC and the CFTC, and is only with respect to sections 1 and 2 of the Form.

15 Throughout this Release, we use the term "private fund adviser" to mean any investment adviser that (i) is registered or required to register with the SEC (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. Advisers solely to venture capital funds or advisers solely to private funds that in the aggregate have less than $150 million in assets under management in the United States that rely on the exemption from registration under, respectively, section 203(b) or 203(m) of the Advisers Act ("exempt reporting advisers") are not required to file Form PF. See infra section II.A.7 of this Release.

16 Because the CFTC is not adopting the remainder of proposed CEA rule 4.27 at the same time as it is adopting this rule, the CFTC has modified the designation of CEA rule 4.27(b) to be the sole text of that section. See Commodity Pool Operators and Commodity Trading Advisors: Amendments to Compliance Obligations (Jan. 26, 2011), 76 FR 7976 (Feb. 11, 2011) ("CFTC Proposing Release"). Amendments to Form PF, see note 17.

17 For these private fund advisers, filing Form PF through the Form PF filing system would be a filing with both the SEC and CFTC. Irrespective of their filing a Form PF with the SEC, the CFTC has proposed that all private fund advisers that are also registered as CPOs and CTAs with the CFTC would be required to file Schedule A of Form CPO–PQR (for CPOs) or Schedule A of Form CTA–PR (for CTAs). See CFTC Proposing Release, supra note 16.

18 See Proposing Release, supra note 12, at 16, concerning the purposes of Form PF. References in this Release to Form ADV or terms defined in Form ADV or its glossary are to the form and glossary as amended in the Implementing Adopting Release, supra note 11.

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information for the purpose of monitoring systemic risk. The SEC would not necessarily have required the same scope of reporting if the information reported on Form PF were intended solely for the SEC’s use. We expect the information collected on Form PF and provided to FSOC will be an important part of FSOC’s systemic risk monitoring in the private fund industry.\(^\text{19}\) We note that, simultaneously with the consultations between our staffs and the staffs representing FSOC’s members, FSOC has been building out its standards for assessing systemic risk across different kinds of financial firms and has proposed guidance and standards for determining which nonbank financial companies should be designated as subject to FRB supervision.\(^\text{20}\)

In its most recent release on this subject, FSOC confirmed that the information reported on Form PF is important not only to conducting an assessment of systemic risk among private fund advisers but also to determining how that assessment should be made.\(^\text{21}\)

The Commissions received more than 35 letters responding to the proposal, with trade associations, investment advisers and law firms accounting for most of the comments. Commenters representing investors were generally supportive of the proposal but thought it should have required more of private fund advisers.\(^\text{22}\) Some of these supporters argued, in particular, for more detailed and more frequent reporting than we proposed.\(^\text{23}\) In contrast, advisers and those writing on their behalf expressed concern regarding the scope, frequency and timing of the proposed reporting.\(^\text{24}\) A number of these commenters generally supported the systemic risk monitoring goals of the Dodd-Frank Act or the broad framework of the proposal but argued that specific aspects of the proposal were impractical or burdensome.\(^\text{25}\) We respond to these comments in section II of this Release.

This rulemaking is intended primarily to support FSOC, consistent with the mandate to adopt private fund reporting requirements under the Dodd-Frank Act. Determinations made with respect to the Form PF reporting requirements have been made in furtherance of this goal and to comply with this legislative mandate.


\(^{22}\) See, e.g., comment letter of BlackRock Inc. (Apr. 12, 2011) (“BlackRock Letter”); IAA Letter (stating that they “fully support the Commission’s goal of enhancing transparency of private funds that may be deemed to present systemic risk to the U.S. financial markets” but arguing that the proposal is too broad in scope); MFA Letter (supporting “the approach proposed by the SEC and CFTC to collect information from registered private fund managers through amendments to Form PF”) and stating that the collection of data from market participants, including investment advisers and the funds they manage, “is a critical component of effective systemic risk monitoring and regulation”).

B. International Coordination

The Dodd-Frank Act states that FSOC shall coordinate with foreign financial regulators in assessing systemic risk.\(^\text{26}\) In recognition of this, our proposal discussed the potential importance of international regulatory coordination in responding to future financial crises.\(^\text{27}\)

A number of groups have continued to advance international efforts relating to the collection of systemic risk information. For example, recent reports from the Financial Stability Board (“FSB”), International Monetary Fund (“IMF”) and Bank for International Settlements (“BIS”) emphasize the importance of identifying and addressing gaps in the information available to systemic risk regulators.\(^\text{28}\)

One goal of this coordination is to collect comparable information regarding private funds, which will aid in the assessment of systemic risk on a global basis.\(^\text{29}\)

Several commenters agreed that international coordination in connection with private fund reporting is important and encouraged us to take an approach consistent with international precedents.\(^\text{30}\)

To this end, our staffs have consulted with the United Kingdom’s Financial Services Authority (the “FSA”), the European Securities and Markets Authority (“ESMA”), the International Organization of Securities Commissions (“IOSCO”) and Hong Kong’s Securities and Futures Commission.\(^\text{31}\) The FSA

\(^{20}\) See, e.g., 15 U.S.C. § 78m. See also Proposing Release, supra note 12, at nn. 19–22 and accompanying text.


\(^{22}\) These consultations began prior to issuance of the Form PF proposal and have continued during

was the first to develop significant experience with hedge fund reporting, conducting a voluntary, semi-annual survey beginning in October 2009 by sampling large hedge fund groups based in the United Kingdom.\textsuperscript{32} IOSCO, in turn, used the guidelines established in the FSA Survey, together with its own report on hedge fund oversight, in coordinating a survey of hedge funds conducted by IOSCO’s members (including the SEC and CFTC) as of the end of September 2010.

Most recently, ESMA has proposed its own survey, or private fund reporting, which shares many common elements with the FSA Survey (as well as the IOSCO survey and Form PF).\textsuperscript{33} ESMA’s proposed template will serve as the basis for mandatory private fund reporting in Europe under the European Union’s Directive on alternative investment fund managers (“EU Directive”) and is expected eventually to supersede the FSA Survey in the United Kingdom. The proposed ESMA template is broader in scope than the FSA Survey, providing information about a wide range of alternative investment funds, including private equity funds, venture capital funds and real estate funds.\textsuperscript{34} Form PF includes many of the types of information collected through the FSA Survey and proposed to be collected in the ESMA template, and a number of the changes we are making from the proposal further align Form PF with these international approaches to private fund reporting.\textsuperscript{35}

II. Discussion

The SEC is adopting Form PF and rule 204(b)–1 under the Advisers Act with several changes from the proposal that are designed to respond to commenter concerns. Under the new rule, SEC-registered investment advisers must report systemic risk information to the SEC on Form PF if they advise one or more private funds.\textsuperscript{36} The final rule and changes from the proposal are discussed below.\textsuperscript{37}

In addition, the CFTC is adopting rule 4.27 with minor revisions.\textsuperscript{38} This new rule provides that, for registered CPOs and CTAs that are also registered as investment advisers with the SEC and advisers, expressing concern that filing Form PF serves as substitute compliance for certain of the CFTC’s proposed systemic risk reporting requirements should the CFTC adopt such requirements.\textsuperscript{39} The CFTC has revised the new rule to allow CPOs and CTAs who are otherwise required to file Form PF the option of submitting on Form PF data regarding commodity pools that are not private funds as substitute compliance with certain of the CFTC’s proposed systemic risk reporting requirements should the CFTC adopt such requirements.\textsuperscript{40} The CFTC believes that the revisions to the CEA rule adopted in this Release provide additional clarity with respect to the filing obligations of dually registered CPOs and CTAs. Because commodity pools that are reported or required to be reported on Form PF are categorized as hedge funds for purposes of Form PF, as discussed below, CPOs and CTAs filing Form PF need to complete only the sections applicable to hedge fund advisers.\textsuperscript{41}

As discussed above and in the Proposing Release, we have designed Form PF, in consultation with staff representing FSOC’s members, to provide FSOC with information important to its understanding and monitoring of systemic risk in the private fund industry.\textsuperscript{42} Based on our staffs’ consultations with staff representing FSOC’s members, we expect that FSOC will use the information collected on Form PF, together with market data from other sources, to assist in determining whether and how to deploy its regulatory tools. This may include, for instance, identifying private funds 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 of the private fund industry.\textsuperscript{43}

Although the Form we are adopting will provide information useful to FSOC’s regulatory mission, the Form has not been designed to be FSOC’s exclusive source of information regarding the private fund industry.\textsuperscript{44} FSOC’s recently proposed guidance regarding its process for designating nonbank financial companies that may pose risks to U.S. financial stability for FRB supervision helps to illustrate how FSOC may use the Form PF data along with other data sources.\textsuperscript{45} This guidance would establish a three-stage process for determinations, at least in non-emergency situations. In the first and second stages, FSOC would screen firms using progressively more granular analyses of publicly available data and data that, like Form PF, are collected by other regulators. In the third stage, FSOC would work with the Office of Financial Research (“OFR”) to conduct an in-depth review of specific firms identified in the first two stages, and this would generally involve OFR collecting additional, targeted information directly from these firms.\textsuperscript{46}

are also CPOs or CTAs would be obligated to complete only section 1 and, if they meet the applicable threshold, section 2 of Form PF.\textsuperscript{47} See Proposing Release, supra note 12, at section II.A and at n. 49.

\textsuperscript{42} See supra note 6.\textsuperscript{43} See supra note 6.

\textsuperscript{44} See Proposing Release, supra note 12, at n. 50 and accompanying text.

\textsuperscript{45} See FSOC Second Notice, supra note 6. See also section 113 of the Dodd-Frank Act for a discussion of the matters that FSOC must consider when determining whether a U.S. nonbank financial company will be supervised by the FRB and subject to prudential standards.

\textsuperscript{46} See sections 153 and 154 of the Dodd-Frank Act. One commenter expressed support for our approach, agreeing that, “Form PF should be used to obtain enough information to make a preliminary assessment, which can be followed up with data

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Similarly, in determining whether to exercise its other authorities for addressing potential systemic risks, we expect that FSOC would likely utilize data from other sources in addition to Form PF.

Form PF is primarily intended to assist FSOC in its monitoring obligations under the Dodd-Frank Act, but the Commissions may use information collected on Form PF in their regulatory programs, including examinations, investigations and investor protection efforts relating to private fund advisers. In section VI.A of this Release, we discuss some of the ways in which the SEC could use proposed Form PF data for its regulatory activities and investor protection efforts.

As discussed in more detail below, the amount and type of information required on Form PF varies based on both the size of the adviser and the types of funds managed. For instance, Form PF requires more detailed information from advisers managing a large amount of hedge fund or liquidity fund assets than from advisers managing fewer assets or other types of funds. This scaled approach is intended to provide FSOC with a broad picture of the private fund industry while relieving smaller advisers from much of the detailed reporting. Based on our staffs’ consultations with staff representing FSOC's members, we understand that obtaining this broad picture will help FSOC to contextualize its analysis and assess whether systemic risk may exist across the private fund industry and to identify areas where OFR may want to obtain additional information. This scaled approach is also designed to reflect the different implications for systemic risk that may be presented by different investment strategies.

A. Who Must File Form PF

An investment adviser must file Form PF if: (1) It is registered or required to register with the SEC; (2) advises one or more private funds; and (3) had at least $150 million in regulatory assets under management attributable to private funds as of the end of its most recently completed fiscal year.48 A CPO or CTA that is also 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” and may file Form PF with respect to any commodity pool it manages that is not a “private fund.”49 By filing Form PF with respect to these commodity pools, a CPO will be deemed to have satisfied certain filing requirements for these pools under the CFTC’s regulatory regime should the CFTC adopt such requirements.50

We have modified the conditions under which an adviser must file Form PF by adding a minimum reporting threshold of $150 million in private fund assets under management.51 Under the proposal, all private fund advisers registered with the SEC would have been required to file Form PF. The Dodd-Frank Act modified the Advisers Act’s minimum registration requirements so that most advisers with less than $150 million in assets under management must register with one or more states rather than the SEC.52 In addition, the Dodd-Frank Act created exemptions from SEC registration for advisers solely to venture capital funds and for advisers solely to private funds that in the aggregate have less than $150 million in assets under management in the United States.53 As a result, under our proposed approach, most advisers with under $100 million in assets under management, and many advisers with less than $150 million in private fund assets under management, would not have reported on Form PF because they would not be registered with the SEC. However, some registered advisers with relatively few private fund assets would have been required to report on Form PF while exempt advisers with less than $150 million in private fund assets under management would not have been required to file Form PF.

Commenters argued that this outcome was not justified from a systemic risk perspective and recommended a minimum reporting threshold for advisers based on the amount of private fund assets under management.54 One commenter proposed setting the threshold at $150 million to match the new private fund adviser exemption under section 203(m) of the Advisers Act.55 From the perspective of systemic risk monitoring, it does not appear at this time that the value of gathering this information from registered advisers with less than $150 million in private fund assets under management justifies the burden to these advisers.

Most private fund advisers that are required to file Form PF will only need to complete section 1 of the Form. This section requires advisers to provide certain basic information regarding any private funds they advise in addition to information about their private fund assets under management and their funds’ performance and use of leverage. We describe the information to be collected under section 1 of Form PF in further detail in section II.C.1 of this Release.

As discussed below, however, certain larger private fund advisers must complete additional sections of Form PF, which require more detailed information.56 Specifically, three types

48 See Advisers Act rule 204(b)–1. This rule requires advisers to calculate the value of private fund assets under management pursuant to instructions in Form ADV, which provide a uniform method of calculating assets under management for regulatory purposes under the Advisers Act. See Implementing Adopting Release, supra note 11, at section II.A.3 (discussing the rationale underlying the new instructions for calculating assets under management for regulatory purposes).
49 See supra note 10 for the definition of “private fund.”
50 See CEA rule 4.27. In the Proposing Release, the CFTC stated that a CPO registered with the CFTC that is also registered as a private fund adviser with the SEC will be deemed to have satisfied its filing requirements for Schedules B and C of Form CPO–PQR by completing and filing the applicable portions of Form PF for each of its commodity pools that fall within the definition of “private fund” in the Dodd-Frank Act.
51 See Advisers Act rule 204(b)–1.
52 See section 203A of the Advisers Act. See also Implementing Adopting Release, supra note 11, at section II.A.
53 See sections 203(l) and 203(m) of the Advisers Act and rules 203(l)–1 and 203(m)–1 under the Advisers Act. See also Exemptions Adopting Release, supra note 11.
54 See, e.g., IAA Letter; Seward Letter. Two commenters also supported a minimum reporting threshold based on the size of individual funds, suggesting an exclusion for funds “with net asset values of less than $250 million and that are less than 5% of a manager’s assets under management * * *.” MFA Letter; see also BlackRock Letter. We do not believe that a threshold based on fund size would be appropriate because the aggregate amount of assets in smaller funds that an adviser controls may contribute significantly to the adviser’s total ability to affect financial markets and the $150 million minimum reporting threshold that we are adopting, based on the adviser’s private fund assets under management, will adequately differentiate between advisers with only smaller funds and those with significant fund assets.
55 See IAA Letter.
56 See Instruction 3 to Form PF. With this scaled approach, the reporting requirements we are adopting reflect the Dodd-Frank Act directive that, in formulating systemic risk reporting and recordkeeping for investment advisers to mid-sized private funds, the SEC take into account the size, governance, and investment strategy of such funds when determining whether they pose a systemic risk. See section 203(n) of the Advisers Act. The Dodd-Frank Act also provides that the SEC may establish different reporting requirements for different classes of fund advisers, based on the type or size of private
of “Large Private Fund Advisers” would be required to complete certain additional sections of Form PF:

- Any adviser having at least $1.5 billion in regulatory assets under management attributable to hedge funds as of the end of any month in the prior fiscal quarter;
- Any adviser managing a liquidity fund and having at least $1 billion in combined regulatory assets under management attributable to liquidity funds and registered money market funds as of the end of any month in the prior fiscal quarter; and
- Any adviser having at least $2 billion in regulatory assets under management attributable to private equity funds as of the last day of the adviser’s most recently completed fiscal year.

These large advisers must complete additional sections of Form PF, with large hedge fund advisers completing section 2 and large liquidity fund and private equity fund advisers completing sections 3 and 4, respectively. The information each of these sections requires is tailored to the type of fund, focusing on relevant areas of financial activity that have the potential to raise systemic concerns. We discuss these areas of financial activity as they relate to hedge funds, liquidity funds and private equity funds in greater detail in the Proposing Release and below.

1. “Hedge Fund” Definition

Registered advisers managing hedge funds must submit information on Form PF regarding the financing and activities of these funds in section 1 of the Form.

“hedge fund” definition in Form PF could have a significant effect on reporting. Commenters persuaded us, however, that certain revisions to the proposed definition would result in a more accurate grouping of funds, thereby improving the quality of the data collected and, at the same time, reducing the reporting burdens on some advisers.

First, we have expressly excluded from the “hedge fund” definition in Form PF vehicles established for the purpose of issuing asset backed securities ("securitized asset funds").

One commenter noted that these funds could have been categorized as hedge funds under our proposal, which was not the intended result. Although the issuance of asset backed securities may have systemic risk implications, the questions on Form PF regarding hedge funds would not yield relevant data regarding securitized asset funds. As a result, including responses regarding securitized asset funds in the hedge fund data could distort the information FSOC obtains from questions directed at hedge funds.

Second, we have modified clause (a) of the “hedge fund” definition in Form PF, which classifies a fund as a hedge fund if it uses performance fees or allocations that are calculated by taking into account unrealized gains. One

62 Several commenters debated whether the hedge fund industry generally, or any hedge fund in particular, could pose systemic risk. See, e.g., AFL– CIO Letter and CII Letter, identifying hedge fund activities that could have systemic consequences; and AIM General Letter and MFA Letter, arguing that no hedge fund operating today is likely to be systemically significant. Even among skeptical commenters, however, there was recognition that “there is no concrete data to draw conclusions either way, and that the exercise [of reporting] will be useful to allow the FTO to make evidence-based conclusions.” AIM General Letter; see also MFA Letter. As discussed in the Proposing Release, we believe that Congress expected hedge fund advisers would be required to report under Title IV of the Dodd-Frank Act and that information regarding certain activities of hedge funds may be important to FSOC’s monitoring of systemic risk. See Proposing Release, supra note 11, at nn. 54–61 and accompanying text.

63 The “hedge fund” definition, as well as the six other private fund definitions used in Form PF, are also included in the SEC’s recent revisions to Form ADV. See Implementing Adopting Release, supra note 11, at section II.C.1. Although the SEC received no comments on these same definitions in the context of that rulemaking, the comments received on these definitions in Form PF determined, when adopting revisions to Form ADV, to make several changes in that form. The changes we are making to these definitions as used in Form PF conform the two sets of definitions so that both forms use identical terms (with the exception that, for purposes of Form PF, all commodity pools about which an adviser is reporting are treated as hedge funds), while in Form ADV, only commodity pools that are private funds are treated as hedge funds.

64 Specifically, the “hedge fund” definition in Form PF now refers to any private fund having one of the listed characteristics and excludes securitized asset funds. Under the proposal, a fund that satisfied the “hedge fund” definition in Form PF could have been categorized as a hedge fund even if it otherwise would have satisfied the “securitized asset fund” definition. As adopted, Form PF defines “securitized asset fund” as any private fund “whose primary purpose is to issue asset backed securities and whose investors are primarily debt-holders.” We have also modified this definition in the proposal so that it is no longer defined by reference to the “hedge fund” definition. See Glossary of Terms to Form PF.

65 See TCW Letter.
commenter pointed out that even funds that do not allow for the payment of such fees or allocations, such as private equity funds, may be required to accrue or allocate these amounts in their financial statements to comply with applicable accounting principles.\textsuperscript{70} It was not intended for funds that accrue or allocate these fees or allocations solely for financial reporting purposes to be classified as hedge funds, so we have clarified that clause (a) relates only to fees or allocations that may be paid to an investment adviser (or its related persons).\textsuperscript{71} Third, we have addressed another commenter’s concern that clause (a) could inadvertently capture certain private equity funds because, although these funds typically calculate currently payable performance fees and allocations based on realized amounts, they will sometimes reduce these fees and allocations by taking into account “unrealized losses net of unrealized gains in the portfolio.”\textsuperscript{72} Funds should not be classified as hedge funds for purposes of Form PF based solely on this practice, and we have clarified that clause (a) would not include performance fees or allocations the calculation of which may take into account unrealized gains solely for the purpose of reducing such fees or allocations to reflect net unrealized losses.

Finally, several commenters asserted that clause (c) of the “hedge fund” definition, which looks to whether a fund may engage in short selling, should include as a de minimis amount of short selling or exclude short selling intended to hedge the fund’s exposures.\textsuperscript{73} However, short selling appears to be, for purposes of Form PF, a potentially important distinguishing feature of hedge funds, many of which may, as the name suggests, use short selling to hedge or manage risk of various types. On the other hand, we also understand that many funds pursuing traditional investment strategies use short positions to hedge foreign exchange risk and to manage the duration of interest rate exposure, and we are persuaded that including funds within the definition of “hedge fund” in Form PF solely because they use these particular techniques would dilute the meaningfulness of the category. Therefore, we have modified clause (c) to provide an exception for short selling that hedges currency exposure or manages duration.\textsuperscript{74} Commenters arguing that, instead of a definition, the Commissions should take an approach similar to that used in the FSA Survey, which outlined common hedge fund characteristics and allowed an adviser “to make its own good faith judgment as to whether a particular fund is a hedge fund,” were not persuasive.\textsuperscript{75} Such an approach could effectively defer to the adviser the determination of whether to report on Form PF information about hedge funds—an approach that might be appropriate for a voluntary survey, like the FSA’s, but one that would significantly compromise the value of data collected for FSOC and thus would fail to achieve the purpose of this rulemaking.

Two other commenters suggested instead that we eliminate all of the private fund definitions and require that every private fund adviser complete the entire Form.\textsuperscript{76} These commenters were concerned that any distinction among funds tied to the amount or type of information collected could encourage advisers to change strategies in order to avoid reporting. Although we are sensitive to these concerns, we believe that distinguishing fund types is important for two reasons. First, by distinguishing among types of funds, we are able to limit the information collection burdens on advisers to funds for which the information is most relevant.\textsuperscript{77} Second, separating reported data by fund strategy allows extraneous information to be excluded, which we believe will improve its utility to FSOC and the Commissions. Several commenters also expressed concern that clauses (b) and (c) of the “hedge fund” definition in Form PF are too broad because many funds have the capacity to borrow or incur derivative exposures in excess of the specified amounts or to engage in short selling but do not in fact engage, or intend to engage, in these practices.\textsuperscript{78} These commenters generally argued that clauses (b) and (c) should focus on actual or contemplated use of these practices rather than potential use.

Changes to the “hedge fund” definition in response to these comments have not been made because clauses (b) and (c) properly focus on a fund’s ability to engage in these practices. Even a fund for which leverage or short selling is an important part of its strategy may not engage in that practice during every reporting period. Thus, the suggested approach could result in incomplete data sets for hedge funds, a class of funds that may be systemically significant. However, a private fund would not be a “hedge fund” for purposes of Form PF solely because its organizational documents fail to prohibit the fund from borrowing or incurring derivative exposures in excess of the specified amounts or from engaging in short selling so long as the fund in fact does not engage in these practices (other than, in the case of clause (c), short selling for the purpose of hedging currency exposure or managing duration) and a reasonable investor would understand, based on the fund’s offering documents, that the fund will not engage in these practices. Finally, some commenters recommended that a fund should not be classified as a “hedge fund” for purposes of Form PF unless it satisfies at least two of the prongs of the “hedge fund” definition (rather than any one prong).\textsuperscript{79} The definition is designed to identify funds that are an appropriate subject for the higher level of reporting to which hedge funds will be subject reporting requirements for hedge funds and private equity funds,” pointed out that section 2 of the Form, which would be completed by large hedge fund advisers, contains many questions that “are not relevant to private equity funds.” This commenter also explained that requiring response to “questions that are not directly related to” the operations of private equity advisers would impose burdens on both FSOC and the advisers. See comment letter of Lone Star Star Acquisitions (Apr. 12, 2011) (“Lone Star Letter”).
under Form PF, and, based on our staffs’ consultations with staff representing FSOC’s members, we believe that any one of the identified characteristics is sufficient to appropriately distinguish a fund for this purpose. We have not, therefore, made the change these commenters suggested. The changes to the “hedge fund” definition discussed above are intended to more accurately group private funds for purposes of Form PF and, thereby, improve the quality of information reported.

2. “Liquidity Fund” Definition

Registered advisers managing liquidity funds must submit information on Form PF regarding the financing and activities of these funds in section 1 of the Form, and large liquidity fund advisers are required to provide additional information in section 3 of the Form.83 For purposes of Form PF, a “liquidity fund” is any private fund that seeks to generate income by investing in a portfolio of short-term obligations in order to make its net asset value per unit or minimize principal volatility for investors.84 Commenters did not address the “liquidity fund” definition, which the SEC is adopting as proposed.

3. “Private Equity Fund” Definition

Registered advisers managing private equity funds must submit information on Form PF regarding the financing and activities of these funds in section 1 of the Form, and large private equity advisers are required to provide additional information in section 4 of the Form.85 Consistent with the proposal, Form PF defines “private equity fund” as 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.83 Two types of funds from our definition of “private equity fund” to improve the data reported on Form PF relating to private equity funds.84 See PEGCC Letter (proposing an alternative that largely inverts the proposed “hedge fund” definition but would allow for short selling and softer definitions); SIFMA Letter (suggesting an alternative that would define a “private equity fund” as a private fund having “a large number of sophisticated, third-party institutional and high net worth investors” and satisfying ten additional criteria, including that “the fund and its investment activities are not subject to regulatory restrictions or limitations.”).

Some commenters were concerned that creating any distinctions among funds would encourage advisers to change strategies in order to avoid reporting. See supra note 76 and accompanying text. The SEC believes, based on its staff’s consultations with staff representing FSOC’s members, that this risk is best addressed by tightly integrating the definitions.

As proposed, we are requiring that an adviser determine whether it meets a threshold and qualifies as a large hedge fund adviser, large liquidity fund adviser or large private equity adviser based solely on the assets under management attributable to the particular types of funds. Two commenters suggested that we instead require advisers to aggregate all of their assets under management, regardless of strategy, to determine if they exceed the thresholds. See AFI-CIO Letter; AFR Letter. These commenters cautioned that our approach could allow advisers with substantial private fund assets under management to nevertheless avoid thresholds are designed so that the group of Large Private Fund Advisers filing Form PF will be relatively small in number but represent a substantial portion of the assets of their respective industries. For example, we estimate that approximately 230 U.S.-based advisers each managing at least $1 billion in hedge fund assets represent over 80 percent of the U.S. hedge fund industry based on assets under management.88 Similarly, SEC staff estimates that the approximately 155 U.S.-based advisers each managing over $2 billion in private equity fund assets represent approximately 75 percent of the U.S. private equity fund industry based on committed capital.88

The threshold we are adopting for large hedge fund advisers reflects an increase from the $1 billion threshold that we proposed. We do not expect, classification as a Large Private Fund Adviser. We are sensitive to these commenters’ concerns, but we continue to believe that the hedge fund, liquidity fund and private equity fund business models are sufficiently distinct that for FSOC’s purposes they are most appropriately analyzed on a separate basis.86 See Billion Dollar Club, HedgeFund Intelligence (“HFI”) (Oct. 3, 2011). We estimate that, in addition to the 230 U.S.-based hedge fund advisers that will exceed the threshold, approximately 23 non-U.S. private fund advisers will also be classified as large hedge fund advisers, for a total of approximately 250 large hedge fund advisers. We have based this estimate of non-U.S. advisers on IARD data as of October 1, 2011, showing that, among currently registered private fund advisers, fewer than 10% are non-U.S. advisers. (We are not aware of any reason that recent changes in the exemptions available under the Advisers Act would affect the relative representation of U.S. and non-U.S. advisers.) One commenter suggested that the database is under-inclusive. See comment letter of the Alternative Investment Management Association (Jul. 26, 2011) (“AIMA Letter”). Although we acknowledge that this database is likely somewhat under-inclusive, we believe that the amount of assets under management in the database is relatively small because the aggregate amount of assets reported to the database is consistent with other data sources estimating the total size of the hedge fund industry. In addition, we believe the uncounted assets are likely skewed toward the smaller advisers in the industry because the identity and size of the industry’s largest advisers are relatively consistent across sources. As a result, although this database may under-represent the total amount of hedge fund industry assets under management, the count of large hedge fund advisers is likely to be relatively accurate. The changes to the “hedge fund” definition discussed above will likely result in fewer funds being classified as hedge funds than under the proposed definition. However, these changes are intended to more accurately group private funds for purposes of Form PF and should more closely align the definition to the estimates discussed above.88

The data relating to private equity fund committed capital is available in File No. S7–05–11. We estimate that, in addition to the 155 U.S.-based private equity advisers that will be classified as large private fund advisers, approximately 20 non-U.S. private fund advisers will also be classified as large private equity advisers, for an approximate total of 170 large private equity adviser. See supra note 88 for a discussion of the basis for this estimate.
however, that this increase will substantially change the group of advisers that were estimated in the proposal would be classified as large hedge fund advisers. Rather, the change is intended simply to adjust for a difference in how assets under management are measured in Form PF compared to how they are measured in the commercial databases that we consulted in proposing the $1 billion threshold amount. Form PF uses the definition of “regulatory assets under management” that the SEC recently adopted in connection with amendments to its Form ADV. This definition measures assets under management gross of outstanding indebtedness and other accrued but unpaid liabilities. One commenter pointed out, however, that the assets under management that advisers report to the currently available third-party databases are generally calculated on a net basis.90 In other words, without adjustment, our proposed threshold of $1 billion in gross assets would have captured advisers with less than $1 billion in net assets, expanding the group of advisers classified as large hedge fund advisers beyond what we intended.91 We believe this revised threshold strikes an appropriate balance between obtaining information regarding a significant portion of the hedge fund industry while minimizing the burden imposed on smaller advisers.92

An adviser managing liquidity funds must combine liquidity fund and registered money market funds assets for purposes of determining whether it meets the threshold for more extensive reporting regarding its liquidity funds. Liquid assets and registered money market funds often pursue similar strategies, invest in the same securities and present similar risks. An adviser is, however, only required to report information about unregistered liquidity funds on Form PF. This information will supplement data the SEC collects about registered money market funds on its Form N–MFP and provide FSOC a more complete picture of large liquidity pools and their management. The SEC expects this approach to the reporting threshold to capture approximately 80% of the most significant managers of liquidity funds.93

Based on our staffs’ consultations with staff representing FSOC’s members, we believe that requiring basic information from all registered advisers on the minimum reporting threshold but more extensive and detailed information only from advisers meeting the higher thresholds is important to enabling FSOC to obtain a broad picture of the private fund industry. We understand that obtaining this broad picture will help FSOC to contextualize its analysis and assess whether systemic risk may exist across the private fund industry and to identify areas where OFR may want to obtain additional information. At the same time, requiring that only these Large Private Fund Advisers complete additional reporting requirements under Form PF will provide systemic risk information for a substantial majority of private fund assets while minimizing burdens on smaller private fund advisers that are less likely to pose systemic risk concerns.

Although thresholds set at a higher amount could still yield information...
However, most commenters thought the proposed threshold of $1 billion was either too high or too low.\textsuperscript{98} Commenters arguing for a lower threshold expressed concern that, at $1 billion, regulators would receive insufficient information to monitor certain types of market behavior with potentially systemic consequences.\textsuperscript{99} In contrast, a number of commenters argued that even an adviser with $1 billion in assets under management could not pose systemic risk.\textsuperscript{100} Several of these commenters supported an increase to $5 billion, which they argued would still capture over half the hedge fund industry while ensuring that advisers have sufficient operational capabilities to complete the Form.\textsuperscript{101} We have carefully considered these comments in light of the information we understand FSOC desires and its intended use by FSOC. Based on this, the SEC has determined to adopt the proposed threshold for large liquidity fund advisers and to increase the threshold for large private equity fund advisers to $2 billion. We are adopting the threshold for large hedge fund advisers with the corrective change discussed above. Although we understand commenters’ concerns that the proposed thresholds are too high and will not permit regulators to detect certain group behaviors among smaller private fund advisers, we believe at this time that the amount of additional information that would be required for this purpose would impose a significant burden on these smaller advisers and not significantly expand FSOC’s ability to understand the industry. On the other hand, in light of the information we understand FSOC desires and its intended use by FSOC, we are also not persuaded that a larger increase in the thresholds would be appropriate. Commenters supporting an increase may be correct that an adviser just exceeding these thresholds could not pose systemic risk. However, the thresholds are not intended to establish a cutoff separating the risky from the safe but rather to provide FSOC with sufficient context for the assessment of systemic risk while minimizing the burden imposed on smaller advisers.\textsuperscript{102} We understand based on our staffs’ consultation with staff representing FSOC’s members that, in order to assess potential systemic risk posed by the activities of certain funds, FSOC would benefit from access to data about funds that, on an individual basis, may not be large enough to pose systemic risk. The increase discussed above, the increase that some commenters supported would result in coverage of a substantially smaller part of the industry, potentially impeding FSOC’s ability to obtain a broad picture of the private fund industry.\textsuperscript{103} The SEC is, however, persuaded that an increase in the threshold for large private equity advisers that is smaller than some commenters advocated can be made without sacrificing the ability to obtain a broad picture of the private fund industry. SEC staff estimates that an increase in this threshold to $2 billion from the proposed $1 billion will reduce the portion of U.S. private equity industry assets covered by the more detailed reporting in section 4 of the Form from approximately 85 percent to approximately 75 percent.\textsuperscript{104} At the same time, it reduces the number of U.S.-based advisers SEC staff estimates will be categorized as large private equity advisers from approximately 270 to approximately 155.\textsuperscript{105} This will significantly mitigate the number of advisers subject to the more detailed reporting while still covering a substantial majority of industry assets. As a result of this change, section 4 of Form PF will cover a smaller portion of U.S. private equity industry assets than section 2 covers of U.S. hedge fund industry assets. However, the SEC believes this result is appropriate because private equity funds tend to pursue a narrower range of strategies than hedge funds, reducing concerns regarding the level of representativeness.

b. Frequency of Testing

The proposal would have required hedge fund and liquidity fund advisers to measure whether they had crossed these thresholds on a daily basis and private equity advisers to measure them on a quarterly basis. The proposed approach was based on our understanding that, as a matter of ordinary business practice, advisers are aware of hedge fund and liquidity fund assets under management on a daily basis, but are likely to be aware of private equity fund assets under management only on a quarterly basis. However, several commenters argued that advisers would have difficulty monitoring on a daily basis the value of private funds holding complex or illiquid investments.\textsuperscript{106} One commentator also noted that, in any given quarter, an adviser could experience significant spikes in the value of its assets under management.\textsuperscript{107} These commenters suggested a variety of alternatives, such as testing at the end of the prior reporting period,\textsuperscript{108} using an average over the period (possibly based on values at the end of each month in the quarter),\textsuperscript{109} or testing at the end of each month.\textsuperscript{110} We are persuaded that requiring daily testing of complex or illiquid investments could impose a substantial burden on some advisers,

\textsuperscript{98} Compare AFL-CIO Letter and AFR Letter (supporting a lower threshold) to AIMA General Letter; IAA Letter; MFA Letter; PEGCC Letter; SIFMA Letter (supporting a higher threshold). See also comment letter of George Merkl (Feb. 22, 2011) (“Merkl February Letter”) (supporting the proposed thresholds).

\textsuperscript{99} See AFL-CIO Letter (arguing that the proposal would not allow regulators to monitor “herding” behavior, which it defines as the tendency for market participants to trade together on one side of the market; also suggesting that, at a minimum, advisers with between $150 million and $1 billion in assets under management “should be required to complete all applicable sections of Form PF on a semi-annual basis.”); AFLR Letter.

\textsuperscript{100} See, e.g., AIMA General Letter (also questioning whether the SEC and FSOC have the capacity to analyze the data from all the advisers above the proposed threshold); IAA Letter; MFA Letter; comment letter of Olympus Partners (Apr. 1, 2011) (“Olympus Letter”); PEGCC Letter (preferring that the SEC not create a larger category for private equity fund advisers because, in their view, these advisers pose little systemic risk); Seward Letter; SIFMA Letter; comment letter of the United States Chamber of Commerce for Capital Markets Competitiveness (Apr. 12, 2011) (“USCC Letter”).

\textsuperscript{101} See, e.g., AIMA General Letter (asserting that a $5 billion threshold "still captures around 50–60% of the US hedge fund industry assets or just over 75 large hedge fund managers."); MFA Letter (“Based on estimates, 77 hedge fund managers representing approximately 50–60% of hedge fund industry assets would exceed this [$5 billion] threshold.”); Seward Letter; USCC Letter (citing figures similar to those provided in the AIMA General Letter and the MFA Letter in support of a $5 billion threshold); comment letter of ABA Committees Letter on smaller advisers. The thresholds should take into account measures of leverage or derivatives exposures rather than just assets under management. See, e.g., ABA Committees Letter; AIMA General Letter. As discussed above, measuring these thresholds using “regulatory assets under management,” as defined in Form ADV, implies adjustment for some forms of leverage. Two commenters suggested that instead of assets under management, the adviser’s proprietary assets are the most appropriate measure of assets at risk. See PEGCC Letter; USCC Letter. However, private fund advisers exercise significant discretion over the assets they manage, which makes assets under management a more accurate measure of an adviser’s ability to affect the U.S. financial system.

\textsuperscript{102} See supra text accompanying notes 94–96. As noted above, the FSOC Second Notice highlights that even establishing guidelines for evaluating private fund advisers may not provide the context that Form PF will provide. See supra note 21.

\textsuperscript{103} In particular, the activities of private fund advisers may differ significantly depending on size and that the portion of industry assets represented by advisers with over $5 billion in private fund assets under management may look substantially different from the portion of industry assets represented by advisers with between, for instance, $1 billion and $5 billion.

\textsuperscript{104} See supra note 89.

\textsuperscript{105} See supra note 89.

\textsuperscript{106} See, e.g., ABA Committees Letter; BlackRock Letter; MFA Letter; Seward Letter.

\textsuperscript{107} See ABA Committees Letter.

\textsuperscript{108} See BlackRock Letter; MFA Letter.

\textsuperscript{109} See ABA Committees Letter; AIMA General Letter; IAA Letter.

\textsuperscript{110} See Seward Letter.
and we have, accordingly, modified the Form so that advisers need only test whether their hedge fund or liquidity fund assets meet the relevant threshold as of the end of each month.\footnote{111} In addition, as some commenters suggested, the test will look back one quarter so that these advisers know at the start of each reporting period whether they will be required to complete the more detailed reporting required of large hedge fund advisers and large liquidity fund advisers.\footnote{112} We did not adopt an approach using an average because it would add unnecessary complexity and potentially allow an adviser whose assets under management have grown significantly during a quarter to delay more detailed reporting for an additional quarter.

Commenters also objected to the proposed quarterly testing with respect to private equity advisers, suggesting that even such infrequent testing may be difficult for some advisers.\footnote{113} As we discuss in further detail below, large private equity fund advisers will be required to report information regarding their private equity funds only on an annual (rather than quarterly) basis, with the result that quarterly testing of the threshold is unnecessary.\footnote{114} Accordingly, advisers need only test whether their private equity fund assets meet the relevant threshold at the end of each fiscal year.\footnote{115}

5. Aggregation of Assets Under Management

For purposes of determining whether an adviser meets the $150 million minimum reporting threshold or is a Large Private Fund Adviser for purposes of Form PF, the adviser must aggregate together:

- Assets of managed accounts advised by the firm that pursue substantially the same investment objective and strategy and invest in substantially the same positions as private funds advised by the firm ("parallel managed accounts") unless the value of those accounts exceeds the value of the private funds with which they are managed;\footnote{116} and
- Assets of private funds advised by any of the adviser’s "related persons" other than related persons that are separately operated.\footnote{117}

These aggregation requirements are designed to prevent an adviser from avoiding Form PF reporting requirements by re-structuring how it provides advice.

We have modified these aggregation requirements from the proposal. As adopted, an adviser may exclude parallel managed accounts if the value of those accounts is greater than the value of the private funds with which they are managed.\footnote{118} This change recognizes that, as some commenters noted, an adviser managing a relatively small amount of private fund assets could end up crossing a reporting threshold simply because it has a significant separate account business using a similar strategy.\footnote{119} We believe this approach is consistent with section 204(b) of the Advisers Act, the focus of which is private fund reporting.\footnote{120} We remain concerned, however, that advisers focusing on private funds may increasingly structure investments as separate accounts to avoid Form PF reporting requirements, which could diminish the utility to FSOC of the information collected on Form PF.\footnote{121} We accordingly, an adviser must still include the value of parallel managed accounts in determining whether it meets a reporting threshold if the value of those accounts is less than the value of the private funds managed using substantially the same strategy.\footnote{122}

We have also modified these aggregation requirements from the proposal so that advisers may exclude the assets under management of related persons that are separately operated.\footnote{123} There was general support for the proposed aggregation of related persons.\footnote{124} However, commenters argued that "[r]equiring aggregation of funds managed by ‘any related person’ is not possible for many large institutions such as a large firm which operates under separate business units with independent asset management functions and decision making by affiliated entities."\footnote{125}

We are persuaded that advisers may have difficulty gathering the information necessary to aggregate the assets of related persons whose operations are genuinely independent of their own and that, with an appropriate standard of separateness, the risk of evasion is substantially mitigated.

Having considered several existing SEC standards of separateness, we believe that the most appropriate for this purpose is the standard the SEC recently adopted in Item 7.A of Form ADV for determining whether an adviser must complete section 7.A of Schedule D to that form with respect to a related
person.126 Although the Item 7.A standard was adopted for a somewhat different regulatory purpose, we believe it suits this role as well. In addition, every adviser filing Form PF will have already considered this standard with respect to its related persons, which means that applying the standard in the context of Form PF will impose little or no incremental burden on advisers. Accordingly, for purposes of determining whether an adviser meets one or more of the reporting thresholds, the adviser need only aggregate its private fund assets with those of its related persons for which it is required to complete section 7.A of Schedule D to Form ADV.127

For purposes of both the reporting thresholds and responding to questions on Form PF, an adviser may exclude any assets invested in the equity of other private funds.128 In addition, if any of the adviser’s private funds invests substantially all of its assets in the equity of other private funds and, aside from those investments, holds only cash, cash equivalents and instruments intended to hedge currency risk, the adviser may complete only section 1b with respect to that fund and otherwise disregard that fund.129 These instructions are intended to avoid duplicative reporting, which reduces the burden of reporting for advisers and improves the quality of the data reported.

Based on our staffs’ consultation with staff representing FSOC’s members, we have expanded from the proposal the scope of assets that may be disregarded under this instruction. The proposed instruction would have allowed advisers to disregard only fund of funds that invest exclusively in other private funds.130 Commenters expressed concern that the proposed instruction would prove too narrow to accommodate many funds of funds, noting that these funds often hold cash or some amount of direct investments.131 These commenters generally sought a broader exclusion for funds of funds, suggesting alternatives that would allow these funds to hold essentially unlimited dollar amounts of direct investments while not reporting on Form PF.132 In light of the purpose for which information is collected on Form PF, advisers are not convinced that an adviser should not have to report on a fund’s direct investments simply because it primarily holds investments in other private funds. However, we are persuaded that our proposed exception for funds of funds was too narrow in that it did not allow for a de minimis amount of cash, cash equivalents and currency hedges. These limited non-permitted to treat as a private fund any non-U.S. fund that would be a private fund if it used U.S. jurisdictional means in offering its securities. A non-U.S. fund that has never used U.S. jurisdictional means in the offering of the securities it issues would not be a private fund. See infra note 134; Exemptions Adopting Release, supra note 11, at n.294 and accompanying text.

130 See the Proposing Release, supra note 12, for the proposed version of Instruction 7 to Form PF. We have also added a new Instruction 8, which clarifies that, except as provided in Instruction 7, all investments in other funds should be included for all purposes under Form PF but that advisers are not required to “look through” the other funds to the underlying assets (unless the other fund’s purpose is to act as a holding company for the private fund’s investments).


132 Id. Some commenters also suggested that advisers should not report even the limited information required in section 1b with respect to funds of funds. See, e.g., ABA Committees Letter; Sidney Letter; SIFMA Letter. However, as one commenter pointed out, these funds may be employing leverage at funds level, which would not be reported if these funds did not complete this section. See Merkel February Letter. In addition, information collected in section 1b will provide advisers with information regarding the extent of these funds’ investments in other private funds, and certain of the information collected in this section may be important to our investor protection mission. See infra notes 133 and 197.

126 One commenter suggested that we use the standard under section 13 of the Securities Exchange Act of 1934 (“Exchange Act”) or look to whether the related persons “share information about investment decisions on a real time basis.” TCW Letter. We are concerned that using the standard under sections 13(d) and 13(g) of the Exchange Act would impose additional burdens on advisers as compared to the Item 7.A standard because advisers will not necessarily have considered the ordinary course of business, and we believe the alternative proposed by this commenter would make it too easy to conclude that a related person is separately operated.

127 See supra note 117. The relevant instruction to Item 7.A of Form ADV reads as follows: “You do not need to complete Section 7.A. of Schedule D for any related person if: (1) You have no business dealings with the related person in connection with advisory services you provide to your clients; (2) you do not conduct shared operations with the related person; (3) you do not refer clients or business to the related person, and the related person does not refer prospective clients or business to you; (4) you do not share supervised persons with the related person; and (5) you have no reason to believe that your relationship with the related person otherwise creates a conflict of interest with your clients.”

128 See Instruction 7 to Form PF. The adviser must, however, treat these assets consistently for purposes of Form PF. For example, an adviser may not count these assets when determining whether the fund’s borrowing may exceed half its net asset value and then disregard these assets for purposes of the reporting thresholds. Although this instruction allows an adviser to disregard these investments in other private funds, it would not allow an adviser to disregard any liabilities of the private fund, even if incurred in connection with an investment in other private funds.

129 See Instruction 7 to Form PF. Solely for purposes of this instruction, an adviser is also private fund holdings appear unlikely, on their own, to raise systemic concerns. We are also persuaded that, even where a fund is not necessarily a “fund of funds” but holds investments in other private funds, reporting on those investments is unnecessary because information regarding the other private funds will, in most cases, be reported separately on Form PF, and we have modified the instructions accordingly.133

133 See Instruction 7 to Form PF. We have, however, added a new question 10 to Form PF, which requires the adviser to disclose the amount that each private fund has invested in other private funds. This will allow regulators to understand the extent to which these investments occur and are otherwise being disregarded on Form PF. See infra note 197.

134 See Instruction 1 to Form PF. This portion of Instruction 1 is only necessary for those funds that fall within the definition of “private fund.” A non-U.S. fund that has never used U.S. jurisdictional means in the offering of the securities it issues would not be a private fund. See Exemptions Adopting Release, supra note 11, at n.294 and accompanying text. We have modified this instruction from the proposal to more closely follow the requirements of Regulation S; the instruction now looks to whether the offering was made “in the United States” rather than “to * * * any United States person.” See also Glossary of Terms to Form PF. “United States person” is defined for purposes of Form PF by reference to the definition in rule 203(a)n-1, which tracks the definition of a “U.S. person” under Regulation S but contains a special rule for discretionary accounts maintained for the benefit of United States persons. See Exemptions Adopting Release, supra note 11, at section II.B.4.

135 See Instruction 2 to Form PF. See supra note 117 for the definition of “related person.”

If an adviser’s principal office and place of business is outside the United States, the adviser may exclude any private fund that, during the adviser’s 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.134 This approach is designed to reduce the duplication of reporting requirements that foreign regulators may impose and to allow an adviser to report with respect to only those private funds that are more likely to impact U.S. regulatory interests.

Reporting for Affiliated and Sub-advised Funds

An adviser may, but is not required to, report the private fund assets that it manages and the private fund assets that its related persons manage on a single Form PF.135 This is intended to provide private fund advisers with reporting flexibility and convenience, allowing affiliated entities that share reporting and risk management systems to report jointly while also permitting affiliated entities that operate separately to report separately. Commenters did not address...
this aspect of the proposal, which we are adopting as proposed.

With respect to sub-advised funds, to prevent duplicative reporting, only one adviser should report information on Form PF with respect to that fund.136 For reporting efficiency and to prevent duplicative reporting, if the adviser that completes information in section 7.B.1. of Schedule D to Form ADV with respect to any private fund is also required to file Form PF, the same adviser is responsible for reporting on Form PF with respect to that fund.137 However, if the adviser that completes information on Schedule D to Form ADV with respect to the private fund is not required to file Form PF (such as in the case of an exempt reporting adviser), then another adviser must report on that fund on Form PF.138 If none of the advisers to a fund is required to file Form PF because they are all exempt reporting advisers or do not exceed the minimum reporting threshold, Instruction 4 to Form PF would not require any adviser to file the Form with respect to that fund. Commenters did not address this aspect of the proposal.

7. Exempt Reporting Advisers

Only private fund advisers registered with the SEC (including those that are also registered with the CFTC as CPOs or CTAs) must file Form PF.139 As noted above, the Dodd-Frank Act created exemptions from SEC registration under the Advisers Act for advisers solely to venture capital funds and for advisers solely to private funds that in the aggregate have less than $150 million in assets under management in the United States.140 We believe that Congress’ determination to exempt these advisers from SEC registration indicates Congress’ belief that regular reporting of detailed systemic risk information may not be necessary because they are sufficiently unlikely to pose this kind of risk.141 After consultation with staff representing FSOC’s members and in light of the basic information that the SEC obtains from exempt reporting advisers on Form ADV, the SEC did not propose to extend Form PF reporting to these advisers.142 Commenters that addressed this aspect of the proposal agreed that exempt reporting advisers should not be required to file Form PF, and we have adopted this approach as proposed.143

B. Frequency of Reporting

1. Annual and Quarterly Reporting

Most private fund advisers, including large private equity advisers and smaller private fund advisers, are required to complete and file Form PF only once per fiscal year.144 Large hedge fund advisers and large liquidity fund advisers, on the other hand, must update information relating to their hedge funds or liquidity funds, respectively, each quarter.145 Periodic reporting will permit FSOC to monitor periodically certain key information relevant to assessing systemic risk posed by these private funds on both an individual and aggregate basis. More frequent, quarterly reporting for large hedge fund and large liquidity fund advisers is necessary in order to provide FSOC with timely data to identify emerging trends in systemic risk.146

* * * do not present the same risks as the large private funds whose advisers are required to register with the SEC under this title. Their activities are not interconnected with the global financial system, and they generally rely on equity funding, so that losses may occur do not ripple throughout world markets but are borne by fund investors alone.

*See also Exemptions Adopting Release, supra note 11.

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141 See Implementing Adapting Release, supra note 11, for a discussion of the information exempt reporting advisers are required to provide on Form ADV.

143 See ADMA General Letter; Lone Star Letter. To the extent an exempt reporting adviser is registered with the CFTC as a CPO or CTA, the CFTC has proposed that the adviser would be obligated to file either Form CPO-PQR or CTA-PQR, respectively. See Instruction 9 to Form PF.

144 Even these advisers, however, need only update information regarding other types of funds they manage on an annual basis. For example, a large hedge fund adviser that also manages a small amount of liquidity fund and private equity fund assets must update information relating to its hedge funds each quarter but only needs to update information relating to its liquidity funds and private equity funds when it submits its fourth quarter filing. An adviser that is both a large hedge fund adviser and a large liquidity fund adviser must file quarterly updates regarding both its liquidity funds and hedge funds. See Instruction 9 to Form PF.

145 See Proposing Release, supra note 12, at section 1.C. We also noted in the Proposing Release that we understood hedge fund advisers already collect and calculate on a quarterly basis much of the information that Form PF requires relating to hedge funds. One commenter argued that this is the filing requirements we are adopting differ from the proposal in two principal respects. First, the proposal would have required large private equity advisers to report on a quarterly, rather than annual, basis. Second, under the proposal, once an adviser became subject to quarterly reporting, it would have been required to update information with respect to all of its private funds each quarter (not just for the type of private fund that caused it to exceed the large adviser threshold).147 A number of commenters responded to our proposal regarding the frequency of reporting. One agreed that quarterly reporting would be appropriate, and two others argued that advisers should report even more frequently because market conditions and portfolios can change rapidly.148 On the other hand, a number of commenters disagreed with the proposal, suggesting instead that Large Private Fund Advisers should report no more than semi-annually.149 These commenters argued that semi-annual reporting is only true with respect to the information required in sections 1a and 1b of Form PF. See comment letter of Fidelity Investments (Apr. 12, 2011) ("Fidelity Letter"); see also AFR Letter. We have taken these comments into account in determining to extend the reporting deadlines for hedge fund advisers, as discussed below in section II.B.2 of this Release. We note, however, that another commenter also stated that “Form PF for the most part * * * [requests] information that is part of, or should be part of, the existing risk management processes at the responding institutions,” and as such “this information will either be something the adviser produces already, or arguably should.” Comment letter of MSCI Inc. (submitted to the CFTC) (Apr. 12, 2011) (“MSCI Letter”).141 The proposal did not address the ability of liquidity funds to prepare and submit quarterly filings, and we continue to believe, as discussed in the Proposal Release, that most liquidity fund advisers collect on a monthly basis much of the information that we are requiring in section 3 of Form PF and that quarterly reporting should, as a result, be relatively efficient for these advisers.

147 The proposal also would have required reporting based on calendar quarters rather than the adviser’s fiscal quarters. We have made this change because some advisers with quarterly updating obligations will now only need to update information about certain funds on an annual basis. The annual reporting is intended to align with typical end of fiscal year reporting activities, and requiring advisers to file separate annual and fourth quarter reports would impose additional burdens. We believe this change will, in practice, have little effect on the reporting (based on IARD data as of October 1, 2011, only about 2% of all registered advisers report a fiscal year ending in a month other than March, June, September or December, though the total may be slightly higher because IARD does not distinguish among, for instance, mid-month and end-of-month fiscal year end reporting dates).

148 See CPIC Letter (supporting the proposal with respect to large private funds advisers); APL–CIO Letter and AFR Letter (arguing for more frequent reporting).

annual reporting would reduce the burden to advisers while also giving regulators more time to analyze the data, and several compared Form PF to the FSA Survey, which has been conducted on a voluntary, semi-annual basis. Another commenter stated that the generally illiquid portfolios of private equity funds fluctuate little in value throughout the year, in its view, making quarterly reporting unnecessary. After consultation with staff representing FSOC’s members, we continue to believe that quarterly reporting is important to provide FSOC with meaningfully current information with respect to the hedge fund and liquidity fund industries and to allow FSOC to identify rapidly emerging trends among these types of funds. Although some commenters suggested that the speed with which markets and portfolios change may warrant even more frequent reporting, we believe at this time that the additional benefit to FSOC from reporting more often than once a quarter would not justify the additional burdens imposed on advisers. On the other hand, we are also not convinced that less frequent (e.g., semi-annual) reporting would provide sufficient, or sufficiently timely, information to enable FSOC to identify and respond to rapidly emerging trends. In addition, we believe that international approaches to private fund reporting may be shifting in favor of quarterly, rather than semi-annual, reporting.

With respect to large private equity advisers, however, the SEC is persuaded that the generally illiquid nature of private equity fund portfolios means that trends emerge more slowly in that sector. As a result, the proposal has been modified so that large private equity advisers are required to report information regarding private equity funds on an annual basis only.

Fewer commenters addressed the frequency of reporting for smaller advisers. One commenter agreed that annual reporting would be appropriate for these advisers, and several others argued that smaller advisers should report more frequently, proposing at least semi-annual filings. Again, although we acknowledge the potential value of more frequent reporting from smaller private fund advisers, we are concerned about the burden this would impose. At this time, we are not convinced that more frequent reporting from smaller private fund advisers would, from a systemic risk monitoring perspective, be justified by the value of the additional data. As noted above, the requirements we are adopting also differ from the proposal in that even those advisers who must report on a quarterly basis are only required to do so with respect to the type of fund that caused them to exceed the reporting threshold. We are adopting this approach in part because these other funds will include private equity funds, venture capital funds and real estate funds, all of which are likely to have generally illiquid portfolios and for which we believe annual reporting is appropriate, as explained above. This approach also reflects the different implications for systemic risk that may be presented by different investment strategies.

Reporting Deadlines

Large private equity advisers and smaller private fund advisers have 120 days from the end of their fiscal years to file Form PF. In contrast, large hedge fund advisers have 60 days from the end of each fiscal quarter, and large liquidity fund advisers have 15 days. The deadlines we are adopting for large hedge fund advisers, large private equity advisers and smaller advisers are longer than the deadlines we proposed. In particular, we have extended the deadline for large hedge fund advisers from 15 days to 60 days, the deadline for large private equity fund advisers from 15 days to 120 days and the deadline for smaller private fund advisers from 90 days to 120 days. The proposed deadline of 15 days for large hedge fund and private equity fund advisers attracted significant opposition. Commenters offered a number of reasons to extend the deadline, including that: (1) 15 days is not enough time to prepare and submit a report with reliably accurate data, particularly where the adviser must value illiquid fund assets; (2) other SEC reporting requirements allow more time; (3) the FSA Survey has allowed more time (approximately 30 to 45 days in the most recent surveys) and required less detail; (4) the same personnel will be closing the books at the end of the quarter and completing Form PF; and (5) the more current the information reported, the greater the consequences it should become public. These commenters suggested alternatives that ranged from 45 to 120 days. We understand from the comments, however, that the proposed reporting deadlines would be more problematic for some types of advisers than for...
end of year reporting obligations while at the same time providing FSOC with reasonably timely data.

3. Initial Reports

Newly registering private fund advisers are subject to the same Form PF reporting deadlines as currently registered advisers. Advisers are not, however, required to file Form PF with respect to any period that ended prior to the effective date of their registrations. Accordingly, a smaller private fund adviser that registers during its 2013 fiscal year must file Form PF within 120 days following the end of its 2013 fiscal year. It would not, however, need to file Form PF for its 2012 fiscal year. Similarly, a large hedge fund adviser that registers during its third fiscal quarter must file Form PF within 60 days following the end of that quarter but need not file for the preceding fiscal quarter.

We have extended the deadlines for initial filings from the 15 days that we proposed. One commenter argued that the proposed deadline would be too short and suggested 90 days instead. We believe the revised initial filing deadlines are more consistent with the deadlines for updating Form PF discussed above in section II.B.2 of this Release.

4. Transition Filings, Final Filings and Temporary Hardship Exemptions

An adviser must file Form PF to report that it is transitioning to only filing Form PF annually with the Commissions or to report that it no longer meets the requirements for filing Form PF no later than the last day on which the adviser’s next Form PF update would be timely. This allows us to determine promptly whether an adviser’s discontinuance in reporting is due to it no longer meeting the form’s reporting thresholds or to a lack of attention to its filing obligations. Advisers may also avail themselves of a temporary hardship exemption in a similar manner as with other SEC filings if they are unable to file Form PF electronically in a timely manner due to unanticipated technical difficulties. No adviser commented on the proposed transition filings, final filings or temporary hardship exemption, and we are adopting them as proposed.

C. Information Required on Form PF

The questions contained in Form PF reflect relevant requirements and considerations under the Dodd-Frank Act, consultations with staff representing FSOC’s members, and the Commissions’ experience in regulating those private fund advisers that are already registered with the Commissions. As discussed above, with respect to hedge fund advisers in particular, the information collected on Form PF is also broadly based on the guidelines initially developed in the FSA Survey and the IOSCO report on hedge fund oversight, and many of the more detailed items are similar to questions proposed to be included in ESMA’s reporting template. Form PF has been designed to collect information to assist FSOC in monitoring and assessing systemic risks that private funds may pose, as discussed in section II.A above.

Commenters’ reactions to the scope of Form PF varied, with some proposing further enhancements and others arguing that the proposed reporting is excessive. Commenters arguing for expanded reporting recommended additional questions about counterparty exposures and short selling or suggested having all advisers complete the entire form. In contrast, critics of the proposal argued that information required on Form PF would be unduly burdensome to provide or is available to regulators from other sources. A few commenters who objected to other aspects of the proposal recommended adding several questions that were originally proposed on Form ADV.

Although this would expand the Form, these commenters believed that these

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176 See advisers act rule 204(b)(1)-1; instruction 14 to form PF. The adviser 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 it is requesting a temporary hardship exemption. The adviser must file any request for a temporary hardship exemption no later than one business day after the electronic Form PF filing was due. The adviser must then submit the filing that is the subject of the Form PF paper filing in electronic format with the Form PF filing system no later than seven business days after the filing was due.

177 See supra section 1B.2 of this Release.

178 See, e.g., AFL–CIO Letter; AFR Letter; MERKL February Letter; MSCI Letter; comment letter of Plexus Consulting Group (Feb. 28, 2011). See also supra note 69 and accompanying text.

179 See, e.g., AIMa General Letter; IAA Letter; Olympus Letter; PEGCC Letter. See infra note 309 and accompanying text.

180 See, e.g., AIMa General Letter; IAA Letter; Olympus Letter; PEGCC Letter. See infra note 309 and accompanying text.

181 See, e.g., AIMa General Letter; IAA Letter; Olympus Letter; PEGCC Letter. See infra note 309 and accompanying text.

182 See IAA Letter; MFA Letter; Seward Letter.
questions, which relate to valuation, beneficial ownership and the identity of service providers, would require competitively sensitive or proprietary information and would be more appropriately reported confidentially on Form PF.

As discussed in greater detail below, Form PF, as adopted, addresses the concerns of many commenters with changes from the proposal that we believe will significantly reduce the burden of reporting and clarify how commenters are expected to respond. At the same time, the final Form preserves much of the information that the proposal would require. Our revised approach is intended to respond to industry concerns while still providing FSOC the information it needs to monitor systemic risk across the private fund industry.

Two of the changes we are making, in particular, illustrate this revised approach. The first is the removal of the proposed certification language. This would have required an authorized individual to affirm "under penalty of perjury" that the statements made in Form PF are "true and correct." 183 This certification was borrowed from the SEC's existing Advisers Act reporting forms, Form ADV. However, a number of commenters expressed concern that such a standard would be inappropriate for Form PF because the Form requires advisers to provide estimates and exercise significant judgment in preparing responses.184 In consideration of the nature of the information required on Form PF, we persuaded that a certification is unnecessary and that a signature confirming that the Form is filed with proper authority is sufficient.185 The second change is to increase the ability of advisers to rely on their internal methodologies when reporting on Form PF.186 A number of commenters encouraged this approach, recommending that the instructions to the Form be modified to confirm that advisers be able to rely on the same internal reporting procedures and practices when reporting on the Form that they would use when reporting to advisory clients, unless directly contradicted by the instructions.187

The revised approach, which strikes an appropriate balance between easing the burden on advisers by allowing them to rely on their existing practices and ensuring that FSOC receives comparable data across the industry. This change is intended, together with the removal of the certification, to clarify that Form PF does not require the time or expense involved in, for instance, an audit of the information included on Form PF, and we anticipate that these changes will reduce the burden that many advisers incur in completing the Form.188

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183 See Question 2 and Instruction 11 to Form PF. If the adviser is also registered with the CFTC as a CPO or CTA, the signature page also requires the signature of the authorized individual to affirm that misstatements or omissions of material fact on Form PF constitute a violation of the CEA. This acknowledgement is included simply to remove any doubt created by the filing of the Form through the SEC rather than directly with the CFTC, which is merely a matter of convenience for advisers.

184 See, e.g., ABA Committees Letter; IAMA General Letter; Kleingberg General Letter; MFA Letter; PEGCC Letter. Some of these commenters also saw the certification standard and the reporting deadlines as related issues, arguing that the more quickly an adviser is required to report, the less confidence they will have in their estimates. See, e.g., BlackRock Letter; Fidelity Letter; PEGCC Letter; SIFMA Letter; USCC Letter. As discussed above in section II.B.2 of this Release, we have also extended the proposed filing deadlines. Several commenters compared Form PF to other SEC forms and suggested that we either require just a signature without a certification or that we use a less stringent standard, such as good faith. See MFA Letter (pointing to the certification in the SEC's Schedule 13G). See also ABA Committees Letter (commenting SEC Forms, including Form N-SAR, Form N-Q, Schedule 13D and Schedule 13G); IAMA General Letter (pointing to Schedule 13G); BlackRock Letter; Kleingberg General Letter.

185 See Question 2 and Instruction 11 to Form PF. If the adviser is also registered with the CFTC as a CPO or CTA, the signature page also requires the signature of the authorized individual to affirm that misstatements or omissions of material fact on Form PF constitute a violation of the CEA. This acknowledgement is included simply to remove any doubt created by the filing of the Form through the SEC rather than directly with the CFTC, which is merely a matter of convenience for advisers.

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187 We note, however, that even absent the certification, a willful misstatement or omission of a material fact in any report filed with the SEC under the Advisers Act is unlawful. See section 206 of the Advisers Act. We have also added an instruction to the Form that clarifies when an adviser is required to amend its filing to correct an error. In particular, Instruction 16 to Form PF, affirms responses regarding one fund solely by including it in another fund at a later date.

188 If audited information is available at the time an adviser files Form PF, we would of course expect that the Form contains the audited information.
will assist us and FSOC in monitoring the amount of assets managed by private fund advisers and the general distribution of those assets among various types of private funds.191 This information also provides data about the size of the adviser, the nature of the adviser’s activities and the extent to which assets are managed rather than owned, which are factors that FSOC must consider in making a determination to designate a nonbank financial company for FRB supervision under the Dodd-Frank Act.192

b. Section 1b of Form PF

Section 1b of Form PF elicits certain identifying and other basic information about each private fund the adviser manages. The adviser generally must complete a separate section 1b for each private fund.193 This section of the Form requires reporting of each private fund’s gross and net assets and the aggregate notional value of its derivative positions.194 It also requires basic information about the fund’s borrowings, including a breakdown showing whether the creditor is based in the United States and whether it is a financial institution.195 Advisers must also report the percentage of the fund’s equity held by the five largest equity holders, which provides information about the concentration of the fund’s investor base.196 Two new questions, which we have added in connection with other changes to the Form, also require the value of the fund’s investments in other private funds and of the parallel managed accounts managed alongside the fund.197

Section 1b also requires that advisers report in response to Question 17 the performance of each fund, both on a gross basis and net of management fees and incentive fees and allocations. Advisers must provide performance information that is consistent with the performance results they report to investors (or use internally, if not reported to investors). Advisers are required, at a minimum, to report annual performance results for the fund’s most recently completed fiscal year but only need to report monthly and quarterly performance information if that information is already being calculated for the fund.

Question 17 has been modified from the proposal in response to commenter concerns regarding the burden of providing performance results in the form proposed.198 In particular, it omits the requirement to report the change in net asset value, allows advisers to report performance gross and net of management fees and incentive fees and allocations (rather than gross and net of incentive fees and allocations only) and makes reporting of monthly and quarterly performance mandatory only for those funds for which advisers are already calculating performance results with that frequency. Commenters were concerned primarily that the proposed instructions to this question would require advisers to calculate performance in a manner different from that used for investor reporting purposes or more frequently than is their current practice.199 A number of commenters explained that funds with illiquid portfolios, such as private equity funds, typically do not calculate performance on a monthly (and in many cases, even quarterly) basis and that calculating performance more frequently would impose a significant burden on these advisers.200 As discussed above, we are persuaded that trends emerge more slowly in private funds having illiquid portfolios, meaning that developments in these funds may be tracked using information reported on a less frequent basis.201 We believe that the revised approach, which allows advisers to rely on their existing procedures for calculating and reporting fund performance, significantly reduces the burden of responding to this question but will nonetheless yield valuable information for FSOC.202

191 See infra note 199 and 200.
192 See, e.g., ABA Committees Letter; MFA Letter (recommending that “the new revised Form request (i) Gross performance and (ii) performance net of all fees” and suggesting that advisers be permitted to report what they report to private fund investors).
193 See, e.g., ABA Committees Letter; IAA Letter; Merkl February Letter; MFA Letter; PEGCC Letter; SIFMA Letter; TCW Letter.
194 See supra text accompanying note 156.
195 See Question 17 on Form PF. See also Proposing Release, supra note 12, at text
We have also added to section 1b two questions that the SEC originally proposed as part of the expanded private fund reporting in Form ADV.\(^{203}\) The first, Question 14, requires that advisers report the assets and liabilities of each fund broken down using categories that are based on the fair value hierarchy established under U.S. generally accepted accounting principles (“GAAP”).\(^ {204}\) The second, Question 16, requires that advisers provide the approximate percentage of each fund beneficially owned by certain types of investors. As discussed in the Implementing Adopting Release, the SEC determined not to adopt these questions on Form ADV in response to commenter concerns that they would result in the public disclosure of competitively sensitive or proprietary information.\(^ {205}\) We have added these questions to Form PF (with the modifications discussed below) because, as the SEC explained in the Implementing Adopting Release, this information may be important to FSOC’s systemic risk monitoring activities and to our investor protection mission.\(^ {206}\)

Commenters responding to these questions as proposed on Form ADV argued that they would be difficult or burdensome to complete. With respect to Question 14, commenters argued that some private funds—especially non-U.S. funds—do not use generally accepted accounting principles (whether U.S. or international) or obtain audited financial statements, making the requirement to report a breakdown of fair values potentially costly.\(^ {207}\) We understand, however, that the group of funds not using some form of generally accepted accounting standard is relatively small and that most private funds already utilize GAAP or other international accounting standards that require the contemplated breakdown of assets and liabilities.\(^ {208}\) In addition, funds are not required to adopt GAAP for these purposes, and Question 14 does not require that the valuations within the breakdown of assets and liabilities be audited, or even determined in accordance with GAAP. For instance, an adviser could rely on questions from Form ADV to Form PF. See IAA; MFA Letter; Seward Letter.

\(^{203}\) See Questions 14 and 16 on Form PF.


\(^{204}\) Advisers must report this information annually (or on their fourth quarter updates, in the case of hedge funds and large liquidity fund advisers). This question will provide information indicating 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. In a recent rulemaking release, SEC identified this fair value categorization as the type of information that may be important for assessing liquidity risk and maturity mismatch, one factor in determining whether a nonbank financial company may pose systemic risk. See SEC, Second Notice, supra note 6. See also Rules Implementing Amendment to Advisers Act of 1940, Investment Advisers Act Release No. 3110 (Nov. 19, 2010), 75 FR 77052 (Dec. 10, 2010) (“Implementing Proposing Release”) for the proposed version of Form ADV, Part 1A, section 7.B.1.A. of Schedule D, question 12. See also FASB ASC 820–10–50–2b.

\(^{205}\) We have modified this question from the proposal to expressly include definitions for Levels 1, 2, and 3 of the hierarchy. This change is intended to minimize ambiguity for advisers that do not utilize GAAP or another international accounting standard.

\(^{206}\) The fair valuation process need not be the same that is specified in a private fund’s governing documents.\(^ {210}\) As a result, we are not convinced that the aggregate burden attributable to this reporting is unreasonable or even as significant as some commenters contend. The question has, however, been modified from the proposal to require a breakdown only by category and not by class.\(^ {211}\) For advisers that do not already prepare this breakdown for financial reporting purposes, this revised approach will significantly reduce the work required to respond to this question.\(^ {212}\) Such advisers may, however, incur additional costs to complete this question, and we are sensitive to these costs. We believe, however, that this question will provide valuable information for FSOC’s systemic risk monitoring activities and our investor protection mission and that the associated burden is warranted.\(^ {213}\) Commenters also expressed concern regarding the burden of reporting the types of beneficial owners investing in each fund, as required in Question 16.\(^ {214}\) One of these commenters noted, however, that this question will provide information for certain types of funds, particularly

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for instance, that many advisers either do not have this information or keep this information on a basis different from that set out in the Form.\textsuperscript{215} We believe, however, that many advisers to private funds are already collecting some of this beneficial ownership data as part of their processes for analyzing compliance with exemptions under the Investment Company Act and the Securities Act of 1933.\textsuperscript{216} To the extent this information is not currently collected, we do not anticipate that adding this to the information advisers already routinely collect from fund investors will impose a significant burden. We acknowledge, however, that advisers managing funds with securities outstanding prior to the adoption of Form PF would have to take additional steps in order to obtain this information because the investor diligence process will already have been completed. As a result, with respect to beneficial interests outstanding prior to March 31, 2012, that have not been transferred on or after that date, advisers may respond to Question 16 using good faith estimates based on data available to them without making additional inquiries of investors.

Question 16 has also been modified by adding a row for non-U.S. investors about which the adviser does not have and cannot reasonably obtain beneficial ownership information.\textsuperscript{217} This change acknowledges that obtaining beneficial ownership information about certain non-U.S. investors may be difficult for some advisers and ameliorates that burden by allowing advisers to report only the size of the ownership interest about which data is not available. We have also modified from the proposal some of the other categories in this question based on our consultations with staff representing FSOC’s members. In particular, we have split out categories regarding individuals and pension plans to obtain a slightly more granular breakdown and added a category for sovereign wealth funds and foreign official institutions. We intend these changes to increase the usefulness of this data for the FRB’s flow of funds report, a tool that is used for evaluating trends in and risks to the U.S. financial system.\textsuperscript{218}

The information that section 1b requires is designed to allow FSOC to monitor certain systemic trends for the broader private fund industry, such as how certain kinds of private funds perform and exhibit correlated performance behavior under different economic and market conditions and whether certain funds are taking significant risks that may have systemic implications. It is also intended to allow FSOC to monitor borrowing practices across the private fund industry, which may have interconnected impacts on banks and thus the broader financial system. Question 14, which requires that advisers report the assets and liabilities of each fund broken down using categories that are based on the fair value hierarchy established under GAAP, will provide information indicating 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. In a recent rulemaking release, FSOC identified this fair value categorization as the type of information that may be important for assessing liquidity risk and maturity mismatch, one factor in determining whether a nonbank financial company may pose systemic risk.\textsuperscript{219} Finally, as noted above, certain of the information that section 1b requires is designed for use in the FRB’s flow of funds report, a tool that is used for evaluating trends in and risks to the U.S. financial system.\textsuperscript{220}

Section 1c is the final part of section 1 and requires advisers to report information regarding the hedge funds they manage, if any. This information includes each fund’s investment strategies\textsuperscript{221} and the percentage of the fund’s assets managed using high-frequency trading strategies.\textsuperscript{222} Advisers must also report each hedge fund’s significant counterparty exposures (including identity of counterparties).\textsuperscript{223}

In response to comments, we have modified the questions regarding counterparty exposures to clarify instructions and to reduce the reporting burden by more closely aligning the requirements with information already determined in connection with many contractual trading arrangements.\textsuperscript{224} Finally, section 1c requires information regarding each hedge fund’s trading and clearing practices in Question 24 and activities conducted outside the securities and derivatives markets in Question 25. Some commenters supported the reporting required in Question 24.\textsuperscript{225} However, one commenter expressed concern that the question as proposed would require burdensome manual aggregation.\textsuperscript{226} In response, we have simplified this question by requiring a less detailed breakdown, removing the sub-classes of securities and derivatives included in the proposal. We expect that, by requiring less refinement in the categories of investments, these changes will reduce the burden of responding to this question. The revisions also align this question with the similar questions in the FSA Survey and ESMA’s proposed reporting template.\textsuperscript{227}

The information required in section 1c is designed to enable FSOC to monitor systemic risk that could be transmitted through counterparty exposure, track how different strategies are affected by and correlated with different market stresses, and follow the trends in and risks to the U.S. financial system.\textsuperscript{218}

\textsuperscript{215} See IAA General Implementing Proposal Letter (stating that the reporting would require “significant cost enhancements”).

\textsuperscript{216} 15 U.S.C. 77a.

\textsuperscript{217} An adviser may only report in this category beneficial ownership interests that are held through a chain involving one or more third-party intermediaries. If the beneficial owner has, for instance, simply interposed a wholly-owned holding company or trust as the legal owner, the interest would need to be reported in one of the other categories of beneficial owner.

\textsuperscript{218} See infra note 475. See also Flow of Funds Accounts of the United States, available at http://www.federalreserve.gov/releases/z1/. See supra note 204.

\textsuperscript{219} See supra note 218 and accompanying text.

\textsuperscript{220} See Questions 19 and 20 on Form PF. One commenter, although advising caution in using strategy data to discern trends, asserted that the reporting could provide valuable information about emerging systemic risk. See MSCI Letter (“a buildup of assets in one or a set of related strategies can cause the FSOC to question the market’s capacity to support such a strategy”); and create “conditions where crowded trades could be unwound quickly, with a systemic impact.” Another commenter suggested that we revise the question to allow reporting as of the end of the reporting period rather than over the course of the period and to permit advisers to report based on capital allocation rather than net asset value. See MFA Letter. We have revised the instructions to permit both these options. We have, however, also retained the requirement to report based on percentage of net asset value because we believe this will provide valuable information regarding leverage.

\textsuperscript{221} See Question 21 on Form PF. Some commenters suggested removing this question because, in their view, it would not provide information relevant to systemic risk assessment. See, e.g., AIMA General Letter; MFA Letter. This information may, however, be important to understanding how hedge funds interact with the markets and their role in providing trading liquidity. We have modified the instructions to this question to make it easier for advisers to determine whether a particular fund is using a relevant strategy.

\textsuperscript{222} See Questions 22 and 23 on Form PF.

\textsuperscript{223} See MFA Letter. Specifically, these questions have been modified to (i) Clarify that exposure should be mark-to-market exposure (rather than potential exposure), (ii) narrow the conditions under which affiliates are treated as a single counterparty group in order to track legal and contractual arrangements among the parties, (iii) focus on counterparties generally (rather than just trading counterparties), (iv) reference exposures before taking into account collateral postings and (v) be less prescriptive regarding the treatment of assets in custody and unsettled trades.

\textsuperscript{224} See AFL–CIO Letter; AFR Letter.

\textsuperscript{225} See MFA Letter.

\textsuperscript{226} See ESMA Proposal, supra note 33.
extent of private fund activities conducted away from regulated exchanges and clearing systems. This information could be important to understanding interconnectedness, which relates to the factors that FSOC must consider in making a determination to designate a nonbank financial company for FRB supervision under the Dodd-Frank Act.226

Several commenters agreed that some or all of the information required in section 1c would be valuable.227 For instance, one commenter, referring to the counterparty information, argued that “[f]rom a systemic risk perspective, this is the most relevant information on the form, as it goes to the heart of the issue of connectivity.”228 Some of these questions, including those about significant trading counterparty exposures and trading and clearing practices, are based on the FSA Survey, and some of the changes from the proposal discussed above more closely align this section with the FSA Survey and ESMA’s proposed reporting template, which will promote international consistency in hedge fund reporting.229

2. Section 2 of Form PF

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 end of any month in the prior fiscal quarter.230 This section of the Form requires additional information regarding the hedge funds these advisers manage, which we have tailored to focus on relevant areas of financial activity that have the potential to raise systemic concerns. This information corresponds to areas of potential concern that were identified in the Proposing Release and is designed to assist FSOC in monitoring and assessing the extent to which stresses at hedge funds could have systemic implications.

We are adopting Form PF with several changes to the information that advisers are required to report in section 2. These changes, which are discussed in detail below, are intended to respond to industry concerns while still providing FSOC the information it needs to monitor systemic risk across the hedge fund industry. In general, we expect that these changes will reduce the burden of responding to the Form and more closely align the Form with ESMA’s proposed reporting template.

Section 2a of Form PF requires certain aggregate information about the hedge funds the adviser manages. For example, Question 26 requires the adviser to report the value of assets invested (on a short and long basis) in different types of securities and commodities (e.g., different types of equities, fixed income securities, derivatives, and structured products). One commenter acknowledged the importance of collecting this information, agreeing that it “could feed a variety of possible systemic risk indices.”231 Some commenters, however, expressed concern regarding the amount of detail required in this question,232 and the commenter who generally supported this question nonetheless thought the asset classes placed too much emphasis on asset backed securities when compared with other asset classes.233 In response, the amount of detail regarding asset backed securities has been reduced so that the adviser need only provide a breakdown of mortgage backed securities, asset backed commercial paper, collateralized debt and loan obligations, other asset backed securities and other structured products.234 We continue to believe, however, that the remaining detail in this question is justified by the potential value of this information to FSOC’s systemic risk monitoring activities.235 One commenter suggested that, instead of

226 See section 113(a) of the Dodd-Frank Act; FSOC Second Notice, supra note 6.
227 See AFL–CIO Letter; AFR Letter; MSCI Letter.
228 See MSCI Letter; infra note 274.
229 For example, ESMA’s proposed reporting template would ask for identification of the hedge fund’s top five counterparties in terms of net credit exposure. It would also ask for estimates of the percentage of the fund’s securities or derivatives traded on a regulated exchange versus the counter and the percentage of the fund’s derivatives and repos cleared by a central clearing counterparty versus bilaterally. In addition, the template would require advisers to identify a predominant trading strategy using categories similar to those on Form PF. See ESMA Proposal, supra note 33.
230 See Instruction 3 to Form PF; supra section II.A.4 of this Release.

231 For example, ESMA’s proposed reporting template, in order to increase international consistency. See ESMA Proposal, supra note 33; see also supra note 31. In addition, following consultation with staff representing FSOC’s members, we have separated investments in money market funds from other types of cash management funds and deposits from other types of cash equivalents. These changes are intended to provide additional detail regarding how cash equivalents are held because, at times of economic stress, these forms of holding may have different implications for systemic risk.

232 See Proposing Release, supra note 12, at text accompanying n. 120 for a discussion of potential uses for this data.

the proposed categories of assets, we allow advisers to report based on GAAP classifications under FAS 157.236 We do not believe this is a workable alternative because FAS 157 does not employ a standard set of asset classes, and the value of this information depends in part on the ability of regulators to make comparisons across funds.237 We also believe that our approach is more consistent with international hedge fund reporting standards.238

Question 26 also requires the adviser to report the duration, weighted average tenor or 10-year bond equivalent of fixed income portfolio holdings (including asset backed securities). This differs from the proposal, which would have required all advisers to report duration. We are giving advisers the option of instead reporting weighted average tenor or 10-year bond equivalents because we understand from comments received that advisers use a wide range of metrics to measure interest rate sensitivity.239 We expect that this revised approach will reduce the burden of reporting because advisers will generally be able to rely on their existing practices when providing this information. This approach may limit the ability of regulators to make comparisons across advisers but will still yield valuable information about sensitivities to interest rate changes.240

Question 27 requires the adviser to report the value of turnover in certain asset classes (including listed equities, corporate bonds, sovereign bonds and futures) in the hedge funds’ portfolios during the reporting period. This is intended to provide an indication of the adviser’s frequency of trading in those markets and the amount of liquidity hedge funds contribute to those markets. The proposal would have required the adviser to calculate a single turnover rate for its entire hedge fund portfolio. However, commenters warned that this would prove difficult to calculate if an adviser trades in many different instrument types and, in particular, that the value of certain types of derivatives would overwhelm the influence of other instruments on the aggregate turnover

233 MSCI Letter.
234 See, e.g., ABA Committees Letter; MFA Letter.
235 See MSCI Letter.
236 This question has also been modified to separate foreign exchange derivatives used for investment from those used for hedging in response to a comment arguing that the proposed category should exclude foreign currency hedges. See MFA Letter. We have also added a category for physical real estate, which was not included in the FSA Survey but has been added in ESMA’s proposed reporting template, in order to increase international consistency. See ESMA Proposal, supra note 33; see also supra note 31. In addition, following consultation with staff representing FSOC’s members, we have separated investments in money market funds from other types of cash management funds and deposits from other types of cash equivalents. These changes are intended to provide additional detail regarding how cash equivalents are held because, at times of economic stress, these forms of holding may have different implications for systemic risk.

237 MSCI Letter. (arguing that duration information may not be valuable for making comparisons across the industry because there are many ways in which it may be calculated).
industry representatives, that there is no single particular service provider’s methodology of have not, as one commenter suggested, used any derivatives (other than futures) international standards, though, unlike the FSA turnover is currently most likely to we believe that monthly exposure and turnover values will be important to allow FSOC to track trends in the industry and to discourage "window
dressing." We acknowledge that advisers may incur additional burdens in responding to these questions, and we have taken this into account in considering the costs and benefits of this rulemaking.

The revised approach to the information required in section 2a strikes an appropriate balance between the burden imposed and need for the information.

b. Section 2b of Form PF

Consistent with our proposal, section 2b of Form PF 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 end of any month in the prior fiscal quarter (a "qualifying hedge fund").

Two commenters disagreed with limiting reporting on section 2b to hedge funds with net assets of $500 million or more, arguing that information regarding smaller funds is important to monitoring certain group behaviors relevant to systemic risk and that smaller funds are equally likely to engage in improper activities, such as insider trading.

Two other commenters argued for a higher threshold, suggesting that no fund of this size could be systemically important. We are adopting the

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243 See ABA Committees Letter; MFA Letter. Some commenters also argued that this question would not provide information valuable to monitoring systemic risk. See, e.g., ABA Committees Letter; Fidelity Letter; SIFMA Letter. However, based on our consultation with staff representing FSOC’s members, we believe that turnover will provide important insight into the role of hedge funds in providing trading liquidity in certain markets.

244 See FSA Survey, supra note 32; ESMA Proposal, supra note 33.

245 This is generally consistent with the international standards, though, unlike the FSA Survey and ESMA’s proposed reporting template, we do not include derivatives (other than futures) because we have focused on assets classes where we believe turnover is currently most likely to occur at rates that raise systemic concerns.

246 See the Proposing Release, supra note 12, for the proposed definition of “turnover rate” in the Glossary of Terms to Form PF.

247 See Question 26 on Form PF.

248 See ABA Committees Letter; MFA Letter. We have not, as one commenter suggested, used any particular service provider’s methodology of categorizing geographical exposures because our staff understands, based on conversations with industry representatives, that there is no single methodology that hedge fund advisers employ. See MFA Letter (suggesting that we use “Bloomberg’s country of risk methodology”). In response to commenter concerns, we have removed some of the instructions regarding how the location of investments should be determined and expanded Instruction 15 to explain that the numerator should be calculated in the same manner as gross asset value. See MFA Letter. These changes allow advisers to rely on their internal methodologies and service provider reports in determining where to report investments and, by using gross asset value, rather than the more general value definition set out in Instruction 15, avoid the possibility that the reported value of certain derivative instruments would overwhelm the influence of other instruments. We believe that this "supranational" region, which is intended to capture investments in instruments. We have also added a "supranational" region.

249 See supra note 218 and infra note 475. For example, in the case of a fund of funds that satisfies the requirements for the information.

250 See ABA Committees Letter.
threshold as proposed because we believe it balances the needs of FSOC for information regarding relatively large hedge funds and the burdens of the more detailed reporting that section 2b requires.

Also consistent with our proposal, Question 30 in section 2b requires reporting of the same information as that requested in section 2a regarding exposure to different types of assets except, in this case, the information is reported for each qualifying hedge fund, rather than on an aggregate basis. This question has been modified from the proposal in the same manner as Question 26.

Section 2b also requires, on a per fund basis, data not requested in section 2a. For instance, the adviser must report information regarding the qualifying hedge fund’s portfolio liquidity, holdings of unencumbered cash and concentration of positions. These questions have been modified from the proposal to allow advisers to rely more on their own methodologies in responding, consistent with our changes to Instruction 15 to the Form and to align the Form more closely with ESMA’s proposed reporting template. A new Question 31 has been added, which requires the adviser to identify the reporting fund’s base currency because this information is necessary to interpret responses to questions regarding foreign exchange exposures and the effect of changes in currency rates on the reporting fund’s portfolio.

In Questions 36 through 38, the adviser must also provide information regarding the fund’s collateral practices with counterparties. These questions have been significantly modified from the proposal in order to reduce the amount of detail required, including by removing the breakdown of collateral into initial and variation margin. These changes were made because a commenter persuaded us that “[w]hile some of this information is potentially illuminating in the context of systemic risk, [the section as proposed] is more burdensome than it need be for its purpose.” We have also modified these questions by requiring information regarding rehypothecation only with respect to the fund’s aggregate collateral (rather than on a counterparty-by-counterparty basis). Commenters persuaded us that, because collateral is often fungible, this question would have been difficult to answer as proposed and that the additional detail is unnecessary. We anticipate that these changes will reduce the burden of responding to these questions.

Question 39 in section 2b also requires the adviser to report whether the hedge fund cleared any trades directly through a central clearing counterparty (“CCP”) during the reporting period. The proposal would have required the adviser to identify the three CCPs to which the fund has the greatest net counterparty credit exposure and provide the amount of that exposure. The information this question requires has been significantly reduced because commenters argued persuasively that the fund’s relationship is typically with a swap dealer, futures commission merchant or direct clearing member who then interacts with the CCP rather than directly with a CCP and that, as a result, advisers “may not have easy access to the data requested by this question.” If responses to the revised question indicate that many reporting funds clear transactions directly through CCPs, the Commissions may consider in the future whether a question like the one proposed should be added to the Form. The change to Question 39 will reduce the burden of responding to the Form.

The information that Questions 30 through 35 require is designed to assist FSOC in monitoring the composition of hedge fund exposures over time as well as the liquidity of those exposures. In addition, information reported in response to Questions 36 through 38 is intended to aid FSOC in its monitoring of counterparty exposures to hedge funds as well as the hedge fund’s liquidity and ability to respond to market stresses. Finally, Question 39 is intended to assist FSOC in monitoring whether hedge funds and CCPs become increasingly interconnected over time. This information could be important to understanding, for instance, concentrations in the hedge fund industry and interconnectedness, which relate to the factors that FSOC must consider in making a determination to designate a nonbank financial company for FRB supervision under the Dodd-Frank Act.

Section 2b also requires for each qualifying hedge fund data regarding certain hedge fund risk metrics. For instance, Question 40 requires the adviser to report value at risk (“VaR”) for each month of the reporting period if, during the reporting period, the adviser regularly calculated a VaR metric for the qualifying hedge fund. One commenter confirmed that, “[i]n all but the most illiquid strategies, hedge fund managers utilize these statistical measures [VaR and similar measures] for internal management and

See supra note 233–242 and accompanying text for a discussion of the changes.

See supra note 32, at text accompanying n. 124 for a discussion of potential uses for this data. We have modified the instructions to this question to address commenter concerns by allowing advisers to rely more on their own methodologies in responding. See CCMR Letter; MFA Letter. We have also confirmed the liquidity periods to those included in ESMA’s proposed template. See ESMA Proposal, supra note 33. One commenter objected to the question more generally, saying that the data is not currently tracked in the manner required and many advisers would need to “devote significant time and resources” to building models and systems. TCW Letter. Another commenter, however, supported this question, noting that “[i]t is increasingly a request of hedge fund investors, particularly for commingled funds, where a given investor can be adversely impacted by a sudden large redemption by another party.” MSCI Letter. We have taken into account both of these comments in considering the costs and benefits of this rulemaking and believe that the value of the information FSOC warrants the potential burden imposed. See infra sections IV.B and V of this Release (discussing increases in our burden and cost estimates in response to comments received).

See Question 33 on Form PF. In response to a comment we received, we have modified the definition of “unencumbered cash” to include the value of “overcollateralized” used for liquidity management (so long as the assets purchased are U.S. treasury securities or agency securities) because we are satisfied that, for this purpose, the liquidity of these positions is sufficiently cash-like. See MFA Letter.

See Questions 34 and 35 on Form PF. Question 34 requires the total number of open positions held by the fund, and Question 35 requires reporting, for each position that represents

5% or more of the fund’s net asset value, of the position’s portion of the fund’s net asset value and sub-asset class. One commenter asked for clarification regarding the meaning of “position,” as used in these questions and elsewhere in the Form. See MFA Letter. In response, we have added an instruction to the Form explaining that advisers should determine whether a set of legal and contractual rights constitutes a “position” in a manner consistent with their internal recordkeeping and risk management procedures. See Instruction 15 to Form PF. This general instruction also supplants the detailed instructions proposed in Question 35, which have, accordingly, been removed.

See also Question 30, regarding reporting fund exposures, and Question 42, regarding the effect of changes in certain market factors on the fund’s portfolio.

Questions 36 and 37 focus on collateral practices with the fund’s top five counterparties and Question 38 focuses on rehypothecation of the fund’s aggregate collateral.

MFA Letter; MSCI Letter.
for investor reporting.’’267 We are adopting this question substantially as proposed but with several clarifying changes.268

In Question 41, the adviser must also indicate whether there are risk metrics other than, or in addition to, VaR that it considers important to managing the fund’s risks. Several commenters, noting that some advisers do not use VaR, expressed concern that a negative response regarding the use of VaR would create a presumption that the adviser is not prudently managing risk.269 This new question will give advisers an opportunity to indicate that they are using risk metrics other than VaR, and it will also provide valuable information regarding industry practice that may inform FSOC’s understanding of risk management and future rulemakings.

In addition, Question 42 requires the adviser to report the impact on the fund’s portfolio from specified changes to certain identified market factors, if regular (and not just in formal testing) in the fund’s risk management, broken down by the long and short components of the qualifying hedge fund’s portfolio. We are adopting this question with several changes from the proposal.270 Most of the changes clarify the instructions, but the question has also been modified so that an adviser may omit a response to any market factor that it did not regularly consider in formal testing even if the factor could have an impact on the fund’s portfolio or the adviser considered it qualitatively.271 Under the proposal, an adviser would have been permitted to omit a response with respect to a market factor only if it did not regularly consider that factor in the reporting fund’s risk management, whether in formal testing or otherwise. This change has been made in response to commenter concerns regarding the potential burden of responding to this question.272 We believe it will reduce that burden in the aggregate because fewer advisers will need to provide detailed responses for individual components as those without existing quantitative models will not be required to build or acquire them in order to respond to this question.

Some commenters would have preferred removal of Question 42 entirely, arguing that it would not yield information valuable to systemic risk monitoring because the variability in responses would hinder the ability of regulators to make comparisons across funds.273 However, although variability in the assumptions used to complete the question may limit certain types of industry-wide comparisons, the variability itself, when taken together with other information collected on the Form, may provide important comparative information. Based on our staff’s consultations with staff representing FSOC’s members, we believe this question will also provide valuable risk information with respect to individual funds.274

Item D of section 2b also requires reporting of certain financing information for each qualifying hedge fund in Question 43. This question includes a monthly breakdown of the fund’s secured and unsecured borrowing, the value of the collateral and other credit support posted in respect of the secured borrowing and the types of creditors. Question 43 has been modified from the proposal to clarify instructions and remove some of the detail regarding collateral postings (including information regarding rehypothecation of collateral, which is now covered on an aggregate basis elsewhere in section 2b).275 We anticipate that these changes will reduce the burden of responding to this question. One commenter argued that advisers would have difficulty responding to the parts of Question 43 relating to the fund’s borrowings via prime brokerage because they lack transparency into the prime brokerage relationship.276 This comment suggests, however, that prime brokers do not currently report this information to advisers, not that advisers are unable to obtain this information on request. It should be noted that advisers have successfully completed the FSA Survey, which includes a similar breakdown of borrowings (though not the collateral information), and that the revisions we have made to this question simplify the collateral reporting requirements.

An adviser must also report in Questions 44 and 45 the fund’s total notional derivatives exposures as well as its mark-to-market value of its uncleared derivatives positions and the value of the collateral and other credit support posted in respect of those uncleared positions. Under the proposal, advisers would have reported only the notional value of the fund’s derivatives positions and the value of collateral posted in respect of those positions. One commenter pointed out, however, that the “absolute value of notional values cannot meaningfully be compared to variation margin amounts” because margin is posted based on net

267 See MSCI Letter. This commenter, however, cautioned that variability in the calculation of VaR will make meaningful aggregation of this information impossible in its suggestions removed the question. As proposed, in order to minimize the reporting burden associated with this question, we are not requiring that all advisers calculate VaR using a standardized set of assumptions. Although this approach may, as the commenter suggested, reduce the ability of regulators to make comparisons across hedge funds using this data, we believe that it will also provide valuable risk information with respect to individual funds.

268 For instance, we have specified the units for reporting the confidence interval and weighting factor, redefined the “zone” and “equal” weighting options and clarified that the monthly reporting should be at the end of each month and not for the span of the month.

269 See IAA Letter; MFA Letter.

270 These include changes intended to clarify (1) how the fund’s portfolio should be separated into long and short components, (2) the period over which the changes should be deemed to occur and (3) how to address factors that would otherwise become negative when a given change is applied.

271 For this purpose, “formal testing” means that the adviser has models or other systems capable of simulating the effect of a market factor on the fund’s portfolio, not that the specific assumptions outlined in the question were used in testing. If the factor is relevant but not tested, the adviser would need to check a box to that effect but would not report a numerical response.

272 See, e.g., TCW Letter. This commenter wrote that “[a]n analyst at the firm estimated that it would take one to two days for the firm’s systems to compute and verify the data for one fund’s response to [this question].” Based on a discussion with this commenter, our staff understands that this estimate assumes that the factor identified to be categorized as complex to model (such as non-agency mortgage backed securities) and that the modeling is intended to achieve a high level of confidence. Our staff further understands that for many other asset classes, this modeling would require minutes or hours rather than days and that, even for complex securities, advisers are able to obtain approximations about which they are reasonably confident in significantly less time. As a result, we believe that this commenter’s estimate represents an effort significantly beyond the likely average burden of this question requires. We also understand that the majority of the estimated one to two days represents time spent allowing the adviser’s systems to calculate the responses and not employee hours. We note, finally, that we have significantly extended the filing deadline for large hedge fund advisers, reducing the likelihood that this task would be left to the adviser’s prime brokers or other liquidity providers.

273 See supra note 230. We note, however, that not all advisers will have successfully completed the FSA Survey, which includes a similar breakdown of borrowings (though not the collateral information), and that the revisions we have made to this question simplify the collateral reporting requirements.

274 See Proposing Release, supra note 12, at text accompanying n. 127 (discussing potential uses for this data). One commenter suggested removing this question in favor of expanding the questions regarding counterparty exposures so that an adviser would complete those questions using multiple stress scenarios to probe for contingent exposures. See MSCI Letter; see also supra note 230. We believe at this time that the question we are adopting strikes a more appropriate balance between the value of the information collected and the burden of reporting.

275 See supra note 264 and accompanying text.

276 See MFA Letter.
market values rather than notional amounts. At this commenter’s suggestion, this question has been revised to request both notional value and net market value. We have, however, narrowed the scope of transactions about which collateral information is requested. Specifically, an adviser is required to report market values and collateral values only for transactions that are not cleared by a CCP. We have taken this approach because we believe margining practices associated with cleared derivatives make obtaining information regarding collateral practices in connection with those transactions unnecessary. For the same reasons discussed above in connection with changes made to Questions 36 and 37, this question has been revised to reduce the amount of detail required regarding the posting of collateral. We anticipate that these changes will, on net, reduce the burden of responding to Questions 44 and 45 and, by allowing comparisons of collateral practices to net exposures, provide more valuable information for FSOC.

In response to Questions 46 and 47, the adviser must provide a breakdown of the term of the fund’s available financing and the identity of, and amount owed to, each creditor to which the fund owed an amount equal to or greater than 5 percent of the fund’s net asset value as of the reporting date.

One commenter argued that the breakdown of available financing should not include uncommitted lines of credit because the lender may not provide them on request. However, the extent to which financing may become rapidly unavailable is precisely the information this question is designed to elicit. We are adopting Questions 46 and 47 substantially in the form proposed.

The information that Item D of section 2b requires is designed to assist FSOC in monitoring, among other things, the qualifying hedge fund’s leverage, the unsecured exposure of credit counterparties to the fund, and the committed term of that leverage, which may be important to monitor if the fund comes under stress. This information is also relevant to the fund’s interconnectedness and leverage, which relate to factors that FSOC must consider in making a determination to designate a nonbank financial company for FRB supervision under the Dodd-Frank Act.

Item E of section 2b requires the adviser to report information about each qualifying hedge fund’s investor composition and liquidity. Questions 48 and 49, for example, require information regarding the fund’s side-pocket and gating arrangements. These questions have been modified to increase their clarity and to require numerical responses regarding gating arrangements only if investors have withdrawal or redemption rights in the ordinary course, potentially reducing the number of advisers that need to respond to all elements of Question 49. Question 48 has also been expanded so that the adviser must check a box indicating whether additional assets have been placed in a side-pocket since the end of the prior reporting period. Without this additional information, FSOC would not be able to distinguish between advisers frequently using side-pockets and those who have simply had a side-pocket in place for an extended period. We believe, therefore, that this additional information will be important to interpreting the information proposed to be collected. We do not anticipate that this addition will significantly increase the burden of responding to this question because we believe that advisers already track assets held in side-pockets and the response only requires checking a box.

Finally, the adviser must provide, in Question 50, a breakdown of the percentage of the fund’s net asset value that is locked in for different periods of time. This question has been modified from the proposal to clarify instructions and to improve international consistency by conforming the liquidity periods to those included in ESMA’s proposed reporting template.

The information that Item E of section 2b requires is designed to allow FSOC to monitor the hedge fund’s susceptibility to failure through investor redemptions in the event the fund experiences stress due to market or other factors. For instance, this information, together with information collected in Questions 32 and 46 and elsewhere on the Form, is intended to assist FSOC in determining whether the fund may have a mismatch in the maturity or liquidity of its assets and liabilities, which relate to factors that FSOC must consider in making a determination to designate a nonbank financial company for FRB supervision under the Dodd-Frank Act.

Certain data in the Form, while filed with the Commissions on an annual or quarterly basis, must be reported on a monthly basis to provide sufficiently granular data to allow FSOC to better identify trends and to mitigate “window dressing.” Nearly all of these requirements appear in section 2 of the Form, which only large hedge fund advisers complete. Although no commenters expressly supported the monthly data requirements within the Form, some commenters recommended that large advisers be required to file more often than quarterly, which could impose a greater burden than monthly reporting on a quarterly filing.

Several commenters, however, suggested that advisers should only report data as of the end of the quarterly reporting period. One commenter, while conceding that some funds already report certain data to investors on a monthly basis, asserted that such monthly reporting involves significantly less data and is based on internal valuation estimates only. Other commenters doubted that advisers would engage in “window dressing” and argued that the increased costs to advisers would outweigh the benefits.

Based on our staffs’ consultations with staff representing FSOC’s members, we agree with commenters who argued that rapidly changing markets and portfolios merit collecting certain information more often than on a quarterly basis, and we are not persuaded that the large hedge fund and large liquidity fund advisers required to respond to these questions will be overwhelmed by this reporting. Also, as discussed above, we have made several changes that increase the ability of advisers to rely on their own internal methodologies in responding to the Form, which is expected to ease the burden of reporting monthly information by clarifying that advisers need not incur substantial additional

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277 See MFA Letter.
278 See supra notes 262–264 and accompanying text.
279 To improve international consistency, we have conformed the liquidity periods in Question 46 to those included in ESMA’s proposed reporting template. See ESMA Proposal, supra note 33. As explained above, we have moved Question 47 from section 1b to section 2b. See supra note 195.
280 See MFA Letter.
281 But see, supra note 279. We have also added an instruction to Question 47 clarifying that the precise legal name of the creditor is not required.
282 See section 113(a) of the Dodd-Frank Act; FSOC Second Notice, supra note 6.
283 See, e.g., BlackRock Letter; Fidelity Letter; MFA Letter; SIFMA Letter (proposing that reporting be no more frequent than quarterly, at least for private equity fund advisers).
284 See, e.g., Fidelity Letter; MFA Letter.
burdens in verifying the data. Finally, the monthly data about which commenters were most concerned were the monthly performance data proposed to be collected in section 1b of the Form. Question 17 has, however, been modified to require monthly data only in the case that the adviser is already calculating it, making the reporting burden essentially one of copying information onto the Form. Accordingly, except as discussed above, we are adopting the requirements to report monthly information as proposed.

3. Section 3 of Form PF

A private fund adviser must complete section 3 of Form PF if it manages one or more liquidity funds and has at least $1 billion in combined liquidity fund and registered money market fund assets under management as of the end of any month in the prior fiscal quarter. Section 3 requires that the adviser report certain information for each liquidity fund it manages. The adviser must provide information regarding the fund’s portfolio valuation and its valuation methodology, as well as the liquidity of the fund’s holdings. This section also requires information regarding whether the fund, as a matter of policy, is managed in compliance with certain provisions of rule 2a–7 under the Investment Company Act, which is the principal rule through which the SEC regulates registered money market funds. Items B and C of section 3 require the adviser to report the amount of the fund’s assets invested in different types of instruments, information for each open position of the fund that represents 5 percent or more of the fund’s net asset value and information regarding the fund’s borrowings. Finally, Item D of section 3 asks for certain information regarding the fund’s investors, including the concentration of the fund’s investor base and the liquidity of its ownership interests.

The information that section 3 requires is designed to assist FSOC in assessing the risks undertaken by liquidity funds, their susceptibility to runs, and how their investments might pose systemic risks either among liquidity funds or through contagion to registered money market funds. In addition, this information is intended to aid FSOC in monitoring leveraging practices among liquidity funds and their interconnectedness to securities lending programs, which relate to factors that FSOC must consider in making a determination to designate a nonbank financial company for FRB supervision under the Dodd-Frank Act. Finally, this information will assist FSOC in assessing the extent to which the liquidity fund is being managed consistent with restrictions imposed on registered money market funds that might mitigate their likelihood of posing systemic risk. Commenters generally did not address the requirements of section 3, and the SEC is, therefore, adopting this section of the Form substantially as proposed.

4. Section 4 of Form PF

A private fund adviser must complete section 4 of Form PF if it had at least $2 billion in private equity fund assets under management as of the end of its most recently completed fiscal year. This section of the Form requires additional information regarding the private equity funds these advisers manage, which has been tailored to focus on relevant areas of financial activity that have the potential to raise systemic concerns. As discussed in the Proposing Release, information regarding the activities of private equity funds, certain of their portfolio companies and the creditors involved in financing private equity transactions may be important to the assessment of systemic risk. The Proposing Release identified two practices of private equity funds, in particular, that could result in systemic risk: (1) The potential shift of market risk to lending institutions when bridge loans cannot be syndicated or refinanced; and (2) the imposition of substantial leverage on portfolio companies that may themselves be systemically significant.

Several commenters agreed that the activities identified in the Proposing Release are important areas of concern for monitoring systemic risk with respect to private equity funds. Other commenters, however, disagreed with the analysis, arguing that private equity funds and their advisers do not have the potential to pose systemic risk. These commenters affirmed that certain characteristics identified in the

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290 See supra note 188 and accompanying text.

291 See Question 17 on Form PF; supra section II.C.1.b of this Release.

292 See supra nn. 198–202 and accompanying text.

293 See sections II.A.2 and II.B.4 of this Release for the definition of “liquidity fund” and a discussion of this reporting threshold. See also Instructions 3, 5, and 6 to Form PF. Form PF is a joint form between the SEC and the CFTC only with respect to sections 1 and 2 of the form. Section 4 of the form, which requires more specific reporting regarding liquidity funds, is only required by the SEC.

294 See Questions 52, 53, and 55 on Form PF. The SEC has modified the instructions to Question 55 to clarify the units in which responses are to be reported and to clarify that the net asset value requested in parts (a) and (b) of Question 55 is the net asset value reported to current and prospective investors, which may or may not be the same as the net asset value reported in Questions 9 and 55(c), which are based on fair value.

295 See Question 54 of Form PF. The restrictions in rule 2a–7 are designed to ensure, among other things, that money market funds’ investing remains consistent with the objective of maintaining a stable net asset value. Moore liquidity funds state in investor offering documents that the fund is managed in compliance with Investment Company Act rule 2a–7 even though that rule does not apply to liquidity funds.

296 See Questions 56–59 on Form PF. The SEC has modified these questions from the proposal by removing instructions that have been supplanted by general instructions. See Instruction 15 to Form PF.

297 See Questions 60–64 on Form PF. For purposes of these questions, beneficial owners are persons who would be counted as beneficial owners under section 3(c)(1) of the Investment Company Act or who would be included in determining whether the owners of the fund are qualified purchasers under section 3(c)(7) of that Act. (15 U.S.C. 80a–3(c)(1) or (7)). The SEC has made clarifying changes to the instructions to Question 64. To improve international consistency, the SEC has also conformed the liquidity periods in Question 64 to those included in ESMA’s proposed reporting template. See ESMA Proposal, supra note 33.

298 See section 113(a) of the Dodd-Frank Act; FSOC Second Notice, supra note 6.

299 The SEC received only one comment specifically addressing the requirements of section 3, which questioned whether requiring information regarding investor liquidity is appropriate considering the focus of liquidity funds on short-term investments. See MFA Letter. The SEC continues to believe that this information is important to understanding whether a fund may suffer a mismatch between the maturity of its obligations and the maturity of its investments and is, therefore, adopting this question substantially as proposed. But see, supra note 297.

300 See Instruction 3 to Form PF. See also sections II.A.3 and II.B.4 of this Release for the definition of “private equity fund” and a discussion of this reporting threshold. Form PF is a joint form between the SEC and the CFTC only with respect to sections 1 and 2 of the form. Section 4 of the form, which requires more specific reporting regarding private equity funds, is only required by the SEC.

301 See Proposing Release, supra note 12, at section II.A.3.

302 See Proposing Release, supra note 12, at nn. 71–73 and accompanying text.

303 See Proposing Release, supra note 12, at nn. 74–75 and accompanying text.

304 See, e.g., AFL–CIO Letter (pointing to evidence that the use of so-called “covenant-lite” loans is again expanding); CPIC Letter (noting the importance of gathering information about all types of entities using leverage and asserting that, “the Commission should not be pressured to scale back further or provide broad exemptions for private equity funds.”); Merkel February Letter. See also Proposing Release, supra note 12, at n. 73 and accompanying text (discussing risks associated with “covenant-lite” loans).

305 See, e.g., Olympus Letter; PEGCC Letter (contending that private equity funds and any other shareholders and that they should not be singled out for “a discriminatory and onerous reporting regime designed to monitor how their portfolio companies use leverage.”); SIFMA Letter.
Proposing Release, including limitations on investor redemption rights and an absence of significant leverage at the fund level, are common to private equity funds and tend to mitigate their potential for systemic risk.\textsuperscript{306}

The SEC acknowledges that several potentially mitigating factors suggest that private equity funds may have less potential to pose systemic risk than some other types of private funds, and this has been taken into account in requiring substantially less information with respect to private equity funds than with respect to hedge funds or liquidity funds. The design of Form PF, however, is not intended to reflect a determination as to where systemic risk exists but rather to provide empirical data to FSOC with which it may make a determination about the extent to which the activities of private equity funds or their advisers pose such risk.\textsuperscript{307} Based on SEC staff’s consultation with staff representing FSOC’s members, the SEC continues to believe that targeted information regarding private equity leverage practices may be important to FSOC’s monitoring of systemic risk.\textsuperscript{308}

One commenter argued that, if the SEC is concerned only with the use of leverage, the information could be gathered more effectively from the financial institutions that lend the money or, in the case of leveraged portfolio companies that are themselves

\textsuperscript{306} See, e.g., Olympus Letter; PECCC Letter; SIFMA Letter. These commenters also noted that these funds typically focus on long-term investments and are legally isolated from the financial obligations of portfolio companies and other funds. They also asserted that private equity funds and their investments tend to be relatively small and are not interconnected. See also Proposing Release, supra note 12, at n. 77 and accompanying text.

\textsuperscript{307} One industry observer has explained the importance of transparency in allowing regulators to examine where risks may exist in the alternative investment industry, arguing that, “...regulation has to aim at trying to prevent the next crisis, not simply cleaning up the mess from the previous one. It may indeed be the case that the alternative investment industry is too small and/or is leveraged at too low a level, at least relative to average bank sector leverage, to be a likely source of future systemic harm but the opacity issue, which has for a long time hampered supervisors’ efforts to understand the industry’s significance, makes this hard to tell. Requiring the industry to submit at least to disclosure and transparency obligations that help regulators and central banks do a better job of identifying systemic risk concentrations in the system is a reasonable step forward. Resistance to the imposition of obligations of this sort would merely serve to suggest that there is something to hide.” Ellis Ferran, The Regulation of Hedge Funds and Private Equity: A Case Study in the Development of the EU’s Regulatory Response to the Financial Crisis, University of Cambridge and European Corporate Governance Institute (Feb. 2011).

\textsuperscript{308} See Proposing Release, supra note 12, at section II.A.3.

financial institutions, incur the debt.\textsuperscript{309} Staff representing FSOC’s members has explained to the SEC’s staff, however, that collecting leverage data from private equity advisers has several potential advantages. First, it provides a more complete accounting than other data sources of the leverage that may have been imposed on portfolio companies. Although portfolio companies may take on leverage through financial institutions regulated in the United States, they may also incur leverage from other sources, including hedge funds and foreign financial institutions. As a result, portfolio company leverage information collected through U.S. bank regulators would likely provide an incomplete picture and may fail to capture trends with potential systemic importance, such as greater reliance on leverage obtained from outside the regulated financial sectors or from foreign sources. Even if regulators are only concerned about the risks that a portfolio company’s debt may impose on financial institutions, those risks cannot be fully understood without information regarding the company’s entire balance sheet, including debt from other sources.

Second, because the SEC understands that private equity advisers routinely track the leverage of their portfolio companies, collecting data directly from these advisers is likely to be the most efficient means of monitoring portfolio company leverage. In contrast, obtaining portfolio company leverage information through bank regulators could be less efficient because (1) Banks are less likely to be actively tracking leverage information specifically attributable to portfolio companies, (2) bank regulators do not have a single collection mechanism for this data and (3) data may need to be aggregated across several different bank regulators.

Third, collecting leverage data from private equity advisers would fill gaps in the data that could appear if FSOC were to attempt aggregating information from many different U.S. bank regulators. It also provides a check on any data that may be collected from other sources. Indeed, other types of information that the SEC collects from investment advisers has already proven valuable in cross-checking data that bank regulators collect.\textsuperscript{310}

Fourth, FSOC has stated that it is concerned that leveraged lending practices can raise systemic risk concerns.\textsuperscript{311} Private equity advisers are repeat participants in the leveraged loan market (often more so than other types of companies that access credit through these markets), and tracking their portfolio company leverage practices can signal trends in emerging risks in those markets. Indeed a recent study found that the private equity fund sponsors’ bank relationships were an important factor in explaining the favorable loan terms obtained by private equity portfolio companies, both as a result of the private equity sponsor’s repeat interactions reducing information asymmetries and the competition among banks to cross-sell other business to the private equity sponsor.\textsuperscript{312} This empirical data suggests that collecting data on private equity portfolio company leverage trends in fact may be the most efficient way to collect systemic risk trend data for the broader leveraged loan market because private equity portfolio companies’ practices in this area may be a bellwether due to their sponsors’ repeat player status.

The SEC is, however, adopting Form PF with several significant changes that reduce the frequency of reporting with respect to private equity funds, as discussed above, and more closely align the required reporting with information available on portfolio company financial statements. These changes, which are discussed in detail below and in section II.B of this Release, are intended to respond to industry concerns while still providing FSOC the information it needs to monitor the potential for systemic risk across the private fund industry. In general, we expect that these changes will reduce the burden of responding to the Form.

\textsuperscript{309} See PECCC Letter.

\textsuperscript{310} The SEC’s Form N–MFP, for instance, has provided a valuable check against information that banking regulators collect with respect to portfolio holdings of registered money market funds.

\textsuperscript{311} See FSOC 2011 Annual Report, supra note 19, at 12 (“Although it is difficult to make definitive determinations regarding the appropriateness of risk pricing, there have been some indicators that credit underwriting standards might have overly eased in certain products, such as leveraged loans, reflecting the dynamics of competition among arranging bankers. * * * Sound underwriting standards, which were abandoned in the run-up to the crisis, will encourage greater investor confidence and stability in the market.”).

\textsuperscript{312} See Victoria Ivashina & Anna Kovner, The Private Equity Advantage: Leveraged Buyout Firms and Relationship Banking, 24 Rev. of Fin. Studies 2417 (July 2011).
Section 4 requires that large private equity advisers report certain information for each private equity fund they manage, including certain information about guarantees of portfolio company obligations and the leverage of the portfolio companies that the fund controls. Specifically, Question 66 requires information about the amount of guarantees that the adviser, the reporting fund or any other related person of the adviser issues in respect of a portfolio company’s obligations.314 Questions 67 through 70 require the adviser to report: (1) The weighted average debt-to-equity ratio of controlled portfolio companies in which the fund invests; (2) the range of that debt-to-equity ratio among these portfolio companies and (3) the aggregate gross asset value of these portfolio companies.315 In addition, Questions 71 and 72 ask for the total amount of borrowings categorized as current liabilities and as long-term liabilities on the most recent balance sheets of the fund’s controlled portfolio companies. These questions replace the question that the SEC proposed, which would have required advisers to report the maturity profile of the debt of its private equity funds’ controlled portfolio companies.316 This change has been made in response to commenter concerns regarding the burden of gathering the data that would have been required to respond to the question as proposed.317 The SEC anticipates that these changes will reduce the burden of responding to these questions because less information is required and the information will be readily available on the financial statements of the fund’s controlled portfolio companies.

In response to Questions 73 and 74, the adviser must report the portion of the controlled portfolio companies’ borrowings that is payment-in-kind or zero coupon,318 and whether the fund or any of its controlled portfolio companies experienced an event of default on any of its debt during the reporting period.319 In addition, Question 75 requires the adviser to provide the identity of the institutions providing bridge financing to the adviser’s controlled portfolio companies and the amount of that financing.

Question 76 requires certain information if the fund controls any financial industry portfolio company, such as the portfolio company’s name, its debt-to-equity ratio, and the percentage of the portfolio company beneficially owned by the fund.320

Question 79 requires the adviser to report whether any of its related persons co-invest in any of the fund’s portfolio companies.

The information that Question 66 requires is intended to provide FSOC information regarding the exposure of large private equity advisers and their funds to the risks of their portfolio companies. The information that Questions 67 through 76 require is designed to allow FSOC to assess the potential exposure of banks and other lenders to the portfolio companies of funds managed by large private equity advisers and to monitor whether trends in those areas could have systemic implications. Information reported in response to Question 76 is also intended to allow FSOC to monitor investments by the funds of large private equity advisers in companies in the financial industry that may be particularly important to the stability of the financial system.

Finally, Questions 77 and 78 require a breakdown of the fund’s investments by industry and by geography.321 Two commenters suggested removing these questions, arguing that the value of the information would not exceed the burden of reporting it.322 Regulators, however, will be able to use this information to monitor global and industry concentrations among private equity funds, and concentration is one of the factors that FSOC must consider in making a determination to designate a nonbank financial company for FRB supervision under the Dodd-Frank Act.323 In addition, the information required is largely based on the financial statements of the controlled portfolio companies and, therefore, should be readily available to the adviser.

Most of the reporting in section 4 relates to portfolio companies because the SEC understands that leverage in private equity structures is generally incurred at the portfolio company level.324 than all of the fund’s portfolio companies, and the SEC has made this change. See ABA Committees Letter; see also IAA Letter; see also infra discussion accompanying notes 324–327. The SEC has added a requirement to report the gross asset value of each financial industry portfolio company to provide a measure of scale as context for reporting leverage ratio. This information should be readily available on portfolio company financial statements, so the SEC does not expect this addition to meaningfully increase the reporting burden.

321 The SEC has modified the instructions to these questions to reflect clarifications suggested by a commenter. See Merkl February Letter. Question 78, which requires a geographic breakdown of investments in portfolio companies, has also been modified for reasons discussed above. See supra note 247 and accompanying text.

322 See Merkl February Letter; PEGCC Letter.

323 See section 113(a) of the Dodd-Frank Act.
This report is limited to controlled portfolio companies, rather than portfolio companies generally, to ensure that advisers are able to obtain the relevant information without incurring potentially substantial additional burdens. Several commentators suggested, however, that the proposed standard of “control” was too low, leaving advisers responsible for reporting information they may not be entitled to access. The SEC is not persuaded that advisers are likely to have such difficulty obtaining the information required concerning controlled portfolio companies because the majority of this information is available from the financial statements of the portfolio companies or relates to the fund’s own investments in the portfolio companies. In addition, modifications from the proposal have replaced a requirement for information that may not have been available on portfolio company financial statements with a requirement for information that will appear on any audited portfolio company’s financial statements. Accordingly, the SEC is adopting the definition of “controlled portfolio company” substantially as proposed.

Two commenters supported collecting the information proposed to be required in section 4. However, they also argued that the required reporting should not be restricted to controlled portfolio companies but should extend to all of the fund’s portfolio companies. In their view, the largest portfolio companies are the least likely to have a controlling shareholder and the most likely to pose systemic risk. The SEC is sensitive to this concern but believes at this time that requesting information regarding all portfolio companies would increase the difficulty of responding to section 4 without a sufficiently large corresponding increase in the value of the data collected.

5. Aggregation of Master-Feeder Arrangements, Parallel Fund Structures and Parallel Managed Accounts

For purposes of reporting information on Form PF, an adviser may provide information regarding master-feeder arrangements and parallel fund structures in the aggregate or separately, provided that it does so consistently throughout the Form. For example, an adviser may complete either a single section 1b for all of the funds in a master-feeder arrangement or a separate section 1b for each fund in the arrangement. Any adviser choosing to aggregate funds in the reporting must check the “yes” box in Question 6 or Question 7 fund. See also note 336. This will 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.

D. Confidentiality of Form PF Data

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 identifiable to any particular adviser or private fund, although the SEC may use Form PF information in an enforcement action. The Dodd-Frank Act amends the Advisers Act to preclude the SEC from being compelled to reveal this information except in very limited circumstances.

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324 See, e.g., ABA Committees Letter (suggesting instead “a standard of majority voting control”); IAA Letter (asserting that an adviser may not have access to some of the required data “even if the fund owns 50% or more of such portfolio company”); PEGCC Letter. See supra note 315 (discussing the definition of “control.”)

325 Advisers may not know the North American Industry Classification System, or NAICS, codes for its controlled portfolio companies, but this information should be readily obtainable from the company. The details regarding bridge loans required in Question 75 on the Form may not be available directly from a controlled portfolio company’s financial statements, but it is likely either that involved in arranging or consenting to the loans (because the loans were an important part of the fund’s investment in the company or because they were incurred after the fund obtained a controlling interest in the company) or were the subject of the fund’s due diligence prior to investing in the company.

326 See supra note 317 and accompanying text.

327 See Instructions 5 and 6 to Form PF. The SEC notes that this approach is not to require aggregation of these funds for reporting purposes. See AIMA General Letter. For the reasons discussed below, however, we are persuaded that the better approach is not to require aggregation of these accounts for reporting purposes.

328 See also supra note 193 and accompanying text.

329 See also supra note 197.

330 See Instructions 5 and 6 to Form PF.
certain circumstances. Similarly, the Dodd-Frank Act exempts the CFTC from being compelled under FOIA to disclose to the public any information collected through Form PF and requires that the CFTC maintain the confidentiality of that information consistent with the level of confidentiality established for the SEC in section 204(b) of the Advisers Act. The Commissions will make information collected through Form PF available to FSOC, as the Dodd-Frank Act requires, subject to the confidentiality provisions of the Dodd-Frank Act.

The Dodd-Frank Act contemplates that Form PF data may also be shared with other Federal departments or agencies or with self-regulatory organizations, in addition to the CFTC and FSOC, for purposes within the scope of their jurisdiction. In each case, any such department, agency or self-regulatory organization would be exempt from being compelled under FOIA to disclose to the public any information collected through Form PF and must maintain the confidentiality of that information consistent with the level of confidentiality established for the SEC in section 204(b) of the Advisers Act. Prior to sharing any Form PF data, the SEC also intends to require 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 data in a manner consistent with the protections established in the Dodd-Frank Act. The Form PF reporting requirements also help to mitigate the potential risk of inadvertent or improper disclosure. For instance, because data on Form PF generally could not, on its own, be used to identify individual investment positions, the ability of a competitor to use Form PF data to replicate a trading strategy or trade against an adviser is limited.

In addition, the deadlines for filing Form PF have, in most cases, been significantly extended from the proposal. Some commenters supported these extensions in part because filings will, as a result, generally contain less current, and therefore less sensitive, data. In addition, our staff is working to design controls and systems for the use and handling of Form PF data in a manner that reflects the sensitivity of this data and is consistent with the confidentiality protections established in the Dodd-Frank Act. As discussed below, this will include programming the Form PF filing system with appropriate confidentiality protections. For instance, SEC staff is studying whether multiple access levels can be established so that SEC employees are allowed only as much access as is reasonably needed in connection with their duties.

Several commenters confirmed that the information collected on Form PF is competitively sensitive or proprietary and emphasized the importance of controls for safekeeping. These commenters also made several recommendations for protecting the data, including: (1) Storing identifying information using a code; (2) limiting the ability to transfer Form PF data by email or portable media; (3) limiting access to personnel who “need to know”; (4) extending filing deadlines so the data contains less current information; and (5) sharing the data with other regulators only in aggregated and anonymous form. As discussed above, the deadlines for filing Form PF have, in most cases, been significantly extended from the proposal. SEC staff is also carefully considering the other recommendations of commenters in position. Large private equity advisers must identify any financial industry portfolio companies in which the reporting fund has a controlling interest, but these investments are likely to be in private companies whose securities are not widely traded (and, therefore, do not raise the same trading concerns) or in public companies about which information regarding significant beneficial owners is already made public under sections 13(d) and 13(g) of the Exchange Act. See infra note 351 and accompanying text.

This would be consistent with the SEC’s current practice of requiring that it receive, prior to sharing nonpublic information with other regulators, “such assurances of confidentiality as the SEC deems appropriate.” See section 24(c) of the Exchange Act and rule 24c–1 thereunder. Questions 26, 30, 35 and 57 on Form PF ask about exposures of the reporting fund but require only that the adviser identify the exposure within broad asset classes, not the individual investment

537 See Proposing Release, supra note 12, at n.39. Form PF data is filed with the SEC and made available to the CFTC, pursuant to section 204(b) of the Advisers Act, making this data subject to the confidentiality protections applicable to data required to be filed under that section. See section 204(b) of the Advisers Act.
538 See section 204(b)(8)(B)(i) of the Advisers Act. See sections 204(b)(9) and (10) of the Advisers Act.
539 This would be consistent with the SEC’s current practice of requiring that it receive, prior to sharing nonpublic information with other regulators, “such assurances of confidentiality as the SEC deems appropriate.” See section 24(c) of the Exchange Act and rule 24c–1 thereunder.
540 See supra section II.B.2 of this Release (discussing filing deadlines).
541 See infra note 351 and accompanying text.
542 See infra section I.E of this Release.
543 See, e.g., ABA Committees Letter; AIMA General Letter; CPG Letter; MFA Letter; SIFMA Letter. See supra notes 344–345 and accompanying text. Designing controls and systems for Form PF.

In advance of the compliance date for Form PF, SEC staff will review the controls and systems in place for the use and handling of Form PF data. Depending on the progress at that time toward the development and deployment of these controls and systems, the SEC will consider whether to delay the compliance date for Form PF.

E. Filing Fees and Format for Reporting

Under Advisers Act rule 204(b)–1, Form PF must be filed through an electronic system designated by the SEC for this purpose. On September 30, 2011, the SEC issued notice of its determination that the Financial Industry Regulatory Authority (FINRA) will develop and maintain the filing system for Form PF as an extension of the existing Investment Adviser Registration Depository (IARD). This filing system will have certain features, including being programmed to reflect the heightened confidentiality protections created for Form PF filing information under the Dodd-Frank Act and allow for secure access by FSOC and other regulators as permitted under the Dodd-Frank Act. Under the Advisers Act rule 204(b)–1, advisers required to file Form PF must pay to the operator of the Form PF filing system fees that the SEC has approved. The SEC in a separate order has approved filing fees that reflect the costs reasonably associated with these filings and the development and maintenance of the filing system.

We are working with FINRA to allow advisers to file Form PF either through a fillable form on the system Web site or through a batch filing process utilizing the eXtensible Markup Language (XML) tagged data format. In connection with the batch filing process, we anticipate publishing a taxonomy of XML data tags in advance of the compliance date for Form PF. We believe that certain advisers may prefer to report in XML format because it allows them to automate aspects of their reporting and thus minimize burdens and generate efficiencies for the adviser.

534 See infra section III of this Release (discussing the compliance date for Form PF).
536 See Advisers Act rule 204(b)–1(d); section 204(c) of the Advisers Act.
III. Effective and Compliance Dates

The effective date for CEA rule 4.27, Advisers Act rule 204(b)–1 and Form PF is March 31, 2012.

The Commissions are adopting a two-stage phase-in period for compliance with Form PF filing requirements. For the following advisers, the compliance date for CEA rule 4.27 and Advisers Act rule 204(b)–1 is June 15, 2012:

- Any adviser having at least $5 billion in assets under management attributable to hedge funds as of the last day of the fiscal quarter most recently completed prior to June 15, 2012;360
- Any adviser managing a liquidity fund and having at least $5 billion in combined assets under management attributable to liquidity funds and registered money market funds as of the last day of the fiscal quarter most recently completed prior to June 15, 2012;361 and
- Any adviser having at least $5 billion in assets under management attributable to private equity funds as of the last day of its first fiscal year to end on or after June 15, 2012.362

For instance, an adviser with $5 billion in hedge fund assets under management as of March 31, 2012, must file its first Form PF within 60 days following June 30, 2012.363 In addition, an adviser having a June 30 fiscal year end and $5 billion in private equity fund assets under management as of June 30, 2012, must file its first Form PF within 120 days following June 30, 2012.364

For all other advisers, the compliance date for CEA rule 4.27 and Advisers Act rule 204(b)–1 is December 15, 2012. As a result, most advisers must file their first Form PF based on information as of December 31, 2012.

This timing provides most private fund advisers with a significant amount of time to prepare for filing, requiring only the largest advisers, whose resources and systems should better position them to begin reporting, to report in less than a year following adoption of Form PF. This approach is designed to balance the need for regulators to begin collecting and analyzing data regarding the private fund industry with the ability of advisers to efficiently prepare for filing. We currently anticipate that this timeframe will also give the SEC sufficient time to create and program a system to accept filings of Form PF.365

We are adopting compliance dates that significantly extend the proposed compliance date of December 15, 2011. We are taking this approach, in part, because we are adopting these rules later than originally expected. The revised approach is also intended to respond to commenters who recommended a later compliance date. These commenters argued that the proposed compliance date would have provided advisers insufficient "time to identify the information to be included, establish automated systems and procedures to collect and calculate the information, and develop procedures to review, complete and verify the Form."366 A majority of these commenters suggested extending compliance to at least nine months after publication of the final Form, though some argued for a year or more.367 In support of an extended compliance date, commenters emphasized that, without sufficient time to prepare for the initial filing, the reporting process will be manually intensive or require costly system enhancements.368 As explained above, our revised approach is designed to provide the largest advisers, whose resources and systems should better position them to begin reporting, at least eight months before they start filing Form PF, and the vast majority of advisers will have over a year before their first Form PF is due.

IV. Paperwork Reduction Act

SEC: Section 204(b) of the Advisers Act directs the SEC to require private fund advisers to file reports containing such information as the SEC deems necessary and appropriate in the public interest and for investor protection or for the assessment of systemic risk. Rule 204(b)–1 and Form PF under the Advisers Act implement this requirement. Form PF contains a new "collection of information" within the meaning of the Paperwork Reduction Act ("PRA").369 The title for the new collection of information is: "Form PF under the Investment Advisers Act of 1940, reporting by investment advisers to private funds."370 For purposes of this PRA analysis, the paperwork burden associated with the requirements of rule 204(b)–1 is included in the collection of information burden associated with Form PF and thus does not entail a separate collection of information. The SEC is submitting this collection of information to the Office of Management and Budget ("OMB") for review in accordance with 44 U.S.C. 3507(d) and 5 CFR 1320.11. 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.

Form PF is intended to provide FSOC with information that will assist it in fulfilling its obligations under the Dodd-Frank Act relating to nonbank financial companies and systemic risk monitoring.371 The SEC may also use the information in connection with its regulatory and examination programs.

358 See AIMA General Letter (agreeing that using the IARD and FINRA is a "sensible solution."); MFA Letter. We note that an adviser that is known to be in the Form PF Proposing Release that the filing system would need to be programmed with special confidentiality protections designed to ensure the heightened confidentiality protections created for Form PF filing information under the Dodd-Frank Act. See Proposing Release, supra note 12, at n. 9 and accompanying text and section I.E. These commentators expressed the view that maintaining the confidentiality of Form PF data is an important consideration in developing the filing system. Our staffs are working closely with FINRA in designing controls and systems to ensure that Form PF data is handled and used in a manner consistent with the protections established in the Dodd-Frank Act, and as noted above, we are carefully considering recommendations from commenters in designing controls and systems for the use and handling of Form PF data.

359 AIMA General Letter. See also Kleinberg General Letter.

360 For this purpose, advisers must calculate the value of assets under management pursuant to the instructions in Form ADV and aggregate assets under management in the same manner as they would when determining whether they satisfy reporting thresholds under Form PF. See supra section II.A.5 of this Release.

361 Id.

362 Id.

363 This assumes the adviser’s fiscal quarters are based on calendar quarters. Of course, if the adviser also exceeds the threshold for liquidity fund advisers, its filing would be due within 15 days.

364 This assumes the adviser does not also exceed the $5 billion threshold for hedge fund or liquidity fund advisers.

365 The SEC is working closely with FINRA to create and program a system for Form PF filings, and FINRA expects to be able to accept Form PF filings in this timeframe.

366 MFA Letter. See also infra note 367.

367 See, e.g., AIMA General Letter (nine months); BlackRock Letter (nine months); CPLIC Letter (one year); Fidelity Letter (one year); IAA Letter (nine months); Kleinberg General Letter (one year); MFA Letter (nine months); PROCC Letter (one year); TCW Letter (nine months); Seward Letter (two years); SIFMA Letter (nine months); USCCC Letter (270 days).

368 See AIMA General Letter; Kleinberg General Letter.


370 See supra section I.A of this Release; see also of the Proposing Release, supra note 12, at section II.A.
The respondents to Form PF are private fund advisers. Compliance with Form PF is mandatory for any private fund adviser that had at least $150 million in regulatory assets under management attributable to private funds as of the end of its most recently completed fiscal year. Specifically, smaller private fund advisers must report annually and provide only basic information regarding their operations and the private funds they advise. Large private equity advisers also must report on an annual basis but are required to provide additional information with respect to the private equity funds they manage. Finally, large hedge fund advisers and large liquidity fund advisers must report on a quarterly basis and provide more information than other private fund advisers. The PRA analysis set forth below takes into account the difference in filing frequencies among different categories of private fund adviser. It also reflects the fact that the additional information Form PF requires large hedge fund advisers to report is more extensive than the additional information required from large liquidity fund advisers, which in turn is more extensive than that required from large private equity advisers.

As discussed in section II of this Release, the SEC has sought to minimize the reporting burden on private fund advisers to the extent appropriate. In particular, the SEC has taken into account an adviser’s size and the types of private funds it manages in designing scaled reporting requirements. In addition, where practical, the SEC has permitted advisers to rely on their existing practices and methodologies to report information on Form PF.

Advisers must file Form PF through the Form PF filing system on the IARD. Responses to the information collections will be kept confidential to the extent permitted by law.

A. Burden Estimates for Annual Reporting by Smaller Private Fund Advisers

In the Implementing Adopting Release, the SEC estimated that there will be approximately 4,270 SEC-registered advisers managing private funds after taking into account recent changes to the Advisers Act and a year of normal growth in the population of registered advisers. The SEC estimates that approximately 700 of these advisers will not be required to file Form PF because they have less than $150 million in private fund assets under management. Accordingly, the SEC anticipates that, when advisers begin reporting on Form PF, a total of approximately 3,570 advisers will be required to file all or part of the Form. Out of this total number, the SEC estimates that approximately 3,070 will be smaller private fund advisers, not meeting the thresholds as Large Private Fund Advisers.

374 See section ILE of this Release.
375 See section ILD of this Release.
376 Specifically, the SEC estimated that (1) 3,320 private fund advisers that are currently registered with the SEC will remain registered after certain advisers make the switch to state registration prompted by the Dodd-Frank Act’s amendments to section 203A of the Advisers Act, (2) 750 advisers to private funds will register with the Commission as a result of the Dodd-Frank Act’s elimination of the private adviser exemption and (3) 200 additional advisers to private funds will register in the next year. See Implementing Adopting Release, supra note 11, at 637 and accompanying text. Estimates of registered private fund advisers are based on estimates of the number of advisers that reported a fund in Section 7(b) of Schedule D to the version of Form ADV prior to the date of the release. Because these responses included funds that the adviser’s related persons manage as well as those the adviser itself manages, these data may overestimate the total number of private fund advisers.

377 Based on IARD data as of October 1, 2011. See supra section ILA of this Release for a discussion of the minimum reporting thresholds.
378 4,270 total private fund advisers — 700 with less than $150 million in private fund assets under management = 3,570 advisers. The SEC notes, however, that if a private fund is advised by both an adviser and one or more subadvisers, only one of these advisers is required to complete Form PF. See section ILA.6 of this Release. As a result, it is likely that some portion of these advisers either will not be required to file Form PF or will be subject to a reporting burden lower than is estimated for purposes of this PRA analysis. The SEC has not attempted to adjust the burden estimates downward for this purpose because the SEC does not currently have reliable data with which to estimate the number of funds that have subadvisers.

379 Based on the estimated total number of registered private fund advisers 3,570 estimated registered private fund advisers = 250 large hedge fund advisers = 80 large liquidity fund advisers = 170 large private equity fund advisers = 3,070 smaller private fund advisers.

380 The SEC has updated these estimates to reflect: (1) Updated data from IARD, (2) the addition of a minimum reporting threshold of $150 million in private fund assets, which reduces the number of advisers subject to the reporting requirements, and (3) the revised estimates of large hedge fund advisers and large private equity advisers discussed in section II.A.4 of this Release. See supra section I.A of this Release and notes 88 and 89.

381 See supra section II.C.1.
382 These estimates are based, in part, on the SEC’s understanding that much of the information in sections 1a and 1b of Form PF is currently maintained by most private fund advisers in the ordinary course of business. See supra note 146. In addition, the SEC expects the time required to determine the amount of the adviser’s assets under management that relate to private funds of various types to be largely included in the approved burden associated with the SEC’s Form ADV. As a result, responding to questions on Form PF that relate to assets under management and determining whether an adviser is a Large Private Fund Adviser should impose little or no additional burden on private fund advisers. Of course, not all questions on Form PF impose the same burden, and the burden of responding to questions may vary substantially from adviser to adviser. These estimates are intended to reflect averages for compiling, reviewing and filing the Form, do not indicate the time that may be spent on specific questions and may not reflect the time spent by an individual adviser.
large hedge fund adviser burdens did provide alternative estimates. As discussed above, the SEC is also increasing its hour burden estimates with respect to large hedge fund advisers based on, among other things, the estimates these commenters provided. In the absence of specific commenter estimates for the smaller adviser reporting burden, the SEC has, therefore, scaled these estimates in proportion to the increases it is making to its burden hour estimates for large hedge fund advisers.

Although the SEC has increased these estimates, it has also taken into account changes from the proposal that it expects, on the whole, to mitigate the burden of reporting the information required in section 1. For instance, we have modified the requirement to report performance by allowing advisers to report monthly and quarterly results only if such results are already calculated for the fund. In addition, we have removed from section 1b a question requiring identification of significant creditors and substantially reduced the amount of information required with respect to trading and clearing practices in section 1c. We have also made several global changes to the Form that we anticipate will reduce the burden of reporting. These include the removal of the certification, the increased ability of advisers to rely on their existing methodologies and recordkeeping practices and allowing advisers to omit information regarding parallel managed accounts from their responses to the Form.

We have also added four new questions in section 1b that will increase the burden of completing that portion of the Form, but the SEC expects the other changes described above to result in a net reduction in the burden of completing the Form relative to the proposal. Based on the foregoing, the SEC estimates that the amortized average burden of periodic filings will be 23 hours per smaller private fund adviser for each of the first three years, and the amortized aggregate annual burden of periodic filings for smaller private fund advisers will be 70,600 hours for each of the first three years. B. Burden Estimates for Large Hedge Fund Advisers

The SEC estimates that 250 advisers will be classified as large hedge fund advisers. As discussed above, large hedge fund advisers must complete section 1 of the Form and provide additional information regarding the hedge funds they manage in section 2 of the Form. These advisers must report information regarding the hedge funds they manage on a quarterly basis.

Because large hedge fund advisers generally provide more information on Form PF than other private fund advisers, the SEC estimates that these advisers will require, on average, more than other Large Private Fund Advisers to configure systems and to compile, review and electronically file the required information. Accordingly, the SEC estimates that large hedge fund advisers will require an average of approximately 300 burden hours for an initial filing and 140 burden hours for each subsequent filing. These estimates reflect an increase compared to the proposal from 75 to 300 hours for the initial filing and from 25 to 140 hours for subsequent filings. The SEC has increased these estimates to reflect comments suggesting that the estimates included in the proposal were too low. One industry group reported that some members attempted to complete the proposed version of Form PF for one or more funds and, “[i]based on their experience, and recognizing that efficiencies will develop over time, [this group estimated] that large managers on average will expend 150–300 hours to submit the initial Form.” The SEC has revised its estimates of hour burdens and costs for large hedge fund advisers provided in the Paperwork Reduction Act and cost-benefit analyses are based, in part, on burden data that advisers provided in response to the FSA Survey and in the experience of SEC staff. These estimates also assume that some Large Private Fund Advisers will find it worthwhile to include some of the reporting process, which will increase the burden of the initial filing but reduce the burden of subsequent filings. This efficiency gain is reflected in our burden estimates, which are higher for the first report than subsequent reports, and certain of the anticipated automation costs are accounted for in our cost estimates. See infra note 435 and accompanying text. Of course, depending on the position on Form PF impose the same burden, and the burden of responding to questions may vary substantially from adviser to adviser. These estimates are intended to reflect overall compliance, reviewing and filing the Form, do not indicate the time that may be spent on specific questions and may not reflect the time spent by an individual adviser.

The estimate of hour burdens and costs for large hedge fund advisers provided in the Paperwork Reduction Act and cost-benefit analyses are based, in part, on burden data that advisers provided in response to the FSA Survey and in the experience of SEC staff. These estimates also assume that some Large Private Fund Advisers will find it worthwhile to include some of the reporting process, which will increase the burden of the initial filing but reduce the burden of subsequent filings. This efficiency gain is reflected in our burden estimates, which are higher for the first report than subsequent reports, and certain of the anticipated automation costs are accounted for in our cost estimates. See infra note 435 and accompanying text. Of course, depending on the position on Form PF impose the same burden, and the burden of responding to questions may vary substantially from adviser to adviser. These estimates are intended to reflect overall compliance, reviewing and filing the Form, do not indicate the time that may be spent on specific questions and may not reflect the time spent by an individual adviser.
estimates in this PRA analysis based on the top end of this range, which represents a conservative interpretation of this commenter’s estimate. This approach appears justified in this case based on other comments suggesting that the hours burden imposed on these advisers could be significantly higher than the SEC estimated in the Proposing Release.406

The SEC notes, however, that this commenter’s estimates were based on the Form as proposed and we have made a number of changes from the proposal factors.407 We have also made several global changes to the Form that we anticipate will reduce the burden of reporting. For example, we have modified a number of questions to reduce the amount of detail required or to allow advisers to rely more on their existing methodologies or recordkeeping practices, including questions regarding trading and clearing practices, interest rate sensitivities, geographical concentrations, turnover, collateral practices, CCP exposures and sensitivities to changes in specified market factors.408 We have also added four new questions in section 1b, which will increase the burden of completing that portion of the Form.409 The SEC believes, however, that the increased burden attributable to these new questions is less than the reduced burden attributable to other changes to the Form because the new questions require limited information that, in many cases, will be readily available to advisers while some of the SEC’s modifications to reduce the reporting burdens are intended to address areas of the Form that commenters identified as particularly burdensome. In light of these changes, the SEC believes that the commenter estimates, which were based on the proposed Form, likely represent an upper bound of the average burden to large hedge fund advisers.

Based on the foregoing, the SEC estimates that the amortized average annual burden of periodic filings will be 610 hours per large hedge fund adviser for each of the first three years.410 In the aggregate, the amortized average burden of periodic filings will then be 153,000 hours for large hedge fund advisers for each of the first three years.411

C. Burden Estimates for Large Liquidity Fund Advisers

The SEC estimates that 80 advisers will be classified as large liquidity fund advisers.402 Commenters did not address this estimate. As discussed above, large liquidity fund advisers must complete section 1 of the Form and provide additional information regarding the liquidity funds they manage in section 3 of the Form. In addition, these advisers must report information regarding the liquidity funds they manage on a quarterly basis. Large liquidity fund advisers generally must report less information on Form PF than large hedge fund advisers but more information than large private equity advisers and smaller private fund advisers. Accordingly, the SEC estimates that large liquidity fund advisers will require, on average, fewer hours than large hedge fund advisers but more hours than other advisers to configure systems and to compile, review and electronically file the required information. Specifically, the SEC estimates that these large liquidity fund advisers will require an average of approximately 140 burden hours for an initial filing and 65 burden hours for an subsequent filing.

The estimates reflect an increase compared to the proposal from 35 to 140 hours for the initial filing and from 16 to 65 hours for subsequent filings. The SEC has increased these estimates to reflect comments suggesting that the estimates included in the proposal were too low.404 Commenters did not provide alternative estimates for these burdens. However, commenters addressing the large hedge fund adviser burdens did provide alternative estimates.405 As discussed above, the SEC is also increasing its hour burden estimates with respect to large hedge fund advisers based on, among other things, the estimates these commenters provided.406 In the absence of specific commenter estimates for the large liquidity fund adviser reporting burden, the SEC has, therefore, scaled these estimates in proportion to the increases it is making to its burden hour estimates for large hedge fund advisers.

Although the SEC has increased these estimates, it has also taken into account changes from the proposal that it expects, on the whole, to mitigate the burden of reporting for large liquidity fund advisers. For instance, we have eliminated from section 1b a question requiring identification of significant creditors.407 We have also made several global changes that we anticipate will reduce the burden of reporting. These include allowing large liquidity fund advisers to report only annually on funds that are not liquidity funds, removing the certification, expanding the ability to disregard funds of funds and allowing advisers to omit information regarding parallel managed accounts from their responses to the Form.408 We have also made a number of changes from the proposal that it expects, on the whole, to mitigate the burden of reporting for large liquidity fund advisers while some of the SEC’s cost estimates these commenters provided.406 In the absence of specific commenter estimates for the large liquidity fund adviser reporting burden, the SEC has, therefore, scaled these estimates in proportion to the increases it is making to its burden hour estimates for large hedge fund advisers.
added four new questions in section 1b that will increase the burden of completing that portion of the Form, but the SEC expects the other changes described above to result in a net reduction in the burden of completing the Form relative to the proposal.\textsuperscript{409}

Based on the foregoing, the SEC estimates that the amortized average annual burden of periodic filings will be 290 hours per large liquidity fund adviser for each of the first three years.\textsuperscript{410} In the aggregate, the amortized annual burden of periodic filings will then be 23,200 hours for large liquidity fund advisers for each of the first three years.\textsuperscript{411}

\textbf{D. Burden Estimates for Large Private Equity Advisers}

The SEC estimates that 170 advisers will be classified as large private equity advisers.\textsuperscript{412} As discussed above, large private equity advisers must complete section 1 of the Form and provide additional information regarding the private equity funds they manage in section 4 of the Form. These advisers are only required to report on an annual basis.

Large private equity advisers generally must report less information on Form PF than other Large Private Fund Advisers but more information than smaller private fund advisers. Accordingly, the SEC estimates that large private equity advisers will require, on average, fewer hours than large hedge fund advisers and large liquidity fund advisers but more hours than other advisers to configure systems and to compile, review and electronically file the required information. Specifically, the SEC estimates these advisers will require an average of approximately 100 burden hours for an initial filing and 50 burden hours for each subsequent filing.\textsuperscript{413}

\textsuperscript{409}See supra section II.C.1 of this Release.

\textsuperscript{410}The SEC estimates that a large liquidity fund adviser will make 12 quarterly filings in three years, for an amortized average annual burden of 290 hours (1 initial filing × 140 hours + 11 subsequent filings × 65 hours = 855 hours; and 855 hours ÷ 3 years = 285 hours). After the first three years, filers generally will not incur the start-up burdens applicable to the first filing.

\textsuperscript{411}290 burden hours on average per year × 80 large hedge fund advisers = 23,200 hours.

\textsuperscript{412}See supra note 89.

\textsuperscript{413}The estimates of hour burdens and costs for large private equity advisers provided in the Paperwork Reduction Act and cost-benefit analyses are based, in part, on a comparison to the requirements and estimated burden for large hedge fund advisers (which estimates, in turn, are based in part on burden data that advisers provided in response to the IA Regulatory Survey and on the experience of SEC staff. These estimates also assume 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. This efficiency gain is reflected in our burden estimates, which are higher for the first report than subsequent reports, and certain of the anticipated automation costs are accounted for in our cost estimates. See infra note 435 and accompanying text. Of course, not all questions on Form PF impose the same burden, and the burden of responding to questions may vary substantially from adviser to adviser. These estimates are intended to reflect averages for compiling, reviewing and filing the Form, do not indicate the time that may be spent on specific questions and may not reflect the time spent by an individual adviser.

\textsuperscript{414}See, e.g., Atlas Letter; PEGCC Letter; USCC Letter.

\textsuperscript{415}See, e.g., MFA Letter.

\textsuperscript{416}See supra note 386.

\textsuperscript{417}See supra sections II.C.1 and II.C.4 of this Release. One commenter suggested the question we removed would have been “very burdensome.” See PEGCC Letter.

\textsuperscript{418}See, e.g., supra sections II.B.1 and II.C.5 of this Release and notes 129 and 183–188 and accompanying text.

\textsuperscript{420}See supra section II.C.1 of this Release.

\textsuperscript{421}The SEC estimates that a large private equity adviser will make 3 annual filings in three years, for an amortized average annual burden of 67 hours (1 initial filing × 100 hours + 2 subsequent filings × 50 hours = 200 hours; and 200 hours × 3 years = approximately 67 hours). After the first three years, filers generally will not incur the start-up burdens applicable to the first filing.

\textsuperscript{422}67 burden hours on average per year × 170 large private equity advisers = 11,400 hours.

\textsuperscript{423}This estimate is based on IARD data on the frequency of advisers to one or more private funds ceasing to have assets under management sufficient to cause them to be large hedge fund or large liquidity fund advisers. (80 large liquidity fund advisers + 250 large hedge fund advisers) × 0.09 × 0.25 hours = 7 hours.)

The SEC estimates that the amortized average annual burden of periodic filings will be 67 hours per large private equity adviser for each of the first three years.\textsuperscript{424} In the aggregate, the amortized annual burden of periodic filings will then be 11,400 hours for large private equity advisers for each of the first three years.\textsuperscript{422}

Based on the foregoing, the SEC estimates that the amortized average annual burden of periodic filings will be 67 hours per large private equity adviser for each of the first three years.\textsuperscript{424} In the aggregate, the amortized annual burden of periodic filings will then be 11,400 hours for large private equity advisers for each of the first three years.\textsuperscript{422}

\textsuperscript{419}See, e.g., supra sections II.B.1 and II.C.5 of this Release and notes 129 and 183–188 and accompanying text.

\textsuperscript{420}See supra section II.C.1 of this Release.

\textsuperscript{421}The SEC estimates that a large private equity adviser will make 3 annual filings in three years, for an amortized average annual burden of 67 hours (1 initial filing × 100 hours + 2 subsequent filings × 50 hours = 200 hours; and 200 hours × 3 years = approximately 67 hours). After the first three years, filers generally will not incur the start-up burdens applicable to the first filing.

\textsuperscript{422}67 burden hours on average per year × 170 large private equity advisers = 11,400 hours.

\textsuperscript{423}This estimate is based on IARD data on the frequency of advisers to one or more private funds ceasing to have assets under management sufficient to cause them to be large hedge fund or large liquidity fund advisers. (80 large liquidity fund advisers + 250 large hedge fund advisers) × 0.09 × 0.25 hours = 7 hours.)

\textsuperscript{418}See, e.g., supra sections II.B.1 and II.C.5 of this Release and notes 129 and 183–188 and accompanying text.

\textsuperscript{420}See supra section II.C.1 of this Release.

\textsuperscript{421}The SEC estimates that a large private equity adviser will make 3 annual filings in three years, for an amortized average annual burden of 67 hours (1 initial filing × 100 hours + 2 subsequent filings × 50 hours = 200 hours; and 200 hours × 3 years = approximately 67 hours). After the first three years, filers generally will not incur the start-up burdens applicable to the first filing.

\textsuperscript{422}67 burden hours on average per year × 170 large private equity advisers = 11,400 hours.

\textsuperscript{423}This estimate is based on IARD data on the frequency of advisers to one or more private funds ceasing to have assets under management sufficient to cause them to be large hedge fund or large liquidity fund advisers. (80 large liquidity fund advisers + 250 large hedge fund advisers) × 0.09 × 0.25 hours = 7 hours.)
be required to report on a quarterly basis.\textsuperscript{424} Second, filers who are no longer subject to Form PF’s periodic reporting requirements must file a final report indicating that fact. The SEC estimates that approximately 8 percent of the advisers required to file Form PF will have to file such a report each year with a burden of 0.25 of an hour, or a total of 71 burden hours per year for all private fund advisers.\textsuperscript{425} No commentators addressed these estimates. The SEC has not changed its estimates of the rate of final filings and the burden hours per filing from the proposal, but it has reduced its estimate of the total burden hours per year because the addition of a minimum reporting threshold will result in fewer filers reporting on Form PF.\textsuperscript{426}

Finally, an adviser experiencing technical difficulties in submitting Form PF may request a temporary hardship exemption by filing portions of Form PF in paper format.\textsuperscript{427} The information that must be filed for a hardship exemption is comparable to the information that Form ADV filers provide on Form ADV–H when requesting a temporary hardship exemption relating to that form. In the case of Form ADV–H, the SEC has estimated that the average burden of filing is 1 hour and that approximately 1 in every 1,000 advisers will file annually.\textsuperscript{428} Assuming that Form PF filers request hardship exemptions at the same rate and that the applications impose the same burden per filing, the SEC expects approximately 4 filers to request a temporary hardship exemption each year\textsuperscript{429} for a total of 4 burden hours.\textsuperscript{430} No commentators addressed these estimates, and they remain unchanged from the proposal.

\textbf{F. Aggregate Hour Burden Estimates}

Based on the foregoing, the SEC estimates that Form PF would result in an aggregate of 258,000 burden hours per year for all private fund advisers for each of the first three years, or 72 burden hours per year on average for each private fund adviser over the same period.\textsuperscript{431}

\textbf{G. Cost Burden}

In addition to the hour burdens identified above, advisers subject to the Form PF reporting requirements will incur cost burdens. Firms required to file Form PF must also pay filing fees. In a separate order, the SEC has established filing fees for the Form PF filing system of $150 per annual filing and $150 per quarterly filing.\textsuperscript{432} We estimate that this will result in advisers paying aggregate filing fees of $664,000 per year.\textsuperscript{433} Several commentators suggested that advisers would also need to modify existing systems or deploy new systems to support Form PF reporting.\textsuperscript{434} As discussed in the Proposing Release and below, the SEC acknowledges that advisers may incur costs to develop systems and expects that Large Private Fund Advisers, in particular, may 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.\textsuperscript{435} The SEC has assumed that some of the estimated cost that it estimates advisers will spend on preparing their initial filings on Form PF will be attributable to programmers preparing systems for the reporting.\textsuperscript{436} The SEC understands that some advisers may outsource all or a portion of these systems requirements to software consultants, vendors, filing agents or other third-party service providers and believes that the emergence of such service providers may serve to make filing on Form PF more efficient than is reflected in its estimates.\textsuperscript{437}
cost approximately $50,000 fully deployed. This suggests an aggregate incremental cost in the first year of reporting between $0 and $25,000,000, though the actual cost is likely to fall in between these two end-points.441

CFTC:

As adopted, CEA rule 4.27 does not impose any additional burden upon registered CPOs and CTAs that are dually registered as investment advisers with the SEC. By filing the Form PF with the SEC, these dual registrants would be deemed to have satisfied certain of their filing obligations with the CFTC should the CFTC adopt such requirements, and the CFTC is not imposing any additional burdens herein. Therefore, any burden imposed by Form PF through CEA rule 4.27 on entities registered with both the CFTC and the SEC has been accounted for within the SEC’s calculations regarding the impact of this collection of information under the PRA or, to the extent the reporting may relate to commodity pools that are not private funds, the CFTC anticipates that it would account for this burden should it adopt a future rulemakings establishing reporting requirements with respect to those commodity pools.442

V. Economic Analysis

As discussed above, the Dodd-Frank Act amended the Advisers Act to, among other things, authorize the SEC to promulgate reporting requirements for private fund advisers. The Dodd-Frank Act also directs the SEC and CFTC to jointly issue, after consultation with FSOC, rules establishing the form and content of any reports to be filed by large private funds.443 In enacting Sections 404 and 406 of the Dodd-Frank Act, Congress determined to require that private fund advisers file reports with the SEC and specified certain types of information that should be subject to reporting and/or recordkeeping requirements, but Congress left to the SEC the determination of the specific information to be maintained or reported. When determining the form and content of such reports, the Dodd-Frank Act authorizes the SEC to require that private fund advisers file such information “as necessary and appropriate in the public interest and for the protection of investors, or for the assessment of system risk by [FSOC].”444

The SEC is adopting Advisers Act rule 204(b)–1 and Form PF, and the CFTC is adopting CEA rule 4.27 and sections 1 and 2 of Form PF, to implement the private fund adviser reporting requirements that the Dodd-Frank Act directs the Commissions to promulgate. Under these new rules, private fund advisers having at least $150 million in private fund assets under management must file with the SEC information responsive to all or portions of Form PF on a periodic basis. The scope of the required information and the frequency of the reporting is related to the amount of private fund assets that each private fund adviser manages and the types of private fund to which those assets relate.445 Specifically, smaller private fund advisers must report annually and provide only basic information regarding their operations and the private funds they advise. Large private equity advisers also must report on an annual basis but are required to provide additional information with respect to the private equity funds they manage. Finally, large hedge fund advisers and large liquidity fund advisers must report on a quarterly basis and provide more information than other private fund advisers.

The Advisers Act directs the SEC, when engaging in rulemaking that requires it to consider or determine whether an action is necessary or appropriate in the public interest, to consider, in addition to the protection of investors, whether the action will promote efficiency, competition and capital formation.446 The Commissions are sensitive to the costs and benefits of their respective rules and have carefully considered the costs and benefits of this rulemaking. The SEC’s consideration of the costs and benefits of this rulemaking has included whether this rulemaking will promote efficiency, competition and capital formation. In the proposal, the Commissions identified certain costs and benefits of Advisers Act rule 204(b)–1, CEA rule 4.27 and Form PF and requested comment on all aspects of their cost-benefit analyses. The comments the Commissions received on those analyses are discussed below.

In considering the benefits and costs of this rulemaking, we have also considered alternatives to the requirements we are adopting. All of these alternatives would require at least some registered private fund advisers to report at least some information because Congress directed the SEC to adopt such reporting requirements. Among the alternatives that we considered were requirements that varied along the following five dimensions: (1) Requiring more or less information; (2) requiring more or fewer advisers to complete the Form; (3) allowing advisers to rely more on their existing methodologies and recordkeeping practices in completing the Form (or, alternatively, requiring more standardized responses); (4) requiring more or less frequent reporting; and (5) allowing advisers more or less time to complete and file the Form.

Alternatives along each of these dimensions have advantages and disadvantages. Obtaining more standardized information from more advisers more often and more quickly would likely improve the value of the Form PF data to FSOC and other regulators, and several commenters supported alternatives along one or more of these dimensions.447 The Commissions are concerned, however, that the costs of such changes may, in general, increase more quickly than the benefits.448 On the other hand, the Commissions have considered, and are adopting changes from the proposal, that allow advisers more time to file the Form,449 permit large private equity advisers to file less frequently,450 generally reduce the amount of information required,451 reduce the number of advisers required to file the Form452 and allow advisers to rely more on their existing methodologies and recordkeeping practices.453 A number of commenters supported these changes and, in some cases, would have preferred that we further reduce the reporting burdens.454 We believe, however, that the approach we are adopting strikes an appropriate balance between the benefits of the information to be collected and the costs to advisers

441 $50,000 × 500 Large Private Fund Advisers = $25,000,000.
442 See supra section 211(e) of the Advisers Act.
443 See section 204(b)(1)(A) of the Advisers Act.
444 See section II.A of this Release (describing who must file Form PF); see also section II.B of this Release (discussing the frequency with which private fund advisers must file Form PF); section II.C of this Release (describing the information that private fund advisers must report on Form PF). See also proposed Instruction 9 to Form PF for information regarding the frequency with which private fund advisers must file Form PF.
445 See section 202(c) of the Advisers Act.
of providing it. These benefits and costs are discussed in greater detail below.

A. Benefits

We believe that Form PF will create two principal classes of benefits. First, the information collected will facilitate FSOC’s understanding and 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. Second, we expect this information to enhance the Commissions’ ability to evaluate and develop regulatory policies and improve the efficiency and effectiveness of our efforts to protect investors and maintain fair, orderly and efficient markets.

Congress passed the Dodd-Frank Act in the wake of what some have called “the greatest financial crisis since the Great Depression.” The crisis imposed immense costs on individuals and businesses, with millions of jobs disappearing from the U.S. economy, large numbers of families losing their homes to foreclosure, nearly $11 trillion in household wealth lost, including retirement accounts and life savings, and many businesses, large and small, facing serious challenges. Congress responded to the crisis, in part, by establishing FSOC as the center of a framework intended “to prevent a recurrence or mitigate the impact of financial crises that could cripple the U.S. economy.” The goal of this framework, in other words, is the avoidance of significant harm to the U.S. economy from future financial crises.

Under the Dodd-Frank Act, FSOC must “monitor emerging risks to U.S. financial stability” and employ its regulatory tools to address those risks. For this purpose, the Dodd-Frank Act granted FSOC the ability to determine that a nonbank financial company will be subject to the supervision of the FRB if the company may pose risks to U.S. financial stability as a result of its activities or in the event of its material financial distress. FSOC may also recommend to the FRB heightened prudential standards for designated nonbank financial companies. In addition, the Dodd-Frank Act authorizes FSOC to issue recommendations to primary financial regulators for more stringent regulation of financial activities that it determines may create or increase systemic risk.

Congress recognized that FSOC would need information from private fund advisers to carry out its duties and to determine whether and how to exercise these regulatory authorities. For instance, a Senate committee report noted that “no precise data regarding the size and scope of hedge fund activities are available[, and while] hedge funds are generally not thought to have caused the current financial crisis, information regarding their size, strategies, and positions could be crucial to regulatory attempts to deal with a future crisis.” To that end, Congress mandated that the Commissions, as the primary regulators of private fund advisers, gather information from these advisers for FSOC’s use. The Commissions have designed Form PF, in consultation with staff representing FSOC’s members, to implement this mandate.

Recent releases from FSOC illuminate how Form PF will serve an essential role in FSOC’s monitoring of, and exercise of regulatory authority over, the private fund industry. For instance, in one release, FSOC confirmed that the information reported on Form PF is important not only to conducting an assessment of systemic risk among private fund advisers but also to determining how that assessment should be made. Guidance in this FSOC release also suggests the role Form PF data will play in the process of determining whether a private fund adviser or the funds it manages will be subject to FRB supervision.

More specifically, the Dodd-Frank Act identifies certain factors that FSOC must consider in making a determination to designate a nonbank financial company for FRB supervision, and FSOC’s recent guidance organizes those factors into categories, including size, interconnectedness, use of leverage, liquidity risk and maturity mismatch and concentration. As discussed in detail throughout section II.C of this Release, the information reported on Form PF is designed, in part, to provide FSOC with data to assess these factors in a manner that is relevant to the particular type of fund about which the adviser is reporting. Finally, we expect that FSOC will use Form PF data to supplement the data that it collects regarding other financial market participants and gain a broader view of the financial system than is currently available to regulators.

In this manner, we believe that the information collected through Form PF could play an important role in FSOC’s monitoring of systemic risk, both in the private fund industry and in the financial markets more broadly. In addition to the content of the Form, the reporting frequency, filing deadlines and reporting thresholds have been designed to provide FSOC the information it needs to monitor systemic risk across the private fund industry while balancing the burdens these reporting requirements will impose on advisers. For instance, although most advisers will only report annually on Form PF, large hedge fund and large liquidity fund advisers will report quarterly because we understand, based on our staffs’ consultations with staff representing FSOC’s members, that this will provide FSOC with timely data that it may use to identify emerging trends in systemic risk. The filing deadlines are, similarly, designed to provide FSOC with timely data so that it may understand and monitor systemic risk on a reasonably current basis. Moreover, as discussed above, the reporting thresholds are designed to provide FSOC with a broad picture of the private fund industry while relieving smaller advisers from much of the costs associated with the more detailed reporting. We understand that obtaining this broad picture will help FSOC to contextualize its analysis and assess whether systemic risk may exist across the private fund industry and to identify areas where OPR may
want to obtain additional information.471

Certain publications from international groups and researchers have suggested that data like that collected on Form PF will be valuable to the regulation of systemic risk. For instance, as discussed above, several international groups have continued working to close information gaps by increasing the disclosures provided to regulators.472 These groups have emphasized the importance, in their view, of designing and collecting better information to support the identification and modeling of systemic risk.473 In addition, research papers have suggested that information regarding private funds should play an important role in monitoring systemic risk, and one study argues that more direct measures of systemic risk would be possible with information from the majority of funds in the industry.474

Another recent research paper argues that expanding the FRB’s flow of funds data to include more detailed quarterly information regarding the holding and transfer of financial instruments, including information regarding the portfolios of hedge funds, “would have been of material value to U.S. regulators in ameliorating the recent financial crisis and could be of aid in understanding the potential vulnerabilities of an innovative financial system in the future.”475

Others have commented on hedge fund reporting specifically, stating that “[t]ransparency to regulators can help them measure and manage possible systemic risk and is relatively costless.”476

Other academics and economists, while supporting regulatory efforts to assess and mitigate systemic risk, have cautioned that achieving the goal of substantially reducing systemic risk may prove difficult. For example, while the authors of one recent work support establishing “early warning indicators” for financial crises, they argue that the most significant challenge is not the design of a framework for systemic risk analysis but rather:

the well-entrenched tendency of policy makers and market participants to treat the signals as irrelevant archaic residuals of an outdated framework, assuming that old rules of valuation no longer apply. If the past * * is any guide, these signals will be dismissed more often than not.477

Accordingly, although collecting information on Form PF will increase the transparency of the private fund industry to regulators (an important prerequisite to understanding and monitoring systemic risk), transparency alone may not be sufficient to address systemic risk.478

Some commenters agreed that Form PF data will “facilitate FSOC’s ability to promote the soundness of the U.S. financial system.”479 One commenter characterized Form PF as determining the extent to which FSOC and the SEC have access to “data essential to monitoring systemic risks that, as we saw in 2007 and 2008, cause substantial damage to the financial markets and the broader economy when they go unchecked.”480 Another commenter stated that Form PF data could aid in the assessment of “systemic risks due to connectivity and contagion.”481 One commenter who expressed reservations regarding specific aspects of the proposal nonetheless supported “the approach proposed by the SEC and CFTC to collect information from registered private fund managers through periodic, confidential reports on Form PF” and agreed that gathering data “from different types of market participants, including investment advisers and the funds they manage, * * * is a critical component of effective systemic risk monitoring and regulation.”482

Some commenters, however, doubted that Form PF would be beneficial for monitoring systemic risk.483 One commenter, for instance, argued that “Form PF requires firms to calculate and disclose information with uncertain benefits to regulators, and the broad scope of private funds subject to this burden has not been justified.”484

Others argued that particular types of funds, such as private equity funds, should be excluded from the reporting because they do not, in their view, have the potential to pose systemic risk or that certain of the proposed questions on Form PF would not prove beneficial for systemic risk analysis.485 As discussed above, based on SEC staff’s consultation with staff representing FSOC’s members, we continue to believe that targeted information regarding the leverage practices of private equity funds will provide information that FSOC may use to monitor activities and trends in the industry that are of potential systemic importance.486 In addition, we have made a number of changes from the proposal intended to address the specific concerns of these commenters and believe that Form PF, as adopted, will be an important source of information for FSOC as it carries out its duties as they relate to the private fund industry.487

We cannot predict today what the scope of the next financial crisis will be, and Form PF is only one part of a broader framework established under the Dodd-Frank Act to monitor and address systemic risk.488 Other measures contemplated by the Dodd-Frank Act, including the so-called “Volcker rule,” enhanced regulation of swaps and the FRB’s oversight of systematically important financial institutions.

471 Carmen M. Reinhart and Kenneth S. Rogoff, This Time is Different: Eight Centuries of Financial Folly (2009) (“Reinhart and Rogoff”) at 277, 280 and 281 (after observing this tendency to disregard signals of systemic risk, the authors conclude that this “is why we also need to think about improving institutions,” which may be important to reducing this risk).

472 See supra note 19 and accompanying text.

473 See supra notes 28–29 and accompanying text.

474 See, e.g., Nicholas Chan, Mila Getmansky, Shane Haas and Andrew Lo, Systemic Risk and Hedge Funds, in The Risks of Financial Institutions (Mark Carey eds., 2007) at 238; Monica Billio, Mila Getmansky, Andrew Lo and Loriana Pelizzon, Econometric Measures of Systemic Risk in the Finance and Insurance Sectors, National Bureau of Economic Research (July 2010).


478 See, e.g., Fidelity Letter; PEGCC Letter; TCW Letter; USCC Letter.

479 CII Letter.

480 AFR Letter.

481 AFL-CIO Letter.

482 AFL-CIO Letter.

483 MFA Letter.

484 See, e.g., Fidelity Letter; PEGCC Letter; TCW Letter; USCC Letter.

485 CCMR Letter; see also USCC Letter (acknowledging, however, that “greater access to comprehensive market and industry information will assist [FSOC] in identifying emerging threats to the stability of the U.S. financial system.”); BlackRock Letter; SIFMA Letter.

486 See, e.g., PEGCC Letter. See also supra section II.C of this Release (discussing changes from the proposal).

487 See supra note 457 and accompanying text.

488 See supra notes 307–308 and accompanying text.
institutions may be critical to identifying and mitigating the next financial crisis. We anticipate, however, that Form PF will improve the information available to regulators as they seek to prevent or mitigate the effects of future financial crises, and if this information helps to avoid even a small portion of the costs of a financial crisis like the most recent one, the benefits of Form PF will be very significant.

Reporting on Form PF will also benefit investors and other market participants by improving the information available to the Commissions regarding the private fund industry and how it interacts with markets. Today, regulators have little reliable data regarding this rapidly growing sector and frequently have to rely on data from other sources, which when available may be incomplete. The SEC recently adopted amendments to Form ADV that will require the reporting of important information regarding private funds, but this includes little or no information regarding, for instance, performance, leverage or the riskiness of a fund’s financial activities.489 As discussed above, the data collected through Form PF, which will be more reliable than existing data regarding the industry and significantly extend the data available through the revised Form ADV, will assist FSOC in identifying and addressing risks to U.S. financial stability. This may, in turn, protect investors and other market participants from significant losses.

In addition, this data will provide the Commissions with a more complete view of the financial markets in general and the private fund industry in particular. This broader perspective and more reliable data may enhance the Commissions’ ability to develop and frame regulatory policies regarding the private fund industry, its advisers and the markets in which they participate, and to more effectively evaluate the outcomes of regulatory policies and programs directed at this sector, including for the protection of private fund investors. For instance, Form PF data may help the Commissions to discern relationships between regulatory actions and private fund results or activities.

We also expect the Form PF data to improve the efficiency and effectiveness of the Commissions’ oversight of private fund advisers by enabling staff to manage and analyze information related to the risks that private funds pose more quickly, more effectively and at a lower cost than is currently possible. This will allow the Commissions to more efficiently and effectively target their examination programs. The Commissions will be able to use Form PF information to generate reports on the industry, its characteristics and trends. We expect that these reports will help the Commissions to anticipate regulatory problems, allocate and reallocate resources, and more fully evaluate and anticipate the implications of various regulatory actions the Commissions may consider taking. This will increase both the efficiency and effectiveness of the Commissions’ programs and, thereby, increase investor protection. Form PF data will also help the Commissions better understand the investment activities of private funds and the scope of their potential effect on investors and the markets that the Commissions regulate.

Commenters generally focused on the benefits of Form PF as they relate to systemic risk rather than investor protection. However, one supporter, who represents twelve million workers and sponsors pension and employee benefit plans holding almost half a trillion dollars in assets, agreed that “[c]omprehensive disclosure requirements for private funds will provide important protections for [its] members’ retirement savings.”490 On the other hand, some commenters who questioned Form PF’s merits expressed skepticism regarding the Form’s benefits generally, not just with respect to the monitoring of systemic risk.491 As discussed in detail above, we have made a number of changes from the proposal designed to address commenter concerns regarding certain aspects of the proposed reporting requirements.492 However, we continue to believe that Form PF, as adopted, will increase the amount and quality of information available regarding a previously opaque area of investment activity and, thereby, enhance the ability of regulators to protect investors and maintain fair, orderly and efficient markets. The Commissions believe that private fund advisers, investors in private funds and the companies in which private funds may invest will also enjoy certain

489 See Implementing Adopting Release, supra note 11. Information reported on Form ADV is made available to the public, while Form PF data generally will not be. See supra section II.D (discussing confidentiality of Form PF data). This has informed the SEC’s determination to require certain private fund information on Form ADV and other private fund information on Form PF.

490 AFL-CIO Letter. See also AFR Letter.

491 See, e.g., supra note 484.

492 See supra section II of this Release (discussing changes from the proposal).


494 See supra section II.D (discussing confidentiality of Form PF data).
anticipate that this coordination, as reflected in Form PF, will result in greater efficiencies in private fund reporting, as well as information sharing and private fund monitoring among foreign financial regulators. Ongoing work among various international organizations has emphasized the importance of filling gaps in the data regarding financial market participants, and one goal of this coordination is to collect comparable information regarding private funds, which will aid in the assessment of systemic risk on a global basis.496 Several commenters agreed that international coordination in connection with private fund reporting is important and encouraged us to take an approach consistent with international precedents.497 We have made several changes from the proposal intended to more closely align Form PF with international precedent.498

As discussed above, we also believe that private fund advisers already collect or calculate some of the information required on the Form at least as often as they must file the Form, creating efficiencies for, and benefiting, advisers in satisfying their reporting requirements.499

B. Costs

Reporting on Form PF will also impose certain costs on private fund advisers and, potentially, other market participants. For the most part, these are the same costs discussed in the PRA analysis above because that analysis must account for the burdens of responding to the Commissions’ reporting requirements. In order to minimize these direct costs, the reporting requirements are scaled to the adviser’s size, the size of funds and the types of private funds each adviser manages. For instance, smaller private fund advisers and large private equity advisers generally must report less information and less frequently than large hedge fund advisers and large liquidity fund advisers.500 This scaled approach is intended to provide FSOC with a broad picture of the private fund industry while relieving smaller advisers from much of the costs associated with the more detailed reporting. It is also designed to reflect the different implications for systemic risk that may be presented by different investment strategies, and thus seeks to adjust the costs of the reporting in proportion to the differing potential benefits of the information reported with respect to these strategies.

We expect that the costs Form PF imposes will be most significant for the first report that a private fund adviser is required to file 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. We also anticipate that the initial report will require more attention from senior personnel, including compliance managers and senior risk management specialists, than will subsequent reports.501 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.

Several commenters addressed the cost estimates included in the Proposing Release. These commenters generally viewed these estimates as understated and, in several cases, argued that the costs of the initial report, in particular, would be greater than assumed.502 These commenters offered two common explanations for the higher than estimated costs: (1) “[m]any of the requested items on Form PF are not tracked by advisor firms on a by-fund basis in the manner requested by the proposed Form,” meaning that advisers would need to develop systems for the reporting or engage in a manual process of gathering and compiling data;503 and (2) completing the Form will require gathering information from many different internal and external parties and systems.504

We have carefully considered comments suggesting that the reporting requirements would be more burdensome than estimated in the Proposing Release, and the SEC has substantially increased its estimates of the hour burdens included in this PRA analysis, which flow through to these estimates of costs.505 We have, however, also taken these comments into consideration in making a number of changes from the proposal that are intended to reduce the burdens of reporting on Form PF. These include global changes to the Form, such as allowing most advisers more time to file following the end of a fiscal period (reducing the likelihood that Form PF will compete with other priorities for advisers’ resources or require employment of additional personnel), extending the compliance date, allowing large private equity advisers to report annually rather than quarterly, increasing the threshold for large private equity advisers and permitting greater reliance on advisers’ existing methodologies and recordkeeping practices. We have also modified specific questions in response to comments so that responding to the Form is less burdensome.506 We expect, on the whole, that these changes will mitigate the cost of reporting.507 In addition, we have added a minimum reporting threshold, which will not reduce the burden to any particular filer of reporting but will reduce the aggregate burden that Form PF imposes because fewer advisers will be required to report.

After filing their initial reports, we anticipate that advisers will 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. In addition, we estimate that senior personnel will bear less of the reporting burden in subsequent reporting periods, reducing costs though not necessarily reducing the burden hours.

One commenter agreed that efficiencies will be realized over time,508 but another stated that, at least for private real estate funds, they would not.509 Having considered these comments, we continue to believe that, for the average adviser (and particularly for those with more liquid portfolios and greater systems capabilities), efficiencies will be realized over time.

495 See supra note 29 and accompanying text.
496 See supra note 30 and accompanying text.
497 See supra note 35 and accompanying text.
498 See supra note 382; Proposing Release, supra note 1. (See also see supra note 146.
499 See section II.A of this Release (describing who must file Form PF); section II.B of this Release (describing the frequency with which private fund advisers must file Form PF); section II.C of this Release (describing the information that private fund advisers must report on Form PF). See also Instruction 9 to Form PF (discussing information regarding the frequency with which private fund advisers must file Form PF).
500 See, e.g., AIMA Letter; IAA Letter; Kleinberg General Letter; MFA Letter; PEGCC Letter; Seward Letter.
501 TCFW Letter; but see also supra note 146.
502 See, e.g., Kleinberg General Letter; MFA Letter; PEGCC Letter.
503 See supra notes 383, 394–395, 404 and 414 and accompanying text.
504 See supra section II.C of this Release.
505 See supra notes 388–389, 397–398, 407–409 and 418–420 and accompanying text. We also note that the original cost estimates, as well as the revised estimates included in this Release, include allocations for systems development among Large Private Fund Advisers (who are most likely to find automation cost effective) and assume that information would need to be gathered from many sources, both internal and external. See supra note 435 and accompanying text.
506 See MFA Letter.
We have, however, also increased the cost estimates for subsequent filings in recognition of the overall burden of the reporting and the possibility that efficiencies are not the same for all types of private fund adviser. Based on the foregoing, we estimate that the periodic filing requirements under Form PF (including configuring systems and compiling, automating, reviewing and electronically filing the report) will impose:

1. 40 burden hours at a cost of $13,600 per smaller private fund adviser for the initial annual report;
2. 15 burden hours at a cost of $4,200 per smaller private fund adviser for each subsequent annual report;
3. 100 burden hours at a cost of $31,000 per large private equity fund adviser for the initial annual report;
4. 50 burden hours at a cost of $13,900 per large private equity fund adviser for each subsequent annual report;
5. 300 burden hours at a cost of $93,100 per large hedge fund adviser for the initial quarterly report;
6. 140 burden hours at a cost of $38,800 per large hedge fund adviser for each subsequent quarterly report;
7. 140 burden hours at a cost of $43,500 per large liquidity fund management specialist at a cost of $409 per hour. Of the work performed by programmers, the SEC anticipates that it will be performed equally by a senior programmer at a cost of $304 per hour and a programmer analyst at a cost of $224 per hour. ($273/hour × 0.5 + $409/hour × 0.5) × 60 hours + ($304/hour × 0.5 + $224/hour × 0.5) × 40 hours = approximately $31,000.

The SEC expects that for subsequent reports senior personnel will bear less of the reporting burden and that significant system configuration and reporting automation costs will not be incurred. As a result, the activities will most likely be performed equally by a compliance manager at a cost of $273 per hour, a senior compliance examiner at a cost of $235 per hour, a senior risk management specialist at a cost of $409 per hour and a risk management specialist at a cost of $192 per hour. ($273/hour × 0.25 + $409/hour × 0.25 + $235/hour × 0.25 + $192/hour × 0.25) × 50 hours = approximately $13,900.

We expect that for the initial report, a total estimated burden of 300 hours, approximately 180 hours will most likely be performed by compliance professionals and 120 hours most likely be performed by programmers working on system configuration and reporting automation. Of the work performed by compliance professionals, we anticipate that it will be performed equally by a senior programmer at a cost of $304 per hour and a programmer at a cost of $224 per hour. ($273/hour × 0.25 + $409/hour × 0.25 + $224/hour × 0.5) × 180 hours + ($304/hour × 0.5 + $224/hour × 0.5) × 120 hours = approximately $93,100.

We expect that for subsequent reports senior personnel will bear less of the reporting burden and that significant system configuration and reporting automation costs will not be incurred. As a result, we estimate that these activities will most likely be performed equally by a compliance manager at a cost of $273 per hour, a senior compliance examiner at a cost of $235 per hour, a senior risk management specialist at a cost of $409 per hour and a risk management specialist at a cost of $192 per hour. ($273/hour × 0.25 + $409/hour × 0.25 + $235/hour × 0.25 + $192/hour × 0.25) × 140 hours = approximately $38,800.

The SEC expects that for subsequent reports senior personnel will bear less of the reporting burden and that significant system configuration and reporting automation costs will not be incurred. As a result, we estimate that these activities will most likely be performed equally by a compliance manager at a cost of $273 per hour, a senior compliance examiner at a cost of $235 per hour, a senior risk management specialist at a cost of $409 per hour and a risk management specialist at a cost of $192 per hour. ($273/hour × 0.25 + $409/hour × 0.25 + $235/hour × 0.25 + $192/hour × 0.25) × 65 hours + approximately $18,000.

The SEC expects that for subsequent reports senior personnel will bear less of the reporting burden and that significant system configuration and reporting automation costs will not be incurred. As a result, we anticipate that it will be performed equally by a compliance manager at a cost of $273 per hour, a senior compliance examiner at a cost of $235 per hour, a senior risk management specialist at a cost of $409 per hour and a risk management specialist at a cost of $192 per hour. ($273/hour × 0.25 + $409/hour × 0.25 + $235/hour × 0.25 + $192/hour × 0.25) × 65 hours + approximately $18,000.

The SEC expects that for subsequent reports senior personnel will bear less of the reporting burden and that significant system configuration and reporting automation costs will not be incurred. As a result, we anticipate that it will be performed equally by a compliance manager at a cost of $273 per hour, a senior compliance examiner at a cost of $235 per hour, a senior risk management specialist at a cost of $409 per hour and a risk management specialist at a cost of $192 per hour. ($273/hour × 0.25 + $409/hour × 0.25 + $235/hour × 0.25 + $192/hour × 0.25) × 65 hours + approximately $18,000.

The SEC expects that for subsequent reports senior personnel will bear less of the reporting burden and that significant system configuration and reporting automation costs will not be incurred. As a result, we anticipate that it will be performed equally by a compliance manager at a cost of $273 per hour, a senior compliance examiner at a cost of $235 per hour, a senior risk management specialist at a cost of $409 per hour and a risk management specialist at a cost of $192 per hour. ($273/hour × 0.25 + $409/hour × 0.25 + $235/hour × 0.25 + $192/hour × 0.25) × 65 hours + approximately $18,000.

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would result in significantly different aggregate cost estimates.\textsuperscript{520} In addition, as discussed above, a private fund adviser must file very limited information on Form PF if it needs to transition from quarterly to annual filing, if it is no longer subject to the reporting requirements of Form PF or if it requires a temporary hardship exemption under rule 204(b)—1(f). We estimate that transition and final filings will, collectively, cost private fund advisers as a whole approximately $5,200 per year.\textsuperscript{521} We further estimate that hardship exemption requests will cost private fund advisers as a whole approximately $760 per year.\textsuperscript{522} No commenters addressed these estimates. The estimate with respect to hardship exemptions is unchanged from the proposal. The estimate with respect to transition and final filings have been reduced because fewer filers will be required to report on a quarterly basis and the addition of a minimum reporting threshold means that fewer advisers will report in total.\textsuperscript{523} Advisers may also incur costs related to the modification or deployment of systems to support their reporting obligations under Form PF.\textsuperscript{524} As discussed above, certain of the anticipated costs to Large Private Fund Advisers of automating Form PF reporting are accounted for in our cost estimates.\textsuperscript{525} In addition, Large Private Fund Advisers may incur costs associated with the acquisition or use of hardware needed to perform computations or otherwise process the data required on Form PF.\textsuperscript{526} Commenters did not provide estimates for these costs. However, as discussed above, we estimate that these costs, which are likely to vary significantly among advisers, will range from $0 to $25,000,000 in the aggregate for the first year of reporting, with the actual costs likely to fall in between these two endpoints.\textsuperscript{527} Based on the foregoing estimates, we estimate that the aggregate annual costs of Form PF, other than for hardware costs, are approximately $108,000,000 in the first year and $60,500,000 in subsequent years.\textsuperscript{528} In addition, we estimate that hardware costs will add between $0 and $25,000,000 in the first year.\textsuperscript{529} Reporting requirements can also impose costs beyond the direct costs associated with compiling and submitting data, and advisers subject to the Form PF reporting requirements may incur costs that are more difficult to quantify. One commenter, for instance, suggested an adviser may incur indirect “costs associated with the risk of disclosure of highly sensitive proprietary information.”\textsuperscript{530} As discussed above, 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.\textsuperscript{531} We are, however, working to establish controls designed to protect this sensitive information from improper or inadvertent disclosure and believe that the risk of such disclosure is low.\textsuperscript{532} If an adviser’s Form PF data were disclosed despite the controls intended to maintain its confidentiality, there is some risk that a competitor may be able to use an adviser’s data to replicate the adviser’s trading strategy or trade against the adviser, thereby potentially harming the profitability of the strategy to that adviser. However, because data on Form PF generally could not, on its own, be used to identify individual investment positions, the ability of a competitor to use Form PF data in this manner is limited.\textsuperscript{533} In addition, the deadlines for filing Form PF have, in most cases, been significantly extended from the proposal, meaning that the filings will generally contain less current, and therefore less sensitive, data.\textsuperscript{534} In the very unlikely event that improper or inadvertent disclosures of Form PF data occurred frequently, the disclosures could discourage advisers from investing the time and other resources required to develop novel strategies, potentially reducing the range of options available to investors and inhibiting financial innovation.

We do not expect this rulemaking to have a significant negative effect on competition because the information generally will be non-public and similar types of SEC-registered advisers will have comparable burdens under the Form.\textsuperscript{535} In addition, the SEC does not expect this rulemaking to have a significant negative effect on capital formation, again because the information collected generally will be non-public and, therefore, should not affect private fund advisers’ ability to raise capital.

Although Form PF data generally will be non-public, Form PF will increase transparency to regulators.\textsuperscript{536} As discussed above, this may result in a positive effect on capital formation because advisers may, as a result, assess more carefully the risks associated with particular investments and, in the aggregate, allocate capital to investments with a higher value to the economy as a whole.\textsuperscript{537} However, this increased transparency could also have a negative effect on capital formation if it increases advisers’ aversion to risk and, as a result, reduces investment in projects that may be risky but beneficial to the economy as a whole. To the extent that changes in investment allocations lead to reduced economic outcomes in the aggregate, Form PF reporting may result in a negative effect on capital available for investment. The SEC also recognizes that the direct costs of completing and filing Form PF may reduce the amount of

\textsuperscript{520} For example, our estimates assume that the work is performed by compliance managers at $273 per hour, senior compliance examiners at $235 per hour, senior risk management specialists at $409 per hour, risk management specialists at $192 per hour and, in the case of Large Private Fund Advisers filing an initial report, programmers ranging from $304 to $224 per hour. Based on the SIFMA Earnings Reports, indicative costs in the other勤务人员identifiers identified are: $287 per hour for a senior portfolio manager; $194 per hour for an intermediate portfolio manager; $430 per hour for an assistant general counsel; $165 per hour for a fund senior accountant; $194 per hour for an intermediate business analyst; and $154 per hour for an operations specialist. An adviser’s chief compliance officer (at a cost of $423 per hour or controller (at a cost of $433 per hour) may also review the filing, though we would expect that in most cases their involvement would be more limited than that of more junior employees.

\textsuperscript{521} The SEC estimates that, for the purposes of the PRA, transition filings will impose 7 burden hours per year on private fund advisers in the aggregate and that final filings will impose 71 burden hours per year on private fund advisers in the aggregate. The SEC anticipates that this work will most likely be performed by a compliance clerk at a cost of $67 per hour, ($71 burden hours x $67/hour = $4,717) approximately $5,000.\textsuperscript{522} The SEC estimates that, for the purposes of the PRA, requests for temporary hardship exemptions will impose 4 burden hours per year on private fund advisers. The SEC anticipates that five-eighths of this work will most likely be performed by a compliance manager at a cost of $273 per hour and that three-eighths of this work will most likely be performed by a general clerk at a cost of $50 per hour. ($273 per hour x 5/8 of an hour) + ($50 per hour x 3/8 of an hour) x 4 hours = approximately $760.\textsuperscript{523} See supra note 424.\textsuperscript{524} See supra section IV.G of this Release.

\textsuperscript{525} See supra note 438 and accompanying text.\textsuperscript{526} See supra notes 434–441 and accompanying text.\textsuperscript{527} Id.\textsuperscript{528} $107,000,000 (for periodic reporting in the first year) + $5,200 (for transition and final filings) + $760 (for hardship requests) + $684,000 (for filing fees) = approximately $108,000,000.\textsuperscript{529} $59,800,000 (for periodic reporting in subsequent years) + $5,200 (for transition and final filings) + $760 (for hardship requests) + $684,000 (for filing fees) = approximately $60,500,000.\textsuperscript{530} See supra notes 440–441 and accompanying text.\textsuperscript{531} CCMR Letter.\textsuperscript{532} See supra section I.D of this Release for a discussion of confidentiality of Form PF data.\textsuperscript{533} See supra note 343.\textsuperscript{534} See supra notes 351 and 344 and accompanying text.\textsuperscript{535} See supra section II.D of this Release for a discussion of confidentiality of Form PF data.\textsuperscript{536} See supra section II.D of this Release for a discussion of confidentiality of Form PF data.\textsuperscript{537} See supra note 494 and accompanying text.
Form PF imposes. Accordingly, we believe the competitive impact of this difference in operating costs will be limited. We also do not expect that private funds will, to any significant extent, seek to avoid these regulatory burdens by foregoing participation in the U.S. capital markets because of the depth and liquidity of these markets and the stability afforded by the legal structures in the U.S.

This commenter also suggested that some fund advisers may determine not to form a new private fund if the costs of Form PF outweigh the marginal benefits the adviser expects to obtain by forming the fund. Reduced fund formation could diminish competition and the number of choices available to investors. The SEC does not, however, believe the cost of reporting on Form PF will have a substantial negative effect on fund formation. An adviser with no existing private funds considering whether to form its first fund is likely to face little or no costs as a result of Form PF because it is unlikely to leap past a lawyer and existing systems, making the incremental reporting more efficient than for an adviser first becoming subject to Form PF reporting requirements. In the case of either an existing private fund adviser, forming a new private fund would increase the cost of reporting on Form PF, but the adviser would be able to leverage its experience and existing systems, making the incremental reporting more efficient than for an existing private fund adviser newly managing private funds.

One commenter expressed concern that this rulemaking could cause advisers, private funds or investors to seek investment opportunities outside the U.S. as a result of, or to avoid, Form PF reporting requirements. However, advisers generally would not be able to avoid these reporting obligations by simply organizing the fund in a third country because regulation for Form PF does not depend solely on where the fund is formed. In addition, as noted above, ESMA has proposed a reporting regime similar to Form PF for alternative investment fund managers subject to the EU Directive. If that regime is adopted, we understand most such alternative investment managers would bear reporting costs similar to those that fund investors, reduce the amount of capital that funds have available for investment or, if the costs are passed on to fund investors, reduce the amount of capital investors have available for investment. This could, in turn, affect capital formation. However, the direct costs of reporting on Form PF will, to some extent, only transfer capital from private fund advisers to other market participants, such as employees or service providers paid to complete the Form. Because private fund advisers may have different investment opportunities than these other market participants, this transfer may negatively affect aggregate economic outcomes. However, some of this transferred capital will be invested or spent and will not represent an aggregate loss to the economy. In addition, the direct costs of Form PF are, on average, small compared to other economic incentives that motivate private funds and their advisers to invest and grow.

One commenter expressed concern that this rulemaking could cause advisers, private funds or investors to seek investment opportunities outside the U.S. as a result of, or to avoid, Form PF reporting requirements. However, advisers generally would not be able to avoid these reporting obligations by simply organizing the fund in a third country because regulation for Form PF does not depend solely on where the fund is formed. In addition, as noted above, ESMA has proposed a reporting regime similar to Form PF for alternative investment fund managers subject to the EU Directive. If that regime is adopted, we understand most such alternative investment managers would bear reporting costs similar to those that advisers, private funds or investors would bear subject to Form PF reporting requirements. However, advisers generally would not be able to avoid these reporting obligations by simply organizing the fund in a third country because regulation for Form PF does not depend solely on where the fund is formed. In addition, as noted above, ESMA has proposed a reporting regime similar to Form PF for alternative investment fund managers subject to the EU Directive. If that regime is adopted, we understand most such alternative investment managers would bear reporting costs similar to those that

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538 One commenter expressed concern regarding the possible effects of Form PF reporting on economic growth, investors, investment opportunities, companies, markets, market liquidity and tax revenue as well as “the cost in terms of jobs and capital.” Issa Letter. This commenter suggested that these potential negative effects could flow from several sources, including: (1) The possibility that advisers will locate funds outside the United States as a result of, or to avoid, Form PF compliance costs or that these costs will be passed on to investors, causing them to seek investment opportunities outside the United States; and (2) the possibility that advisers will form fewer funds, slow the growth of their funds or shut down existing funds as a result of, or to avoid, Form PF compliance costs. We address these possible sources of indirect costs below.

539 See infra notes 545 and 548 and accompanying text.

540 See supra note 134 and accompanying text.

541 See Issa Letter.

542 See Issa Letter.

543 According to HFI data, even among the top 25 hedge fund launches reported in 2010, the average fund size was approximately $750 million, and existing advisers launched the majority of those funds in any case. This data also shows that, out of 135 total hedge fund launches reported in 2010 exceeding $50 million, at least 110 of them raised under $300 million. HFI does not report in their annual global hedge fund database under $50 million. See HFI 2011 Global Review, supra note 493. See also supra notes 4, 359, and 467 of this Release (discussing estimates of Form PF reporting costs for smaller private fund advisers).

544 In addition, the case of large hedge fund advisers, the more detailed information they must file in section 2 of the Form only applies to qualifying hedge funds that have at least $500 million in net assets.

545 The SEC estimates that the cost to smaller private fund advisers of completing and filing Form PF will average less than $14,000 per initial annual filing and $5,000 per subsequent annual filing—or less than 0.01% of assets under management for the smallest adviser subject to Form PF reporting requirements—compared to annual management and performance fees that, at least among hedge fund advisers, average approximately 1.5% of assets under management and 20% of excess returns, respectively.

546 In addition, this commenter expressed concern that the Large Private Fund Adviser thresholds may encourage some private fund advisers with assets under management near but below the thresholds to attempt to staunch growth in their funds, either by refusing to admit new investors or by managing the investments of the funds, to remain below the thresholds. Similarly, this commenter suggested that some funds may even shut down to avoid Form PF reporting costs. The SEC believes, however, that substantial economic incentives will likely counter such behavior, including private fund performance fees that incentivize the private fund adviser to continue advising its funds and maximize fund appreciation and return. For example, a hedge fund with an initial value of $1.5 billion that experiences a 1% excess return will net $3 million in performance fees, and a 1% growth in assets under management will net an additional $225,000 per year in management fees, compared to an estimated cost of between $210,000 and $260,000 in the first year of reporting.

547 Id.

548 The calculations assume a management fee of 1.5% of assets under management and a 20% performance fee (to be the median fee structure in the TASS hedge fund database). $14,000/$150,000,000 = approximately 0.0099%. See Issa Letter.

549 See supra note 513–514. In addition, the SEC has estimated that a Large Private Fund Adviser may incur between $0 and $50,000 in costs for the acquisition or use of hardware in the first year of operating. See supra note 414 and accompanying text.
respect to the large adviser threshold specifically, we anticipate that business relations with investors that may be damaged if the adviser turns away investor assets may also motivate advisers to continue to permit the size of their funds to increase as a result of new investment.

As discussed above, we believe that private fund advisers, investors in private funds and the companies in which private funds may invest will enjoy certain benefits related to Form PF. We recognize, however, that many of Form PF’s benefits will be widely distributed across the financial system while its costs will be concentrated. Private fund advisers will bear most of these costs, though they may also pass some of these costs on to fund investors, and to the extent that capital available for investment is reduced, the companies in which private funds would otherwise invest may also bear costs. In addition, the costs of Form PF to an individual adviser will vary depending on factors such as the size of its existing systems and the complexity of its business. As a result, the costs and benefits of Form PF to particular advisers, particular investors, particular companies and individual American citizens will not be evenly distributed. For certain individuals and entities, the costs of Form PF may even exceed the benefits to them. However, we believe that the aggregate benefits of this rulemaking will be substantial. Moreover, the uneven distribution of the benefits and costs of Form PF reflects the potential for an uneven distribution of the costs and benefits of engaging in risky financial activities that may impose negative externalities.

C. CFTC Statutory Findings

Rule 4.27, as finalized, would deem a CPO registered with the CFTC that is dually registered as a private fund adviser with the SEC to have satisfied certain reporting requirements that the CFTC may adopt by filing Form PF with the SEC. The CPOs and CTAs that are dually registered as private fund advisers would be required to provide annually a limited amount of basic information on Form PF about the operations of their private funds. Only large CPOs and CTAs that are also registered as private fund advisers with the SEC would have to submit on a quarterly basis the full complement of systemic risk related information required by Form PF. As noted above, the Dodd-Frank Act tasks FSOC with monitoring the financial services marketplace in order to identify potential threats to the financial stability of the United States. The Dodd-Frank Act also requires FSOC to collect information from member agencies—like the SEC and the CFTC—to support its functions. The CFTC and the SEC are jointly adopting sections 1 and 2 of Form PF as a means to collect the information necessary to permit FSOC to fulfill its obligation to monitor private funds, and in order to identify any potential systemic threats arising from their activities. The CFTC and the SEC do not currently collect the information that is covered in proposed sections 1 and 2 of Form PF.

Section 15(a) of the CEA requires that the CFTC, before promulgating a regulation under the Act or issuing an order, consider the costs and benefits of its action. By its terms, CEA Section 15(a) does not require the CFTC to quantify the costs and benefits of a new regulation or determine whether the benefits of the regulation outweigh its costs. Rather, CEA section 15(a) simply requires the CFTC to consider the costs and benefits of its action. CEA section 15(a)(2) specifies that costs and benefits shall be evaluated in light of the following considerations: (1) Protection of market participants and the public; (2) efficiency, competitiveness and financial integrity of futures markets; (3) price discovery; (4) sound risk management practices; and (5) other public interest considerations.

Accordingly, the CFTC could, in its discretion, give greater weight to any of the five considerations and could, in its discretion, determine that, notwithstanding its costs, a particular regulation was necessary or appropriate to protect the public interest or to effectuate any of the provisions or to accomplish any of the purposes of the Act.

Before promulgating these final rules, the CFTC sought public comment on the rules themselves, including the cost-benefit considerations of section 1 and 2 of Form PF. The CFTC also specifically invited commenters to submit “any data or other information that they may have quantifying or qualifying the perceived costs and benefits of this proposed rule with their comment letters.” As noted above, the CFTC and the SEC received comments on the costs and benefits of the proposed regulations and the estimates of costs included in the Proposing Release, and they have carefully considered those comments. CEA Rule 4.27 does not impose any additional burdens or costs upon registered CPOs and CTAs that are dually registered as investment advisers with the SEC. By filing Form PF with the SEC, these dual registrants would be deemed to have satisfied certain reporting obligations with the CFTC, should the CFTC adopt such requirements.

1. General Costs and Benefits

With respect to costs, the CFTC has determined that: (1) Without the reporting requirements imposed by this rulemaking, FSOC will not have sufficient information to identify and address potential threats to the financial stability of the United States (such as the near collapse of Long Term Capital Management); (2) the reporting requirements, once finalized, will provide the CFTC with better information regarding the business operations, creditworthiness, use of leverage, and other material information of certain registered CPOs and CTAs that are also registered as investment advisers with the SEC; and (3) while they are necessary to U.S. financial stability, the reporting requirements will create additional compliance costs for these registrants, as discussed in the foregoing portions of the Economic Analysis as well as in the PRA section of this Release.

The CFTC has determined that the proposed reporting requirements will provide a benefit to all investors and...
market participants by providing the CFTC and other policy makers with more complete information about these registrants and the potential risk their activities may pose to the U.S. financial system. In turn, this information will enhance the CFTC’s ability to appropriately tailor its regulatory policies to the commodity pool industry and its operators and advisors. As mentioned above, the CFTC and the SEC do not have access to this information today and have instead been made to use information from other, less reliable sources.

2. Section 15(a) Determination

As stated above, section 15(a) of the CEA requires the CFTC to consider the costs and benefits of its actions in light of five broad areas of market and public concern: (1) Protection of market participants and the public; (2) efficiency, competitiveness, and financial integrity of futures markets; (3) price discovery; (4) sound risk management practices; and (5) other public interest considerations.

a. Protection of Market Participants and the Public

Should the CFTC adopt certain of its proposed systemic risk reporting requirements, the coordination between the CFTC and SEC on this rulemaking would result in significant efficiencies for any private fund adviser that is also registered as a CPO or CTA with the CFTC. This is because, under CEA rule 4.27, filling Form PF would satisfy both SEC and CFTC reporting obligations with respect to commodity pools that are “private funds” and may satisfy CFTC reporting obligations with respect to commodity pools that are not “private funds,” in each case should the CFTC adopt such reporting obligations. As noted above, the CFTC has determined that this coordination will protect such participants from duplicative reporting while still providing FSOC with needed information to fulfill its mission to protect the public from potential threats to the financial stability of the United States.

Commodity pools that fall within the definition of private funds and will be filing Form PF represent a sector of collective investment vehicles that have experienced a substantial growth and have been the subject of international concern regarding their size in juxtaposition with the markets as a whole. This concern has led to several countries instituting similar data collection efforts and it is well recognized that the U.S. contingent of these funds represents a sizable portion of all trading by this type of entity. Thus, this combined SEC/CFTC effort will contribute substantially to a better understanding of the impact of private investment vehicles on both the U.S. and international markets and provide the information necessary to intelligently develop regulatory efforts and oversight programs to provide adequate protection of market participants and the public at large.

Finally, the CFTC agrees with the SEC that Form PF, as adopted, will increase the amount and quality of information available regarding a previously opaque area of investment activity and, thereby, enhance the ability of regulators to protect investors and oversee the markets that they regulate.

b. Efficiency, Competitiveness, and Financial Integrity of Futures Markets

Although the CFTC does not believe this rule relates directly to the efficiency or competitiveness of futures markets, the CFTC does recognize that the interconnectedness of the United States financial system is such that the integrity of futures markets depends on the financial stability of the entire financial system. To the extent that the information collected by Form PF assists the Commissions and FSOC to identify threats that may damage the United States financial system, the regulations herein indirectly protect the integrity of futures markets.

c. Price Discovery

The CFTC has not identified a specific effect on price discovery as a result of Form PF or related regulations.

d. Sound Risk Management

The Dodd-Frank Act tasks FSOC and its member agencies (including both the SEC and the CFTC) with mitigating risks to the financial stability the United States. The CFTC believes these regulations are necessary to fulfill that obligation. Risk management is provided by these regulations in two main ways: (1) Assisting FSOC in fulfilling its mission of protecting the systemic financial stability of the United States; and (2) improving the ability of regulators to oversee markets. These benefits are shared by market participants, at least indirectly, as a part of the United States financial system. In addition, CPOs and CTAs that are dually registered as investment advisers will benefit from these regulations to the extent that reporting on Form PF requires such entities to review their firms’ portfolios, trading practices, and risk profiles; thus, the CFTC believes that these regulations may improve the sound risk management practices within their internal risk management systems.

e. Other Public Interest Considerations

The CFTC has not identified other public interest considerations related to the costs and benefits of these regulations.

VI. Final Regulatory Flexibility Analysis

SEC:

The SEC has prepared the following Final Regulatory Flexibility Analysis ("FRFA") regarding Advisers Act rule 204(b)–1 in accordance with section 4(a) of the Regulatory Flexibility Act ("RFA"). The SEC prepared the Initial Regulatory Flexibility Analysis ("IRFA") in conjunction with the Proposing Release in January 2011. FRFA

A. Need for and Objectives of the New Rule

New Advisers Act rule 204(b)–1 and Form PF implement provisions of the Dodd-Frank Act by specifying information that private fund advisers must disclose confidentially to the SEC, which information the SEC will provide to FSOC for systemic risk assessment purposes. Under the new rule, private fund advisers must file information responsive to all or portions of Form PF on a periodic basis. The scope of the required information and the frequency of the reporting is related to the amount of private fund assets that each private fund adviser manages and the type of private fund to which those assets relate. Specifically, smaller private fund advisers and large private equity advisers must report annually, while large hedge fund and liquidity fund advisers must report quarterly and provide additional information regarding the hedge funds and liquidity funds, respectively, that they manage.

B. Significant Issues Raised by Public Comment

In the Proposing Release, we requested comment on the IRFA. In particular, we sought comment on the number of small entities, particularly small advisers, to which the new Advisers Act rule and reporting requirements would apply and the effect

557 5 U.S.C. 603(a).
558 See Proposing Release, supra note 12, at section VI.
559 See section II.A of this Release (describing who must file Form PF), section II.B of this Release (discussing the frequency with which private fund advisers must file Form PF), and section II.C of this Release (describing the information that private fund advisers must report on Form PF). See also proposed Instruction 9 to Form PF for information regarding the frequency with which private fund advisers must file Form PF.
on those entities, including whether the effects would be economically significant. None of the comment letters we received addressed the IRFA or the effect of the proposal on small entities, as that term was used in the IRFA.

C. Small Entities Subject to the Rule

Under SEC rules, for the purposes of the Advisers Act and the Regulatory Flexibility Act, an investment adviser generally is a small entity if it: (i) Has assets under management having a total value of less than $25 million; (ii) did not have total assets of $5 million or more on the last day of its most recent fiscal year; and (iii) 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. 560

Advisers Act rule 204(b)–1 requires an investment adviser registered with the SEC to file certain information on Form PF if it manages one or more private funds and had at least $150 million in regulatory assets under management attributable to private funds as of the end of its most recently completed fiscal year. Under section 203A of the Advisers Act, most advisers qualifying as small entities are prohibited from registering with the SEC and are instead registered with state regulators. Therefore, few small advisers will meet the registration criterion. Fewer still are likely to meet the minimum reporting threshold of $150 million in regulatory assets under management attributable to private funds. By definition, no small entities will, on their own, meet this threshold, which the SEC did not include in the proposal but has added in response to commenter concerns. 561 Advisers are, however, required to determine whether they exceed this threshold by aggregating their private fund assets under management with those of their related persons (other than separately operated related persons), with the result that some small entities may be subject to Form PF reporting requirements. 562 The SEC does not have a precise count of the number of advisers that may satisfy the minimum reporting threshold based on the aggregate private fund assets that it and its related persons manage because such advisers file separate reports on Form ADV. However, because of the new minimum reporting threshold, the group of small entities subject to the rule as adopted will be a subset of the group that would have been subject to the proposed rule. In the Proposing Release, the SEC estimated that approximately 50 small entities were registered with the SEC and advised one or more private funds. 563 Accordingly, the SEC estimates that no more than 50 small entities are likely to become subject to Form PF reporting obligations under the final rule.

D. Projected Reporting, Recordkeeping and Other Compliance Requirements

Advisers Act rule 204(b)–1 and Form PF impose certain reporting and compliance requirements on advisers, including small advisers. A small adviser that is subject to the rule must complete all or part of section 1 of the Form. As discussed above, the SEC estimates that completing, reviewing and filing Form PF will cost approximately $13,600 for each small adviser in its first year of reporting and $4,200 per year for each subsequent year. 564 In addition, small entities must pay a filing fee of $150 per annual filing. 565

E. Agency Action To Minimize Effect on Small Entities

The Regulatory Flexibility Act directs the SEC to consider significant alternatives that would accomplish the stated objective, while minimizing any significant impact on small entities. In connection with the proposed rules and amendments, the SEC considered the following alternatives: (1) The establishment of differing compliance or reporting requirements or timetables that take into account the resources available to small entities; (2) the clarification, consolidation, or simplification of compliance and reporting requirements under the rule for small entities; (3) the use of performance rather than design standards; and (4) an exemption from coverage of the rule, or any part thereof, for small entities.

Regard the first and fourth alternatives, the SEC is adopting a minimum reporting threshold of $150 million as well as reporting requirements and timetables that differ for entities of smaller sizes. A small entity adviser that is subject to the rule only needs to file Form PF annually and complete applicable portions of section 1 of the form. 566 Large Private Fund Advisers must file additional information, and large hedge fund or large liquidity fund advisers must file more frequently. In addition, the filing fees that a smaller adviser must pay in a given year are lower than those that a large hedge fund or large liquidity fund advisers must pay over the same period. Regarding the second alternative, the information that a small entity subject to the rule must provide under section 1 of Form PF is much simpler than the information required of large hedge fund or large liquidity fund advisers and is consolidated in one section of the form. Regarding the third alternative, the SEC has, in a number of cases, permitted advisers to rely on their own methodologies in providing the information that the Form requires, though the use of performance standards is limited by the need to obtain comparable information from all filers.

CFTC

Under CEA rule 4.27, the CFTC would not impose any additional burden upon registered CPOs and CTAs that are dually registered as investment advisers with the SEC because such entities are only required to file Form PF with the SEC. Further, certain CPOs registered with the CFTC that are also registered with the SEC would be deemed to have satisfied certain CFTC-related filing requirements, should the CFTC adopt such requirements, by completing and filing the applicable sections of Form PF with the SEC. Therefore, any burden imposed by Form PF through rule 4.27 on small entities registered with both the CFTC and the SEC has been accounted for within the SEC’s calculations regarding the impact of this collection of information under the RFA or, to the extent the reporting may relate to commodity pools that are not private funds, the CFTC anticipates that it would account for this burden should it adopt a future rulemaking establishing

560 See Advisers Act rule 0–7(a).
561 See supra note 56–59 and accompanying text.
562 See supra section II.A.5 of this Release. The SEC notes that related persons are permitted to file on a single Form PF. As a result, even in the case that a larger related person causes a small entity to exceed the minimum reporting threshold, the small entity may not ultimately bear the reporting burden. See supra section II.A.6 of this Release. In addition, under Advisers Act rule 0–7(a)(3), an adviser with affiliates exceeding the other small entity thresholds under that rule would not be regarded as a small entity, suggesting that it may not be possible both to qualify as a small entity under that rule and to satisfy the criteria that would subject an adviser to Form PF reporting obligations.
563 See Proposing Release, supra note 12, at n.212 and accompanying text.
564 See supra notes 509–510 and accompanying text.
565 See supra note 432 and accompanying text.
566 If the adviser has no hedge fund assets under management, it need not complete section 1.C of the Form. Advisers that manage a significant amount of both registered money market fund and liquidity fund assets must complete section 3 of Form PF, but there are no small entities that manage a registered money market fund.
reporting requirements with respect to those commodity pools. Accordingly, the Chairman, on behalf of the CFTC, hereby certifies pursuant to 5 U.S.C. 605(b) that the rules as adopted will not have a significant impact on a substantial number of small entities.

VII. Statutory Authority

CFTC:
The CFTC is adopting rule 4.27 [17 CFR 4.27] pursuant to its authority set forth in section 4n of the Commodity Exchange Act [7 U.S.C. 6n].

SEC:
The SEC is adopting 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 adopting 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

17 CFR Part 4
Advertising, Brokers, Commodity futures, Commodity pool operators, Commodity trading advisors, Consumer protection, Reporting and recordkeeping requirements.

17 CFR Parts 275 and 279
Reporting and recordkeeping requirements, Securities.

Text of Final Rules

Commodity Futures Trading Commission
For the reasons set out in the preamble, the CFTC is amending Title 17, Chapter I of the Code of Federal Regulations as follows:

PART 4—COMMODITY POOL OPERATORS AND COMMODITY TRADING ADVISORS

§ 4.27 Additional reporting by advisors of commodity pools.
 Except as otherwise expressly provided in this section, CPOs and CTAs that are dually registered with the Securities and Exchange Commission and are required to file Form PF pursuant to the rules promulgated under the Investment Advisers Act of 1940, shall file Form PF with the Securities and Exchange Commission in lieu of filing such other reports with respect to private funds as may be required under this section. In addition, except as otherwise expressly provided in this section, CPOs and CTAs that are dually registered with the Securities and Exchange Commission and are required to file Form PF pursuant to the rules promulgated under the Investment Advisers Act of 1940, may file Form PF with the Securities and Exchange Commission in lieu of filing such other reports with respect to commodity pools that are not private funds as may be required under this section. Dually registered CPOs and CTAs that file Form PF with the Securities and Exchange Commission will be deemed to have filed Form PF with the Commission for purposes of any enforcement action regarding any false or misleading statement of a material fact in Form PF.

Securities and Exchange Commission
For the reasons set out in the preamble, the SEC is amending Title 17, Chapter II of the Code of Federal Regulations as follows:

PART 275—RULES AND REGULATIONS, INVESTMENT ADVISERS ACT OF 1940

3. The authority citation for part 275 continues to read in part as follows:


4. Section 275.204(b)–1 is added to read as follows:

§ 275.204(b)–1 Reporting by investment advisers to private funds.

(a) Reporting by investment advisers to private funds on Form PF. If you are an investment adviser registered or required to be registered under section 203 of the Act (15 U.S.C. 80b–3), you act as an investment adviser to one or more private funds and, as of the end of your most recently completed fiscal year, you managed private fund assets of at least $150 million, you must complete and file Form PF; and

(b) Electronic filing. You must file Form PF electronically with the Form PF filing system on the Investment Adviser Registration Depository (IARD).

Note to paragraph (b): Information on how to file Form PF is available on the Commission’s Web site at http://www.sec.gov/iard.

(c) When filed. Each Form PF is considered filed with the Commission upon acceptance by the Form PF filing system.

(d) Filing fees. You must pay the operator of the Form PF filing system a filing fee as required by the instructions to Form PF. The Commission has approved the amount of the filing fee. No portion of the filing fee is refundable. Your completed Form PF will not be accepted by the operator of the Form PF filing system, and thus will not be considered filed with the Commission, until you have paid the filing fee.

(e) Updates to Form PF. You must file an updated Form PF:

(1) At least annually, no later than the date specified in the instructions to Form PF; and

(2) More frequently, if required by the instructions to Form PF. You must file all updated reports electronically with the Form PF filing system.

(f) Temporary hardship exemption.

(1) If you have unanticipated technical difficulties that prevent you from submitting Form PF on a timely basis through the Form PF filing system, you may request a temporary hardship exemption from the requirements of this section to file electronically.

(2) To request a temporary hardship exemption, you must:

(i) Complete and file in paper format, in accordance with the instructions to Form PF, 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, no later than one business day after the electronic Form PF filing was due; and

(ii) Submit the filing that is the subject of the Form PF paper filing in electronic format with the Form PF filing system no later than seven business days after the filing was due.

(3) The temporary hardship exemption will be granted when you file 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.

(4) The hardship exemptions available under § 275.203–3 do not apply to Form PF.

(g) Definitions. For purposes of this section:
(1) **Assets under management** means the regulatory assets under management as determined under Item 5.F of Form ADV (§ 279.1 of this chapter).

(2) **Private fund assets** means the investment adviser’s assets under management attributable to private funds.

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**PART 279—FORMS PRESCRIBED UNDER THE INVESTMENT ADVISERS ACT OF 1940**

- 5. The authority citation for Part 279 continues to read as follows:
  
  **Authority:** 15 U.S.C. 80b–1, *et seq.*

- 6. Section 279.9 is added to read as follows:

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**§ 279.9 Form PF, reporting by investment advisers to private funds.**

This form shall be filed pursuant to Rule 204(b)–1 (§ 275.204(b)–1 of this chapter) by certain investment advisers registered or required to register under section 203 of the Act (15 U.S.C. 80b–3) that act as an investment adviser to one or more private funds.

**Note:** The text of the following Form PF will not appear in the Code of Federal Regulations.
FORM PF (Paper Version)
Reporting Form for Investment Advisers to
Private Funds and Certain Commodity Pool
Operators and Commodity Trading Advisors

Form PF: General Instructions

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 2a** You are required to complete Section 2a 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 are not required to include the *regulatory assets under management* of any *related person* that is separately operated.

   Subject to Instruction 4, Section 2a requires information to be reported on an aggregate basis for all *hedge funds* that you advise.

   **Section 2b** If you are required to complete Section 2a, you must complete a separate Section 2b with respect to each *qualifying hedge fund* that you advise.

   However:

   if you are reporting separately on the funds of a *parallel fund structure* that, in the aggregate, comprises a *qualifying hedge fund*, you must complete a separate Section 2b for each *parallel fund* that is part of that *parallel fund structure* (even if that *parallel fund* is not itself a *qualifying hedge fund*); and

   if you report answers on an aggregated basis for any *master-feeder arrangement* or *parallel fund structure* in accordance with Instruction 5, you should only complete a separate Section 2b with respect to the *reporting fund* for such *master-feeder arrangement* or *parallel fund structure*.

   **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.

However, if you report answers on an aggregated basis for any master-feeder arrangement or parallel fund structure in accordance with Instruction 5, you should only complete a separate Section 3 with respect to the reporting fund for such master-feeder arrangement or parallel fund structure.

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.

However, if you report answers on an aggregated basis for any master-feeder arrangement or parallel fund structure in accordance with Instruction 5, you should only complete a separate Section 4 with respect to the reporting fund for such master-feeder arrangement or parallel fund structure.

Section 5—Advisers requesting a temporary hardship exemption

Section 5 See Instruction 13 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. When am I required to aggregate information regarding parallel funds, parallel managed accounts, master-feeder arrangements and funds managed by related persons?

You are required to aggregate related funds and accounts differently depending on the purpose of the aggregation.

Reporting thresholds. For purposes of determining whether you meet any reporting threshold, you must aggregate parallel funds, dependent parallel managed accounts and master-feeder funds. In addition, you must treat any private fund or parallel managed account advised by any of your related persons as though it were advised by you. You are not required, however, to aggregate private funds or parallel managed accounts of any related person that is separately operated.

Responding to questions. When reporting on individual funds, you may provide information regarding master-feeder arrangements or parallel fund structures either in the aggregate or separately, provided that you do so consistently throughout the Form. (For example, you may complete either a single Section 1b for all of the funds in a master-feeder arrangement or a separate Section 1b for each fund in the arrangement, but you must then take the same approach when completing other applicable sections of the Form.) 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. You are not required to report information regarding parallel managed accounts (except in Question 11). You should not 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.

See the table below for additional details.

<table>
<thead>
<tr>
<th>For purposes of determining whether a private fund is a qualifying hedge fund</th>
<th>For purposes of reporting information in Sections 1b, 1c, 2b, 3 and 4</th>
</tr>
</thead>
<tbody>
<tr>
<td>• 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)</td>
<td>• You may, but are not required to, report answers on an aggregated basis for 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)</td>
</tr>
<tr>
<td>• You must aggregate any private funds that are part of the same parallel fund structure</td>
<td>• You may, but are not required to, report answers on an aggregated basis for any private funds that are part of the same parallel fund structure</td>
</tr>
<tr>
<td>• Any dependent parallel managed account must be aggregated with the largest private fund to which that dependent parallel managed account relates</td>
<td>• You are not required to report information regarding parallel managed accounts (except in Question 11)</td>
</tr>
</tbody>
</table>
6. I am required to aggregate funds or accounts to determine whether I meet a reporting threshold, or I am electing to aggregate funds for reporting purposes. How do I “aggregate” funds or accounts for these purposes?

Where two or more parallel funds or master-feeder funds are aggregated in accordance with Instruction 5, you must treat the aggregated funds as if they were all one private fund. Investments that a feeder fund makes in a master fund should be disregarded but other investments of the feeder fund should be treated as though they were investments of the aggregated fund.

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.

Example 1. You advise a master-feeder arrangement with one feeder fund. The feeder fund has invested $500 in the master fund and holds a foreign exchange derivative with a notional value of $100. The master fund has used the $500 received from the feeder fund to invest in corporate bonds. Neither fund has any other assets or liabilities.

For purposes of determining whether the funds comprise a qualifying hedge fund, this master-feeder arrangement should be treated as a single private fund whose only investments are $500 in corporate bonds and a foreign exchange derivative with a notional value of $100. If you elect to aggregate the master-feeder arrangement for reporting purposes, the treatment would be the same.

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 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.

If you elect to aggregate the parallel fund structure for reporting purposes, you would disregard the dependent parallel managed account, so the result would be a single private fund whose only asset is $700 of corporate bonds.
issued by Company X.

7. I advise a private fund that invests in other private funds (e.g., a “fund of funds”). How should I treat these investments for purposes of Form PF?

Investments in other private funds generally. For purposes of this Form PF, you may disregard any private fund’s equity investments in other private funds. However, if you disregard these investments, you must do so consistently (e.g., do not include disregarded investments in the net asset value used for determining whether the fund is a “hedge fund”). For Question 17, even if you disregard these assets, you may report the performance of the entire fund and are not required to recalculate performance in order to exclude these investments. Do not disregard any liabilities, even if incurred in connection with these investments.

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 for which you are not an adviser 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. For all other purposes, you should disregard such fund. For example, where questions request aggregate information regarding the private funds you advise, do not include the assets or liabilities of any such fund.

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.

Notwithstanding the foregoing, you must include disregarded assets in responding to Question 10.

8. I advise a private fund that invests in companies that are not private funds. How should I treat these investments for purposes of Form PF?

Except as provided in Instruction 7, investments in funds should be included for all purposes under this Form PF. You are not, however, required to “look through” a fund’s investments in any other entity unless the Form specifically requests information regarding that entity or the other entity’s primary purpose is to hold assets or incur leverage as part of the reporting fund’s investment activities.

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 your first, second and third fiscal quarters, 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.

- Within 60 calendar days after the end of your fourth fiscal quarter, you must file a quarterly update that updates the answers to all Items in this Form PF. You may, however, submit an initial filing for the fourth quarter 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 the quarter 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 your first, second and third fiscal quarters, 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.

Within 15 calendar days after the end of your fourth fiscal quarter, you must file a *quarterly update* that updates the answers to all Items in this Form PF. You may, however, submit an initial filing for the fourth quarter 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 the quarter 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 fourth quarter.

**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), 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?


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. Mail one manually signed original and one copy of your exemption filing to: U.S. Securities and Exchange Commission, Branch of Regulations and
Form PF: General Instructions

Examinations, Mail Stop 0-25, 100 F Street NE, Washington, DC 20549. 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) and round to the nearest one percent;

- if a question requests a monetary value, provide the information in U.S. dollars as of the *data reporting date*, rounded to the nearest thousand;

- 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,” you should determine whether a set of legal and contractual rights constitutes a “position” in a manner consistent with your internal recordkeeping and risk management procedures (e.g., some advisers may record as a single position two or more partially offsetting legs of a transaction entered into with the same counterparty under the same master agreement, while others may record these as separate positions);

- if a question requires you to distinguish long positions from short positions, classify positions in a manner consistent with your internal recordkeeping and risk management procedures (provided that, for CDS, exotic CDS, index CDS, and single name CDS, the protection seller should be viewed as long and the protection buyer should be viewed as short);

- do not net long and short positions;

- for derivatives (other than options), “value” means *gross notional value*; for options, “value” means delta adjusted notional value; 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; and
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. **May I report on Form PF regarding a commodity pool that is not a private fund? How should I treat the commodity pool for purposes of Form PF?**

If you are otherwise required to report on Form PF, you may report information regarding any *commodity pool* you advise on Form PF, even if it is not a *private fund*. Properly reporting on Form PF regarding the commodity pool will constitute substitute compliance with CFTC reporting requirements to the extent provided in *CEA* rule 4.27.

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 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 2a of Form PF, then you must report regarding the commodity pool in section 2b 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 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.
## 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.)*

<table>
<thead>
<tr>
<th>Legal name</th>
<th>SEC 801-Number</th>
<th>NFA ID Number, if any</th>
<th>Large trader ID, if any</th>
<th>Large trader ID suffix, if any</th>
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</table>

(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:

<table>
<thead>
<tr>
<th>Legal name</th>
<th>SEC 801-Number</th>
<th>NFA ID Number, if any</th>
<th>Large trader ID, if any</th>
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</tbody>
</table>
2. Signatures of sole proprietor or authorized representative (see Instruction 11 to Form PF).

Signature on behalf of the firm and its related persons:

I, the undersigned, sign this Form PF on behalf of, and with the authority of, the firm. In addition, I sign this Form PF on behalf of, and with the authority of, each of the related persons identified in Question 1(b) (other than any related person for which another individual has signed this Form PF below).

To the extent that Section 1 or 2 of this Form PF is filed in accordance with a regulatory obligation imposed by CEA rule 4.27, the firm, each related person for which I am signing this Form PF, and I all accept that any false or misleading statement of a material fact therein or material omission therefrom shall constitute a violation of section 6(c)(2) of the CEA.

Name of individual:

Signature:

Title:

Email address:

Telephone contact number (include area code and, if outside the United States, country code):

Date:

Signature on behalf of related persons:

I, the undersigned, sign this Form PF on behalf of, and with the authority of, the related person(s) identified below.

To the extent that Section 1 or 2 of this Form PF is filed in accordance with a regulatory obligation imposed by CEA rule 4.27, each related person identified below and I all accept that any false or misleading statement of a material fact therein or material omission therefrom shall constitute a violation of section 6(c)(2) of the CEA.

Name of each related person on behalf of which this individual is signing:

Name of individual:

Signature:

Title:

Email address:

Telephone contact number (include area code and, if outside the United States, country code):

Date:

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
Form PF
Section 1a
Information about you and your related persons
(to be completed by all Form PF filers)

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.)

<table>
<thead>
<tr>
<th>Regulatory assets under management</th>
<th>Net assets under management</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Hedge funds</td>
<td></td>
</tr>
<tr>
<td>(b) Liquidity funds</td>
<td></td>
</tr>
<tr>
<td>(c) Private equity funds</td>
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<tr>
<td>(d) Real estate funds</td>
<td></td>
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<tr>
<td>(e) Securitized asset funds</td>
<td></td>
</tr>
<tr>
<td>(f) Venture capital funds</td>
<td></td>
</tr>
<tr>
<td>(g) Other private funds</td>
<td></td>
</tr>
<tr>
<td>(h) Funds and accounts other than private funds (i.e., the remainder of your assets under management)</td>
<td></td>
</tr>
</tbody>
</table>

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.

<table>
<thead>
<tr>
<th>Question number</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>Form PF Section 1b</td>
<td>Information about the private funds you advise (to be completed by all Form PF filers)</td>
</tr>
<tr>
<td>-------------------</td>
<td>--------------------------------------------------------------------------------------</td>
</tr>
</tbody>
</table>

**Section 1b: Information about the private funds you advise**

Subject to Instruction 5, you must complete a separate Section 1b for each private fund that you advise.

**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 applicable

6. Check “yes” below if the reporting fund is the master fund of a master-feeder arrangement and you are reporting for all of the funds in the master-feeder arrangement on an aggregated basis. Otherwise, check “no.”

(See Instruction 5 for information regarding aggregation of master-feeder arrangements. If you respond “yes,” do not complete a separate Section 1b, 1c, 2b, 3 or 4 with respect to any of the feeder funds.)

☐ Yes ☐ No

7. (a) Check “yes” below if the reporting fund is the largest fund in a parallel fund structure and you are reporting for all of the funds in the structure on an aggregated basis. Otherwise, check “no.”

(See Instruction 5 for information regarding aggregation of parallel funds. If you respond “yes,” do not complete a separate Section 1b, 1c, 2b, 3 or 4 with respect to any of the other parallel funds in the structure.)

☐ Yes ☐ No

If you responded “yes” to Question 7(a), complete (b) through (e) below for each other parallel fund 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 applicable

**Item B. Assets, financing and investor concentration**

8. Gross asset value of reporting fund

(This amount 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, if you are aggregating a master-feeder arrangement for purposes of this Form PF and you did not aggregate that-master-feeder arrangement for purposes of Form ADV Section 7.B.1. or if you are aggregating parallel funds for purposes of this Form PF.)

9. Net asset value of reporting fund
<table>
<thead>
<tr>
<th>Form PF Section 1b</th>
<th>Information about the private funds you advise (to be completed by all Form PF filers)</th>
<th>Page 5 of 42</th>
</tr>
</thead>
</table>

10. Value of reporting fund’s investments in equity of other private funds ........................................

11. 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.)

12. 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 Question 43 in Section 2b. 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. financial institutions ...........................................................................

   (c) Percentage borrowed from non-U.S. financial institutions .................................................................

   (d) Percentage borrowed from U.S. creditors that are not financial institutions ........................................

   (e) Percentage borrowed from non-U.S. creditors that are not financial institutions ............................

13. (a) Does the reporting fund have any outstanding derivatives positions?

   ☐ Yes ☐ No

   (b) If you responded “yes” to Question 13(a), provide the aggregate value of all derivatives positions of the reporting fund ...........................................................

   (You are not required to respond to Question 13 for any reporting fund with respect to which you are answering Question 44 in Section 2b.)

14. Provide a summary of the reporting fund’s assets and liabilities categorized using the hierarchy below. 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.

(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.)

(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.)

<table>
<thead>
<tr>
<th>Level 1</th>
<th>Level 2</th>
<th>Level 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assets</td>
<td>$________</td>
<td>$________</td>
</tr>
<tr>
<td>Liabilities</td>
<td>$________</td>
<td>$________</td>
</tr>
</tbody>
</table>

15. 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.)

16. Specify the approximate percentage of the reporting fund’s equity that is beneficially owned by the following groups of investors.

(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.)

(a) Individuals that are United States persons (including their trusts) .....................................

(b) Individuals that are not United States persons (including their trusts) ....................................

(c) Broker-dealers ..............................................................................................................................

(d) Insurance companies ....................................................................................................................

(e) Investment companies registered with the SEC .............................................................................

(f) Private funds ......................................................................................................................................

(g) Non-profits ........................................................................................................................................

(h) Pension plans (excluding governmental pension plans) .................................................................

(i) Banking or thrift institutions (proprietary) .....................................................................................

(j) State or municipal government entities (excluding governmental pension plans) ......................

(k) State or municipal governmental pension plans ...........................................................................

(l) Sovereign wealth funds and foreign official institutions ...............................................................

(m) 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 .................................................................

(n) Other ................................................................................................................................................
Item C. Reporting fund performance

17. Provide the reporting fund’s gross and net performance, as reported to current and prospective investors (or, if calculated for other purposes but not reported to investors, as so calculated). If the fund reports different performance results to different groups of investors, provide the most representative results. 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 or otherwise).

(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.)

(Enter your responses as percentages rounded to the nearest one-hundredth of one percent. 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.)

<table>
<thead>
<tr>
<th>Last day of fiscal period</th>
<th>Gross performance</th>
<th>Net of management fees and incentive fees and allocations</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) 1st month of reporting fund’s fiscal year</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(b) 2nd month of reporting fund’s fiscal year</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(c) 3rd month of reporting fund’s fiscal year</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(d) First quarter</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(e) 4th month of reporting fund’s fiscal year</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(f) 5th month of reporting fund’s fiscal year</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(g) 6th month of reporting fund’s fiscal year</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(h) Second quarter</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(i) 7th month of reporting fund’s fiscal year</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(j) 8th month of reporting fund’s fiscal year</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(k) 9th month of reporting fund’s fiscal year</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(l) Third quarter</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(m) 10th month of reporting fund’s fiscal year</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(n) 11th month of reporting fund’s fiscal year</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(o) 12th month of reporting fund’s fiscal year</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(p) Fourth quarter</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(q) Reporting fund’s most recently completed fiscal year</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Section 1c: Information about the hedge funds you advise

Subject to Instruction 5, you must complete a separate Section 1c for each hedge fund that you advise.

Item A. Reporting fund identifying information

18. (a) Name of the reporting fund .................................................................

(b) Private fund identification number of the reporting fund ..................

Item B. Certain information regarding the reporting fund

19. Does the reporting fund have a single primary investment strategy or multiple strategies?
   □ Single primary strategy   □ Multi-strategy

20. Indicate which of the investment strategies below best describe the reporting fund’s strategies. 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. You may refer to the reporting fund’s use of these strategies as of the data reporting date or throughout the reporting period, but you must report using the same basis in future filings.)
   (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%).

<table>
<thead>
<tr>
<th>Strategy</th>
<th>% of NAV (required)</th>
<th>% of capital (optional)</th>
</tr>
</thead>
<tbody>
<tr>
<td>□ Equity, Market Neutral</td>
<td></td>
<td></td>
</tr>
<tr>
<td>□ Equity, Long/Short</td>
<td></td>
<td></td>
</tr>
<tr>
<td>□ Equity, Short Bias</td>
<td></td>
<td></td>
</tr>
<tr>
<td>□ Equity, Long Bias</td>
<td></td>
<td></td>
</tr>
<tr>
<td>□ Macro, Active Trading</td>
<td></td>
<td></td>
</tr>
<tr>
<td>□ Macro, Commodity</td>
<td></td>
<td></td>
</tr>
<tr>
<td>□ Macro, Currency</td>
<td></td>
<td></td>
</tr>
<tr>
<td>□ Macro, Global Macro</td>
<td></td>
<td></td>
</tr>
<tr>
<td>□ Relative Value, Fixed Income Asset Backed</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Form PF Section 1c</td>
<td>Information about the <em>hedge funds</em> you advise (to be completed by all Form PF filers that advise <em>hedge funds</em>)</td>
<td>Page 9 of 42</td>
</tr>
<tr>
<td>-------------------</td>
<td>-------------------------------------------------------------------------------------------------</td>
<td>-------------</td>
</tr>
<tr>
<td></td>
<td>Relative Value, Fixed Income Convertible Arbitrage</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Relative Value, Fixed Income Corporate</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Relative Value, Fixed Income Sovereign</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Relative Value, Volatility Arbitrage</td>
<td></td>
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<tr>
<td></td>
<td>Event Driven, Distressed/Restructuring</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Event Driven, Risk Arbitrage/Merger Arbitrage</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Event Driven, Equity Special Situations</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Credit, Long/Short</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Credit, Asset Based Lending</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Managed Futures/CTA, Fundamental</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Managed Futures/CTA, Quantitative</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Investment in other funds</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Other: ____________________________________________________</td>
<td></td>
</tr>
</tbody>
</table>

21. During the *reporting period*, approximately what percentage of the *reporting fund*’s net asset value was managed using high-frequency trading strategies?

   *(In your response, please do not include strategies using algorithms solely for trade execution. This question concerns strategies that are substantially computer-driven, where decisions to place bids or offers, and to buy or sell, are primarily based on algorithmic responses to intraday price action in equities, futures and options, and where the total number of shares or contracts traded throughout the day is generally significantly larger than the net change in position from one day to the next.)*

<table>
<thead>
<tr>
<th>Percentage</th>
<th>0%</th>
<th>less than 10%</th>
<th>10-25%</th>
<th>26-50%</th>
</tr>
</thead>
<tbody>
<tr>
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</tr>
</tbody>
</table>

22. Identify the five counterparties to which the *reporting fund* has the greatest mark-to-market net counterparty credit exposure, measured as a percentage of the *reporting fund*’s net asset value.

   *(For purposes of this question, you should treat affiliated entities as a single group to the extent 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. CCPs should not be regarded as counterparties for purposes of this question.)*

   *(In your response, you should take into account: (i) mark-to-market gains and losses on derivatives; and (ii) any loans or loan commitments.)*

   *(However, you should not take into account: (i) margin posted by the counterparty; or (ii) holdings of debt or equity securities issued by the counterparty.)*
<table>
<thead>
<tr>
<th>Form PF Section 1c</th>
<th>Information about the hedge funds you advise (to be completed by all Form PF filers that advise hedge funds)</th>
<th>Page 10 of 42</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Legal name of the counterparty (or, if multiple affiliated entities, counterparties)</td>
<td>Indicate below if the counterparty is affiliated with a major financial institution</td>
</tr>
<tr>
<td>(a)</td>
<td>[drop-down list of counterparty names] Other: _________ [Not applicable]</td>
<td></td>
</tr>
<tr>
<td>(b)</td>
<td>[drop-down list of counterparty names] Other: _________ [Not applicable]</td>
<td></td>
</tr>
<tr>
<td>(c)</td>
<td>[drop-down list of counterparty names] Other: _________ [Not applicable]</td>
<td></td>
</tr>
<tr>
<td>(d)</td>
<td>[drop-down list of counterparty names] Other: _________ [Not applicable]</td>
<td></td>
</tr>
<tr>
<td>(e)</td>
<td>[drop-down list of counterparty names] Other: _________ [Not applicable]</td>
<td></td>
</tr>
</tbody>
</table>

23. Identify the five counterparties that have the greatest mark-to-market net counterparty credit exposure to the reporting fund, measured in U.S. dollars.

(For purposes of this question, you should treat affiliated entities as a single group to the extent 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. CCPs should not be regarded as counterparties for purposes of this question.)

(In your response, you should take into account: (i) mark-to-market gains and losses on derivatives; and (ii) any loans or loan commitments.)

(However, you should not take into account: (i) margin posted to the counterparty; or (ii) holdings of debt or equity securities issued by the counterparty.)

<table>
<thead>
<tr>
<th>Legal name of the counterparty (or, if multiple affiliated entities, counterparties)</th>
<th>Indicate below if the counterparty is affiliated with a major financial institution</th>
<th>Exposure (in U.S. dollars)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a)</td>
<td>[drop-down list of counterparty names] Other: _________ [Not applicable]</td>
<td></td>
</tr>
<tr>
<td>(b)</td>
<td>[drop-down list of counterparty names] Other: _________ [Not applicable]</td>
<td></td>
</tr>
<tr>
<td>(c)</td>
<td>[drop-down list of counterparty names] Other: _________ [Not applicable]</td>
<td></td>
</tr>
<tr>
<td>(d)</td>
<td>[drop-down list of counterparty names] Other: _________ [Not applicable]</td>
<td></td>
</tr>
<tr>
<td>(e)</td>
<td>[drop-down list of counterparty names]</td>
<td></td>
</tr>
<tr>
<td>Form PF Section 1c</td>
<td>Information about the hedge funds you advise (to be completed by all Form PF filers that advise hedge funds)</td>
<td>Page 11 of 42</td>
</tr>
</tbody>
</table>

24. 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 instruments were 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 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.)

(The total in each part of this question should add up to 100%. Enter "NA" in each part of this question for which the reporting fund engaged in no relevant trades.)

(a) Estimated % (in terms of value) of securities (other than derivatives) that were traded by the reporting fund:

On a regulated exchange: .................................................................

OTC .................................................................................................

(b) Estimated % (in terms of trade volumes) of derivatives that were traded by the reporting fund:

On a regulated exchange or swap execution facility: ................................

OTC .................................................................................................

(c) Estimated % (in terms of trade volumes) of derivatives that were traded by the reporting fund and:

Cleared by a CCP: ..............................................................................

Bilaterally transacted (i.e., not cleared by a CCP): ............................

(d) Estimated % (in terms of value) of repo trades that were entered into by the reporting fund and:

Cleared by a CCP: ..............................................................................

Bilaterally transacted (i.e., not cleared by a CCP): ............................

Constitute a tri-party repo: ................................................................

25. What percentage of the reporting fund's net asset value relates to transactions that are not described in any of the categories listed in items (a) through (d) of Question 24?

(Give a dollar value for long and short positions as of the last day in each month of the reporting period, by sub-asset class, including all exposure whether held physically, synthetically or through derivatives. Enter “NA” in each space for which there are no relevant positions.)

(Include any closed out and OTC forward positions that have not yet expired/matured. Do not net positions within sub-asset classes. Positions held in side-pockets should be included as positions of the hedge funds. Provide the absolute value of short positions. Each position should only be included in a single sub-asset class.)

(Where “duration/WAT/10-year eq.” is required, provide at least one of the following with respect to the position and indicate which measure is being used: bond duration, weighted average tenor or 10-year bond equivalent. Duration and weighted average tenor should be entered in terms of years to two decimal places.)

<table>
<thead>
<tr>
<th></th>
<th>1st Month</th>
<th>2nd Month</th>
<th>3rd Month</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Listed equity</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Issued by financial institutions</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other listed equity</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Unlisted equity</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Issued by financial institutions</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other unlisted equity</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Listed equity derivatives</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Related to financial institutions</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other listed equity derivatives</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Derivative exposures to unlisted equities</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Related to financial institutions</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other derivative exposures to unlisted equities</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Corporate bonds issued by financial institutions (other than convertible bonds)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment grade</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>[ ] Duration [ ] WAT [ ] 10-year eq.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-investment grade</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>[ ] Duration [ ] WAT [ ] 10-year eq.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Form PF Section 2a</td>
<td>Aggregated information about <em>hedge funds that you advise</em> (to be completed by <em>large private fund advisers only</em>)</td>
<td>Page 13 of 42</td>
<td></td>
</tr>
<tr>
<td>-------------------</td>
<td>-------------------------------------------------</td>
<td>--------------</td>
<td></td>
</tr>
</tbody>
</table>

**Corporate bonds not issued by financial institutions (other than convertible bonds)**

- *Investment grade*
  - [ ] Duration  [ ] WAT  [ ] 10-year eq.
  - [ ] Non-investment grade
  - [ ] Duration  [ ] WAT  [ ] 10-year eq.

**Convertible bonds issued by financial institutions**

- *Investment grade*
  - [ ] Duration  [ ] WAT  [ ] 10-year eq.
  - [ ] Non-investment grade
  - [ ] Duration  [ ] WAT  [ ] 10-year eq.

**Convertible bonds not issued by financial institutions**

- *Investment grade*
  - [ ] Duration  [ ] WAT  [ ] 10-year eq.
  - [ ] Non-investment grade
  - [ ] Duration  [ ] WAT  [ ] 10-year eq.

**Sovereign bonds and municipal bonds**

- *U.S. treasury securities*
  - [ ] Duration  [ ] WAT  [ ] 10-year eq.
- *Agency securities*
  - [ ] Duration  [ ] WAT  [ ] 10-year eq.
- *GSE bonds*
  - [ ] Duration  [ ] WAT  [ ] 10-year eq.

**Sovereign bonds issued by G10 countries other than the U.S.**

- [ ] Duration  [ ] WAT  [ ] 10-year eq.

**Other sovereign bonds (including supranational bonds)**

- [ ] Duration  [ ] WAT  [ ] 10-year eq.

**U.S. state and local bonds**

- [ ] Duration  [ ] WAT  [ ] 10-year eq.

**Loans**

- *Leveraged loans*
<table>
<thead>
<tr>
<th>Form PF Section 2a</th>
<th>Aggregated information about <em>hedge funds</em> that you advise (to be completed by <em>large private fund advisers</em> only)</th>
<th>Page 14 of 42</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>□ Duration □ WAT □ 10-year eq. □ Other loans (not including repos)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>□ Duration □ WAT □ 10-year eq. □ Repos</td>
<td></td>
</tr>
<tr>
<td></td>
<td>□ Duration □ WAT □ 10-year eq. □ ABS/structured products</td>
<td></td>
</tr>
<tr>
<td></td>
<td>□ Duration □ WAT □ 10-year eq. □ MBS</td>
<td></td>
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<td></td>
<td>□ Duration □ WAT □ 10-year eq. □ ABCP</td>
<td></td>
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<td></td>
<td>□ Duration □ WAT □ 10-year eq. □ CDO/CLO</td>
<td></td>
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<tr>
<td></td>
<td>□ Duration □ WAT □ 10-year eq. □ Other ABS</td>
<td></td>
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<tr>
<td></td>
<td>□ Duration □ WAT □ 10-year eq. □ Other structured products</td>
<td></td>
</tr>
<tr>
<td></td>
<td>□ Duration □ WAT □ 10-year eq. □ Credit derivatives</td>
<td></td>
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<tr>
<td></td>
<td>□ Duration □ WAT □ 10-year eq. □ Single name CDS</td>
<td></td>
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<tr>
<td></td>
<td>□ Duration □ WAT □ 10-year eq. □ Index CDS</td>
<td></td>
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<tr>
<td></td>
<td>□ Duration □ WAT □ 10-year eq. □ Exotic CDS</td>
<td></td>
</tr>
<tr>
<td></td>
<td>□ Duration □ WAT □ 10-year eq. □ Foreign exchange derivatives (investment)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>□ Duration □ WAT □ 10-year eq. □ Foreign exchange derivatives (hedging)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>□ Duration □ WAT □ 10-year eq. □ Non-U.S. currency holdings</td>
<td></td>
</tr>
<tr>
<td></td>
<td>□ Duration □ WAT □ 10-year eq. □ Interest rate derivatives</td>
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<td></td>
<td>□ Duration □ WAT □ 10-year eq. □ Commodities (derivatives)</td>
<td></td>
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<tr>
<td></td>
<td>□ Duration □ WAT □ 10-year eq. □ Crude oil</td>
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<tr>
<td></td>
<td>□ Duration □ WAT □ 10-year eq. □ Natural gas</td>
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<td></td>
<td>□ Duration □ WAT □ 10-year eq. □ Gold</td>
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<td></td>
<td>□ Duration □ WAT □ 10-year eq. □ Power</td>
<td></td>
</tr>
<tr>
<td></td>
<td>□ Duration □ WAT □ 10-year eq. □ Other commodities</td>
<td></td>
</tr>
<tr>
<td></td>
<td>□ Duration □ WAT □ 10-year eq. □ Commodities (physical)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>□ Duration □ WAT □ 10-year eq. □ Crude oil</td>
<td></td>
</tr>
<tr>
<td></td>
<td>□ Duration □ WAT □ 10-year eq. □ Natural gas</td>
<td></td>
</tr>
</tbody>
</table>
### Form PF Section 2a

#### Aggregated information about hedge funds that you advise

*(to be completed by large private fund advisers only)*

<table>
<thead>
<tr>
<th>Commodity</th>
<th>1st Month</th>
<th>2nd Month</th>
<th>3rd Month</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gold</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Power</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Other commodities</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other derivatives</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Physical real estate</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investments in internal private funds</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investments in external private funds</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investments in registered investment companies</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Certificates of deposit</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>□ Duration □ WAT □ 10-year eq.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other deposits</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Money market funds</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other cash and cash equivalents (excluding government securities)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investments in funds for cash management purposes (other than money market funds)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investments in other sub-asset classes</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

27. 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 **hedge funds** that you advise.

*(The value of turnover should be the sum of the absolute values of transactions in the relevant asset class during the period.)*

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>1st Month</th>
<th>2nd Month</th>
<th>3rd Month</th>
</tr>
</thead>
<tbody>
<tr>
<td>Listed equity</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Corporate bonds (other than convertible bonds)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Convertible bonds</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sovereign bonds and municipal bonds</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>U.S. treasury securities</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Agency securities</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>GSE bonds</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sovereign bonds issued by G10 countries other than the U.S.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other sovereign bonds (including supranational bonds)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Form PF Section 2a</td>
<td>Aggregated information about hedge funds that you advise (to be completed by large private fund advisers only)</td>
<td>Page 16 of 42</td>
<td></td>
</tr>
<tr>
<td>-------------------</td>
<td>----------------------------------------------------------------------------------------------------------------</td>
<td>-------------</td>
<td></td>
</tr>
</tbody>
</table>

U.S. state and local bonds
Futures

28. (a) Provide a geographical breakdown of the investments held by the hedge funds that you advise (by percentage of the total net asset value of these hedge funds).

(See Instruction 15 for information on calculating the numerator for purposes of this Question.)

<table>
<thead>
<tr>
<th>Region</th>
<th>% of NAV</th>
</tr>
</thead>
<tbody>
<tr>
<td>(i) Africa</td>
<td></td>
</tr>
<tr>
<td>(ii) Asia and Pacific (other than the Middle East)</td>
<td></td>
</tr>
<tr>
<td>(iii) Europe (EEA)</td>
<td></td>
</tr>
<tr>
<td>(iv) Europe (other than EEA)</td>
<td></td>
</tr>
<tr>
<td>(v) Middle East</td>
<td></td>
</tr>
<tr>
<td>(vi) North America</td>
<td></td>
</tr>
<tr>
<td>(vii) South America</td>
<td></td>
</tr>
<tr>
<td>(viii) Supranational</td>
<td></td>
</tr>
</tbody>
</table>

(b) Provide the value of investments in the following countries held by the hedge funds that you advise (by percentage of the total net asset value of these hedge funds).

(See Instruction 15 for information on calculating the numerator for purposes of this Question.)

<table>
<thead>
<tr>
<th>Country</th>
<th>% of NAV</th>
</tr>
</thead>
<tbody>
<tr>
<td>(i) Brazil</td>
<td></td>
</tr>
<tr>
<td>(ii) China (including Hong Kong)</td>
<td></td>
</tr>
<tr>
<td>(iii) India</td>
<td></td>
</tr>
<tr>
<td>(iv) Japan</td>
<td></td>
</tr>
<tr>
<td>(v) Russia</td>
<td></td>
</tr>
<tr>
<td>(vi) United States</td>
<td></td>
</tr>
</tbody>
</table>
Section 2b: Information about qualifying hedge funds that you advise.

You must complete a separate Section 2b for each qualifying hedge fund that you advise. However, with respect to master-feeder arrangements and parallel fund structures that collectively comprise qualifying hedge funds, you may report collectively or separately about the component funds as provided in the General Instructions.

Item A. Reporting fund identifying information

29. (a) Name of the reporting fund .................................................................

   (b) Private fund identification number of the reporting fund ......................

Item B. Reporting fund exposures and trading

Check this box if you advise only one hedge fund. If you check this box, you may skip Question 30.

☐

30. Reporting fund exposures.

   (Give a dollar value for long and short positions as of the last day in each month of the reporting period, by sub-asset class, including all exposure whether held physically, synthetically or through derivatives. Enter “NA” in each space for which there are no relevant positions.)

   (Include any closed out and OTC forward positions that have not yet expired/matured. Do not net positions within sub-asset classes. Positions held in side-pockets should be included as positions of the hedge funds. Provide the absolute value of short positions. Each position should only be included in a single sub-asset class.)

   (Where “duration/WAT/10-year eq.” is required, provide at least one of the following with respect to the position and indicate which measure is being used: bond duration, weighted average tenor or 10-year bond equivalent. Duration and weighted average tenor should be entered in terms of years to two decimal places.)

   | 1st Month | 2nd Month | 3rd Month |
   | LV | SV | LV | SV | LV | SV |

   Listed equity
   Issued by financial institutions .................
   Other listed equity ....................................

   Unlisted equity
   Issued by financial institutions .................
   Other unlisted equity .................................

   Listed equity derivatives
<table>
<thead>
<tr>
<th>Form PF Section 2b</th>
<th>Information about qualifying hedge funds that you advise</th>
<th>Page 18 of 42</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(to be completed by large private fund advisers only)</td>
<td></td>
</tr>
</tbody>
</table>

- **Related to financial institutions**
- **Other listed equity derivatives**

**Derivative exposures to unlisted equities**
- Related to financial institutions
- Other derivative exposures to unlisted equities

**Corporate bonds issued by financial institutions (other than convertible bonds)**
- **Investment grade**
  - Duration
  - WAT
  - 10-year eq.
- **Non-investment grade**
  - Duration
  - WAT
  - 10-year eq.

**Corporate bonds not issued by financial institutions (other than convertible bonds)**
- **Investment grade**
  - Duration
  - WAT
  - 10-year eq.
- **Non-investment grade**
  - Duration
  - WAT
  - 10-year eq.

**Convertible bonds issued by financial institutions**
- **Investment grade**
  - Duration
  - WAT
  - 10-year eq.
- **Non-investment grade**
  - Duration
  - WAT
  - 10-year eq.

**Convertible bonds not issued by financial institutions**
- **Investment grade**
  - Duration
  - WAT
  - 10-year eq.
- **Non-investment grade**
  - Duration
  - WAT
  - 10-year eq.

**Sovereign bonds and municipal bonds**
- **U.S. treasury securities**
  - Duration
  - WAT
  - 10-year eq.
- **Agency securities**
  - Duration
  - WAT
  - 10-year eq.
<table>
<thead>
<tr>
<th>Form PF Section 2b</th>
<th>Information about qualifying hedge funds that you advise (to be completed by large private fund advisers only)</th>
<th>Page 19 of 42</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td><strong>GSE bonds</strong> ..................................................................................................................................</td>
<td></td>
</tr>
<tr>
<td></td>
<td>[ ] Duration [ ] WAT [ ] 10-year eq.</td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>Sovereign bonds issued by G10 countries other than the U.S.</strong> ................................................................</td>
<td></td>
</tr>
<tr>
<td></td>
<td>[ ] Duration [ ] WAT [ ] 10-year eq.</td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>Other sovereign bonds (including supranational bonds)</strong> .....................................................................</td>
<td></td>
</tr>
<tr>
<td></td>
<td>[ ] Duration [ ] WAT [ ] 10-year eq.</td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>U.S. state and local bonds</strong> ............................................................................................................</td>
<td></td>
</tr>
<tr>
<td></td>
<td>[ ] Duration [ ] WAT [ ] 10-year eq.</td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>Loans</strong> .............................................................................................................................................</td>
<td></td>
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<tr>
<td></td>
<td><strong>Leveraged loans</strong> ............................................................................................................................</td>
<td></td>
</tr>
<tr>
<td></td>
<td>[ ] Duration [ ] WAT [ ] 10-year eq.</td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>Other loans (not including repos)</strong> ..................................................................................................</td>
<td></td>
</tr>
<tr>
<td></td>
<td>[ ] Duration [ ] WAT [ ] 10-year eq.</td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>Repos</strong> ............................................................................................................................................</td>
<td></td>
</tr>
<tr>
<td></td>
<td>[ ] Duration [ ] WAT [ ] 10-year eq.</td>
<td></td>
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<tr>
<td></td>
<td><strong>ABS/structured products</strong> .................................................................................................................</td>
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<td></td>
<td><strong>MBS</strong> ..............................................................................................................................................</td>
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<tr>
<td></td>
<td>[ ] Duration [ ] WAT [ ] 10-year eq.</td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>ABCP</strong> .............................................................................................................................................</td>
<td></td>
</tr>
<tr>
<td></td>
<td>[ ] Duration [ ] WAT [ ] 10-year eq.</td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>CDO/CLO</strong> .......................................................................................................................................</td>
<td></td>
</tr>
<tr>
<td></td>
<td>[ ] Duration [ ] WAT [ ] 10-year eq.</td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>Other ABS</strong> ...................................................................................................................................</td>
<td></td>
</tr>
<tr>
<td></td>
<td>[ ] Duration [ ] WAT [ ] 10-year eq.</td>
<td></td>
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<tr>
<td></td>
<td><strong>Other structured products</strong> ...........................................................................................................</td>
<td></td>
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<tr>
<td></td>
<td><strong>Credit derivatives</strong> ..........................................................................................................................</td>
<td></td>
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<tr>
<td></td>
<td><strong>Single name CDS</strong> ............................................................................................................................</td>
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<tr>
<td></td>
<td><strong>Index CDS</strong> .....................................................................................................................................</td>
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<tr>
<td></td>
<td><strong>Exotic CDS</strong> ..................................................................................................................................</td>
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<tr>
<td></td>
<td><strong>Foreign exchange derivatives (investment)</strong> ........................................................................................</td>
<td></td>
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<td></td>
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</tr>
<tr>
<td></td>
<td><strong>Foreign exchange derivatives (hedging)</strong> ............................................................................................</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>Non-U.S. currency holdings</strong> ...........................................................................................................</td>
<td></td>
</tr>
</tbody>
</table>
### Interest rate derivatives

- [ ]

### Commodities (derivatives)

- **Crude oil**
- **Natural gas**
- **Gold**
- **Power**
- **Other commodities**

### Commodities (physical)

- **Crude oil**
- **Natural gas**
- **Gold**
- **Power**
- **Other commodities**

### Other derivatives

- [ ]

### Physical real estate

- [ ]

### Investments

- **Investments in internal private funds**
- **Investments in external private funds**
- **Investments in registered investment companies**

### Cash and cash equivalents

- **Certificates of deposit**
  - [ ] Duration [ ] WAT [ ] 10-year eq.
- **Other deposits**
- **Money market funds**
- **Other cash and cash equivalents** (excluding government securities)
- **Investments in funds for cash management purposes (other than money market funds)**
- **Investments in other sub-asset classes**

### What is the reporting fund’s base currency?

[drop-down of currencies]
- **Other:**
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Section 2b  
Information about qualifying hedge funds that you advise 
(to be completed by large private fund advisers only) 
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32. 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 should be assigned to only one period and such assignment 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. 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). Exclude cash and cash equivalents.) 
(The total should add up to approximately 100%)

<table>
<thead>
<tr>
<th>% of portfolio capable of being liquidated within</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 day or less</td>
</tr>
<tr>
<td>2 days – 7 days</td>
</tr>
<tr>
<td>8 days – 30 days</td>
</tr>
<tr>
<td>31 days – 90 days</td>
</tr>
<tr>
<td>91 days – 180 days</td>
</tr>
<tr>
<td>181 days – 365 days</td>
</tr>
<tr>
<td>Longer than 365 days</td>
</tr>
</tbody>
</table>

33. Value of reporting fund’s unencumbered cash

34. Total number of open positions (approximate), determined on the basis of each position and not the issuer or counterparty

35. For each open position of the reporting fund that represents 5% or more of the reporting fund’s net asset value, provide the information requested below.

<table>
<thead>
<tr>
<th>% of net asset value</th>
<th>Sub-asset class</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) First month of the reporting period</td>
<td>[drop-down of asset classes]</td>
</tr>
<tr>
<td>(i) Position</td>
<td>[drop-down of asset classes]</td>
</tr>
<tr>
<td>(ii) Position</td>
<td>[drop-down of asset classes]</td>
</tr>
<tr>
<td>(b) Second month of the reporting period</td>
<td>[drop-down of asset classes]</td>
</tr>
<tr>
<td>(i) Position</td>
<td>[drop-down of asset classes]</td>
</tr>
<tr>
<td>(ii) Position</td>
<td>[drop-down of asset classes]</td>
</tr>
<tr>
<td>(c) Third month of the reporting period</td>
<td>[drop-down of asset classes]</td>
</tr>
</tbody>
</table>
36. For each of the top five counterparties listed in your response to Question 22 with respect to the reporting fund, provide the following information regarding the collateral and other credit support that the counterparty has posted to the reporting fund.

(For purposes of Questions 36, 37 and 38, include as collateral assets purchased in connection with repos and collateral posted under an arrangement pursuant to which the secured party has loaned securities to the pledgor. Repos and reverse-repos with the same counterparty may be netted to the extent secured by the same type of collateral.)

(a) Counterparty [1, 2, 3, 4, 5]:

(i) value of collateral posted in the form of cash and cash equivalents

(ii) value of collateral posted in the form of securities (other than cash and cash equivalent instruments)

(iii) value of other collateral and credit support posted (including face amount of letters of credit and similar third party credit support)

37. For each of the top five counterparties listed in your response to Question 23 with respect to the reporting fund, provide the following information regarding the collateral and other credit support that the reporting fund has posted to the counterparty.

(a) Counterparty [1, 2, 3, 4, 5]:

(i) value of collateral posted in the form of cash and cash equivalents

(ii) value of collateral posted in the form of securities (other than cash and cash equivalent instruments)

(iii) value of other collateral and credit support posted (including face amount of letters of credit and similar third party credit support)

38. (a) Of the total amount of collateral and other credit support that counterparties have posted to the reporting fund, what percentage:

(i) may be rehypothecated?

(ii) has the reporting fund rehypothecated?

(b) Of the total amount of collateral and other credit support that the reporting fund has posted to counterparties, what percentage may be rehypothecated?

39. During the reporting period, did the reporting fund clear any transactions directly through a CCP?

☐ Yes ☐ No
Item C. Reporting fund risk metrics

40. (a) During the reporting period, did you regularly calculate the VaR of the reporting fund?
(Please respond without regard to whether you reported the result of this calculation internally or to investors.)

☐ Yes  ☐ No

(b) If you responded “yes” to Question 40(a), provide the following information.
(If you regularly calculate the VaR of the reporting fund using multiple combinations of confidence interval, horizon and historical observation period, complete a separate response to this Question 40(b) for each such combination.)

(i) Confidence interval used (e.g., 100%-alpha%) (as a percentage)............

(ii) Time horizon used (in number of days)........................................

(iii) What weighting method was used to calculate VaR?

☐ None  ☐ Exponential  ☐ Other: ____________________________

(iv) If you responded “exponential” to Question 40(b)(iii), provide the weighting factor used (as a decimal to two places).................................

(v) What method was used to calculate VaR?

☐ Historical simulation  ☐ Monte Carlo simulation

☐ Parametric  ☐ Other: ____________________________

(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) ................................................................

41. Are there any risk metrics other than (or in addition to) VaR that you consider to be important to the reporting fund’s risk management?
(Select all that you consider relevant. Please respond without regard to whether you reported the metric internally or to investors. If none, “None.”)

[drop-down of risk metrics]

Other: ____________________________

42. 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.
(You may omit a response to any market factor that you do not regularly consider in formal testing in connection with the reporting fund’s risk management. If you omit any market factor, check either the box in the first column indicating that you believe that this market
factor is not relevant to the reporting fund’s portfolio or the box in the second column indicating that this market factor is relevant but not formally tested. For this purpose, “formal testing” means that the adviser has models or other systems capable of simulating the effect of a market factor on the fund’s portfolio, not that the specific assumptions outlined in the question were used in testing.

(For each market factor, 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;

(iii) A change in “credit spreads” means that all spreads against risk free interest rates change by the specified amount;

(iv) 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;

(v) A change in “commodity prices” means that the prices of all physical commodities move up or down by the specified amount;

(vi) 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; and

(vii) 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.)

<table>
<thead>
<tr>
<th>Not relevant</th>
<th>Relevant/not formally tested</th>
<th>Market factor — changes in market factor</th>
<th>Effect on long components of portfolio (as % of NAV)</th>
<th>Effect on short components of portfolio (as % of NAV)</th>
</tr>
</thead>
<tbody>
<tr>
<td><img src="https://via.placeholder.com/150" alt="Image" /></td>
<td><img src="https://via.placeholder.com/150" alt="Image" /></td>
<td><img src="https://via.placeholder.com/150" alt="Image" /></td>
<td><img src="https://via.placeholder.com/150" alt="Image" /></td>
<td><img src="https://via.placeholder.com/150" alt="Image" /></td>
</tr>
<tr>
<td><img src="https://via.placeholder.com/150" alt="Image" /></td>
<td><img src="https://via.placeholder.com/150" alt="Image" /></td>
<td>Equity prices:</td>
<td><img src="https://via.placeholder.com/150" alt="Image" /></td>
<td><img src="https://via.placeholder.com/150" alt="Image" /></td>
</tr>
<tr>
<td><img src="https://via.placeholder.com/150" alt="Image" /></td>
<td><img src="https://via.placeholder.com/150" alt="Image" /></td>
<td>Equity prices increase 5%</td>
<td><img src="https://via.placeholder.com/150" alt="Image" /></td>
<td><img src="https://via.placeholder.com/150" alt="Image" /></td>
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<tr>
<td><img src="https://via.placeholder.com/150" alt="Image" /></td>
<td><img src="https://via.placeholder.com/150" alt="Image" /></td>
<td>Equity prices decrease 5%</td>
<td><img src="https://via.placeholder.com/150" alt="Image" /></td>
<td><img src="https://via.placeholder.com/150" alt="Image" /></td>
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<tr>
<td><img src="https://via.placeholder.com/150" alt="Image" /></td>
<td><img src="https://via.placeholder.com/150" alt="Image" /></td>
<td>Equity prices increase 20%</td>
<td><img src="https://via.placeholder.com/150" alt="Image" /></td>
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<tr>
<td><img src="https://via.placeholder.com/150" alt="Image" /></td>
<td><img src="https://via.placeholder.com/150" alt="Image" /></td>
<td>Equity prices decrease 20%</td>
<td><img src="https://via.placeholder.com/150" alt="Image" /></td>
<td><img src="https://via.placeholder.com/150" alt="Image" /></td>
</tr>
</tbody>
</table>
### Information about qualifying hedge funds that you advise
(to be completed by large private fund advisers only)

<table>
<thead>
<tr>
<th>Form PF Section 2b</th>
<th>Risk free interest rates (changes represent a parallel shift in the yield curve):</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Risk free interest rates increase 25bp.</td>
</tr>
<tr>
<td></td>
<td>Risk free interest rates decrease 25bp.</td>
</tr>
<tr>
<td></td>
<td>Risk free interest rates increase 75bp.</td>
</tr>
<tr>
<td></td>
<td>Risk free interest rates decrease 75bp.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Credit spreads:</th>
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<tbody>
<tr>
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<table>
<thead>
<tr>
<th>Currency rates:</th>
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<tbody>
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<table>
<thead>
<tr>
<th>Commodity prices:</th>
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<tbody>
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<table>
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<tr>
<th>Option implied volatilities:</th>
</tr>
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<tbody>
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<td></td>
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</table>

<table>
<thead>
<tr>
<th>Default rates (ABS):</th>
</tr>
</thead>
<tbody>
<tr>
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<td></td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Default rates (corporate bonds and CDS):</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
<tr>
<td></td>
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<tr>
<td></td>
</tr>
</tbody>
</table>
### Item D. Financing information

43. For each month of the reporting period, provide the following information regarding the value of the reporting fund’s borrowings, the types of creditors and the collateral posted to secure its borrowings.

*(For each type of borrowing, information is requested regarding the percentage borrowed from specified types of creditors. In each case, the total percentages allocated among these types of creditors should add up to 100%).*

*(Do not net out amounts that the reporting fund loans to creditors or the value of collateral pledged to creditors.)*

<table>
<thead>
<tr>
<th>1st Month</th>
<th>2nd Month</th>
<th>3rd Month</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Dollar amount of unsecured borrowing</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(i) Percentage borrowed from U.S. financial institutions</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(ii) Percentage borrowed from non-U.S. financial institutions</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(iii) Percentage borrowed from U.S. creditors that are not financial institutions</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(iv) Percentage borrowed from non-U.S. creditors that are not financial institutions</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(b) Secured borrowing.

*(Classify secured borrowing according to the legal agreement governing the borrowing (e.g., Global Master Repurchase Agreement for reverse repo and Prime Brokerage Agreement for prime brokerage). Please note that for reverse repo borrowings, the amount should be the net amount of cash borrowed (after taking into account any initial margin/independent amount, 'haircut' and repayments). Positions under a Global Master Repurchase Agreement should not be netted.)*

<table>
<thead>
<tr>
<th>1st Month</th>
<th>2nd Month</th>
<th>3rd Month</th>
</tr>
</thead>
<tbody>
<tr>
<td>(i) Dollar amount via prime brokerage</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(A) Value of collateral posted in the form of cash and cash equivalents</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(B) Value of collateral posted in the form of securities (other than cash and cash equivalent instruments)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(C) Value of other collateral and credit support posted (including face amount of letters of credit and similar third party credit support)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Form PF</td>
<td>Information about qualifying hedge funds that you advise</td>
<td>Page</td>
</tr>
<tr>
<td>---------</td>
<td>--------------------------------------------------------</td>
<td>------</td>
</tr>
<tr>
<td>Section 2b</td>
<td>(to be completed by large private fund advisers only)</td>
<td>27 of 42</td>
</tr>
<tr>
<td></td>
<td>(D) percentage borrowed from U.S. financial institutions</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(E) percentage borrowed from non-U.S. financial institutions</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(F) percentage borrowed from U.S. creditors that are not financial institutions</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(G) percentage borrowed from non-U.S. creditors that are not financial institutions</td>
<td></td>
</tr>
<tr>
<td>(ii)</td>
<td>Dollar amount via reverse repo (for purposes of items (A) through (D) below, include as collateral any assets sold in connection with the reverse repo as well as any variation margin)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(A) value of collateral posted in the form of cash and cash equivalents</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(B) value of collateral posted in the form of securities (other than cash and cash equivalent instruments)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(C) value of other collateral and credit support posted (including face amount of letters of credit and similar third party credit support)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(D) percentage borrowed from U.S. financial institutions</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(E) percentage borrowed from non-U.S. financial institutions</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(F) percentage borrowed from U.S. creditors that are not financial institutions</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(G) percentage borrowed from non-U.S. creditors that are not financial institutions</td>
<td></td>
</tr>
<tr>
<td>(iii)</td>
<td>Dollar amount of other secured borrowings</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(A) value of collateral posted in the form of cash and cash equivalents</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(B) value of collateral posted in the form of securities (other than cash and cash equivalent instruments)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(C) value of other collateral and credit support posted (including face amount of letters of credit and similar third party credit support)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(D) percentage borrowed from U.S. financial institutions</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(E) percentage borrowed from non-U.S. financial</td>
<td></td>
</tr>
</tbody>
</table>
Form PF  
Section 2b  
Information about qualifying hedge funds that you advise  
(to be completed by large private fund advisers only)  

<table>
<thead>
<tr>
<th align="left">institutions</th>
</tr>
</thead>
<tbody>
<tr>
<td align="left">(F) percentage borrowed from U.S. creditors that are not financial institutions</td>
</tr>
<tr>
<td align="left">(G) percentage borrowed from non-U.S. creditors that are not financial institutions</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>1st Month</th>
<th>2nd Month</th>
<th>3rd Month</th>
</tr>
</thead>
</table>

44. For each month of the reporting period, provide the aggregate value of all derivatives positions of the reporting fund (enter "NA" if no outstanding derivatives positions at the end of the relevant period)....

<table>
<thead>
<tr>
<th>1st Month</th>
<th>2nd Month</th>
<th>3rd Month</th>
</tr>
</thead>
</table>

45. For each month of the reporting period, provide the following information regarding the reporting fund’s derivative positions that were not cleared by a CCP and the collateral posted to secure those positions.  
(If the reporting fund is a net receiver of collateral, provide the collateral value as a negative number.)

| (a) Aggregate net mark-to-market value of all derivatives positions of the reporting fund that were not cleared by a CCP (enter "NA" if no relevant derivatives positions outstanding at the end of the relevant period) |  
| (b) Net value of collateral posted by or to the reporting fund in respect of these positions in the form of cash and cash equivalents |  
| (c) Net value of collateral posted by or to the reporting fund in respect of these positions in the form of securities (other than cash and cash equivalent instruments) |  
| (d) Net value of other collateral and credit support posted by or to the reporting fund in respect of these positions (including face amount of letters of credit and similar third party credit support) |  

<table>
<thead>
<tr>
<th>1st Month</th>
<th>2nd Month</th>
<th>3rd Month</th>
</tr>
</thead>
</table>

46. 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) Divide the amount reported in response to Question 46(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
Form PF Section 2b

Information about qualifying hedge funds that you advise (to be completed by large private fund advisers only)

<table>
<thead>
<tr>
<th>% of total financing</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 day or less</td>
</tr>
<tr>
<td>2 days – 7 days</td>
</tr>
<tr>
<td>8 days – 30 days</td>
</tr>
<tr>
<td>31 days – 90 days</td>
</tr>
<tr>
<td>91 days – 180 days</td>
</tr>
<tr>
<td>181 days – 365 days</td>
</tr>
<tr>
<td>Longer than 365 days</td>
</tr>
</tbody>
</table>

47. Identify each creditor, if any, to which the reporting fund owed an amount in respect of borrowings equal to or greater than 5% of the reporting fund’s net asset value as of the data reporting date. For each such creditor, provide the amount owed to that creditor.

(This question does not require the precise legal name of the creditor; if the creditor belongs to an affiliated group that is included in the list below, select that group and do not enter the creditor’s name in the space for “other.”)

<table>
<thead>
<tr>
<th>Name of creditor</th>
<th>Dollar amount owed to each creditor</th>
</tr>
</thead>
<tbody>
<tr>
<td>[drop-down list of creditor/counterparty names]</td>
<td></td>
</tr>
<tr>
<td>Other:</td>
<td></td>
</tr>
<tr>
<td>[repeat drop-down list of creditor/counterparty names]</td>
<td></td>
</tr>
<tr>
<td>Other:</td>
<td></td>
</tr>
<tr>
<td>[repeat drop-down list of creditor/counterparty names]</td>
<td></td>
</tr>
<tr>
<td>Other:</td>
<td></td>
</tr>
</tbody>
</table>

Item E. Investor information

48. (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.)

(b) Have additional assets been placed in a side-pocket since the end of the prior
Information about qualifying hedge funds that you advise  
(to be completed by large private fund advisers only)  

| Form PF Section 2b | Reporting period?  
|--------------------|-------------------|-------------------|-------------------|-------------------|
|                    | (Check “NA” if you reported no assets under Question 48(a) in the current period and/or the prior period.)  
|                    | ☐ Yes ☐ No ☐ NA  

49. Provide the following information regarding the reporting fund’s restrictions on investor withdrawals and redemptions.  
(For Questions 49 and 30, 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.)  
(a) Does the reporting fund provide investors with withdrawal/redemption rights in the ordinary course?  
☐ Yes ☐ No  
(If you responded “yes” to Question 49(a), then you must respond to Questions 49(b)-(e).)  
As of the data reporting date, what percentage of the reporting fund’s net asset value, if any:  
(b) 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)  

(c) 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)  

(d) 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)  

(e) 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)  

50. 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 approximately 100%.)  

% of NAV locked for
<table>
<thead>
<tr>
<th>Form PF Section 2b</th>
<th>Information about qualifying hedge funds that you advise (to be completed by <em>large private fund advisers</em> only)</th>
<th>Page 31 of 42</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 day or less</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2 days – 7 days</td>
<td></td>
<td></td>
</tr>
<tr>
<td>8 days – 30 days</td>
<td></td>
<td></td>
</tr>
<tr>
<td>31 days – 90 days</td>
<td></td>
<td></td>
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<tr>
<td>91 days – 180 days</td>
<td></td>
<td></td>
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<tr>
<td>181 days – 365 days</td>
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<td></td>
</tr>
<tr>
<td>Longer than 365 days</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Section 3: Information about 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

51. (a) Name of the reporting fund

(b) Private fund identification number of the reporting fund

52. Does the reporting fund use the amortized cost method of valuation in computing its net asset value?
   ☐ Yes ☐ No

53. Does the reporting fund use the penny rounding method of pricing in computing its net asset value?
   ☐ Yes ☐ No

54. (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 54(a) above, does the reporting fund have a policy of complying with the following provisions of rule 2a-7:
   (i) the diversification conditions?
      ☐ Yes ☐ No
   (ii) the credit quality conditions?
      ☐ Yes ☐ No
   (iii) the liquidity conditions?
      ☐ Yes ☐ No
   (iv) the maturity conditions?
      ☐ Yes ☐ No

Item B. Reporting fund assets

55. Provide the following information for each month of the reporting period.

(a) Net asset value of reporting fund as reported to current and prospective investors

(b) Net asset value per share of reporting fund as reported to current and prospective investors (to the nearest hundredth of a cent)

(c) Net asset value per share of reporting fund (to the nearest hundredth of a cent; exclude the value of any capital support agreement or similar arrangement)
### Information about liquidity funds that you advise

(to be completed by large private fund advisers only)

<table>
<thead>
<tr>
<th>Form PF Section 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Information about liquidity funds that you advise</td>
</tr>
</tbody>
</table>

- (d) WAM of reporting fund (in days)
- (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

---

56. Selected product exposures by maturity for liquidity fund assets under management.

(Give the value of the reporting fund’s positions as of the data reporting date in each of the following asset classes, divided by maturity.)

(Include all exposure whether held physically, synthetically or through derivatives. Include any closed out and OTC forward positions that have not yet expired/matured. Do not net positions within asset classes. Assets held in side-pockets should be included as assets of the reporting fund. Each asset should only be included in a single asset class.)

<table>
<thead>
<tr>
<th>Maturity</th>
<th>1 day or less</th>
<th>2 days to 7 days</th>
<th>8 days to 30 days</th>
<th>31 days to 397 days</th>
<th>Greater than 397 days</th>
</tr>
</thead>
</table>

**Sovereign bonds and municipal bonds**

- **U.S. treasury securities**
- **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**

**Instruments issued by U.S. financial institutions**

- **Unsecured commercial paper**
- **ABCP**
- **ABS and structured products other than ABCP**
- **Certificates of deposit**
- **Floating rate notes**
- **Repos**

Where assets purchased are **U.S. treasury securities or agency securities**
### Form PF Section 3
\[ \text{Information about liquidity funds that you advise} \]
\[\text{(to be completed by large private fund advisers only)}\]

<table>
<thead>
<tr>
<th>Instrument Type</th>
<th>Description</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Where assets purchased are corporate bonds that are investment grade.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Where other assets are purchased.</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Instruments issued by companies organized in the U.S. (other than U.S. financial institutions)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unsecured commercial paper.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Corporate bonds (other than unsecured commercial paper), loans, ABS, structured products and repos, combined.</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Instruments issued by non-U.S. financial institutions</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unsecured commercial paper.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>ABCP.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>ABS and structured products other than ABCP.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Certificates of deposit.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Floating rate notes.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Repos</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Where assets purchased are U.S. treasury securities or agency securities.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Where assets purchased are corporate bonds that are investment grade.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Where other assets are purchased.</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Instruments issued by companies organized outside the U.S. (other than non-U.S. financial institutions)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unsecured commercial paper.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Corporate bonds (other than unsecured commercial paper), loans, ABS, structured products and repos, combined.</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Other instruments</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investments in money market funds.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investments in liquidity funds.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents (other than instruments covered by another category above).</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

57. For each open position of the reporting fund that represents 5% or more of the reporting fund’s net asset value, provide the information requested below.
### Form PF Section 3

**Information about liquidity funds that you advise**

(to be completed by large private fund advisers only)

<table>
<thead>
<tr>
<th>% of net asset value</th>
<th>Sub-asset class</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>[drop-down of asset classes]</td>
</tr>
</tbody>
</table>

#### (a) First month of the reporting period

(i) Position

(ii) Position

#### (b) Second month of the reporting period

(i) Position

(ii) Position

#### (c) Third month of the reporting period

(i) Position

(ii) Position

---

### Item C. Financing information

58. (a) Is the amount of total borrowing reported in response to Question 12 equal to or greater than 5% of the reporting fund’s net asset value?

- [ ] Yes
- [ ] No

(b) If you responded “yes” to Question 58(a) above, divide the dollar amount of total borrowing reported in response to Question 12 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 12.)

#### (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

#### (ii) Secured borrowing

- (A) U.S. financial institutions

<table>
<thead>
<tr>
<th>1 day or less</th>
<th>2 days to 7 days</th>
<th>8 days to 30 days</th>
<th>31 days to 397 days</th>
<th>Greater than 397 days</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Form PF Section 3</td>
<td>Information about liquidity funds that you advise (to be completed by large private fund advisers only)</td>
<td>Page 36 of 42</td>
<td></td>
<td></td>
</tr>
<tr>
<td>-------------------</td>
<td>------------------------------------------------------------------------------------------------------</td>
<td>--------------</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(B) Non-U.S. financial institutions</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(C) Other U.S. creditors</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(D) Other non-U.S. creditors</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

59. (a) Does the reporting fund have in place one or more committed liquidity facilities?
   ☐ Yes  ☐ No

   (b) If you responded “yes” to Question 59(a), provide the aggregate dollar amount of commitments under the liquidity facilities .............................................

Item D. Investor information

60. Specify the number of outstanding shares or units of the reporting fund’s stock or similar securities ..................................................................................................................

61. 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?

62. 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 .............................................................................................................

63. Provide the following information regarding the restrictions on withdrawals and redemptions by investors in the reporting fund.
   (For Questions 63 and 64, 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:
   (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) ........................................

64. 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%.)

<table>
<thead>
<tr>
<th>% of NAV locked for</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 day or less ...........</td>
</tr>
<tr>
<td>2 days – 7 days ...........</td>
</tr>
<tr>
<td>8 days – 30 days ..........</td>
</tr>
<tr>
<td>31 days – 90 days .........</td>
</tr>
<tr>
<td>91 days – 180 days .........</td>
</tr>
<tr>
<td>181 days – 365 days ......</td>
</tr>
<tr>
<td>Longer than 365 days ......</td>
</tr>
</tbody>
</table>
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

65. (a) Name of the reporting fund ........................................................................................................

   (b) Private fund identification number of the reporting fund ........................................................

Item B. Reporting fund financing and investments

66. (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 66(a) above, report the total dollar value of all such guarantees and other obligations...................................................

67. What is the weighted average debt-to-equity ratio of the controlled portfolio companies in which the reporting fund invests (expressed as a decimal to the tenths place)?

   (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.)

68. What is the highest debt-to-equity ratio of any controlled portfolio company in which the reporting fund invests (expressed as a decimal to the tenths place)?

69. What is the lowest debt-to-equity ratio of any controlled portfolio company in which the reporting fund invests (expressed as a decimal to the tenths place)?

70. What is the aggregate gross asset value of the reporting fund’s controlled portfolio companies?

71. What is the aggregate principal amount of borrowings categorized as current liabilities on the most recent balance sheets of the reporting fund’s controlled portfolio companies?

72. What is the aggregate principal amount of borrowings categorized as long-term liabilities on the most recent balance sheets of the reporting fund’s controlled portfolio companies?
73. What percentage of the aggregate borrowings of the reporting fund’s controlled portfolio companies is payment-in-kind (PIK) or zero-coupon debt?

☐ Yes ☐ No

74. During the reporting period, did the reporting fund or any of its controlled portfolio companies experience an event of default under any of its indentures, loan agreements or other instruments evidencing obligations for borrowed money?

(Do not include a potential event of default (i.e., an event that would constitute an event of default with the giving of notice, the passage of time or otherwise) unless it has become an event of default.)

☐ Yes ☐ No

75. (a) Does any controlled portfolio company of the reporting fund have in place one or more bridge loans or commitments (subject to customary conditions) for a bridge loan?

☐ Yes ☐ No

(b) If you responded “yes” to Question 75(a), identify each person that has provided all or part of any bridge loan or commitment to the relevant controlled portfolio company. For each such person, provide the applicable outstanding amount or commitment amount.

<table>
<thead>
<tr>
<th>Name</th>
<th>Outstanding amount of financing, if drawn</th>
<th>Amount of commitment, if undrawn</th>
</tr>
</thead>
<tbody>
<tr>
<td>[repeat drop-down list of creditor/counterparty names]</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other: _______</td>
<td></td>
<td></td>
</tr>
<tr>
<td>[repeat drop-down list of creditor/counterparty names]</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other: _______</td>
<td></td>
<td></td>
</tr>
<tr>
<td>[repeat drop-down list of creditor/counterparty names]</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other: _______</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

76. (a) Is any of the reporting fund’s controlled portfolio companies a financial industry portfolio company?

☐ Yes ☐ No

(b) If you responded “yes” to Question 76(a), then for each of the reporting fund’s controlled portfolio companies that constitutes a financial industry portfolio company, provide the following information.

<table>
<thead>
<tr>
<th>Legal Name</th>
<th>Address of principal office (include city, state and country)</th>
<th>NAICS code</th>
<th>LEI, if any</th>
<th>Debt-to-equity ratio of portfolio company</th>
<th>Gross asset value of portfolio company</th>
<th>% of reporting fund’s gross assets invested in this portfolio company</th>
<th>% of portfolio company beneficially owned by the reporting fund</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
77. 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%.)

<table>
<thead>
<tr>
<th>NAICS code</th>
<th>% of reporting fund's total portfolio company investments</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

78. (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%)

<table>
<thead>
<tr>
<th>Region</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>(i) Africa</td>
<td></td>
</tr>
<tr>
<td>(ii) Asia and Pacific (other than the Middle East)</td>
<td></td>
</tr>
<tr>
<td>(iii) Europe (EEA)</td>
<td></td>
</tr>
<tr>
<td>(iv) Europe (other than EEA)</td>
<td></td>
</tr>
<tr>
<td>(v) Middle East</td>
<td></td>
</tr>
<tr>
<td>(vi) North America</td>
<td></td>
</tr>
<tr>
<td>(vii) South America</td>
<td></td>
</tr>
<tr>
<td>(viii) Supranational</td>
<td></td>
</tr>
</tbody>
</table>

(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%)

<table>
<thead>
<tr>
<th>Country</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>(i) Brazil</td>
<td></td>
</tr>
<tr>
<td>(ii) China (including Hong Kong)</td>
<td></td>
</tr>
<tr>
<td>(iii) India</td>
<td></td>
</tr>
<tr>
<td>(iv) Japan</td>
<td></td>
</tr>
<tr>
<td>(v) Russia</td>
<td></td>
</tr>
<tr>
<td>(vi) United States</td>
<td></td>
</tr>
</tbody>
</table>
79. 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.
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?

1. If you are not a large hedge fund adviser or large liquidity fund adviser:
   - Initial filing
   - Annual update
   - Final filing

2. 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).

1. 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:

2. 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:

3. 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:

4. Provide any other reasons that a temporary hardship exemption is warranted:
GLOSARY OF TERMS

**ABCP**
(asset backed commercial paper, including (but not limited to) structured investment vehicles, single-seller conduits and multi-seller conduit programs. Do not include any positions held via CDS (these should be recorded in the CDS category).)

**ABS**
Securities derived from the pooling and repackaging of cash flow producing financial assets.

**Advisers Act**
U.S. Investment Advisers Act of 1940, as amended.

**Affiliate**
With respect to any person, any other person that directly or indirectly controls, is controlled by or is under common control with such person. The term affiliated means that two or more persons are affiliates.

**Agency securities**
Any security issued by a person 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.

Include bond derivatives.

**Annual update**
An update of this Form PF with respect to any fiscal year.

**Borrowings**
Secured borrowings and unsecured borrowings, collectively.

**bp**
Basis points.

**Cash and cash equivalents**
Cash (including U.S. and non-U.S. currencies), cash equivalents and government securities. 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; and (iii) investments in money market funds; and
- government securities are: (i) U.S. treasury securities; (ii) agency securities; and (iii) any certificate of deposit for any of the foregoing.

**CCP**
Central clearing counterparties (or central clearing houses) (for example, CME Clearing, The Depository Trust & Clearing Corporation, Fedwire and LCH Clearnet Limited).

**CDO/CLO**
Collateralized debt obligations and collateralized loan obligations (including, in each case, cash flow and synthetic) other than MBS.

Do not include any positions held via CDS (these should be recorded in the CDS category).

**CDS**
Credit default swaps, including any LCDS.

**CEA**
U.S. Commodity Exchange Act, as amended.

**CFTC**
U.S. Commodity Futures Trading Commission.

**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.
<table>
<thead>
<tr>
<th>Term</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Committed capital</td>
<td>Any commitment pursuant to which a person is obligated to acquire an interest in, or make capital contributions to, the private fund.</td>
</tr>
<tr>
<td>Commodities</td>
<td>Has the meaning provided in the CEA. Include ETFs that hold commodities. For questions regarding commodity derivatives, provide the value of all exposure to commodities that you do not hold physically, whether held synthetically or through derivatives (whether cash or physically settled).</td>
</tr>
<tr>
<td>Commodity pool</td>
<td>A “commodity pool,” as defined in section 1a(10) of the CEA.</td>
</tr>
<tr>
<td>Control</td>
<td>Has the meaning provided in Form ADV. The term controlled has a corresponding meaning.</td>
</tr>
<tr>
<td>Controlled portfolio company</td>
<td>With respect to any private equity fund, a portfolio company that is controlled by the private equity fund, either alone or together with the private equity fund’s affiliates or other persons that are, as of the data reporting date, part of a club or consortium including the private equity fund.</td>
</tr>
<tr>
<td>Convertible bonds</td>
<td>Convertible corporate bonds (not yet converted into shares or cash). Include bond derivatives, but do not include any positions held via CDS (these should be recorded in the CDS category).</td>
</tr>
<tr>
<td>Corporate bonds</td>
<td>Bonds, debentures and notes, including commercial paper, issued by corporations and other non-governmental entities. Do not include preferred equities. Include bond derivatives, but do not include any positions held via CDS (these should be recorded in the CDS category).</td>
</tr>
<tr>
<td>CPO</td>
<td>A “commodity pool operator,” as defined in section 1a(11) of the CEA.</td>
</tr>
<tr>
<td>Credit derivatives</td>
<td>Single name CDS, index CDS and exotic CDS.</td>
</tr>
<tr>
<td>Crude oil</td>
<td>For questions regarding crude oil derivatives, provide the value of all exposure to crude oil that you do not hold physically, whether held synthetically or through derivatives (whether cash or physically settled).</td>
</tr>
<tr>
<td>CTA</td>
<td>A “commodity trading advisor,” as defined in section 1a(12) of the CEA.</td>
</tr>
<tr>
<td>Daily liquid assets</td>
<td>Has the meaning provided in rule 2a-7.</td>
</tr>
<tr>
<td>Data reporting date</td>
<td>In the case of an initial filing, the data reporting date is the last calendar day of your most recently completed fiscal year (or, if you are a large hedge fund adviser or large liquidity fund adviser, your most recently completed fiscal quarter). In the case of an annual update, the data reporting date is the last calendar day of your most recently completed fiscal year. In the case of a quarterly update, the data reporting date is the last calendar day of your most recently completed fiscal quarter.</td>
</tr>
<tr>
<td>Dependent parallel managed account</td>
<td>With respect to any private fund, any related parallel managed account other than a parallel managed account that individually (or together with other parallel managed accounts that pursue substantially the same investment objective and strategy and invest side by side in substantially the same positions) has a gross asset value greater than the gross asset value of such private fund (or, if such private fund is a parallel fund, the gross asset value of the parallel fund structure of which it is a part).</td>
</tr>
<tr>
<td>Derivative</td>
<td>All synthetic or derivative exposures to equities, including preferred equities, that</td>
</tr>
</tbody>
</table>
exposures to unlisted equities

are not listed on a regulated exchange. Include single stock futures, equity index futures, dividend swaps, total return swaps (contracts for difference), warrants and rights.

EEA

The European Economic Area. As of the effective date of this Form PF, the EEA is comprised of: (i) the European Union member states, which are Austria, Belgium, Bulgaria, Cyprus, the Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden and the United Kingdom; and (ii) Iceland, Liechtenstein and Norway.

ETF

Exchange-traded fund.

Exempt reporting adviser

Has the meaning provided in Form ADV.

Exotic CDS

CDSs referencing bespoke baskets or tranches of CDOs, CLOs and other structured investment vehicles, including credit default tranches.

Feeder fund

See master-feeder arrangement.

Financial industry portfolio company

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.

Firm

The private fund adviser completing or amending this Form PF.

Foreign exchange derivative

Any derivative whose underlying asset is a currency other than U.S. dollars or is an exchange rate. Cross-currency interest rate swaps should be included in foreign exchange derivatives and excluded from interest rate derivatives. Only one currency side of every transaction should be counted.

Form ADV

Form ADV, as promulgated and amended by the SEC.

Form ADV Section 7.B.1

Section 7.B.1 of Schedule D to Form ADV.

G10

The Group of Ten. As of the effective date of this Form PF, the G10 is comprised of: Belgium, Canada, France, Germany, Italy, Japan, the Netherlands, Sweden, Switzerland, the United Kingdom and the United States.

Gold

For questions regarding gold derivatives, provide the value of all exposure to gold that you do not hold physically, whether held synthetically or through derivatives (whether cash or physically settled).

Government entity

Has the meaning provided in Form ADV.

Gross asset value

Value of gross assets, calculated in accordance with Part 1A, Instruction 6.e(3) of Form ADV.

Gross notional value

The gross nominal or notional value of all transactions that have been entered into but not yet settled as of the data reporting date. For contracts with variable
nominal or notional principal amounts, the basis for reporting is the nominal or notional principal amounts as of the data reporting date.

**GSE bonds**

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 bond derivatives, but do not include any positions held via CDS (these should be recorded in the CDS category).

**Hedge fund**

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).

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.

**Index CDS**

CDSs referencing a standardized basket of credit entities, including CDS indices and indices referencing leveraged loans.

**Investment grade**

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.

**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 10-year bond-equivalents.

**Investments in external private funds**

Investments in private funds that neither you nor your related persons advise (other than cash management funds).

**Investments in internal private funds**

Investments in private funds that you or any of your related persons advise (other than cash management funds).

**Investments in other**

Any investment not included in another sub-asset class.
### Form PF: Glossary of Terms

<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>sub-asset classes</strong></td>
<td></td>
</tr>
<tr>
<td>Investments in registered investment companies</td>
<td>Investments in registered investment companies (other than cash management funds, such as money market funds, and ETFs). <strong>ETFs</strong> should be categorized based on the assets that the fund holds and should not be included in this category.</td>
</tr>
<tr>
<td>Large hedge fund adviser</td>
<td>Any private fund adviser that is required to file Section 2a of Form PF. See Instruction 3 to determine whether you are required to file this section.</td>
</tr>
<tr>
<td>Large liquidity fund adviser</td>
<td>Any private fund adviser that is required to file Section 3 of Form PF. See Instruction 3 to determine whether you are required to file this section.</td>
</tr>
<tr>
<td>Large private equity adviser</td>
<td>Any private fund adviser that is required to file Section 4 of Form PF. See Instruction 3 to determine whether you are required to file this section.</td>
</tr>
<tr>
<td>Large private fund adviser</td>
<td>Any large hedge fund adviser, large liquidity fund adviser or large private equity adviser.</td>
</tr>
<tr>
<td>LEI</td>
<td>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. In the case of a financial institution, if a “legal entity identifier” has not been assigned, then provide the RSSD ID assigned by the National Information Center of the Board of Governors of the Federal Reserve System, if any.</td>
</tr>
<tr>
<td>LCDS</td>
<td>Loan credit default swaps.</td>
</tr>
<tr>
<td>Leveraged loans</td>
<td>Loans that are made to entities whose senior unsecured long term indebtedness is non-investment grade. This may include loans made in 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).</td>
</tr>
<tr>
<td>Liquidity fund</td>
<td>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.</td>
</tr>
<tr>
<td>Liquidity fund assets under management</td>
<td>With respect to any adviser, liquidity fund assets under management are the portion of such adviser’s regulatory assets under management that are attributable to liquidity funds it advises (including liquidity funds that are also hedge funds).</td>
</tr>
<tr>
<td>Listed equity</td>
<td>Direct beneficial ownership of equities, including preferred equities, listed on a regulated exchange. Do not include synthetic or derivative exposures to equities. <strong>ETFs</strong> should be categorized based on the assets that the fund holds and should only be included in listed equities if the fund holds listed equities (e.g., a commodities ETF should be categorized based on the commodities it holds).</td>
</tr>
<tr>
<td>Listed equity derivatives</td>
<td>All synthetic or derivative exposures to equities, including preferred equities, listed on a regulated exchange. Include single stock futures, equity index futures, dividend swaps, total return swaps (contracts for difference), warrants and rights.</td>
</tr>
</tbody>
</table>
LV

Value of long positions, measured as specified in Instruction 15.

Master fund

See master-feeder arrangement.

Master-feeder arrangement

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 fund would also be a feeder fund investing in a master fund 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 master fund.

Maturity

The maturity of the relevant asset, determined without reference to the maturity shortening provisions contained in paragraph (d) of rule 2a-7 regarding interest rate readjustments.

MBS

Mortgage backed securities, including residential, commercial and agency. Do not include any positions held via CDS (these should be recorded in the CDS category).

Money market fund

Has the meaning provided in rule 2a-7.

NAICS code

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.

Natural gas

For questions regarding natural gas derivatives, provide the value of all exposure to natural gas that you do not hold physically, whether held synthetically or through derivatives (whether cash or physically settled).

Net assets under management

Net assets under management are your regulatory assets under management minus any outstanding indebtedness or other accrued but unpaid liabilities.

Net asset value or NAV

With respect to any reporting fund, the gross assets reported in response to Question 8 minus any outstanding indebtedness or other accrued but unpaid liabilities.

NFA

The National Futures Association.

Non-investment grade

A security is non-investment grade if it is not an investment grade security.

Non-U.S. financial institution

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.

OTC

With respect to any instrument, the trading of that instrument over the counter.

Other ABS

ABS products that are not covered by another sub-asset class. Do not include any positions held via CDS (these should be recorded in the CDS category).

Other commodities

Commodities other than crude oil, natural gas, gold and power. All types of oil and energy products (aside from crude oil and natural gas), including (but not
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<td>limited to) ethanol, heating oil propane and gasoline, should be included in this category.</td>
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<td>For questions regarding other commodity derivatives, provide the value of all exposure to other commodities that you do not hold physically, whether held synthetically or through derivatives (whether cash or physically settled).</td>
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