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

COMMODITY FUTURES TRADING COMMISSION

17 CFR Part 4

RIN 3038–AD03

SECURITIES AND EXCHANGE COMMISSION

17 CFR Parts 275 and 279

[Release No. IA–3145; File No. S7–05–11]

RIN 3235–AK92

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 proposed rule.

SUMMARY: The Commodity Futures Trading Commission ("CFTC") and the Securities and Exchange Commission ("SEC") (collectively, "we" or the "Commissions") are proposing 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 proposed SEC rule would require investment advisers registered with the SEC that advise one or more private funds to file Form PF with the SEC. The proposed CFTC rule would require commodity pool operators ("CPOs") and commodity trading advisors ("CTAs") registered with the CFTC to satisfy certain proposed CFTC filing 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 advise one or more private funds. 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. These advisers would file these reports electronically, on a confidential basis.

DATES: Comments should be received on or before April 12, 2011.

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

CFTC

- *Agency Web site, via its Comments Online process: http://comments.cftc.gov.* Follow the instructions for submitting comments through the Web site.
- *Mail:* David A. Stawick, Secretary, Commodity Futures Trading Commission, Three Lafayette Centre, 1155 21st Street, NW., Washington, DC 20581.
- *Hand Delivery/Courier:* Same as mail above.
- *Federal eRulemaking Portal: http://www.regulations.gov.* Follow the instructions for submitting comments.

"Form PF" must be in the subject field of comments submitted via e-mail, and clearly indicated on written submissions. All comments must be submitted in English, or if not, accompanied by an English translation. Comments will be posted as received to *http://www.cftc.gov.* You should submit only information that you wish to make available publicly. If you wish the CFTC to consider information that may be exempt from disclosure under the Freedom of Information Act, a petition for confidential treatment of the exempt information may be submitted according to the established procedures in 17 CFR 145.9.

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

SEC

Electronic Comments

- Use the SEC's Internet comment form (*http://www.sec.gov/rules/proposed.shtml*); or
- Send an e-mail to *rule-comments@sec.gov.* Please include File Number S7–05–11 on the subject line; or
- Use the Federal eRulemaking Portal (*http://www.regulations.gov*). Follow the instructions for submitting comments.

Paper Comments

- Send paper comments in triplicate to Elizabeth M. Murphy, Secretary, Securities and Exchange Commission, 100 F Street, NE., Washington, DC 20549–1090.

All submissions should refer to File Number S7–05–11. This file number should be included on the subject line if e-mail is used. To help us process and review your comments more efficiently, please use only one method. The SEC will post all comments on the SEC's Web site (*http://www.sec.gov/rules/proposed.shtml*). Comments are also available for Web site viewing and printing in the SEC's Public Reference Room, 100 F Street, NE., Washington, DC 20549 on official business days between the hours of 10 a.m. and 3 p.m. All comments received will be posted without change; we do not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly.

FOR FURTHER INFORMATION CONTACT: *CFTC:* Daniel S. Konar II, Attorney-Advisor, Telephone: (202) 418–5405, E-mail: *dkonar@cftc.gov,* Amanda L. Olear, Special Counsel, Telephone: (202) 418–5283, E-mail: *aolear@cftc.gov,* or Kevin P. Walek, Assistant Director, Telephone: (202) 418–5405, E-mail: *kwalek@cftc.gov,* Division of Clearing and Intermediary Oversight, Commodity Futures Trading Commission, Three Lafayette Centre, 1155 21st Street, NW., Washington, DC 20581; *SEC:* David P. Bartels, Attorney-Adviser, Sarah G. ten Siethoff, Senior Special Counsel, or David A. Vaughan, Attorney Fellow, at (202) 551–6787 or *IArules@sec.gov,* Office of Investment Adviser Regulation, Division of Investment Management, U.S. Securities and Exchange Commission, 100 F Street, NE., Washington, DC 20549–8549.

SUPPLEMENTARY INFORMATION: The CFTC is requesting public comment on proposed rule 4.27(d) [17 CFR 4.27(d)] under the Commodity Exchange Act ("CEA") [1] and proposed Form PF. The SEC is requesting public comment on proposed rule 204(b)–1 [17 CFR 275.204(b)–1] and proposed Form PF [17 CFR 279.9] under the Investment Advisers Act of 1940 [15 U.S.C. 80b] ("Advisers Act").[2]

I. Background

A. The Dodd-Frank Act

On July 21, 2010, President Obama signed into law the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank Act").[3] While the Dodd-Frank Act provides for wide-ranging reform of financial regulation, one stated focus of this legislation is to

[1] 7 U.S.C. 1a.

[2] 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 would be published. In addition, in this Release, when we refer to the "Advisers Act," we refer to the Advisers Act as in effect on July 21, 2011.

[3] Public Law 111–203, 124 Stat. 1376 (2010).

"promote the financial stability of the United States" by, among other measures, establishing better monitoring of emerging risks using a system-wide perspective.[4] To further this goal, Title I of the Dodd-Frank Act establishes the Financial Stability Oversight Council ("FSOC"), which is comprised of the leaders of various financial regulators (including the Commissions' Chairmen) and other participants.[5] The Dodd-Frank Act directs FSOC to monitor emerging risks to U.S. financial stability and to require that the Board of Governors of the Federal Reserve System ("FRB") supervise designated nonbank financial companies that may pose risks to U.S. financial stability in the event of their material financial distress or failure or because of their activities.[6] In addition, the Dodd-Frank Act directs FSOC to recommend to the FRB heightened prudential standards for designated nonbank financial companies.[7]

The Dodd-Frank Act anticipates that FSOC will be supported in these responsibilities by various regulatory agencies, including the Commissions. To that end, the Dodd-Frank Act amends certain statutes, including the Advisers Act, to authorize or direct certain Federal agencies to support FSOC. Title IV of the Dodd-Frank Act amends the Advisers Act to generally require that advisers to hedge funds and other private funds[8] register with the SEC.[9] Congress required this registration in part because it believed that "information regarding [the] size, strategies and positions [of large private funds] could be crucial to regulatory attempts to deal with a future crisis."[10] To that end, Section 404 of the Dodd-Frank Act, which amends section 204(b) of the Advisers Act, directs the SEC to require private fund advisers[11] to maintain records and 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 by FSOC.[12] The records and reports must 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.[13] The SEC must issue jointly with the CFTC, after consultation with FSOC, rules establishing the form and content of any such reports required to be filed with respect to private fund advisers also registered with the CFTC.[14]

This joint proposal is designed to fulfill this statutory mandate. Under proposed Advisers Act rule 204(b)–1, private fund advisers would be required to file Form PF with the SEC. Private fund advisers that also are registered as CPOs or CTAs with the CFTC would file Form PF to satisfy certain CFTC systemic risk reporting requirements.[15] Information collected about private funds on Form PF, together with information the SEC collects on Form ADV and the information the CFTC separately has proposed CPOs file on Form CPO–PQR and CTAs file on Form CTA–PR, will provide FSOC and the Commissions with important information about the basic operations and strategies of private funds and will be important in FSOC obtaining a baseline picture of potential systemic risk across both the entire private fund industry and in particular kinds of private funds, such as hedge funds.[16]

[4] *See* S. Conf. Rep. No. 111–176, at 2–3 (2010) ("Senate Committee Report").

[5] Section 111 of the Dodd-Frank Act provides that the voting members of FSOC will be the Secretary of the Treasury, the Chairman of the FRB, the Comptroller of the Currency, the Director of the Bureau of Consumer Financial Protection, the Chairman of the SEC, the Chairperson of the Federal Deposit Insurance Corporation, the Chairperson of the CFTC, the Director of the Federal Housing Finance Agency, the Chairman of the National Credit Union Administration Board and an independent member appointed by the President having insurance expertise. FSOC will also have five nonvoting members, which are the Director of the Office of Financial Research, the Director of the Federal Insurance Office, a state insurance commissioner, a state banking supervisor and a state securities commissioner.

[6] Section 112 of the Dodd-Frank Act.

[7] *Id.*

[8] Section 202(a)(29) of the Advisers Act defines the term "private fund" as "an issuer that would be an investment company, as defined in section 3 of the Investment Company Act of 1940 (15 U.S.C. 80a–3) ("Investment Company Act"), but for section 3(c)(1) or 3(c)(7) of that Act." Section 3(c)(1) of the Investment Company Act provides an exclusion from the definition of "investment company" for any "issuer whose outstanding securities (other than short-term paper) are beneficially owned by not more than one hundred persons and which is not making and does not presently propose to make a public offering of its securities." Section 3(c)(7) of the Investment Company Act provides an exclusion from the definition of "investment company" for any "issuer, the outstanding securities of which are owned exclusively by persons who, at the time of acquisition of such securities, are qualified purchasers, and which is not making and does not at that time propose to make a public offering of such securities." The term "qualified purchaser" is defined in section 2(a)(51) of the Investment Company Act.

[9] The Dodd-Frank Act requires such private fund adviser registration by amending section 203(b)(3) of the Advisers Act to repeal the exemption from registration for any adviser that during the course of the preceding 12 months had fewer than 15 clients and neither held itself out to the public as an investment adviser nor advised any registered investment company or business development company. *See* section 403 of the Dodd-Frank Act. *See also infra* note 11 for the definition of "private fund adviser." There are exemptions from the registration requirement, including exemptions for advisers to venture capital funds and advisers to private funds with less than $150 million in assets under management in the United States. There also is an exemption for "foreign private advisers," which are investment advisers with no place of business in the United States, fewer than 15 clients in the United States and investors in the United States in private funds advised by the adviser, and less than $25 million in assets under management from such clients and investors. *See* sections 402, 407 and 408 of the Dodd-Frank Act. *See also Exemptions for Advisers to Venture Capital Funds, Private Fund Advisers With Less Than $150 Million in Assets Under Management, and Foreign Private Advisers,* Investment Advisers Act Release No. IA–3111 (Nov. 19, 2010), 75 FR 77,190 (Dec. 10, 2010) ("Private Fund Exemption Release"); *Rules Implementing Amendments to the Investment Advisers Act of 1940,* Investment Advisers Act Release No. IA–3110 (Nov. 19, 2010), 75 FR 77,052 (Dec. 10, 2010) ("Implementing Release"). References in this Release to Form ADV or terms defined in Form ADV or its glossary are to the form and glossary as they are proposed to be amended in the Implementing Release.

[10] *See* Senate Committee Report, *supra* note 4, at 38.

[11] 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 (including any investment adviser that is also registered or required to register with the CFTC as a CPO or CTA) and (ii) advises one or more private funds. We are not proposing that advisers solely to venture capital funds or advisers to private funds that in the aggregate have less than $150 million in assets under management in the United States ("exempt reporting advisers") be required to file Form PF.

[12] While Advisers Act section 204(b)(1) could be read in isolation to imply that the SEC requiring private fund systemic risk reporting is discretionary, other amendments to the Advisers Act made by the Dodd-Frank Act (such as Advisers Act section 204(b)(5) and 211(e) suggest that Congress intended such rulemaking to be mandatory. *See also* Senate Committee Report, *supra* note 4, at 39 ("this title requires private fund advisers * * * to disclose information regarding their investment positions and strategies.").

[13] *See* section 404 of the Dodd-Frank Act.

[14] *See* section 406 of the Dodd-Frank Act.

[15] 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, all private fund advisers that are also registered as CPOs and CTAs with the CFTC would be required to file Schedule A of proposed Form CPO–PQR (for CPOs) or Schedule A of proposed Form CTA–PR (for CTAs). Additionally, to the extent that they operate or advise commodity pools that do not satisfy the definition of "private fund" under the Dodd-Frank Act, private fund advisers that are also registered as CPOs or CTAs would still be required to file proposed Form CPO–PQR (for CPOs) and proposed Form CTA–PR (for CTAs), as applicable.

[16] The information reported through the various reporting forms is designed to be complementary, and not duplicative. Information reported on Form ADV would be publicly available, while information reported on Form PF and proposed Forms CPO–PQR and CTA–PR would be confidential to the extent permitted under applicable law. Form ADV and Form PF also have different principal purposes. Form ADV primarily aims at providing the SEC and investors with basic information about advisers (including private fund advisers) and the funds they manage for investor protection purposes, although Form ADV information also will be available to FSOC.

Continued

Information the SEC obtains through reporting under section 404 of the Dodd-Frank Act is to be shared with FSOC as FSOC considers necessary for purposes of assessing the systemic risk posed by private funds and generally is to remain confidential.[17] Our staffs have consulted with staff representing FSOC's members in developing this proposal. We note that simultaneous with our staffs' FSOC consultations relating to this rulemaking, FSOC has been building out its standards for assessing systemic risk across different kinds of financial firms and has recently proposed standards for determining which nonbank financial companies should be designated as subject to FRB supervision.[18]

B. International Coordination

In assessing systemic risk, the Dodd-Frank Act requires that FSOC coordinate with foreign financial regulators.[19] This coordination may be particularly important in assessing systemic risk associated with hedge funds and other private funds because they often operate globally and make significant investments in firms and markets around the world.[20] As others have recognized, "[g]iven the global nature of the markets in which [private fund] managers and funds operate, it is imperative that a regulatory framework be applied on an internationally consistent basis."[21] International regulatory coordination also has been cited as a critical element in facilitating financial regulators' formulation of a comprehensive and effective response to future financial crises.[22] Collecting consistent and comparable information is of added value in private fund systemic risk reporting because it would aid in the assessment of systemic risk on a global basis and thus enhance the utility of information sharing among U.S. and foreign financial regulators.[23]

Recognizing this benefit, our staffs participated in the International Organization of Securities Commissions' ("IOSCO") preparation of a report regarding hedge fund oversight.[24] Among other matters, this report recommended that hedge fund advisers provide to their national regulators information for the identification, analysis, and mitigation of systemic risk. It also recommended that regulators cooperate and share information where appropriate in order to facilitate efficient and effective oversight of globally active hedge funds and to help identify systemic risks, risks to market integrity, and other risks arising from the activities or exposures of hedge funds.[25] The types of information that IOSCO recommended regulators gather from hedge fund advisers is consistent with and comparable to the types of information we propose to collect from hedge funds through Form PF, as described in further detail below.[26]

In addition, our staffs have consulted with the United Kingdom's Financial Services Authority (the "FSA"), which has conducted a voluntary semi-annual survey since October 2009 by sampling the largest hedge fund groups based in the United Kingdom.[27] Because many hedge fund advisers are located in the United Kingdom and subject to the jurisdiction of the FSA, this coordination has been particularly important.[28] UK hedge fund advisers complete this survey on a voluntary basis, and the survey collects information regarding all funds managed by the particular hedge fund adviser as well as for individual funds with at least $500 million in assets. The information the survey collects is designed to help the FSA better understand hedge funds' use of leverage, "footprints" in various asset classes (including concentration and liquidity issues), the scale of asset/liability mismatches, and counterparty credit risks.[29] In addition, for more than five years the FSA has been conducting a semi-annual survey of hedge fund counterparties to assist it in assessing trends in counterparty credit risk, margin requirements, and other matters.[30] Our staffs' consultation with the FSA as they designed and conducted their hedge fund surveys has been very informative, and we have incorporated into proposed Form PF many of the types of information collected through the FSA surveys.

SEC staff also has consulted with Hong Kong's Securities and Futures Commission regarding hedge fund oversight and data collection because Hong Kong is an important jurisdiction for hedge funds in Asia.[31] This consultation also has proven helpful in designing proposed Form PF.

Information on Form ADV is designed to provide the SEC with information necessary to its administration of the Advisers Act and to efficiently allocate its examination resources based on the risks the SEC discerns or the identification of common business activities from information provided by advisers. *See* Implementing Release, *supra* note 9. In contrast, the Commissions intend to use Form PF primarily as a confidential systemic risk disclosure tool to assist FSOC in monitoring and assessing systemic risk, although it also would be available to assist the Commissions in their regulatory programs, including examinations and investigations and investor protection efforts relating to private fund advisers.

[17] *See* section 404 of the Dodd-Frank Act; *infra* note 39 and accompanying text.

[18] *See, e.g., Authority to Require Supervision and Regulation of Certain Nonbank Financial Companies,* Financial Stability Oversight Council Release (Jan. 18, 2011); *Advance Notice of Proposed Rulemaking Regarding Authority to Require Supervision and Regulation of Certain Nonbank Financial Companies,* Financial Stability Oversight Council Release (Oct. 1, 2010), 75 FR 61653 (Oct. 6, 2010) ("FSOC Designation ANPR").

[19] *See* section 175 of the Dodd-Frank Act.

[20] *See* Damian Alexander, *Global Hedge Fund Assets Rebound to Just Over $1.8 Trillion,* Hedge Fund Intelligence (Apr. 7, 2010) ("HFI").

[21] Group of Thirty, Financial Reform: A Framework for Financial Stability (Jan. 15, 2009).

[22] *See* U.S. Department of the Treasury, *Financial Regulatory Reform: A New Foundation* (2009), at 8; and *Equipping Financial Regulators with the Tools Necessary to Monitor Systemic Risk,* Senate Banking Subcommittee on Security and International Trade and Finance, Feb. 12, 2010 (testimony of Daniel K. Tarullo, member of the FRB). *See also* Group of 20 and the International Monetary Fund, The Global P Crisis for Fure Regulation of Financial Institutions and M arkets and for Liquidity Management (Feb. 4, 2009).

[23] The Commissions expect that they may share information reported on Form PF with various foreign financial regulators under information sharing agreements in which the foreign regulator agrees to keep the information confidential.

[24] Technical Committee of the International Organization of Securities Commissions, Hedge Funds O (June 2009), *available at https://www.iosco.org/library/pubdocs/pdf/IOSCOPD293.pdf* ("IOSCO Report").

[25] *Id.* at 3.

[26] *See* IOSCO Report, *supra* note 24, at 14; Press Release, International Regulators Publish Systemic Risk Data Requirements for Hedge Funds (Feb. 25, 2010), *available at https://www.iosco.org/news/pdf/IOSCONEWS179.pdf.* The IOSCO Report states that systemic risk information that hedge fund advisers should provide to regulators should include, for example: (1) Information on their prime brokers, custodian, and background information on the persons managing the assets; (2) information on the manager's larger funds including the net asset value, predominant strategy/regional focus and performance; (3) leverage and risk information, including concentration risk of the hedge fund adviser's larger funds; (4) asset and liability information for the manager's larger funds; (5) counterparty risk, including the biggest sources of credit; (6) product exposure for all of the manager's assets; and (7) investment activity known to represent a significant proportion of such activity in important markets or products. Some of this information would be collected through the revised Form ADV, as proposed by the SEC in the Implementing Release, rather than Form PF.

[27] The survey canvasses approximately 50 FSA-authorized investment managers. *See, e.g.,* Financial Services Authority, *Assessing Possible Sources of Systemic Risk from Hedge Funds: A Report on the Findings of the Hedge Fund as Counterparty Survey and the Hedge Fund Survey* (Jul. 2010), *available at http://www.fsa.gov.uk/pubs/other/hf_report.pdf* ("FSA Survey").

[28] According to Hedge Fund Intelligence, U.K.-based advisers manage approximately 16% of global hedge fund assets. This concentration of hedge fund advisers is second only to the United States (managing approximately 76% of global hedge fund assets). *See* HFI, *supra* note 20.

[29] FSA Survey, *supra* note 27.

[30] *Id.*

[31] According to Hedge Fund Intelligence, Hong Kong-based advisers manage approximately 0.54% of global hedge fund assets, which is the largest concentration of hedge fund advisers in Asia. *See* HFI, *supra* note 20.

Collectively, hedge fund advisers based in the United States, the United Kingdom, and Hong Kong represent over 92 percent of global hedge fund assets, and thus a broad consistency among these jurisdictions' hedge fund information collections, including our own, will facilitate the sharing of consistent and comparable information for systemic risk assessment purposes for most global hedge fund assets under management.[32] Finally, in connection with the IOSCO report, IOSCO members (including the SEC and CFTC) agreed, on a "best efforts" basis, to conduct a survey of hedge fund reporting data as of the end of September 2010 based on the guidelines established in the IOSCO report and the FSA survey. This internationally coordinated survey effort has also informed our proposed reporting.

International efforts also have focused on potential systemic considerations arising out of other types of private funds, such as private equity funds. For example, an International Monetary Fund ("IMF") staff paper has focused on "extending the perimeter" of effective regulatory oversight to capture all financial activities that may pose systemic risks, regardless of the type of institution in which they occur.[33] The IMF paper proposed that these financial activities be subject to reporting obligations so that regulators may assess potential systemic risk and emphasized the need to capture all financial activities conducted on a leveraged basis, including activities of leveraged private equity vehicles.[34] Others also have recognized a need for monitoring the private equity sector because having information on its potentially systemically important interactions with the financial system are an important part of regulators' obtaining the complete picture of the broader financial system that is so vital to effective systemic risk monitoring.[35] We have taken these international efforts relating to systemic risk monitoring in private equity funds into account in the proposed reporting discussed below.

II. Discussion

The SEC is proposing a new rule 204(b)–1 under the Advisers Act to require that SEC-registered investment advisers report systemic risk information to the SEC on Form PF if they advise one or more private funds.[36] For registered CPOs and CTAs that are also registered as investment advisers with the SEC and advise a private fund, this report also would serve as substitute compliance for a portion of the CFTC's proposed systemic risk reporting requirements under proposed Commodity Exchange Act rule 4.27(d).[37] Because commodity pools that meet the definition of a private fund are categorized as hedge funds for purposes of Form PF as discussed below, CPOs and CTAs filing Form PF would need to complete only the sections applicable to hedge fund advisers, and the form would be a joint form only with respect to those sections.[38]

Form PF would elicit non-public information about private funds and their trading strategies the public disclosure of which, in many cases, 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. Amendments to the Advisers Act added by the Dodd-Frank Act preclude the SEC from being compelled to reveal the information except in very limited circumstances.[39] 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 404 of the Dodd-Frank Act. The Commissions would make information collected through Form PF available to FSOC, as is required by the Dodd-Frank Act, subject to the confidentiality provisions of the Dodd-Frank Act.[40]

We propose that each private fund adviser report basic information about the operations of its private funds on Form PF once each year. We propose that a relatively small number of Large Private Fund Advisers (described in section II.B below) instead be required to submit this basic information each quarter along with additional systemic risk related information required by Form PF concerning certain of their

[32] *See* HFI, *supra* note 20.

[33] *See* Ana Carvajal *et al., The Perimeter of Financial Regulation,* IMF Staff Position Note SPN/09/07 (Mar. 26, 2009), *available at http://www.imf.org/external/pubs/ft/spn/2009/spn0907.pdf.*

[34] *Id.,* at 8.

[35] *See, e.g.,* Lorenzo Bini Smaghi, Member of the Executive Board of the European Central Bank, Going Forward—Regulation and Supervision after the Financial Turmoil, Speech by at the 4th International Conference of Financial Regulation and Supervision (Jun. 19, 2009), *available at http://www.bis.org/review/r090623e.pdf* (stating "macro-prudential analysis needs to capture all components of financial systems and how they interact. This includes all intermediaries, markets and infrastructures underpinning them. In this respect, it is important to consider that at present some of these components, such as hedge funds, private equity firms or over-the-counter (OTC) financial markets, are not subject to micro-prudential supervision. But they need to be part of macro-prudential analysis and risk assessments, as they influence the overall behaviour of the financial system. To gain a truly "systemic" perspective on the financial system, no material element should be left out."); *Private Equity and Leveraged Finance Markets,* Bank for International Settlements Committee on the Global Financial System Working Paper No. 30 (Jul. 2008), *available at http://www.bis.org/publ/cgfs30.pdf* ("BIS Private Equity Paper") ("Going forward, the Working Group believes that enhancing transparency and strengthening risk management practices [relating to private equity and leveraged finance markets] require special attention. * * * The recent market turmoil has demonstrated that a number of the risks in the leveraged finance market are likely to materialise in combination with other financial market risks in stressed market conditions. * * * In the public sector, there is a stronger case for developing early warning indicators and devoting more research efforts to modelling the dynamic relationships between risk factors with a view to understanding the interrelationships across markets and their impact on the financial sector."). *See also* Macroeconomic Assessment Group established by the Financial Stability Board and the Basel Committee on Banking Supervision, Interim Report: Assessing the Macroeconomic Impact of the Transition to Stronger Capital and Liquidity Requirements (Aug. 2010), at section 5.2, *available at http://www.financialstabilityboard.org/publications/r_100818b.pdf.*

[36] *See* proposed Advisers Act rule 204(b)–1.

[37] *See* proposed Commodity Exchange Act rule 4.27(d), which provides that these CPOs and CTAs would need to file other reports as required under rule 4.27 with respect to pools that are not private funds. For purposes of this proposed rule, it is the CFTC's position that any false or misleading statement of a material fact or material omission in the jointly proposed sections (sections 1 and 2) of proposed Form PF that is filed by these CPOs and CTAs shall constitute a violation of section 6(c)(2) of the Commodity Exchange Act. Proposed Form PF contains an oath consistent with this position.

[38] Thus, private fund advisers that also are CPOs or CTAs would be obligated to complete only section 1 and, if they met the applicable threshold, section 2 of Form PF. Accordingly, Form PF is a joint form between the SEC and the CFTC only with respect to sections 1 and 2 of the form.

[39] *See* section 404 of the Dodd-Frank Act stating that "[n]otwithstanding any other provision of law, the Commission [SEC] may not be compelled to disclose any report or information contained therein required to be filed with the Commission [SEC] under this subsection" except to Congress upon agreement of confidentiality. Section 404 also provides that nothing prevents the SEC from complying with a request for information from any other federal department or agency or any self-regulatory organization requesting the report or information for purposes within the scope of its jurisdiction or an order of a court of the U.S. in an action brought by the U.S. or the SEC. Section 404 of the Dodd-Frank Act also states that the SEC shall make available to FSOC copies of all reports, documents, records, and information filed with or provided to the SEC by an investment adviser under section 404 of the Dodd-Frank Act as FSOC may consider necessary for the purpose of assessing the systemic risk posed by a private fund and that FSOC shall maintain the confidentiality of that information consistent with the level of confidentiality established for the SEC in section 404 of the Dodd-Frank Act.

[40] *See* section 404 of the Dodd-Frank Act.

private funds.[41] In the sections below, we describe the principal reasons we believe that FSOC needs this information in order to monitor the systemic risk that may be associated with the operation of private funds.

A. Purposes of Form PF

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.[42] It also requires FSOC to collect information from member agencies to support its functions.[43] Section 404 of the Dodd-Frank Act directs the SEC to support this effort by collecting from investment advisers to private funds such information as the SEC deems necessary and appropriate in the public interest and for the protection of investors or for the assessment of systemic risk.[44] FSOC may, if it deems necessary, direct the Office of Financial Research ("OFR") to collect additional information from nonbank financial companies.[45]

The Commissions are jointly proposing sections 1 and 2 of Form PF, and the SEC is proposing sections 3 and 4 of Form PF, to collect information necessary to permit FSOC to monitor private funds in order to identify any potential systemic threats arising from their activities. The information we currently collect about private funds and their activities is very limited and is not designed for the purpose of monitoring systemic risk.[46] We do not currently collect information, for example, about hedge funds' primary trading counterparties or significant market positions. The SEC also does not currently collect data to assess the risk of a run on a private liquidity fund, a risk that could transfer into registered money market funds and into the broader short term funding markets and those that rely on those markets.[47] While we are proposing to collect information on Form PF to assist FSOC in its monitoring obligations under the Dodd-Frank Act, the information collected on Form PF would be available to assist the Commissions in their regulatory programs, including examinations and investigations and investor protection efforts relating to private fund advisers.[48]

We have designed Form PF, in consultation with staff representing FSOC's members, to provide FSOC with such information so that it may carry out its monitoring obligations.[49] Based upon the information we propose to obtain from advisers about the private funds they advise, together with market data it collects from other sources, FSOC should be able to identify whether any private funds merit further analysis or whether OFR should collect additional information. We have not sought to design a form that would provide FSOC in all cases with all the information it may need to make a determination that a particular entity should be designated for supervision by the FRB.[50] Such a form, if feasible, likely would require substantial additional and more detailed data addressing a wider range of possible fund profiles, since it could not be tailored to a particular adviser, and would impose correspondingly greater burdens on private fund advisers. This type of information gathering may be better accomplished by OFR through targeted information requests to specific private fund advisers identified through Form PF, rather than through a general reporting form.[51]

The amount of information a private fund adviser would be required to report on the proposed form would vary based on both the size of the adviser and the type of funds it advises. This approach reflects our initial view after consulting with staff representing FSOC's members that a smaller private fund adviser may present less risk to the stability of the U.S. financial system and thus merit reporting of less information.[52] It also reflects our understanding that different types of private funds could present different implications for systemic risk and that reporting requirements should be appropriately calibrated.[53] As discussed in more detail below, Form PF would require more detailed information from advisers managing a large amount of hedge fund or liquidity fund assets. Less information would be required regarding advisers managing a large amount of private equity fund assets because, after a review of available literature and consultation with staff representing FSOC's members, it appears that private equity funds may present less potential risk to U.S. financial stability. The principal reasons for Form PF's proposed reporting specific to hedge funds, liquidity funds, and private equity funds are discussed below.

1. Hedge Funds

We believe that Congress expected hedge fund advisers would be required to report information to the Commissions under Title IV of the Dodd-Frank Act.[54] After consulting with

[41] *See* proposed Instructions to Form PF. Our proposed reporting thus complies with the Dodd-Frank Act directive that, in formulating systemic risk reporting and recordkeeping for investment advisers to mid-sized private funds, the Commission take into account the size, governance, and investment strategy of such funds to determine whether they pose systemic risk. *See* section 408 of the Dodd-Frank Act. The Dodd-Frank Act also states that the SEC may establish different reporting requirements for different classes of fund advisers, based on the type or size of private fund being advised. *See* section 404 of the Dodd-Frank Act.

[42] *See* section 112(a)(2)(C) of the Dodd-Frank Act.

[43] *See* section 112(d)(1) of the Dodd-Frank Act.

[44] Section 404 of the Dodd-Frank Act requires that reports and records that the SEC mandates be maintained for these purposes include a description of certain categories of information, such as assets under management, use of leverage, counterparty credit risk exposure, and trading and investment positions for each private fund advised by the adviser.

[45] *See* sections 153 and 154 of the Dodd-Frank Act.

[46] We note that the SEC has proposed amendments to Form ADV that also would require private funds to report certain basic information, such as the fund's prime broker and its gross and net asset values. *See* Implementing Release, *supra* note 9.

[47] *See* section II.A.3 of this Release for a discussion of liquidity funds and their potential risks.

[48] *See* SEC section VI.A of this Release for a discussion of how the SEC could use proposed Form PF data for its regulatory activities and investor protection efforts.

[49] Industry participants (in response to FSOC Designation ANPR, *supra* note 18) acknowledged the potentially important function that such reporting may play in allowing FSOC to monitor the private fund industry more generally and to assess the extent to which any private funds may pose systemic risk more specifically. *See, e.g.,* Comment Letter of the Managed Funds Association (Nov. 5, 2010) ("the enhanced regulation of hedge fund managers and the markets in which they participate following the passage of the Dodd-Frank Act ensures that regulators will have a timely and complete picture of hedge funds and their activities"), Comment Letter of the Coalition of Private Investment Companies (Nov. 5, 2010) ("the registration and reporting structure for private funds subject to SEC oversight will result in an unprecedented range and depth of data to the Council, its constituent members and the newly created Office of Financial Research. From this information, in addition to the information gathered by the Council, the Council should be able to assemble a clear picture of the overall U.S. financial network and how private investment funds fit into it, both on an individual and overall basis"), Comment Letter of the Private Equity Growth Council (Nov. 5, 2010) ("regulators also now have the authority to require all private equity firms and private equity funds to provide any additional data needed to assess systemic risk") ("PE Council Letter"). Comment letters in response to the FSOC Designation ANPR are available at *http://www.regulations.gov.*

[50] *See* 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 shall be supervised by the FRB and subject to prudential standards.

[51] Recordkeeping requirements specific to private fund advisers for systemic risk assessment purposes will be addressed in a future release pursuant to our authority under section 404 of the Dodd-Frank Act.

[52] We discuss the information we propose requiring smaller private fund advisers report in section II.D.1 of this Release.

[53] Congress recognized this need as well. *See supra* note 41.

[54] *See* Senate Committee Report, *supra* note 4, at 38 ("While hedge funds are generally not thought

staff representing FSOC's members, our initial view is that the investment activities of hedge funds [55] may have the potential to pose systemic risk for several reasons and, accordingly, that advisers to these hedge funds should provide targeted information on Form PF to allow FSOC to gain a better picture of the potential systemic risks posed by the hedge fund industry. Hedge funds may be important sources, and users, of liquidity in certain markets. Hedge funds often use financial institutions that may have systemic importance to obtain leverage and enter into other types of transactions. Hedge funds employ investment strategies that may use leverage, derivatives, complex structured products, and short selling in an effort to generate returns. Hedge funds also may employ strategies involving high volumes of trading and concentrated investments. These strategies, and in particular high levels of leverage, can increase the likelihood that the fund will experience stress or fail, and amplify the effects on financial markets.[56] While many hedge funds are not highly leveraged, certain hedge fund strategies employ substantial amounts of leverage.[57] Significant hedge fund failures (whether caused by their investment positions or use of leverage or both) could result in material losses at the financial institutions that lend to them if collateral securing this lending is inadequate.[58] These losses could have systemic implications if they require these financial institutions to scale back their lending efforts or other financing activities generally.[59] The simultaneous failure of several similarly positioned hedge funds could create contagion through the financial markets if the failing funds liquidate their investment positions in parallel at firesale prices, thereby depressing the mark-to-market valuations of securities that may be widely held by other financial institutions and investors.[60] Many of these concerns were raised in September 1998 by the near collapse of Long Term Capital Management, a highly leveraged hedge fund that experienced significant losses stemming from the 1997 Russian financial crisis.[61]

Accordingly, proposed Form PF would include questions about large hedge funds' investments, use of leverage and collateral practices, counterparty exposures, and market positions that are designed to assist FSOC in monitoring and assessing the extent to which stresses at those hedge funds could have systemic implications by spreading to prime brokers, credit or trading counterparties, or financial markets.[62] This information also is designed to help FSOC observe how hedge funds behave in response to certain stresses in the markets or economy. We request comment on this analysis of the potential systemic risk posed by hedge funds. Does it adequately identify the ways in which hedge funds might generate systemic risk? Are there other ways that hedge funds could create systemic risk? Are hedge funds not a potential source of systemic risk? Please explain your views and discuss their implications for the reporting we propose on Form PF.

2. Liquidity Funds

"Liquidity funds" also may be important to FSOC's monitoring and assessment of potential systemic risks, and the SEC believes information concerning them, therefore, should be included on Form PF.[63] The proposed Form PF would define a liquidity fund as a 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.[64] Liquidity funds thus can resemble money market funds, which are registered under the Investment Company Act of 1940 and seek to maintain a "stable" net asset value per share, typically $1, through the use of the "amortized cost" method of valuation.[65]

A report recently released by the President's Working Group on Financial Markets (the "PWG MMF Report") discussed in detail how certain features of registered money market funds, many of which are shared by liquidity funds, may make them susceptible to runs and thus create the potential for systemic risk.[66] The PWG MMF Report describes how some investors may consider liquidity funds to function as substitutes for registered money market funds and the potential for systemic risk that

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. The case of Long-Term Capital Management, a hedge fund that was rescued through Federal Reserve intervention in 1998 because of concerns that it was "too-interconnected-to-fail," shows that the activities of even a single hedge fund may have systemic consequences.").

[55] *See* section II.B of this Release for a discussion of the definition of "hedge fund" in proposed Form PF. To prevent duplicative reporting, commodity pools that meet the definition of a private fund would be treated as hedge funds for purposes of Form PF. CPOs and CTAs that are not also registered as an investment adviser with the SEC would be required to file proposed Form CPO–PQR (for CPOs) and proposed Form CTA–PR (for CTAs) reporting similar information as Form PF requires for private fund advisers that advise one or more hedge funds. *See* Commodity Pool Operators and Commodity Trading Advisors: Amendments to Compliance Obligations, CFTC Release (Jan. __, 2011). Deeming commodity pools that meet the definition of a private fund to be hedge funds for purposes of Form PF, therefore, is designed to ensure that the CFTC obtains similar reporting regarding commodity pools that satisfy CFTC reporting obligations by the CPO or CTA filing proposed Form PF.

[56] *See* President's Working Group on Financial Markets, Hedge Funds, Leverage, and the Lessons of Long Term Capital Management (Apr. 1999), at 23, *available at http://www.ustreas.gov/press/releases/reports/hedgfund.pdf* ("PWG LTCM Report").

[57] *See* FSA Survey, *supra* note 27, at 5 (showing borrowings as a multiple of net equity ranging from 100% in strategies such as managed futures to 1400% in the fixed income arbitrage hedge fund strategy).

[58] *See, e.g., Id.;* Ben S. Bernanke, Hedge Funds and Systemic Risk, Speech at the Federal Reserve Bank of Atlanta's 2006 Financial Market's Conference (May 16, 2006), *available at http://www.federalreserve.gov/newsevents/speech/bernanke20060516a.htm* ("Bernanke"); Nicholas Chan *et al., Systemic Risk and Hedge Funds,* National Bureau of Economic Research Working Paper 11200 (Mar. 2005), *available at http://www.nber.org/papers/w11200.pdf;* Andrew Lo, *Regulatory Reform in the Wake of the Financial Crisis of 2007–2008,* 1 J. Fin. Econ. P. 4 (2009); and John Kambhu *et al., Hedge Funds, Financial Intermediation, and Systemic Risk,* FRBNY Econ. P. Rev. (Dec. 2007) ("Kambhu").

[59] Kambhu, *supra* note 58; Financial Stability Forum, Update of the FSF Report on Highly Leveraged Institutions (May 19, 2007).

[60] *See* Bernanke, *supra* note 58; David Stowell, An Introduction to Investment Banks, Hedge Funds & Private Equity: The New Paradigm 259–261 (2010).

[61] *See* PWG LTCM Report, *supra* note 56.

[62] *See* section II.D.2 of this Release.

[63] Form PF is a joint form between the SEC and the CFTC only with respect to sections 1 and 2 of the form. Section 3 of the form, which would require more specific reporting regarding liquidity funds, would only be required by the SEC.

[64] *See* section II.B of this Release for a discussion of the definition of "liquidity fund" in proposed Form PF.

[65] Under the amortized cost method, securities are valued at acquisition cost, with adjustments for amortization of premium or accretion of discount, instead of at fair market value. To prevent substantial deviations between the amortized cost share price and the mark-to-market per-share value of the fund's assets (its "shadow NAV"), a money market fund must periodically compare the two. If there is a difference of more than one-half of 1 percent (typically, $0.005 per share), the fund must re-price its shares, an event colloquially known as "breaking the buck." *See Money Market Fund Reform,* Investment Company Act Release No. 28807 (June 30, 2009), 74 FR 32688 (July 8, 2009), at section III ("MMF Reform Proposing Release").

[66] Report of the President's Working Group on Financial Markets: Money Market Fund Reform Options (Oct. 2010), *available at http://treas.gov/press/releases/docs/10.21%20PWG%20Report%20Final.pdf.* The PWG MMF Report states that the work of the President's Working Group on Financial Reform relating to money market funds is now being taken over by FSOC. The SEC has discussed previously registered money market funds' susceptibility to runs. *See* MMF Reform Proposing Release, *supra* note 65, at section III.

results.[67] During the financial crisis, several sponsors of "enhanced cash funds," a type of liquidity fund, committed capital to those funds to prevent investors from realizing losses in the funds.[68] The fact that sponsors of certain liquidity funds felt the need to support the stable value of those funds suggests that they may be susceptible to runs like registered money market funds.

Registered money market funds are subject to extensive regulation under Investment Company Act rule 2a–7, which imposes credit-quality, maturity, and diversification requirements on money market fund portfolios designed to ensure that the funds' investing remains consistent with the objective of maintaining a stable net asset value.[69] While liquidity funds are not required to comply with rule 2a–7, we understand that many liquidity funds can suspend redemptions or impose gates on shareholder redemptions upon indications of stress at the fund. As a result, the risk of runs at liquidity funds may be mitigated. The information that the SEC is proposing to require advisers to liquidity funds report is designed to allow FSOC to assess liquidity funds' susceptibility to runs and ability to otherwise pose systemic risk.

The SEC requests comment on this analysis of the potential systemic risk posed by liquidity funds. Does it adequately identify the ways in which liquidity funds might generate systemic risk? Are there other ways that liquidity funds could create systemic risk? Do liquidity funds lack any potential to create systemic risk? Please explain your views and discuss their implications for the reporting proposed on Form PF.

3. Private Equity Funds

It is the SEC's initial view, after consultation with staff representing FSOC's members, that the activities of private equity funds, certain of their portfolio companies, or creditors involved in financing private equity transactions also may be important to the assessment of systemic risk and, therefore, that large advisers to these funds should provide targeted information on Form PF to allow FSOC to conduct basic systemic risk monitoring.[70]

One aspect of the private equity business model that some have identified as potentially having systemic implications is its method of financing buyouts of companies. Leveraged private equity transactions often rely on banks to provide bridge financing until the permanent debt financing for the transaction is completed, whether through a syndicated bank loan or issuance of high yield bonds by the portfolio company or both.[71] When market conditions suddenly turn, these institutions can be left holding this potentially risky bridge financing (or committed to provide the final bank financing, but no longer able to syndicate or securitize it and thus forced to hold it) at precisely the time when credit market conditions, and therefore the institutions' own general exposure to private equity transactions and other committed financings, have worsened.[72] For example, prior to the recent financial crisis, a trend in private equity transactions was for private equity firms to enter into buyout transactions with seller-favorable financing conditions and terms that placed much of the risk of market deterioration after the transaction agreement was signed on the financing institutions and the private equity adviser.[73]

In addition, some industry observers have noted that the leveraged buyout investment model of imposing significant amounts of leverage on their portfolio companies in an effort to meet investment return objectives subjects those portfolio companies to greater risk in the event of economic stress.[74] If private equity funds conduct a

[67] PWG MMF Report, *supra* note 66, at section 3.h ("These vehicles typically invest in the same types of short-term instruments that MMFs hold and share many of the features that make MMFs vulnerable to runs, so growth of unregulated MMF substitutes would likely increase systemic risks. However, such funds need not comply with rule 2a–7 or other [Investment Company Act] protections and in general are subject to little or no regulatory oversight. In addition, the risks posed by MMF substitutes are difficult to monitor, since they provide far less market transparency than MMFs.").

[68] *See, e.g.,* Sree Vidya Bhaktavatsalam, *BlackRock Earnings Beat Estimates on Hedge-Fund Fees,* Bloomberg (Jan. 17, 2008) ("During the fourth quarter, BlackRock spent $18 million to support the net asset value of two enhanced cash funds whose values fell as the credit markets got squeezed"); Sree Vidya Bhaktavatsalam & Christopher Condon, *Federated Investors Bails Out Cash Fund After Losses,* Bloomberg (Nov. 20, 2007).

[69] *See* 17 CFR 270.2a–7.

[70] *See* section II.B of this Release for a discussion of the definition of "private equity fund" in 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 would require more specific reporting regarding private equity funds, would only be required by the SEC.

[71] *See* Steven M. Davidoff, *The Failure of Private Equity,* 82 S. Cal. L. Rev. 481, 494 (2009) ("Davidoff").

[72] *See* Senior Supervisors Group, *Observations on Risk Management Practices during the Recent Market Turbulence,* at 2 (Mar. 6, 2008), *available at http://www.occ.gov/publications/publications-by-type/other-publications/pub-other-risk-mgt-practices-2008.pdf* ("Firms likewise found that they could neither syndicate to external investors their leveraged loan commitments to corporate borrowers nor cancel their commitments to fund those loans despite material and adverse changes in the availability of funding from other investors in the market"); BIS Private Equity Paper, *supra* note 35, at 1–2 ("Conditions in the leveraged loan market deteriorated in the second half of 2007, and demand for leveraged finance declined sharply. An initial temporary adverse investor reaction to loose lending terms and low credit spreads prevailing in early 2007 became more protracted over the course of the second half of the year as the turbulence in financial markets deepened and contraction in demand for leveraged loans became more severe. Global primary market leveraged loan volumes shrank by more than 50% in the second half of 2007. The contraction in demand for leveraged loans revealed substantial exposure of arranger banks to warehouse risk. Undistributed loans will contribute to increased funding costs and capital requirements for banks in 2008, on top of other offbalance sheet products that they have been forced to bring on-balance sheet. Moreover, with leveraged loan indices trading close to 90 cents on a dollar in March 2008, realisation of warehouse risks has resulted in significant mark to market losses to banks"); Bank of England, *Financial Stability Report,* at 19 (Oct. 2007), *available at http://www.bankofengland.co.uk/publications/fsr/2007/fsrfull0710.pdf* ("Bank of England") ("The near closure of primary issuance markets for collateralised loan obligations, and an increase in risk aversion among investors, left banks unable to distribute leveraged loans that they had originated earlier in the year. This exacerbated a problem banks already faced, as debt used to finance a number of high-profile private-equity sponsored leveraged buyouts (LBOs) had remained on their balance sheets.").

[73] *See* Davidoff, *supra* note 71, at 495–496 (noting the trend in private equity transaction agreements signed prior to the financial crisis to have no financing condition and to have limited "market outs" and "lender outs" in the debt commitment letters and further noting that "by agreeing to a more certain debt commitment letter and providing bridge financing, the banks now took on the risk of market deterioration between the time of signing and closing."). Bank regulators and industry observers also noted the trend in private equity financing prior to the financial crisis for banks to enter into "covenant lite" loans, which did not require borrowers to meet certain performance metrics for cash flow or profits. *See The Economics of Private Equity Investments: Symposium Summary,* FRBSF Economic Letter (Feb. 29, 2008), *available at http://www.frbsf.org/publications/economics/letter/2008/el2008-08.html* (noting growth in the first half of 2007 in such "covenant lite" loans); Financial Stability Forum, Report of the Financial Stability Forum on Enhancing Market and Institutional Resilience, at 7 (Apr. 7, 2008), *available at http://www.financialstabilityboard.org/publications/r_0804.pdf* ("Another segment that saw rapid growth in volume accompanied by a decline in standards was the corporate leveraged loan market, where lenders agreed to weakened loan covenants to obtain the business of private equity funds."); Bank of England, *supra* note 73, at 27 ("Market intelligence suggested that private equity sponsors had considerable market power to impose aggressive capital structures, tight spreads and weak covenants because investor demand was so strong. But in August, the flow of new LBOs came to a virtual standstill and the debt of a sequence of high-profile companies could not be sold [by banks].").

[74] *See, e.g., Paying the Price,* The Economist (Jul. 31, 2010) ("Pension funds could decide to make a geared bet on equities by borrowing money and investing in the S&P 500 index. But they would understandably regard such a strategy as highly risky. Giving money to private-equity managers, who then use debt to acquire quoted companies, is viewed in an entirely different light but amounts to the same gamble"). *See also* BIS Private Equity Paper, *supra* note 35, at 24–25.

leveraged buyout of an entity that could be systemically important, information about that investment could be important in FSOC monitoring and assessing potential systemic risk.[75]

For these reasons, the SEC believes certain information on the activities of private equity funds and their portfolio companies is relevant for purposes of monitoring potential systemic risk.[76] In addition, based on the SEC's consultations with staff representing FSOC's members, private equity transaction financings, and their interconnected impact on the lending institutions, could be a useful area for FSOC to monitor in fulfilling its duty to gain a comprehensive picture of the financial services marketplace in order to identify potential threats to the stability of the U.S. financial system.

The SEC requests comment on this analysis of the potential systemic risk posed by the activities of private equity funds. Does it identify the ways in which private equity fund activities might generate systemic risk? Are there other ways that private equity funds or their activities could create systemic risk? Is the preliminary view that private equity fund activities may have less potential to create systemic risk than hedge funds and liquidity funds correct? Many advisers to private equity funds have noted that certain features of the private equity business model, such as its reliance on long-term capital commitments from investors, lack of substantial debt at the private equity fund level, and investment primarily in the equity of a diverse range of private companies, mitigate its potential to pose systemic risk.[77] Do private equity funds not have any potential to create systemic risk? Is the monitoring of private equity fund activities unnecessary to assess systemic risk generally? Please explain your views and discuss their implications for the reporting proposed on Form PF.

B. Who Must File Form PF

We propose that any investment adviser registered or required to register with the SEC that advises one or more private funds must file a Form PF with the SEC.[78] A CPO or CTA that also is a registered investment adviser that advises one or more private funds would be required to file Form PF with respect to any advised commodity pool that is a "private fund." By filing Form PF with respect to these private funds, a CPO will be deemed to have satisfied certain of its filing requirements for these funds.[79] Under these rules, most private fund advisers would be required to complete only section 1 of Form PF, providing certain basic information regarding any hedge funds they advise in addition to information about their private fund assets under management and more generally about their funds' performance and use of leverage. The information collected under section 1 of Form PF is described in further detail in section II.D.1 of this Release. Certain larger private fund advisers would be required to complete additional sections of Form PF, which require more detailed information.

Three types of "Large Private Fund Advisers" would be required to complete certain additional sections of Form PF:[80]

- Advisers managing hedge funds that collectively have at least $1 billion in assets as of the close of business on any day during the reporting period for the required report;
- Advisers managing a liquidity fund and having combined liquidity fund and registered money market fund assets of at least $1 billion as of the close of business on any day during the reporting period for the required report; and
- Advisers managing private equity funds that collectively have at least $1 billion in assets as of the close of business on the last day of the quarterly reporting period for the required report.

1. Types of Funds

Proposed Form PF would define "hedge fund" as any private fund that (1) has a performance fee or allocation calculated by taking into account unrealized gains; (2) 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 (3) may sell securities or other assets short.[81] As noted above, "liquidity fund" would be defined as 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.[82] "Private equity fund" would be defined 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]

Our proposed definition of hedge fund would cover any private fund that has any one of three common characteristics of a hedge fund: A performance fee using market value (instead of only realized gains), high leverage or short selling. We are not aware of any standard definition of a hedge fund,[84] although we note that our proposed definition is broadly based on those used in the FSA survey and in the IOSCO report described in section I.B above and thus generally would promote international consistency in

[75] For example, some noted the role of private equity investments in companies that the government ultimately bailed out during the financial crisis. *See, e.g.,* Casey Ross, *Cerberus' Success Hurt by a Pair of Gambles,* The Boston Globe (Mar. 25, 2010) (discussing private equity investments in GMAC and Chrysler Corp., both of which received government bailouts); and Louise Story, *For Private Equity, A Very Public Disaster,* N.Y. Times (Aug. 8, 2009) (same).

[76] *See* section II.D.4 of this Release for a discussion of the information we propose requiring certain private equity fund advisers report on Form PF.

[77] *See, e.g.,* PE Council Letter, *supra* note 49; Testimony of Mark Tresnowksi, General Counsel, Madison Dearborn Partners, before the Senate Banking Subcommittee on Securities, Insurance and Investment, July 15, 2009.

[78] Proposed Advisers Act rule 204(b)–1.

[79] Proposed CEA rule 4.27(d). 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 proposed Form CPO–PQR by completing and filing the applicable portions of Form PF for each of its commodity pools that satisfy the definition of "private fund" in the Dodd-Frank Act.

[80] *See* proposed Instruction 3 to Form PF.

[81] *See* proposed Glossary of Terms to Form PF. This definition also is the same as the SEC has proposed in amendments to Form ADV. *See* Implementing Release, *supra* note 9. For purposes of the definition, the fund should not net long and short positions in calculating its borrowings but should include any borrowings or notional exposure of another person that are guaranteed by the fund or that the fund may otherwise be obligated to satisfy. In addition, a commodity pool that meets the definition of a private fund is treated as a hedge fund for purposes of Form PF.

[82] *See* proposed Glossary of Terms to Form PF.

[83] *See* proposed Glossary of Terms to Form PF. Proposed Form PF would define "real estate fund" as any private fund that is not a hedge fund, that does not provide investors with redemption rights in the ordinary course and that invests primarily in real estate and real estate-related assets. Proposed Form PF would define "securitized asset fund" as any private fund that is not a hedge fund and that issues asset backed securities and whose investors are primarily debt-holders. These definitions are designed to encompass entities that we believe are typically considered real estate or securitized asset funds, respectively, and are primarily intended to exclude these types of funds from our definition of private equity fund to improve the quality of data reported on Form PF relating to private equity funds. Proposed Form PF would define "venture capital fund" as any private fund meeting the definition of venture capital fund in rule 203(l)-1 of the Advisers Act for consistency. *See* proposed Glossary of Terms to Form PF. *See also* Private Fund Exemption Release, *supra* note 9, for a discussion of proposed Advisers Act rule 203(l)–1.

[84] *See, e.g. Goldstein* v. *SEC,* 451 F.3d 873 (DC Cir. 2006) ("'Hedge funds' are notoriously difficult to define. The term appears nowhere in the federal securities laws, and even industry participants do not agree upon a single definition.")

hedge fund reporting.[85] Moreover, we believe that any fund meeting this definition is an appropriate subject for this higher level of reporting even if the fund would not otherwise be considered a hedge fund.

The Commissions request comment on the hedge fund definition proposed in Form PF.[86] Does this proposed definition capture the appropriate features of funds that should be subject to more detailed reporting as "hedge funds"? Many private funds sell short. Is the bright line of classifying *any* private fund that engages in short selling as a hedge fund appropriate? Is the proposed leverage threshold for hedge funds set at the appropriate level? One alternative approach we could take is to not define a hedge fund in Form PF and simply require that all advisers managing in excess of $1 billion in private fund assets (regardless of strategy) complete section 2 of Form PF. Would this be a more effective approach? For purposes of Form PF, a commodity pool satisfying the definition of a "private fund" is categorized as a hedge fund. Is this treatment appropriate?

The proposed definition of liquidity fund is designed to capture all potential substitutes for money market funds because we believe these funds may be susceptible to runs and otherwise pose systemic risk that FSOC will want to monitor. The SEC recognizes that its proposed definition of liquidity fund potentially could capture some short-term bond funds. Are there ways that the SEC could define a liquidity fund to capture all potential substitutes for money market funds, but not short-term bond funds? The SEC requests comment on the liquidity fund definition proposed in Form PF.

Our proposed definition of a private equity fund is intended to distinguish private equity funds from other private funds based upon the lack of redemption rights and their not being engaged in certain investment strategies (such as securitization, real estate or venture capital), while these funds would typically have performance fees based on realized gains. Has the SEC appropriately distinguished private equity funds from other types of private funds in its proposed definition? Should others be excluded? The SEC requests comment on the private equity fund definition proposed in Form PF.

2. Large Private Fund Adviser Thresholds

As noted above, we are proposing $1 billion in hedge fund assets under management as the threshold for large hedge fund adviser reporting, $1 billion in combined liquidity fund and registered money market fund assets under management as the threshold for large liquidity fund adviser reporting, and $1 billion in private equity fund assets under management as the threshold for large private equity fund adviser reporting. Advisers would be required to measure whether these thresholds have been crossed daily for hedge funds and liquidity funds and quarterly for private equity funds based on our belief 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. We designed these thresholds so that the group of Large Private Fund Advisers that would be included based on the proposed thresholds is relatively small in number but represents the large majority of their respective industries based on assets under management. For example, we understand that the approximately 200 U.S.-based advisers 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.[87] Similarly, SEC staff estimates that the approximately 250 U.S.-based advisers managing over $1 billion in private equity fund assets represent approximately 85 percent of the U.S. private equity fund industry based on committed capital.[88]

The SEC is proposing that private fund advisers combine liquidity fund and registered money market fund assets for purposes of determining whether the adviser meets the threshold for more extensive reporting regarding its liquidity funds because it understands that an adviser's liquidity funds and registered money market funds often pursue similar strategies and invest in the same securities and thus are subject to many of the same risks. Historically, most advisers of enhanced cash funds or other unregistered money market funds also advised a substantial amount of registered money market fund assets, and so the SEC's criteria for liquidity fund reporting is expected to encompass most significant managers of liquidity funds, which it estimates number around 80 advisers.[89]

We believe that requiring basic information from all advisers about all private funds but more extensive and detailed information only from advisers with these amounts of assets under management in hedge funds, private equity funds, and liquidity funds would allow FSOC to effectively conduct basic monitoring for potential systemic risk in these private fund industries and to identify areas where OFR may want to obtain additional information. In addition, requiring that only these Large Private Fund Advisers complete additional reporting requirements under Form PF would provide systemic risk information for most private fund assets while minimizing burdens on smaller private fund advisers that are less likely to pose systemic risk concerns. The proposed approach thus incorporates Congress' directive in section 408 of the Dodd-Frank Act to take into account the size, governance, and investment strategy of advisers to mid-sized private funds in determining whether they pose systemic risk and formulating systemic risk reporting and recordkeeping requirements for private funds.[90]

[85] The FSA survey is voluntary and does not proscriptively define a hedge fund, but states that if a fund generally satisfies a number of the following criteria, it should be deemed to fall within the scope of the FSA hedge fund survey: (1) Employs investment management techniques that can include the use of short selling, derivatives, and leverage; (2) takes in external investor money; (3) are not UCITS funds; (4) pursue absolute returns; (5) charge performance-based fees; (6) have broader mandates than traditional funds which give managers more flexibility to shift strategy; (7) have higher trading volumes/fund turnover; and (8) frequently set a high minimum investment limit. The IOSCO Report generally considered as a hedge fund all investment schemes displaying a combination of some of the following characteristics: (1) Borrowing and leverage restrictions are not applied; (2) significant performance fees are paid to the manager in addition to an annual management fee; (3) investors are typically permitted to redeem their interests periodically, *e.g.,* quarterly, semi-annually or annually; (4) often significant 'own' funds are invested by the manager; (5) derivatives are used, often for speculative purposes, and there is an ability to short sell securities; and (6) more diverse risks or complex underlying products are involved. *See* IOSCO Report, *supra* note 24, at 4–5.

[86] The SEC previously defined private fund for purposes of registration of advisers to hedge funds by focusing on the structure of the fund to differentiate it from other pooled investment vehicles, while the definition of hedge fund we propose today for purposes of Form PF reporting focuses on the strategy of the fund in order to monitor trading strategies and behaviors which could contribute to systemic risk. *See Registration under the Advisers Act of Certain Hedge Fund Advisers,* Investment Advisers Act Release No. 2333 (Dec. 2, 2004), 69 FR 72054 (Dec. 10, 2004) (rulemaking vacated, *Goldstein,* 451 F.3d at 884).

[87] *See* HFI, *supra* note 20.

[88] Preqin. The Preqin data relating to private equity fund committed capital is available in File No. S7–05–11.

[89] *See, e.g.,* iMoneyNet, Enhanced Cash Report (3rd quarter 2009). The estimate of the number of large liquidity fund advisers is based on the number of advisers with at least $1 billion in registered money market fund assets under management.

[90] We note that the SEC has proposed to collect information regarding the governance of private fund advisers through Form ADV. *See* Implementing Release, *supra* note 9.

We request comment on the proposed thresholds. Are there more appropriate dividing lines as to when a private fund adviser should be required to report more information? Should any of the assets under management thresholds be lower or higher? Are the daily (for hedge fund and liquidity fund managers) and quarterly (for private equity fund managers) measurement periods for the assets under management thresholds set appropriately? Should we, as proposed, base the threshold on the amount of assets under management? If not, what should we base it on?

We request comment on our proposed approach of only requiring these Large Private Fund Advisers to report additional information on Form PF. Will collecting the information required by sections 2, 3, and 4 of Form PF only from advisers managing in excess of these asset thresholds provide adequate information about potential systemic risk in these industries? Should we instead require that all private fund advisers registered with the SEC complete all of the information on Form PF appropriate to the type of private funds they advise regardless of fund size or assets under management? Are there advisers to other types of private funds that should be required to report more information on Form PF? For example, should advisers to other types of private fund report more information if they manage in excess of a certain threshold of that type of private fund assets?

3. Aggregation of Assets Under Management

For purposes of determining whether an adviser is a Large Private Fund Adviser for purposes of Form PF, each adviser would have to 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 the private fund ("parallel managed accounts"); [91] and
- Assets of that type of private fund advised by any of the adviser's "related persons." [92]

These proposed aggregation requirements are designed to prevent an adviser from avoiding the proposed Large Private Fund Adviser reporting requirements by re-structuring the manner of providing private fund advice internally within the private fund manager group. The adviser also would be required to exclude any assets in any account that are solely invested in other funds (*i.e.,* internal or external fund of funds) in order to avoid duplicative reporting.[93] We request comment on these proposed aggregation requirements. Would these proposed aggregation rules appropriately meet our goal of preventing improper avoidance of the reporting requirements while giving a complete picture of private fund assets managed by a particular private fund adviser group? Would aggregating in a different manner be more effective at meeting our goal? Should funds that invest most (*e.g.,* 95 percent), but not all, of their assets in other funds be excluded from Form PF reporting? Would excluding such funds still provide FSOC with a complete enough picture of private fund activities to have an adequate baseline for systemic risk monitoring purposes?

If the adviser's principal office and place of business is outside the United States, the adviser could exclude any private fund that during the last fiscal year was neither a United States person nor offered to, or beneficially owned by, any United States person.[94] This aspect of the proposed form is designed to allow an adviser to report with respect to only those private funds that are more likely to implicate U.S. regulatory interests. We request comment on this aspect of the proposed form. Should we require different reporting relating to foreign advisers or foreign private funds?

4. Reporting for Affiliated and Subadvised Funds

To provide private fund advisers with reporting flexibility and convenience, the adviser could, 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.[95] This would allow affiliated entities that share reporting and risk management systems to report jointly while also permitting affiliated entities that operate separately to report separately. With respect to sub-advised funds, to prevent duplicative reporting, only one adviser would report information on Form PF with respect to that fund. For reporting efficiency and to prevent duplicative reporting, we are proposing that if an adviser completes information on Schedule D of Form ADV with respect to any private fund, the same adviser would be responsible for reporting on Form PF with respect to that fund.[96] We request comment on this approach. Should we not allow advisers to file a consolidated form with its related persons? Are there other persons related to a private fund adviser that should also be able to report on Form PF on a consolidated basis? For example, should we adjust Form PF to permit consolidated reporting with related persons that are exempt reporting advisers in the event an adviser chooses to voluntarily report exempt reporting adviser information? Should we allow a different arrangement on reporting of sub-advised funds? If so, what would those arrangements be?

5. Exempt Reporting Advisers and Other Advisers Not Registered With the SEC

We are proposing that only private fund advisers registered with the SEC (including those that are also registered with the CFTC as CPOs or CTAs) file Form PF.[97] The Dodd-Frank Act created exemptions from SEC registration under the Advisers Act for advisers solely to venture capital funds or for advisers to private funds that in the aggregate have less than $150 million in assets under management in the United States ("exempt reporting advisers").[98] We are not proposing that exempt reporting advisers be required to file Form PF.[99] We believe that Congress' determination to exempt these advisers from SEC registration indicates Congress' belief that they are sufficiently unlikely to pose systemic risk that regular reporting of detailed information may not be necessary.[100] Based on consultation

[91] *See* proposed Instructions 3, 5, and 6 to Form PF; and proposed Glossary of Terms to Form PF. *See also* definitions of "hedge fund assets under management," "liquidity fund assets under management," and "private equity fund assets under management" in the proposed Glossary of Terms to Form PF.

[92] *See* proposed Instructions 3 and 5 to Form PF. "Related person" is defined generally as: (1) All of the adviser's officers, partners, or directors (or any person performing similar functions); (2) all persons directly or indirectly controlling, controlled by, or under common control with the adviser; and (3) all of the adviser's employees (other than employees performing only clerical, administrative, support or similar functions). *See* proposed Glossary of Terms to Form PF and Glossary of Terms to Form ADV. The adviser would be permitted, but not required, to file one consolidated Form PF for itself and its related persons. *See* section II.B.4 of this Release below.

[93] *See* proposed Instruction 7 to Form PF.

[94] *See* proposed Instruction 1 to Form PF. "United States person" would have the meaning provided in proposed rule 203(m)-1 of the Advisers Act, and "principal office and place of business" would have the same meaning as in Form ADV. *See* Private Fund Exemption Release, *supra* note 9.

[95] *See* proposed Instruction 2 to Form PF. *See supra* note 92 for the definition of "related person."

[96] *See* proposed Instruction 4 to Form PF.

[97] *See* proposed Advisers Act rule 204(b)–1.

[98] *See* Private Fund Exemption Release, *supra* note 9; Implementing Release, *supra* note 9.

[99] To the extent an exempt reporting adviser is registered with the CFTC as a CPO or CTA, that adviser would be obligated to file either proposed Form CPO–PQR or CTA–PR, respectively.

[100] *See* Senate Committee Report, *supra* note 4, at 74 ("The Committee believes that venture capital

Continued

with staff representing FSOC's members and on the basic information that the SEC has proposed requiring exempt reporting advisers report to the SEC on Form ADV, the SEC is not proposing to extend Form PF reporting to these advisers.

Our proposed rules, however, would require some advisers managing less than $150 million in private fund assets to report limited information on Form PF. While Congress exempted from registration with the SEC advisers *solely* to private funds that in the aggregate have less than $150 million in assets under management, it provided no such exemption for advisers with less than $150 million in private fund assets under management that also, for example, advise individual clients with over $100 million in assets under management. Because this latter group of advisers is registered with the SEC and thus is subject to the full range of investor protection efforts that accompany registration, and because of the limited burden of the basic reporting, we believe it is appropriate to require these advisers to complete and file section 1 of Form PF. We request comment on this approach. Should we require that exempt reporting advisers file Form PF? [101] Why or why not? If so, which portions of Form PF should we require that exempt reporting advisers complete?

C. Frequency of Reporting

The Commissions propose to require that all private fund advisers other than the Large Private Fund Advisers discussed above complete and file a Form PF on an annual basis. A newly registering adviser's initial Form PF filing would be submitted within 15 days of the end of its next occurring calendar quarter after registering with the SEC so that FSOC can begin including this data in its analysis as soon as possible.[102] Annual updates would be due no later than the last day on which the adviser may timely file its annual updating amendment to Form ADV (currently, 90 days after the end of the adviser's fiscal year).[103] This frequency of reporting would allow the Commissions and FSOC to periodically monitor certain key information relevant to assessing systemic risk posed by these private funds on an aggregate basis. It also would allow these advisers to file amendments at the same time as they file their Form ADV annual updating amendment, which may make certain aspects of the reporting more efficient, such as reporting assets under management. Finally, this timing will facilitate FSOC's compilation and analysis of Form PF and Form ADV data for these filers since both sets of data will be reported as of the same date.

Large Private Fund Advisers would be required to complete and file a Form PF no later than 15 days after the end of each calendar quarter.[104] Our preliminary view is that, unlike for smaller private fund advisers, quarterly reporting for Large Private Fund Advisers is necessary in order to provide FSOC with timely data to identify emerging trends in systemic risk. We understand that hedge fund advisers already collect and calculate much of the information that would be required by Form PF relating to hedge funds on a quarterly basis.[105] As a result, quarterly reporting on Form PF would coincide with most hedge fund advisers' internal reporting cycles and leverage data collection systems and processes already existing at these advisers. In addition, we believe that most liquidity fund advisers collect on a monthly basis much of the information that we are proposing be reported in section 3 of Form PF and thus quarterly reporting should be relatively efficient for these advisers. We anticipate that Large Private Fund Advisers would be able to collect and file this information within 15 days after the end of each quarter, which is sufficiently timely for FSOC's use in conducting systemic risk monitoring.

Advisers would be required to file Form PF to report that they are transitioning to only filing Form PF annually with the Commissions or to report that they no longer meet the requirements for filing Form PF no later than the last day on which the adviser's next Form PF update would be timely.[106] This would allow us to determine promptly whether an adviser's discontinuance in reporting is due to it no longer meeting the form's reporting thresholds as opposed to a lack of attention to its filing obligations. Advisers also would be able to avail themselves of a temporary hardship exemption in a similar manner as with other Commission filings if they are unable to file Form PF electronically in a timely manner due to unanticipated technical difficulties.[107]

We request comment on our proposed filing frequency. Are the filing requirements for private fund advisers frequent enough to assess high-level systemic risk posed by private funds? Should smaller private fund advisers have to file more frequently or less frequently? Should Large Private Fund Advisers be required to file Form PF more frequently (such as monthly) or less frequently (such as annually or semiannually)? Is 90 days for an annual update or 15 days for a quarterly update too long to ensure reporting of timely information? Would more or less time be more appropriate? Specifically, would 15 days be enough time for Large Private Fund Advisers to prepare and file quarterly reports? Is there information in the form that should be amended promptly if it becomes inaccurate? Should Large Private Fund Advisers be required to file Form PF as of the end of each calendar quarter or as of the end of each fiscal quarter?

Currently, we anticipate that the proposed rules requiring filing of Form PF would have a compliance date of December 15, 2011, at which time Large Private Fund Advisers would begin filing 15 days after the end of each quarter (*i.e.,* Large Private Fund Advisers would need to make their initial Form PF filing by January 15, 2012). This timing should allow sufficient time for Large Private Fund Advisers to develop systems for collecting the information required on Form PF and prepare for filing. We currently anticipate that this timeframe also would give the SEC sufficient time to create and program a system to accept filings of Form PF.[108] We are proposing

funds * * * 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 that may occur do not ripple throughout world markets but are borne by fund investors alone."). *See also* Private Fund Exemption Release, *supra* note 9.

[101] Section 404 of the Dodd-Frank Act states that the SEC "shall issue rules requiring *each investment adviser to a private fund* to file reports containing such information as the [SEC] deems necessary and appropriate in the public interest and for the protection of investors or for the assessment of systemic risk," (emphasis added).

[102] *See* proposed rule 204(b)–1(a).

[103] *See* proposed Advisers Act rule 204(b)–1(e).

[104] *See* proposed Instruction 7 to Form PF.

[105] *See* Report of the Asset Manager's Committee to the President's Working Group on Financial Markets, Best Practices for the Hedge Fund Industry (Jan. 15, 2009), *available at http://www.amaicmte.org/Public/AMC%20Report%20-%20Final.pdf* (discussing best practices on disclosing to investors performance data, assets under management, risk management practices (including on asset types, geography, leverage, and concentrations of positions) with which SEC staff understands many hedge funds comply).

[106] *See* proposed Instruction 8 to Form PF.

[107] *See* proposed rule 204(b) 1(f). The adviser would check the box in Section 1a of Form PF indicating that it was requesting a temporary hardship exemption and complete Section 5 of Form PF no later than one business day after the electronic Form PF filing was due and 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.

[108] The SEC will work closely with the firm it selects to create and program a system for Form PF

that the rules allow smaller private fund advisers until 90 days after the end of their first fiscal year occurring on or after the compliance date of the proposed rule to file their first Form PF (with the expectation that this would result in smaller private fund advisers with a December 31 fiscal year end filing their first Form PF by March 31, 2012) because we anticipate that some of these advisers may require more time to prepare for their initial Form PF filing and so that the first group of private fund advisers filing Form PF would all be reporting based generally on information as of December 31, 2011.[109] Under this proposed compliance date and transition rule, smaller private fund advisers would have at least eight months after adoption of the proposed form, depending on their fiscal year end, to file their first Form PF. We request comment on when advisers should be required to comply with the proposed rules and file Form PF. Do the compliance dates and transition times that we have proposed provide sufficient time for smaller advisers and Large Private Fund Advisers to prepare for filing?

D. Information Required on Form PF

The questions contained in proposed 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 we propose requiring registered advisers to file on Form PF also is broadly based on the guidelines discussed in the IOSCO Report with many of the more detailed items generally tracking questions contained in the surveys of large hedge fund advisers conducted by the FSA and other IOSCO members.[110] We expect that the information collected on Form PF would assist FSOC in monitoring and assessing any systemic risk, as discussed in section II.A above, that may be posed by private funds. We discuss below the information that Form PF would require.

1. Section 1

Section 1 would apply to all investment advisers required to file Form PF. Item A of Section 1a seeks identifying information about the adviser, such as its name and the name of any of its related persons whose information is also reported on the adviser's Form PF. Section 1a also would require reporting of basic aggregate information about the private funds managed by the adviser, such as total and net assets under management, and the amount of those assets that are attributable to certain types of private funds.[111] This identifying information would 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.

Section 1b of Form PF would elicit certain identifying and other basic information about each private fund advised by the investment adviser. The adviser generally would need to complete a separate section 1b for each private fund it advised. However, because feeder funds typically invest substantially all their assets in a master fund, to prevent duplicative reporting the adviser must report information in section 1b on an aggregated basis for private funds that are part of a master-feeder arrangement and so would not file a separate section 1b for any feeder fund.[112]

Section 1b would require reporting of each private fund's gross and net assets and the aggregate notional value of its derivative positions.[113] It also would require basic information about the fund's borrowings, including a breakdown of the fund's borrowing based on whether the creditor is a U.S. financial institution, foreign financial institution or non-financial institution as well as 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. This section would require reporting of certain basic information about how concentrated the fund's investor base is, such as the number of beneficial owners of the fund's equity and the percentage of the fund's equity held by the five largest equity holders.[114] Finally, section 1b would require monthly and quarterly performance information about each fund.

The information required by section 1b would 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.[115] It would allow FSOC to monitor borrowing practices for the broader private fund industry, which may have interconnected impacts on banks (including specific banks) and thus the broader financial system. We believe that collecting both monthly and quarterly performance data also would allow FSOC to monitor the data at sufficient granularity to track trends.

Finally, section 1c would require reporting of certain information only about hedge funds managed by the adviser, such as their investment strategies, percentage of the fund's assets managed using computer-driven trading algorithms, significant trading counterparty exposures (including identity of counterparties),[116] and trading and clearing practices.[117] This information will enable FSOC to

filings and will monitor whether it could do so on this timeframe.

[109] *See* proposed Advisers Act rule 204(b)–1(g).

[110] *See supra* note 24.

[111] Section 1 would require the adviser to indicate the adviser's total "regulatory assets under management," using the same proposed definition of that term as used on proposed amendments to Part 1 of Form ADV, and its net assets under management, which subtracts out any liabilities of the private funds. *See* Implementing Release, *supra* note 9. Form PF, however, would require the adviser to aggregate parallel managed accounts with related private funds in reporting its assets under management (even if the accounts are not "securities portfolios" within the meaning of proposed Instruction 5.b, Instructions to Part 1A of Form ADV), and thus the total and net assets under management figures reported in section 1a of Form PF may differ from what the adviser reports on Form ADV. Proposed question 2 would require the adviser to report what portion of these assets under management are attributable to hedge funds, liquidity funds, private equity funds, real estate funds, securitized asset funds, venture capital funds, other private funds, and funds and accounts other than private funds. *See* section II.B.1 of this Release for a discussion of these different types of funds and their proposed definitions for purposes of Form PF.

[112] *See* proposed Instructions 5 and 6 to Form PF. When providing responses in Form PF with respect to a private fund, the adviser also must include any parallel managed accounts related to the private fund. *Id.*

[113] The form would require the adviser to report the total gross notional value of its funds' derivative positions, except that options would be reported using their delta adjusted notional value. Long and short positions would not be netted. *See* proposed Form PF, instructions to question 11.

[114] *See* proposed question 12 on Form PF.

[115] This information also would be useful for advancing the Commissions' investor protection goals.

[116] Specifically, proposed questions 19 and 20 on Form PF would require the adviser to identify the five trading counterparties to which the fund has the greatest net counterparty credit exposure (measured as a percentage of the fund's net asset value) and that have the greatest net counterparty credit exposure to the fund (measured in U.S. dollars).

[117] More specifically, proposed question 21 on Form PF would require estimated breakdowns of percentages of the hedge fund's securities and derivatives traded on a regulated exchange versus over the counter and percentages of the hedge fund's securities, derivatives, and repos cleared by a central clearing counterparty ("CCP") versus bilaterally (or, in the case of repos, that constitute a tri-party repo).

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 extent of private fund activities conducted away from regulated exchanges and clearing systems. We have based some of this information, such as information about significant trading counterparty exposures and trading and clearing practices, on the FSA surveys, which would promote international consistency in hedge fund reporting.[118]

We request comment on section 1 of proposed Form PF. Is there additional basic information that we should require from all advisers filing Form PF or regarding all of the hedge funds or other private funds that they manage? For example, should we require any of the more detailed information about their borrowing practices that we require regarding large hedge funds in Item B of section 2b? Is a creditor providing 5 percent of the fund's borrowings an appropriate threshold for significant creditors of whose identity FSOC may want to be aware for purposes of assessing the fund's interconnectedness in the financial system? Should the threshold be more or less? Are the top five equity holders in the fund an appropriate threshold for significant investors in the fund? Should the threshold be more or less? Should we require assets under management information for other private fund categories than those specified in question 4? Should we request that performance data be reported on a different basis than monthly and quarterly? Are there other primary investment strategies that hedge funds use that should be included in question 17? Is the information we have proposed requiring on the fund's borrowings necessary given that other questions in section 1b ask for information on the fund's gross and net assets? Will asking for the amount and identity of the five trading counterparties to which the fund has the greatest net counterparty credit exposure and that have the greatest net counterparty credit exposure to the fund appropriately track significant exposures for systemic risk assessment purposes? Have we requested appropriate information on trading and clearing practices sufficient to allow FSOC to examine systemic risks relating to trading and clearing outside of regulated exchanges and central clearing systems? Is there information in section 1 that we should not require, or that we should only require of large hedge fund advisers and why? With respect to the aggregation of master-feeder arrangements for reporting purposes, are there common situations in which an adviser will not have sufficient access to a feeder fund's information to report accurately on Form PF? If so, how should the form address those situations? We also request comment more generally on the definitions of terms we have proposed in the glossary of terms for Form PF.

2. Section 2

Form PF would require private fund advisers who had at least $1 billion in hedge fund assets under management as of the close of business on any day during the reporting period to complete section 2.[119] Section 2a would require certain aggregate information about the hedge funds advised by Large Private Fund Advisers, such as the market 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). It also would require the adviser to report the duration of fixed income portfolio holdings (including asset backed securities), to indicate the assets' interest rate sensitivity, as well as the turnover rate of the adviser's aggregate portfolios during the reporting period to provide an indication of the adviser's frequency of trading. Finally, the adviser would be required to report a geographic breakdown of investments held by the hedge funds it advises.

This information would assist FSOC in monitoring asset classes in which hedge funds may be significant investors and trends in hedge funds' exposures to allow FSOC to identify concentrations in particular asset classes (or in particular geographic regions) that are building or transitioning over time. It would aid FSOC in examining large hedge fund advisers' role as a source of liquidity in different asset classes. In some cases, we are proposing that the information be broken down into categories that would facilitate FSOC's use of flow of funds information, which is an important tool for evaluating trends in and risks to the U.S. financial system.[120] This information also is designed to address requirements under section 404 of the Dodd-Frank Act specifying certain mandatory contents for records and reports that must be maintained and filed by advisers to private funds. For example, it would provide information about the types of assets held and trading and investment positions and practices.

Section 2b of Form PF would require large hedge fund advisers to report certain additional information about any hedge fund they advise with a net asset value of at least $500 million as of the close of business on any day during the reporting period (a "qualifying hedge fund").[121] For purposes of determining whether a private fund is a qualifying hedge fund, the adviser would have to aggregate any parallel managed accounts, parallel funds, and funds that are part of the same master-feeder arrangement, and would have to treat any private funds managed by its related person as if they were managed by the filing adviser.[122] We are proposing this aggregation to prevent an adviser from structuring its activities to avoid the reporting requirement. We have selected $500 million as a threshold for more extensive individual hedge fund reporting because we believe that a $500 million hedge fund is a substantial fund the activities of which could have an impact on particular markets in which it invests or on its particular counterparties. We also believe that setting this threshold at this level would minimize reporting burdens on advisers to smaller or start up hedge funds that are less likely to have a systemic impact. Finally, this threshold is the same threshold used by the FSA in its hedge fund surveys and thus would create a certain level of consistency in reported data.

We request comment on the qualifying hedge fund threshold. Should it be lower or higher? If so, why? Should large hedge fund advisers have to report the information for all their hedge funds? Could all of such advisers' hedge funds, in the aggregate, potentially have a systemic impact that would merit such

[118] For example, the FSA survey asks for identification of the hedge fund's top five counterparties in terms of net credit exposure. It also asks for estimates of the percentage of the fund's securities or derivatives traded on a regulated exchange versus over the counter and the percentage of the fund's derivatives and repos cleared by a CCP versus bilaterally.

[119] *See* section II.B of this Release.

[120] For example, we are proposing that in some cases the data be broken down between issuers that are financial institutions and those that are not. The FRB publishes flow of funds data, which is available at *http://www.federalreserve.gov/releases/z1/.*

[121] *See* proposed Instruction 3 to Form PF. Advisers should not complete section 2 with respect to assets managed by a fund of hedge funds. *See* proposed Instruction 7 to Form PF.

[122] *See* proposed Instructions 5 and 6 to Form PF. Parallel funds are a structure in which one or more private funds pursues substantially the same investment objective and strategy and invests side by side in substantially the same positions as another private fund. *See* proposed Glossary of Terms to Form PF.

reporting? Should Form PF have different requirements regarding aggregating parallel managed accounts, parallel funds, or feeder funds or aggregating hedge funds managed by affiliates?

Section 2b would require reporting of the same information as that requested in section 2a regarding exposure to different types of assets.[123] In this section, however, this information would be reported separately for each qualifying hedge fund the adviser manages. Section 2b also would require on a per fund basis data not requested in section 2a. The adviser would be required to report information regarding the qualifying hedge fund's portfolio liquidity, concentration of positions, collateral practices with significant counterparties, and the identity of, and clearing relationships with, the three central clearing counterparties to which the fund has the greatest net counterparty credit exposure.[124] This information is designed to assist FSOC in monitoring the composition of hedge fund exposures over time as well as the liquidity of those exposures. The information also would aid FSOC in its monitoring of credit counterparties' unsecured exposure to hedge funds as well as the hedge fund's exposure and ability to respond to market stresses and interconnectedness with central clearing counterparties. Finally, some of this information, such as information about the identity of three central clearing counterparties to which the fund has the greatest net counterparty credit exposure and fund asset liquidity information, was broadly based on information requested by the FSA survey, which would promote international consistency in hedge fund reporting.[125]

Section 2b also would require for each qualifying hedge fund data regarding certain hedge fund risk metrics, financing information, and investor information. If during the reporting period the adviser regularly calculated a value at risk ("VaR") metric for the qualifying hedge fund, the adviser would have to report VaR for each month of the reporting period.[126] The form also would require the adviser to report the impact on the fund's portfolio from specified changes to certain identified market factors, if regularly considered in the fund's risk management, broken down by the long and short components of the qualifying hedge fund's portfolio.[127] This information is designed to allow FSOC to track basic sensitivities of the hedge fund to common market sensitivities, correlations in those factor sensitivities, and trends in those factor sensitivities among large hedge funds.

Item D of Section 2b would require reporting of certain financing information for each qualifying hedge fund, including a monthly breakdown of its secured and unsecured borrowing and its derivatives exposures as well as information about the value of the collateral and letters of credit supporting the secured borrowing and derivatives exposures and the types of creditors. It also would require a breakdown of the term of the fund's committed financing. This information would assist FSOC in monitoring 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. Collecting financing data broken down on a monthly basis should provide FSOC with sufficient granularity to identify trends.

Finally, Item E of section 2b would require the private fund adviser to report information about each qualifying hedge fund's investor composition and liquidity. For example, it contains questions about the fund's side pocket and gating arrangements and provides for a breakdown of the percentage of the fund's net asset value that is locked in for different periods of time.[128] We believe this information may be important in allowing 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.

The information in proposed section 2b also is designed to address requirements under section 404 of the Dodd-Frank Act for records and reports that the SEC requires of private fund advisers, such as monitoring the amount of assets under management and the use of leverage, counterparty credit risk exposure, trading and investment positions, and the types of assets held. We request comment on the information that we propose requiring large hedge fund advisers to report under section 2. Is there additional information with respect to the types of their investments, use of leverage, or counterparties that we should require and why? Have we asked for appropriate time period breakdowns of the fund's liquidity in terms of asset liquidity, financing liquidity, and investor liquidity? Is there other information we could ask to assess hedge funds' potential impact on liquidity in particular markets? Would the threshold in the proposed form capture significant central clearing counterparties? Does the proposed form ask sufficient questions regarding the fund's collateral practices to ensure that FSOC will be able to monitor the fund's unsecured exposure to significant counterparties? Should the form require reporting of hedge funds' investment in different types of instruments or commodities than those proposed in questions 23 and 27?

Are there risk metrics or additional market factors that we should require? Should we require the proposed market factors but with different specified changes? Stress testing is an important metric for FSOC's assessment of potential systemic risk posed by hedge funds, but we understand that the type of stress testing conducted varies

[123] *See* proposed question 26 on Form PF.

[124] *See* proposed questions 27–34 on Form PF. For example, question 28 would require reporting of the percentage of the fund's portfolio capable of being liquidated within different time periods. Question 31 would require 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. Questions 32 and 33 would require reporting of initial and variation margin for collateral securing exposure to the fund's top five counterparty groups as well as the face amount of letters of credit posted and certain information on rehypothecation of such collateral.

[125] For example, the FSA survey asks for the percentage of the hedge fund's portfolio that can be liquidated within different time periods and the identity of the fund's top three CCPs in terms of net credit exposure.

[126] If VaR was calculated, the adviser would have to report the confidence interval, time horizon, whether any weighting was used, and the method used to calculate VaR (historical simulation, Monte Carlo simulation, parametric, or other). If applicable, the adviser would have to report the historical lookback period used. The adviser would also have to report if it did not regularly calculate VaR. *See* proposed question 35 on Form PF.

[127] The market factors are changes in: equity prices, risk free interest rates, credit spreads, currency rates, commodity prices, option implied volatilities, ABS default rates, and corporate bond default rates. Advisers are permitted to omit a response with respect to any market factor that it did not regularly consider in the reporting fund's risk management. However, to be "regularly considered" in the fund's risk management does not require that the adviser have conducted stress testing on that market factor (it could simply mean, for example, that the fund's risk managers recognized that such a market factor could have an impact on the fund's portfolio). *See* proposed question 36 on Form PF and related instructions.

[128] A side pocket is a type of account used by private funds to separate illiquid assets from other more liquid fund investments. Only investors in the hedge fund at the time the asset is put in the side pocket (and not future investors) will be entitled to a share of proceeds from that investment. A gate is a restriction imposed by the manager of a private fund on permissible redemptions from the fund during a certain period of time. The standards for imposing suspensions and gates may vary among funds, so in responding to these questions, an adviser would be expected to make a good faith determination as to which provisions of the reporting fund's governing documents would likely be triggered during conditions that it views as significant market stress.

substantially depending on the strategy of the particular hedge fund and among hedge funds pursuing the same strategy. Is there a better way for the form to assess the effects of stresses on hedge funds than the stress testing questions included in the proposed form? Should we request the geographic breakdown of the hedge fund's investments for different geographic regions or countries? Are there existing collections of data broken down by geographic regions or countries with which we should be consistent? Should we require more or less detailed information regarding the types of assets in which the fund invests?

Is there information that we should not require and why? Is there information that we should require large hedge fund advisers to report regarding all of the hedge funds they manage that we only propose requiring qualifying hedge funds to report? Is there information in proposed Form PF that is unlikely to be reported in a comparable or meaningful fashion such that FSOC would be unable to draw any useful conclusions or insights for purposes of assessing systemic risk? If so, how could changes to the question or instructions to the question improve the utility of the information the form seeks? Are there any disclosure requirements in the SEC's proposed amendments to Form ADV (which will be publicly available) that should instead be reported through Form PF (which will not be publicly available) or vice versa? [129]

We request comment more generally on the information we propose requiring in Form PF with respect to hedge funds and their advisers. Is there additional information that would be helpful to FSOC in monitoring for systemic risk with respect to hedge funds?

We note that certain data in the proposed form, while filed with the Commissions on an annual or quarterly basis, would have to be reported on a monthly basis. In addition to providing more granular data to allow FSOC to better identify trends, this aspect of the proposal is designed to mitigate the ability of an adviser to "window dress," or manipulate certain reported data to mask activities or risks undertaken by the private funds it manages.

Is there information that should be broken down further and reported as of smaller time increments, such as weekly, or as of larger time increments? Is there information that should be reported to show ranges, averages, high points, or low points during the reporting period, rather than as of the last day of the month or quarter? If so what time period should the range or average cover and how should it be calculated? We note that we have considered in other contexts different ways of disclosing information that can fluctuate during a reporting period.[130] Are there approaches in these other contexts that should be used in Form PF? What would be the best method of avoiding "window dressing" in the form and why? Is there information that should not be reported on a monthly basis or, in contrast, information that should be reported on a monthly basis (in each case, when the information is filed with the Commissions quarterly or annually)? Please explain your response.

3. Section 3

Form PF would require private fund advisers advising a liquidity fund and managing at least $1 billion in combined liquidity fund and registered money market fund assets as of the close of business on any day in the reporting period to complete and file the information on section 3.[131] As discussed above, to the extent that liquidity funds function as unregistered substitutes for money market funds or otherwise share certain basic characteristics of money market funds, they may be susceptible to runs and thus have the potential to pose systemic risk.[132]

Section 3 would require that these private fund advisers report certain information for each liquidity fund they manage. The section includes questions on whether the fund uses the amortized cost method of valuation and/or the penny rounding method of pricing in computing its net asset value per share to help determine how the fund might try to maintain a stable net asset value that could make the fund more susceptible to runs.[133] It asks whether the fund as a matter of policy is managed in compliance with certain provisions of rule 2a–7 under the Investment Company Act of 1940, which is the principal rule through which the SEC regulates registered money market funds.[134] This information would 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.

Section 3 also would require reporting of certain information regarding the liquidity fund's portfolio. For example, it would ask, for each month of the reporting period, for the fund's net asset value, net asset value per share, market-based net asset value per share, weighted average maturity ("WAM"), weighted average life ("WAL"), 7-day gross yield, amount of daily and weekly liquid assets, and amount of assets with a maturity greater than 397 days.[135] It also would require the fund to report the amount of its assets invested in different types of instruments, broken down by the maturity of those instruments, as well as information for each open position of the fund that represents 5 percent or more of the fund's net asset value.[136] This information would 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.

Item C of Section 3 would require reporting of any secured or unsecured borrowing of the liquidity fund, broken down by creditor type and the maturity profile of that borrowing, and of whether the fund has in place a committed liquidity facility. This information would aid FSOC in monitoring leverage practices among

[129] *See* Implementing Release, *supra* note 9, for a discussion of the SEC's proposed amendments to Form ADV.

[130] *See Short-Term Borrowings Disclosure,* Securities Act Release No. 9143 (Sept. 17, 2010), at section II.A [75 Fed. Reg. 59866 (Sept. 28, 2010)].

[131] *See* sections II.A.2 and II.B of this Release for a discussion of this reporting threshold and the definition of liquidity fund. For purposes of the $1 billion threshold, an adviser would have to treat any liquidity funds managed by any of the adviser's related persons as though they were advised by the adviser. *See* proposed Instruction 3 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 3 of the form, which would require more specific reporting regarding liquidity funds, would only be required by the SEC.

[132] *See* section II.A.2 of this Release. The SEC also notes that institutional investors—the principal investors in liquidity funds—were the primary participants in the run on money market funds in September 2008, rather than retail investors. *See* MMF Reform Proposing Release, *supra* note 65.

[133] *See* proposed questions 43 and 44 of Form PF.

[134] *See* proposed question 45 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. Many liquidity funds state in investor offering documents that the fund is managed in compliance with rule 2a–7 even though that rule does not apply to liquidity funds.

[135] *See* proposed question 46 of Form PF. WAM, WAL, daily liquid assets, and weekly liquid assets are to be calculated in accordance with rule 2a–7 under the Investment Company Act. The 7-day gross yield is to be calculated consistent with the methodology required under Form N–MFP, which must be filed by money market funds registered with the SEC. *See* 17 CFR 274.201.

[136] *See* proposed question 47 of Form PF. Proposed question 48 of Form PF would require reporting for each month of the reporting period, for each of the fund's positions representing 5% or more of its net asset value, of the position's portion of the fund's net asset value and sub-asset class.

liquidity funds and their potential to magnify risks undertaken by the fund. Finally, Item D of Section 3 would ask for certain information regarding the concentration of the fund's investor base, gating and redemption policies, and investor liquidity.[137] It also would require reporting of a good faith estimate of the percentage of the fund purchased using securities lending collateral. The SEC believes this information would be important in allowing FSOC to monitor the susceptibility of the liquidity fund to a run in the event the fund comes under stress and its interconnectedness to securities lending programs.

The SEC requests comment on the information that it proposes requiring in section 3. Is there additional information that the SEC should require? For example, is there information that the SEC requires to be reported for registered money market funds on Form N–MFP that the SEC also should require to be reported on Form PF for liquidity funds? Should the SEC require reporting of more specific information about the holdings or types of holdings of these liquidity funds? Is the threshold for when the private fund adviser is required to report information in section 3 for an individual liquidity fund appropriate for purposes of FSOC to be able to monitor for potential systemic risk in this sector? Is five percent an appropriate threshold for considering a liquidity fund investment or investor to be significant for purposes of Form PF reporting? Is our proposed breakdown of the liquidity fund's asset maturity and investor liquidity appropriate?

4. Section 4

The SEC is proposing that section 4 of Form PF require private fund advisers managing at least $1 billion in private equity fund assets as of the close of business on the last day of the reporting period to report certain information about each private equity fund they manage.[138] Section 4 would require reporting of certain information about the fund's borrowings and guarantees and the leverage of the portfolio companies in which the fund invests. Specifically, section 4 would require information about the outstanding balance of the fund's borrowings and guarantees.[139] It also would require the adviser to report the weighted average debt-to-equity ratio of controlled portfolio companies in which the fund invests and the range of that debt to equity ratio among these portfolio companies.[140] It asks for the maturity profile of its portfolio companies' debt, for the portion of that debt that is payment-in-kind or zero coupon, and whether the fund or any of its portfolio companies experienced an event of default on any of its debt during the reporting period.[141] It also asks for the identity of the institutions providing bridge financing to the adviser's portfolio companies and the amount of that financing.[142] The SEC believes that this information would allow FSOC to assess to what extent private equity funds use leverage and the potential exposure of banks and other lending providers to the larger private equity funds and their portfolio companies and leverage among portfolio companies of the larger private equity funds to monitor whether trends in those areas could pose systemic implications for the portfolio companies' lenders.

Section 4 also would require reporting of certain information if the fund invests in any financial industry portfolio company, such as its name, its debt-to-equity ratio, and the percentage of the portfolio company beneficially owned by the fund.[143] This information would allow FSOC to monitor large private equity funds' investments in companies that may be particularly important to the stability of the financial system. Section 4 also would ask whether any of the adviser's related persons co-invest in any of the fund's portfolio companies.[144] Finally, the form would require a breakdown of the fund's investments by industry and by geography, which should provide FSOC with basic information about global and industry concentrations that may be relevant to monitoring risk exposures in the financial system.[145]

The SEC requests comment on the information it proposes requiring regarding private equity funds in section 4. Is there additional information that the SEC should request and why? For example, are their additional lending practices used in leveraged buyouts about which the form should collect information? Are there particular industries in which private equity funds might invest that could be systemically important? Should the Form ask additional questions specific to those industries? Should the form track private equity fund investments in different geographic and/or industry concentrations than those we have proposed? Should the SEC request less information and why? Should the SEC not require any reporting on Form PF specific to private equity funds? Why or why not?

E. Filing Fees and Format for Reporting

Under proposed Advisers Act rule 204(b)–1(b), Form PF would need to be filed through an electronic system designated by the SEC for this purpose. There may be efficiencies realized if the current Investment Adviser Registration Depository ("IARD") platform, which is operated by the Financial Industry Regulatory Authority, were expanded for this purpose, such as the possible interconnectivity of Form ADV filings and Form PF filings, and possible ease of filing with one password. The filing system would need to have certain features, including being programmed with special confidentiality protections designed to ensure the heightened confidentiality protections created for Form PF filing information under the Dodd-Frank Act but to allow for secure access by FSOC and other regulators as permitted under the Dodd-Frank Act.

The SEC separately will decide on the system to be selected for the electronic filing of Form PF. That determination will be reflected in a separate notice.

Under the proposed rule, advisers required to file Form PF would be required to pay to the operator of the Form PF filing system fees that have

[137] For example, question 52 would require reporting of the percentage of the reporting fund's equity that is beneficially owned by the beneficial owner having the largest equity interest in the fund and of how many investors beneficially own 5% or more of the fund's equity.

[138] *See* section II.B of this Release for a discussion of this reporting threshold and the definition of "private equity fund." 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 would require more specific reporting regarding private equity funds, would only be required by the SEC.

[139] *See* proposed questions 57 and 58.

[140] *See* proposed questions 59–61. A "controlled portfolio company" is defined as a portfolio company that is controlled by the private equity fund, either alone or together with the private equity fund's related persons or other persons that are part of a club or consortium investing in the portfolio company. "Control" has the same meaning as used in Form ADV, and generally means the power, directly or indirectly, to direct the management or policies of a person, whether through ownership of securities, by contract, or otherwise. *See* proposed Glossary of Terms to Form PF; Glossary of Terms to Form ADV.

[141] *See* proposed questions 62–64.

[142] *See* proposed question 65.

[143] *See* proposed question 66. A "financial industry portfolio company" generally is defined as a nonbank financial company, as defined by section 102(a)(4) of the Dodd-Frank Act, bank or savings association, bank holding company or financial holding company, savings and loan holding company, credit union, or Farm Credit System institution. *See* proposed Glossary of Terms to Form PF.

[144] *See* proposed question 69.

[145] *See* proposed questions 67 and 68. Industries would be identified using NAICS codes. "NAICS" stands for the "North American Industry Classification System," and is a system of industry classifications commonly used in the financial industry.

been approved by the SEC.[146] We anticipate that Large Private Fund Advisers' filing fees would be set at a higher amount because their filings would be responsible for a larger proportion of system needs due to their more frequent and extensive filings. The SEC in a separate action would approve filing fees that reflect the reasonable costs associated with the filings and the establishment and maintenance of the filing system.[147]

While we are not requiring that the information be filed in eXtensible Markup Language ("XML") tagged data format, we expect to look for a filing system that could accept information filed in XML format. We intend to establish data tags to allow Form PF to be submitted in XML format with the SEC. Accordingly, advisers would be able to file the information in Form PF in XML format if they choose. 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. We anticipate that we may eventually require Form PF filers to tag data submitted on Form PF using a refined, future taxonomy defined by us, working in collaboration with the industry. Thereafter, the usability of data contained in Form PF is expected to increase greatly because tagged data would be easier to sort and analyze. We note that private initiatives are underway to create such taxonomies.[148] We request comment on our proposed system of electronic filing. Should we require that all filings be done in XML format? Should we allow or require the form to be provided in a format other than XML, such as eXtensible Business Reporting Language ("XBRL")? Is there another format that is more widely used or would be more appropriate for the required data? Should smaller and/or Large Private Fund Advisers be charged different amounts than what we have anticipated charging? If so, why?

III. General Request for Comment

The Commissions request comment on the rules and form proposed in this Release and comment on other matters that might have an effect on the proposals contained in this Release. Commenters should provide empirical data to support their views.

IV. Paperwork Reduction Act

CFTC

Proposed CEA rule 4.27(d) 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, and the CFTC is not imposing any additional burdens herein. Therefore, any burden imposed by Form PF through proposed CEA rule 4.27(d) 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 Paperwork Reduction Act of 1995 ("PRA").[149]

SEC

Section 404 of the Dodd-Frank Act, which amends 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. Proposed rule 204(b)–1 and Form PF under the Advisers Act, which would implement this requirement of the Dodd-Frank Act. Proposed Form PF contains a new "collections of information" within the meaning of the PRA.[150] 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." For purposes of this PRA analysis, the paperwork burden associated with the requirements of proposed rule 204(b)–1 is included in the collection of information burden associated with proposed 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.

Proposed Form PF is intended to provide FSOC with information that would facilitate fulfillment of its obligations under the Dodd-Frank Act relating to nonbank financial companies and systemic risk monitoring.[151] The SEC also may use the information in connection with its regulatory and examination programs. The respondents to Form PF would be private fund advisers.[152] Compliance with proposed Form PF would be mandatory for any private fund adviser. Smaller private fund advisers would be required to file Form PF only on an annual basis. These smaller private fund advisers would provide a limited amount of basic information about the operations of the private funds they advise.[153] Large Private Fund Advisers would be required to file Form PF on a quarterly basis reporting additional information regarding the private funds they advise. The PRA analysis set forth below takes into account the fact that the additional information proposed Form PF would require that large hedge fund advisers report would be more extensive than the additional information required from large liquidity fund advisers, which in turn would be more extensive than that required from large private equity fund advisers.[154]

As discussed in section II.B 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 designed the reporting frequency based on when it understands advisers to private funds are already collecting certain information that Form PF would require. In addition, the SEC has based certain more specific reporting items on information that it understands large hedge fund advisers frequently collect

[146] *See* proposed Advisers Act rule 204(b)–1(d).

[147] *See* section 204(c) of the Advisers Act.

[148] *See, e.g., http://www.operastandards.org.*

[149] 44 U.S.C. 3501–3521.

[150] 44 U.S.C. 3501–3521.

[151] *See* sections I.A and II.A of this Release.

[152] The requirement to file the form would apply to investment advisers registered, or required to register, with the SEC that advise one or more private funds. *See* proposed rule 204(b)–1(a). It would not apply to state-registered investment advisers or exempt reporting advisers.

[153] *See* section II.B of this Release for a description of who would be required to file Form PF, section II.C of this Release for information regarding the frequency with which smaller private fund advisers would be required to file Form PF, and section II.D.1 of this Release for a description of the information that smaller private fund advisers would be required to report on Form PF. *See also* proposed Instruction 8 to Form PF for information regarding the frequency with which smaller private fund advisers would be required to file Form PF.

[154] *See* section II.B of this Release for a description of who would be required to file Form PF, section II.C of this Release for information regarding the frequency with which Large Private Fund Advisers would be required to file Form PF, section II.D.2 of this Release for a description of the information that large hedge fund advisers would be required to report on Form PF, and sections II.D.3 and II.D.4 of this Release for a description of the information that large liquidity and private equity fund advisers would be required to report on Form PF. *See also* proposed Instruction 8 to Form PF for information regarding the frequency with which Large Private Fund Advisers would be required to file Form PF.

for purposes of reporting to investors in the funds.[155]

The information that Form PF would require would be filed through an electronic filing system expected to be operated by an entity designated by the SEC. Responses to the information collections would be kept confidential to the extent permitted by law.[156]

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

In the Implementing Release, the SEC estimated that 3,500 currently registered advisers would become subject to the private fund reporting requirements included in the proposed amendments to Form ADV.[157] The SEC further estimated that 200 advisers to private funds would register with the SEC as a result of normal growth in the population of registered advisers and that 750 advisers to private funds would register as a result of the Dodd-Frank Act's elimination of the private adviser exemption.[158] As a result, the SEC estimates that a total of approximately 4,450 registered investment advisers would become subject to the proposed private fund reporting requirements in Form ADV.[159] Because these advisers would also be required to report on Form PF, the SEC accordingly estimates that approximately 4,450 advisers would be required to file all or part of Form PF.[160] Out of this total number, the SEC estimates that approximately 3,920 would be smaller private fund advisers, not meeting the thresholds for reporting as Large Private Fund Advisers.[161]

Smaller private fund advisers would be required to complete all or portions of section 1 of Form PF and to file on an annual basis. As discussed in greater detail above, section 1 would require basic data regarding the reporting adviser's identity and certain information about the private funds it manages, such as performance, leverage, and investor concentration data.[162] If the reporting adviser advises any hedge funds, section 1 also would require basic information regarding those funds, including their investment strategies, trading counterparty exposures, and trading and clearing practices.

Based on the SEC's experience with other data filings, it estimates that smaller private fund advisers would require an average of approximately 10 burden hours to compile, review and electronically file the required information in section 1 of Form PF for the initial filing and an average of approximately 3 burden hours for subsequent filings.[163] Accordingly, the amortized average annual burden of periodic filings would be 5 hours per smaller private fund adviser for each of the first three years,[164] and the amortized aggregate annual burden of periodic filings for smaller private fund advisers would be 19,600 hours for each of the first three years.[165]

B. Burden Estimates for Quarterly Reporting by Large Private Fund Advisers

The SEC estimates that 530 of the private fund advisers registered with the SEC would meet one or more of the thresholds for reporting as Large Private Fund Advisers.[166] As discussed in section II.D above, Large Private Fund Advisers would be required to report more information on Form PF than smaller private fund advisers and would be required to report on a quarterly basis. The amount of additional information reported by a Large Private Fund Adviser would depend, in part, on whether it is a large hedge fund adviser, a large liquidity fund adviser, or large private equity fund adviser. A large hedge fund adviser would be required to report more information with respect to itself and the funds it advises than would a large liquidity fund adviser, which in turn would report more information than a large private equity fund adviser.[167] Of the total number of Large Private Fund Advisers, the SEC estimates that 200 are large hedge fund advisers, 80 are large liquidity fund advisers, and 250 are large private equity fund advisers.[168]

Because the proposed reporting requirements on Form PF for large hedge fund advisers would be the most extensive of the Large Private Fund Advisers, the SEC estimates that these advisers would require, on average, more hours 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 would require an average of approximately 75 burden hours for an initial filing and 35 burden hours for each subsequent filing.[169] In

[155] *See* Report of the Asset Manager's Committee to the President's Working Group on Financial Markets, Best Practices for the Hedge Fund Industry (Jan. 15, 2009), *available at http://www.amaicmte.org/Public/AMC%20Report%20-%20Final.pdf* (discussing best practices on disclosing to investors performance data, assets under management, and risk management practices (including on asset types, geography, leverage, and concentrations of positions) with which we understand many hedge funds comply).

[156] *See supra* note 39 and accompanying text.

[157] *See* section V.B.2.a.ii of the Implementing Release. As proposed in the Implementing Release, advisers to private funds would be required to complete Item 7.B and Section 7.B of Schedule D to the amended Form ADV.

[158] *Id.* The estimates of registered private fund advisers are based in part on the number of advisers that reported a fund in Section 7.B of Schedule D to the current version of Form ADV. Because these responses include funds advised by a related person rather than the adviser, these data may over-estimate the total number of private fund advisers.

[159] 3,500 currently registered advisers to private funds + 200 advisers to private funds registering as a result of normal growth + 750 newly registered advisers to private funds = 4,450 advisers.

[160] If a private fund is advised by both an adviser and one or more subadvisers, only one of these advisers would be required to complete Form PF. *See* section II.B.4 of this Release. As a result, it is likely that some portion of these advisers either would not be required to file Form PF or would 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.

[161] Based on the estimated total number of registered private fund advisers that would not meet the thresholds to be considered Large Private Fund Advisers. (4,450 estimated registered private fund advisers − 200 large hedge fund advisers − 80 large liquidity fund advisers − 250 large private equity fund advisers = 3,920 smaller private fund advisers.)

[162] *See supra* section II.D.1.

[163] These estimates reflect the SEC's understanding that much of the information in section 1 of Form PF is currently maintained by most private fund advisers in the ordinary course of business. In addition, the time required to determine a private fund adviser's aggregate assets under management and the amount of assets under management that relate to private funds of various types largely is expected to be included in the approved burden associated with the SEC's Form ADV (this information would only differ if the adviser managed parallel managed accounts). 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.

[164] The SEC estimates that a smaller private fund adviser would make 3 annual filings in three years, for an amortized average annual burden of 5 hours (1 initial filing × 10 hours + 2 subsequent filings × 3 hours = 16 hours; and 16 hours ÷ 3 years = approximately 5 hours). After the first three years, filers generally would not incur the start-up burdens applicable to the first filing.

[165] 5 burden hours on average per year × 3,920 smaller private fund advisers = 19,600 burden hours per year.

[166] *See* section II.B.2 of this Release for estimates of the numbers of large hedge fund advisers, large liquidity fund advisers, and large private equity fund advisers. (200 large hedge fund advisers + 80 large liquidity fund advisers + 250 large private equity fund advisers = 530 Large Private Fund Advisers.)

[167] *See supra* sections II.D.2, II.D.3 and II.D.4.

[168] *See supra* section II.B.2.

[169] The estimates of hour burdens and costs for Large Private Fund Advisers provided in the Paperwork Reduction Act and cost benefit analyses are based on burden data provided by advisers in response to the FSA hedge fund 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 would increase the burden of the initial filing but reduce the burden of

Continued

contrast, large liquidity fund advisers, which would report more information than smaller private fund advisers or large private equity fund advisers but less information than large hedge fund advisers, would require an average of approximately 35 burden hours for an initial filing and 16 burden hours for each subsequent filing. Finally, the SEC estimates that large private equity fund advisers, which would report more information than smaller private fund advisers but less than other Large Private Fund Advisers, would require an average of approximately 25 burden hours for an initial filing and 12 burden hours for each subsequent filing. Based on these estimates, the amortized average annual burden of periodic filings would be 153 hours per large hedge fund adviser,[170] 70 hours per large liquidity fund adviser,[171] and 52 hours per large private equity fund adviser, in each case for each of the first three years.[172] In the aggregate, the amortized annual burden of periodic filings would then be 30,600 hours for large hedge fund advisers,[173] 5,600 hours for large liquidity fund advisers,[174] and 13,000 hours for large private equity fund advisers,[175] in each case for each of the first three years.

C. Burden Estimates for Transition Filings, Final Filings and Temporary Hardship Exemption Requests

In addition to periodic filings, a private fund adviser would be required to file very limited information on Form PF in three situations.

First, any adviser that transitions from quarterly to annual filing because it has ceased to be a Large Private Fund Adviser would be required to file a Form PF indicating that it is no longer obligated to report on a quarterly basis. The SEC estimates that approximately 9 percent of Large Private Fund Advisers would need to make a transition filing each year with a burden of 0.25 hours, or a total of 12 burden hours per year for all private fund advisers.[176]

Second, filers who are no longer subject to Form PF's periodic reporting requirements would file a final report indicating that fact. The SEC estimates that approximately 8 percent of the advisers required to file Form PF would have to file such an amendment each year with a burden of 0.25 of an hour, or a total of 89 burden hours per year for all private fund advisers.[177]

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.[178] The information that must be filed 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.[179] Assuming that Form PF filers request hardship exemptions at the same rate and that the applications impose the same burden per filing, the SEC would expect approximately 4 filers to request a temporary hardship exemption each year[180] for a total of 4 burden hours.[181]

D. Aggregate Burden Estimates

Based on the foregoing, the SEC estimates that Form PF would result in an aggregate of 68,905 burden hours per year for all private fund advisers for each of the first three years, or 15 burden hours per year on average for each private fund adviser over the same period.[182]

E. Request for Comment

Pursuant to 44 U.S.C. 3506(c)(2)(B), the SEC solicits comments to: (i) Evaluate whether the proposed amendments to the collection of information are necessary for the proper performance of the functions of the SEC, including whether the information would have practical utility; (ii) evaluate the accuracy of the SEC's estimate of the burden of the proposed collection of information; (iii) determine whether there are ways to enhance the quality, utility, and clarity of the information to be collected; and (iv) determine whether there are ways to minimize the burden of the collection of information on those who are to respond, including through the use of automated collection techniques or other forms of information technology. In particular, would private fund advisers seek to automate all or part of their Form PF reporting obligations? Would automation be efficient only for Large Private Fund Advisers, or would smaller private fund advisers also be able to automate efficiently? What is the likely burden of automation? Would advisers use internal personnel or pay outside service providers to make needed system modifications or to perform all or part of their Form PF reporting obligations? If outside service providers are used, what is the likely cost and how would it impact our estimates of internal costs and hourly burdens for the proposed reporting?

Persons desiring to submit comments on the collection of information requirements should direct them to the Office of Management and Budget, Attention: Desk Officer for the Securities and Exchange Commission, Office of Information and Regulatory Affairs, Room 10102, New Executive Office Building, Washington, DC 20503, and also should send a copy of their comments to Elizabeth M. Murphy, Secretary, Securities and Exchange Commission, 100 F Street, NE., Washington, DC 20549–1090 with reference to File No. S7–05–11. Requests for materials submitted to OMB by the Commission with regard to this collection of information should be

subsequent filings, which has been taken into consideration in our burden estimates.

[170] The SEC estimates that a large hedge fund adviser would make 12 quarterly filings in three years, for an amortized average annual burden of 153 hours (1 initial filing × 75 hours + 11 subsequent filings × 35 hours = 460 hours; and 460 hours ÷ 3 years = approximately 153 hours). After the first three years, filers generally would not incur the start-up burdens applicable to the first filing.

[171] The SEC estimates that a large liquidity fund adviser would make 12 quarterly filings in three years, for an amortized average annual burden of 70 hours (1 initial filing × 35 hours + 11 subsequent filings × 16 hours = 211 hours; and 211 hours ÷ 3 years = approximately 70 hours). After the first three years, filers generally would not incur the start-up burdens applicable to the first filing.

[172] The SEC estimates that a large private equity fund adviser would make 12 quarterly filings in three years, for an amortized average annual burden of 52 hours (1 initial filing × 25 hours + 11 subsequent filings × 12 hours = 157 hours; and 157 hours ÷ 3 years = approximately 52 hours). After the first three years, filers generally would not incur the start-up burdens applicable to the first filing.

[173] 153 burden hours on average per year × 200 large hedge fund advisers = 30,600 hours.

[174] 70 burden hours on average per year × 80 large liquidity fund advisers = 5,600 hours.

[175] 52 burden hours on average per year × 250 large private equity fund advisers = 13,000 hours.

[176] 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 Private Fund Advisers. (530 Large Private Fund Advisers × 0.09 × 0.25 hours = 12 hours.)

[177] Estimate is based on IARD data on the frequency of advisers to one or more private funds withdrawing from SEC registration. (4,450 private fund advisers × 0.08 × 0.25 hours = 89 hours.)

[178] *See* proposed SEC rule 204(b)–1(f). The proposed rule would require that the adviser complete and file Item A of Section 1a and Section 5 of Form PF, checking the box in Section 1a indicating that the filing is a request for a temporary hardship exemption.

[179] *See* section V.F of the Implementing Release.

[180] 4,450 private fund advisers × 1 request per 1,000 advisers = approximately 4 advisers.

[181] 4 advisers × 1 hour per response = 4 hours.

[182] 19,600 hours for periodic filings by smaller advisers + 30,600 hours for periodic filings by large hedge fund advisers + 5,600 hours for periodic filings by large liquidity fund advisers + 13,000 hours for periodic filings by large private equity fund advisers + 12 hours per year for transition filings + 89 hours per year for final filings + 4 hours per year for temporary hardship requests = approximately 68,905 hours per year. 68,905 hours per year ÷ 4,450 total advisers = 15 hours per year on average.

in writing, refer to File No. S7–05–11, and be submitted to the Securities and Exchange Commission, Office of Investor Education and Advocacy, 100 F Street, NE., Washington, DC 20549–0213. OMB is required to make a decision concerning the collections of information between 30 and 60 days after publication of this Release. Therefore, a comment to OMB is best assured of having its full effect if OMB receives it within 30 days after publication of this Release.

V. CFTC Cost-Benefit Analysis

Section 15(a) of the CEA [183] requires the CFTC to consider the costs and benefits of its actions before issuing rules, regulations, or orders under the CEA. By its terms, section 15(a) does not require the CFTC to quantify the costs and benefits of its rules, regulations or orders or to determine whether the benefits outweigh the costs. Rather, section 15(a) requires that the CFTC "consider" the costs and benefits of its actions. Section 15(a) further specifies that the costs and benefits shall be evaluated in light of the following five broad areas of 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. The CFTC may in its discretion give greater weight to any one of the five enumerated areas and could in its discretion determine that, notwithstanding the costs, a particular rule, regulation, or order is necessary or appropriate to protect the public interest or to effectuate any of the provisions or accomplish any of the purposes of the CEA.

The proposed rule 4.27(d) would deem a CPO registered with the CFTC that is dually registered as a private fund adviser with the SEC to have satisfied its filing requirements for Schedules B and C of proposed Form CPO–PQR by completing and filing the applicable portions of Form PF for each of its commodity pools that satisfy the definition of "private fund" in the Dodd-Frank Act. Under the proposed rule, most of 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.[184] The Dodd-Frank Act also requires FSOC to collect information from member agencies to support its functions.[185] The CFTC and the SEC are jointly proposing 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.

With respect to costs, the CFTC has determined that: (1) Without the proposed reporting requirements imposed on dually-registered CPOs and CTAs, 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 proposed 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 proposed reporting requirements will create additional compliance costs for these registrants.

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 would 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.

The CFTC invites public comment on its cost-benefit considerations as concerns sections 1 and 2 of Form PF. Commenters are also invited to submit any data and other information that they may have quantifying or qualifying the perceived costs and benefits of this proposed rule with their comment letters.

VI. SEC Economic Analysis

As discussed above, the Dodd-Frank Act amended the Advisers Act to, among other things, authorize and direct the SEC to promulgate reporting requirements for private fund advisers. 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 SEC may 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.

The SEC is proposing rule 204(b)–1 and Form PF, to implement the private fund adviser reporting requirements that the Dodd-Frank Act contemplates. Under the proposed rule, private fund advisers would be required to 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 would be 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 would be required to report annually and provide only basic information regarding their operations and the private funds they advise, while Large Private Fund Advisers would report on a quarterly basis and provide more information.[186]

The SEC is sensitive to the costs and benefits imposed by its rules. It has identified certain costs and benefits of proposed Advisers Act rule 204(b)–1 and Form PF, and it requests comment on all aspects of the cost-benefit analysis below, including identification and assessment of any costs and benefits not discussed in this analysis. In

[183] *See* 5 U.S.C. 801(a)(1)(B)(i).

[184] *See* section 112(a)(2)(C) of the Dodd-Frank Act.

[185] *See* section 112(d)(1) of the Dodd-Frank Act.

[186] *See* section II.B of this Release for a description of who would be required to file Form PF, section II.C of this Release for information regarding the frequency with which private fund advisers would be required to file Form PF, and section II.D of this Release for a description of the information that private fund advisers would be required to report on Form PF. *See also* proposed Instruction 8 to Form PF for information regarding the frequency with which private fund advisers would be required to file Form PF.

connection with its consideration of the costs and benefits, the SEC also has considered whether the proposal would promote efficiency, competition, and capital formation. Section 202(c) of the Advisers Act requires 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.[187]

The SEC seeks comment and data on the value of the benefits identified. It also welcomes comments on the accuracy of the cost estimates in this analysis, and requests that commenters provide data that may be relevant to these cost estimates. In addition, the SEC seeks estimates and views regarding these costs and benefits for particular covered advisers, including small advisers, as well as any other costs or benefits that may result from the adoption of the proposed rule and form.

Because proposed Advisers Act rule 204(b)–1 and Form PF would implement sections 404 and 406 of the Dodd-Frank Act, the benefits and costs considered by Congress in passing the Dodd-Frank Act are not entirely separable from the benefits and costs imposed by the SEC in designing the proposed rule and form. Accordingly, although the PRA hourly burden estimates discussed above, and their corresponding dollar cost estimates, are included in full below and in the PRA analysis above, a portion of the reporting costs is attributable to the requirements of the Dodd-Frank Act and not specific requirements of the proposed rule or form.

A. Benefits

The SEC believes Form PF may create two principal classes of benefits. First, the information collected through Form PF is expected to facilitate FSOC's monitoring of the systemic risks that private funds may pose and to assist FSOC in carrying out its other duties under the Dodd-Frank Act with respect to nonbank financial companies. Second, this information may enhance the ability of the SEC to evaluate and form regulatory policies and improve the efficiency and effectiveness of the SEC's monitoring of markets for investor protection and market vitality.

The Dodd-Frank Act directs FSOC to monitor emerging risks to U.S. financial stability[188] and to require FRB supervision of designated nonbank financial companies that may pose risks to U.S. financial stability in the event of their material financial distress or failure or because of their activities.[189] In addition, the Dodd-Frank Act directs FSOC to recommend to the FRB heightened prudential standards for designated nonbank financial companies.[190]

In enacting Sections 404 and 406 of the Dodd-Frank Act, Congress recognized that FSOC would need information from private fund advisers to help it carry out its duties. As a result, proposed Form PF is designed to gather information regarding the private fund industry that would be useful to FSOC in monitoring systemic risk.[191] Systemic risk may arise from a variety of sources, including interconnectedness, changes in market liquidity and market concentrations, and so the information that Form PF elicits is intended to provide data that, individually or in the aggregate, would permit FSOC to identify where systemic risk may arise across a range of sources. The SEC expects that FSOC would use this 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, the SEC believes 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.

The proposed private fund reporting on Form PF would also benefit all investors and market participants by improving the information available to the SEC regarding the private fund industry. 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. As discussed above, the more reliable data collected through Form PF would assist FSOC in identifying and addressing risks to U.S. financial stability, potentially protecting investors and other market participants from significant losses. In addition, this data would provide the SEC 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 its ability to form and frame regulatory policies regarding the private fund industry and its advisers, and to more effectively evaluate the outcomes of regulatory policies and programs directed at this sector, including for the protection of private fund investors.

The SEC also estimates that the proposed rule may improve the efficiency and effectiveness of the SEC's oversight of private fund advisers by enabling SEC staff to manage and analyze information related to the risks posed by private funds more quickly, more effectively, and at a lower cost than is currently possible. This would allow the SEC to more efficiently and effectively target its examination program. The SEC would be able to use Form PF information to generate reports on the industry, its characteristics and trends. These reports may help the SEC anticipate regulatory problems, allocate and reallocate its resources, and more fully evaluate and anticipate the implications of various regulatory actions it may consider taking, which should increase both the efficiency and effectiveness of its programs and thus increase investor protection. Responses to many of the proposed questions would help the SEC better understand the investment activities of private funds and the scope of their potential effect on investors and the markets that the SEC regulates.

The coordination with the CFTC would also result in significant efficiencies for private fund advisers that are also registered as a CPO or CTA with the CFTC because, under the proposed rules in this Release, these advisers would satisfy certain reporting obligations under both proposed Advisers Act rule 204(b)–1 and proposed CEA rule 4.27(d) with respect to commodity pools that satisfy the definition of "private fund" (as proposed in Form PF) by filing Form PF. As discussed in section I.B of this Release, the SEC also has coordinated with foreign financial regulators regarding the reporting of systemic risk information regarding hedge funds and anticipates that this coordination, as reflected in proposed Form PF, would result in greater efficiencies in reporting by private fund advisers, as well as information sharing and private fund monitoring among foreign financial regulators.

As discussed in section II.B of this Release, the SEC has designed the reporting frequency in proposed Form PF based on when it understands advisers to private funds are already compiling certain information that Form PF would require, creating efficiencies for, and benefiting, the adviser in satisfying its reporting obligations. The SEC also has based certain more specific

[187] 15 U.S.C. 80b–2(c).

[188] *See supra* note 6 and accompanying text.

[189] Section 112(a)(2) of the Dodd-Frank Act.

[190] *See supra* note 7 and accompanying text.

[191] *See* section II.D of this Release for a description of the information that private fund advisers would be required to report on proposed Form PF.

reporting items on information that it understands large hedge fund advisers frequently calculate for purposes of reporting to investors in the funds.[192]

The SEC does not expect that this proposal would have an effect on competition because the information generally would be non-public and similar types of advisers would have comparable burdens under the form. The SEC also does not expect that this proposal would have an effect on capital formation because the information generally would be non-public and thus should not impact private fund advisers' ability to raise capital or their market activities.

B. Costs

The proposed reporting requirement also would impose certain costs on private fund advisers. In order to minimize these costs, the scope of the required information and the frequency of the reporting generally would be less for private fund advisers that manage less private fund assets or that do not manage types of private funds that may be more likely to pose systemic risk. Specifically, smaller private fund advisers would be required to report annually and provide only basic information regarding their operations and the private funds they advise, while Large Private Fund Advisers would report on a quarterly basis and provide more information.[193] Further, the additional information required from large hedge fund advisers would be more extensive than the additional information required from large liquidity fund advisers, which in turn would be more extensive than that required from large private equity fund advisers.

The SEC expects that the costs of reporting would be most significant for the first report that a private fund adviser is required to file because the adviser would need to familiarize itself with the new reporting form and may need to configure its systems in order to efficiently gather the required information. The SEC also anticipates that the initial report would require more attention from senior personnel, including compliance managers and senior risk management specialists, than would subsequent reports. In addition, the SEC expects that some Large Private Fund Advisers would find it efficient to automate some portion of the reporting process, which would increase the burden of the initial filing but reduce the burden of subsequent filings.

In subsequent reporting periods, the SEC anticipates that filers would incur significantly lower costs because much of the work involved in the initial report is non-recurring and because of efficiencies realized from system configuration and reporting automation efforts accounted for in the initial reporting period. In addition, the SEC estimates that senior personnel would bear less of the reporting burden in subsequent reporting periods, reducing costs though not necessarily reducing the burden hours.

Based on the foregoing, the SEC estimates[194] that, for the purposes of the PRA, the periodic filing requirements under Form PF (including configuring systems and compiling, automating, reviewing and electronically filing the report) would impose:

(1) 10 burden hours at a cost of $3,410[195] per smaller private fund adviser for the initial annual report;

(2) 3 burden hours at a cost of $830[196] per smaller private fund adviser for each subsequent annual report;

(3) 75 burden hours at a cost of $23,270[197] per large hedge fund adviser for the initial quarterly report;

(4) 35 burden hours at a cost of $9,700[198] per large hedge fund adviser for each subsequent quarterly report;

(5) 35 burden hours at a cost of $10,860[199] per large liquidity fund adviser for the initial quarterly report;

(6) 16 burden hours at a cost of $4,440[200] per large liquidity fund adviser for each subsequent quarterly report;

(7) 25 burden hours at a cost of $7,760[201] per large private equity fund

[192] *See* note 105 and accompanying text.

[193] *See* section II.B of this Release for a description of who would be required to file Form PF, section II.C of this Release for information regarding the frequency with which private fund advisers would be required to file Form PF, and section II.D of this Release for a description of the information that private fund advisers would be required to report on Form PF. *See also* proposed Instruction 8 to Form PF for information regarding the frequency with which private fund advisers would be required to file Form PF.

[194] The SEC understands that some advisers may outsource all or a portion of their Form PF reporting responsibilities to a filing agent, software consultant, or other third-party service provider. The SEC believes, however, that an adviser would engage third-party service providers only if the external costs were comparable, or less than, the estimated internal costs of compiling, reviewing, and filing the Form PF. The hourly wage data used in this Economic Analysis section of the Release is based on the Securities Industry and Financial Markets Association's *Report on Management & Professional Earnings in the Securities Industry 2010.* This data has been modified to account for an 1,800-hour work-year and multiplied by 5.35 for management and professional employees and by 2.93 for general and compliance clerks to account for bonuses, firm size, employee benefits and overhead.

[195] The SEC expects that for the initial report these activities will most likely be performed equally by a compliance manager at a cost of $273 per hour and a senior risk management specialist at a cost of $409 per hour and that, because of the limited scope of information required from smaller private fund advisers, these advisers generally would not realize significant benefits from or incur significant costs for system configuration or automation. ($273/hour × 0.5 + $409/hour × 0.5) × 10 hours = approximately $3,410.

[196] The SEC expects that for subsequent reports senior personnel will bear less of the reporting burden. As a result, the SEC estimates 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 + $235/hour × 0.25 + $409/hour × 0.25 + $192/hour × 0.25) × 3 hours = approximately $830.

[197] The SEC expects that for the initial report, of a total estimated burden of 75 hours, approximately 45 hours will most likely be performed by compliance professionals and 30 hours will most likely be performed by programmers working on system configuration and reporting automation. Of the work performed by compliance professionals, the SEC anticipates that it will be performed equally by a compliance manager at a cost of $273 per hour and a senior risk 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) × 45 hours + ($304/hour × 0.5 + $224/hour × 0.5) × 30 hours = approximately $23,270.

[198] 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 SEC estimates 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 + $235/hour × 0.25 + $409/hour × 0.25 + $192/hour × 0.25) × 35 hours = approximately $9,700.

[199] The SEC expects that for the initial report, of a total estimated burden of 35 hours, approximately 21 hours will most likely be performed by compliance professionals and 14 hours will most likely be performed by programmers working on system configuration and reporting automation. Of the work performed by compliance professionals, the SEC anticipates that it will be performed equally by a compliance manager at a cost of $273 per hour and a senior risk 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) × 21 hours + ($304/hour × 0.5 + $224/hour × 0.5) × 14 hours = approximately $10,860.

[200] 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 SEC estimates 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 + $235/hour × 0.25 + $409/hour × 0.25 + $192/hour × 0.25) × 16 hours = approximately $4,440.

[201] The SEC expects that for the initial report, of a total estimated burden of 25 hours, approximately 15 hours will most likely be performed by compliance professionals and 10 hours will most

Continued

adviser for the initial quarterly report; and

(8) 12 burden hours at a cost of $3,330 [202] per large private equity fund adviser for each subsequent quarterly report.

Assuming that there are 3,920 smaller private fund advisers, 200 large hedge fund advisers, 80 large liquidity fund advisers, and 250 large private equity fund advisers, the foregoing estimates would suggest an annual cost of $30,200,000 [203] for all private fund advisers in the first year of reporting and an annual cost of $15,800,000 in subsequent years.[204]

In addition, as discussed above, a private fund adviser would be required to file very limited information on Form PF if it needed to transition from quarterly to annual filing, if it were no longer subject to the reporting requirements of Form PF or if it required a temporary hardship exemption under proposed rule 204(b)–1(f). The SEC estimates that transition and final filings would, collectively, cost private fund advisers as a whole approximately $6,770 per year.[205] The SEC further estimates that hardship exemption requests would cost private fund advisers as a whole approximately $760 per year.[206]

Finally, firms required to file Form PF would have to pay filing fees. The amount of these fees has not yet been determined.[207]

C. Request for Comment

The SEC requests comments on all aspects of the foregoing cost-benefit analysis, including the accuracy of the potential costs and benefits identified and assessed in this Release, as well as any other costs or benefits that may result from the proposals. The SEC encourages commenters to identify, discuss, analyze, and supply relevant data regarding these or additional costs and benefits. The SEC also requests comment on the foregoing analysis of the likely effect of the proposed rule on competition, efficiency, and capital formation. Commenters are requested to provide empirical data to support their views.

In addition, for purposes of the Small Business Regulatory Enforcement Fairness Act of 1996, or "SBREFA," [208] the SEC must advise OMB whether a proposed regulation constitutes a "major" rule. Under SBREFA, a rule is considered "major" where, if adopted, it results in or is likely to result in: (1) An annual effect on the economy of $100 million or more; (2) a major increase in costs or prices for consumers or individual industries; or (3) significant adverse effects on competition, investment, or innovation.

We request comment on the potential impact of the proposed new rule and proposed rule amendments on the economy on an annual basis. Commenters are requested to provide empirical data and other factual support for their views to the extent possible.

VII. Initial Regulatory Flexibility Analysis

CFTC

Under proposed rule 4.27(d), 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 by completing and filing the applicable sections of Form PF with the SEC. Therefore, any burden imposed by Form PF through proposed rule 4.27(d) on small entities registered with both the CFTC and the SEC has been accounted for within the SEC's initial calculations regarding the impact of this collection of information under the Regulatory Flexibility Act ("RFA").[209] Accordingly, the Chairman, on behalf of the CFTC, hereby certifies pursuant to 5 U.S.C. 605(b) that the proposed rules will not have a significant impact on a substantial number of small entities.

SEC

The SEC has prepared the following Initial Regulatory Flexibility Analysis ("IRFA") regarding proposed Advisers Act rule 204(b)–1 in accordance with section 3(a) of the RFA.

A. Reasons for Proposed Action

The SEC is proposing rule 204(b)–1 and Form PF specifying information that private fund advisers must disclose confidentially to the SEC, which information the SEC will share with FSOC for systemic risk assessment purposes to help implement sections 404 and 406 of the Dodd-Frank Act. Under the proposed rule, private fund advisers would be required to 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 would be 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 would be required to report annually and provide only basic information regarding their operations and the private funds they advise, while Large Private Fund

likely be performed by programmers working on system configuration and reporting automation. Of the work performed by compliance professionals, the SEC anticipates that it will be performed equally by a compliance manager at a cost of $273 per hour and a senior risk 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) × 15 hours + ($304/hour × 0.5 + $224/hour × 0.5) × 10 hours = approximately $7,760.

[202] 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 SEC estimates 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 + $235/hour × 0.25 + $409/hour × 0.25 + $192/hour × 0.25) × 12 hours = approximately $3,330.

[203] (3,920 smaller private fund advisers × $3,410 per initial annual report) + (200 large hedge fund advisers × $23,270 per initial quarterly report) + (200 large hedge fund advisers × 3 quarterly reports × $9,700 per subsequent quarterly report) + (80 large liquidity fund advisers × $10,860 per initial quarterly report) + (80 large liquidity fund advisers × 3 quarterly reports × $4,440 per subsequent quarterly report) + (250 large private equity fund advisers × $7,760 per initial quarterly report) + (250 large private equity fund advisers × 3 quarterly reports × $3,330 per subsequent quarterly report) = approximately $30,200,000.

[204] (3,920 smaller private fund advisers × $830 per subsequent annual report) + (200 large hedge fund advisers × 4 quarterly reports × $9,700 per subsequent quarterly report) + (80 large liquidity fund advisers × 4 quarterly reports × $4,440 per subsequent quarterly report) + (250 large private equity fund advisers × 4 quarterly reports × $3,330 per subsequent quarterly report) = approximately $15,800,000.

[205] The SEC estimates that, for the purposes of the PRA, transition filings will impose 12 burden hours per year on private fund advisers in the aggregate and that final filings will impose 89 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. (12 burden hours + 89 burden hours) × $67/hour = approximately $6,770.

[206] 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 in the aggregate. The SEC anticipants 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 × ⅝ of an hour) + ($50 per hour × ⅜ of an hour)) × 4 hours = approximately $760.

[207] *See supra* note 147 and accompanying text.

[208] Public Law 104–121, Title II, 110 Stat. 857 (1996) (codified in various sections of 5 U.S.C., 15 U.S.C. and as a note to 5 U.S.C. 601).

[209] 5 U.S.C. 603(a).

Advisers would report on a quarterly basis and provide more information.[210]

B. Objectives and Legal Basis

As described more fully in sections I and II of this Release, the general objective of proposed Advisers Act rule 204(b)–1 is to assist FSOC in its obligations under the Dodd-Frank Act relating to nonbank financial companies and in monitoring systemic risk. The SEC is proposing rule 204(b)–1 and Form PF pursuant to the SEC's authority set forth in sections 404 and 406 of the Dodd-Frank Act, to be codified at sections 204(b) and 211(e) of the Advisers Act [15 U.S.C. 80b–4(b) and 80b–11(e)].

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.[211]

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 would be subject to the proposed rule and form. The SEC estimates that as of December 1, 2010, approximately 50 advisers that were small entities were registered with the SEC and advised one or more private funds.[212]

D. Reporting, Recordkeeping, and Other Compliance Requirements

The proposed rule and form would impose certain reporting and compliance requirements on advisers, including small advisers. The proposed rule would require all small advisers registered with the SEC and that advise one or more private funds to file Form PF, completing all or part of section 1 of that form. As discussed above, the SEC estimates that completing, reviewing, and filing Form PF would cost $3,410 per year for each small adviser in its first year of reporting and $830 per year for each subsequent year.[213] In addition, small entities would be required to pay a filing fee when submitting Form PF. The amount of the filing fee has not yet been determined, but we anticipate that Large Private Fund Advisers' filing fees would be set at a higher amount than small advisers.

E. Duplicative, Overlapping, or Conflicting Federal Rules

The SEC has not identified any Federal rules that duplicate or overlap or conflict with the proposed rule.

F. Significant Alternatives

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: (i) The establishment of differing compliance or reporting requirements or timetables that take into account the resources available to small entities; (ii) the clarification, consolidation, or simplification of compliance and reporting requirements under the rule for small entities; (iii) the use of performance rather than design standards; and (iv) an exemption from coverage of the rule, or any part thereof, for small entities.

Regarding the first and fourth alternatives, the SEC has proposed different reporting requirements and timetables for small entities. The proposed rule only would require small entity advisers to file Form PF annually and to complete applicable portions of section 1 of the form.[214] These smaller advisers also would have to pay a smaller amount of filing fees than Large Private Fund Advisers. Regarding the second alternative, the information that would be required of small entities under section 1 of Form PF is quite simplified from the more extensive reporting that would be required of Large Private Fund Advisers and is consolidated in one section of the form.

G. Solicitation of Comments

The SEC encourages written comments on matters discussed in this IRFA. In particular, the SEC seeks comment on:

- The number of small entities that would be subject to the proposed rule; and
- Whether the effect of the proposed rule on small entities would be economically significant.

Commenters are asked to describe the nature of any effect and provide empirical data supporting the extent of the effect.

VIII. Statutory Authority

CFTC

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

SEC

The SEC is proposing rule 204(b)–1 [17 CFR 275.204(b)–1] pursuant to its authority set forth in sections 404 and 406 of the Dodd-Frank Act, to be codified at sections 204(b) and 211(e) of the Advisers Act [15 U.S.C. 80b–4 and 15 U.S.C. 80b–11], respectively.

The SEC is proposing rule 279.9 pursuant to its authority set forth in sections 404 and 406 of the Dodd-Frank Act, to be codified at 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 Part 275

Reporting and recordkeeping requirements, Securities.

[210] *See* section II.B of this Release for a description of who would be required to file Form PF, section II.C of this Release for information regarding the frequency with which private fund advisers would be required to file Form PF, and section II.D of this Release for a description of the information that private fund advisers would be required to report on Form PF. *See also* proposed Instruction 8 to Form PF for information regarding the frequency with which private fund advisers would be required to file Form PF.

[211] 17 CFR 275.0–7(a).

[212] Based on IARD data.

[213] *See supra* notes 195–196 and accompanying text.

[214] If the adviser had no hedge fund assets under management, it would not need to complete section 1.C of the proposed form. Advisers that manage both registered money market funds and liquidity funds would be required to complete section 3 of Form PF, but there are no small entities that manage a registered money market fund. *See* section II.B of this Release for a description of who would be required to file Form PF, section II.C of this Release for information regarding the frequency with which smaller private fund advisers would be required to file Form PF, and section II.D.1 of this Release for a description of the information that smaller private fund advisers would be required to report on Form PF. *See also* proposed Instruction 8 to Form PF for information regarding the frequency with which smaller private fund advisers would be required to file Form PF.

Text of Proposed Rules

Commodity Futures Trading Commission

For the reasons set out in the preamble, the CFTC is proposing to amend Title 17, Chapter I of the Code of Federal Regulations as follows:

PART 4—COMMODITY POOL OPERATORS AND COMMODITY TRADING ADVISORS

1. The authority citation for part 4 continues to read as follows:

Authority: 7 U.S.C. 1a, 2, 4, 6(c), 6b, 6c, 6l, 6m, 6n, 6o, 12a, and 23.

* * * * *

2. In § 4.27, as proposed to be added elsewhere in this issue of the **Federal Register**, add paragraph (d) to read as follows:

§ 4.27 Additional reporting by advisors of commodity pools.

* * * * *

(d) Investment advisers to private funds. CPOs and CTAs who are dually registered with the Securities and Exchange Commission and advise one or more private funds, as defined in section 202 of the Investment Advisers Act of 1940 (15 U.S.C. 80b–2(a)), shall file Form PF with the Securities and Exchange Commission. 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. Dually registered CPOs and CTAs must file such other reports as are required under this section with respect to all pools that are not private funds.

* * * * *

Securities and Exchange Commission

For the reasons set out in the preamble, the SEC is proposing to amend 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:

Authority: 15 U.S.C. 80b–2(a)(11)(G), 80b–2(a)(17), 80b–3, 80b–4, 80b–4a, 80b–6(4), 80b–6a, and 80b–11, unless otherwise noted.

* * * * *

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.* Subject to paragraph (g), if you are an investment adviser registered or required to be registered under section 203 of the Act (15 U.S.C. 80b–3) and act as an investment adviser to one or more private funds, you must complete and file a report on Form PF (17 CFR 279.9) within 15 days of the end of the next calendar quarter by following the instructions in the Form, which specify the information that an investment adviser must provide.

(b) *Electronic filing.* You must file Form PF electronically with the Form PF filing system.

Note to paragraph (b): Information on how to file Form PF is available on the Commission's Web site at *http://www.sec.gov/[__].*

(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) *Amendments to Form PF.* You must amend your Form PF:

(1) At least annually, no later than the last day on which you may timely file your annual amendment to Form ADV under rule 204–1(a)(1) (17 CFR 275.204–1(a)(1)); and

(2) More frequently, if required by the instructions to Form PF. You must file all amendments to Form PF 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 with the operator of the Form PF filing system in paper format 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.

(g) *Transition for certain filers.* If you were an investment adviser registered or required to be registered under section 203 of the Act (15 U.S.C. 80b–3), act as an investment adviser to one or more private funds immediately prior to the compliance date of rule 204(b)–1, and are only required to complete all or portions of section 1 of Form PF, no later than 90 days after the end of your then-current fiscal year you must complete and file your initial report on Form PF by following the instructions in the Form, which specify the information that an investment adviser must provide.

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:

§ 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 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

OMB APPROVAL	
OMB Number:	[ ]
Expires:	[ ]
Estimated average burden hours per response	[ ]

Form PF: General Instructions **Page 1**

Read these instructions carefully before completing Form PF. Failure to follow these instructions, properly complete Form PF, or pay all required fees may result in your Form PF being delayed or rejected.

In these instructions and in Form PF, "you" means the *private fund adviser* completing or amending this Form PF. If you are a "separately identifiable department or division" (SID) of a bank, "you" means the SID rather than the bank (except as provided in Question 1(a)). Terms that appear in *italics* are defined in the Glossary of Terms to Form PF.

1. Who must complete and file a Form PF?

You must complete and file a Form PF, if:

A. You are registered or required to register with the *SEC* as an investment adviser;

OR

You are registered or required to register with the *CFTC* as a *CPO* or *CTA* and you are also registered or required to register with the *SEC* as an investment adviser;

AND

B. You manage one or more *private funds*.

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 file every quarter. See Instructions 3 and 8 below.

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 neither a *United States person* nor offered to, or 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 private fund advisers* advising *hedge funds*

Section 2a You are required to complete Section 2a if you and your *related persons*, collectively, had at least $1 billion in *hedge fund assets under management* as of the close of business on any day during the most recently completed calendar quarter.

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:

for any *parallel fund structures* that collectively comprise 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* in accordance with Instruction 5, you should only complete a separate Section 2b with respect to the *reporting fund* for such *master-feeder arrangement*.

Section 3 – *Large private fund advisers* advising *liquidity funds*

Section 3 You are required to complete Section 3 if (i) you advise one or more *liquidity funds* and (ii) as of the close of business on any day during the most recently completed calendar quarter, you and your *related persons*, collectively, had at least $1 billion in *combined money market and liquidity fund assets under management*.

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* in accordance with Instruction 5, you should only complete a separate Section 3 with respect to the *reporting fund* for such *master-feeder arrangement*.

Section 4 – *Large private fund advisers* advising *private equity funds*

Section 4 You are required to complete Section 4 if you and your *related persons*, collectively, had at least $1 billion in *private equity fund assets under management* as of the close of business on the last day of the most recently completed calendar quarter.

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* in accordance with Instruction 5, you should only complete a separate Section 4 with respect to the *reporting fund* for such *master-feeder arrangement*.

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 an adviser files *Form ADV Section 7.B.1* with respect to any *private fund*, the same adviser must also 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.

For purposes of determining whether you meet a reporting threshold, you must aggregate *parallel funds*, *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.

In contrast, for questions that request information about individual funds, you must report aggregate information for *parallel managed accounts* and master-feeder funds, but not *parallel funds*. 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 should not report information for any *private fund* or *parallel managed account* 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 more detailed instructions.

For purposes of determining whether a *private fund* is a *qualifying hedge fund*	**For purposes of reporting information in Sections 1b, 1c, 2b, 3 and 4**
• You must aggregate any *private funds* that are part of the same *master-feeder arrangement* (even if you did not, or were not permitted to, aggregate these *private funds* for purposes of *Form ADV Section 7.B.1*)	• You must 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*)
• You must aggregate any *private funds* that are part of the same *parallel fund structure*	• You must file a separate Section 1b, 1c, 2b, 3 or 4, as applicable, for each *parallel fund* (or, in the case of Section 2b, each *parallel fund* that is part of a *parallel fund structure* collectively comprising a *qualifying hedge fund*)
• Any *parallel managed account* must be aggregated with the largest *private fund* to which that *parallel managed account* relates	• Any *parallel managed account* must be aggregated with the largest *private fund* to which that *parallel managed account* relates
• You must treat any *private fund* or *parallel managed account* advised by any of your *related persons* as though it were advised by you (even if you have not identified that *related person* in Question 1(b) as a *related person* for which you are filing Form PF)	• You should not report information for any *private fund* or *parallel managed account* 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

In subsequent updates or amendments to this Form PF, you must report information in a manner that is consistent with previous filings made with respect to any *private fund*.

6. According to Instruction 5, I am required to aggregate funds or accounts to determine whether I meet a threshold or 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.

Similarly, for all purposes under this Form PF, assets held in *parallel managed 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 all purposes under this Form PF, 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.

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 *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 *parallel managed account* should be treated as a single *private fund* whose only asset is $900 of *corporate bonds* issued by Company X.

For purposes of responding to questions regarding the funds, information about each *parallel fund* should be reported separately but the assets of the *parallel managed account* should be treated as assets of the largest *private fund* to which it relates. Accordingly, *parallel fund* A should be treated as a *private fund* whose only asset is $600 of *corporate bonds* issued by Company X, while *parallel fund* B should be treated as a separate *private fund* whose only asset is $300 of *corporate bonds* issued by Company X.

7. I advise a *private fund* that only invests in other *private funds*. Should I include this "fund of funds" in responses to Form PF?

For each "fund of funds" that you advise, complete Section 1b. For all other purposes, you should disregard any "fund of funds." For example, where questions request aggregate information regarding the *private funds* you advise, do not include the assets or liabilities of any "fund of funds."

For purposes of this Form PF, a *private fund* is a "fund of funds" only if it invests exclusively in other *private funds*. (Please note that a "fund of funds" for purposes of question 8 of *Form ADV Section 7.B.1* may not be a "fund of funds" for purposes of Form PF.)

8. When am I required to update Form PF?

You are required to update Form PF at the following times:

Annual updates Unless you are a *large private fund adviser*, you must file an *annual update* each year that updates the answers to all Items in this Form PF. Your *annual update* is due no later than the last day on which you may timely file your "annual updating amendment" to Form ADV (currently, your *annual update* would be due 90 days after the end of your fiscal year).

Quarterly updates If you are a *large private fund adviser*, then within 15 calendar days after the end of each calendar quarter, you must file a *quarterly update* that

updates the answers to all Items in this Form PF. *Quarterly updates* are filed in lieu of *annual updates*.

Transition filing — If you need to transition from quarterly to annual filing because you are no longer a *large private 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 filing as a *large private fund adviser*. 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.

9. 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*. 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* and General Instruction 4 to *Form ADV* for additional information regarding the acquisition and use of *private fund* identification numbers and filing other-than-annual amendments.

10. 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*.

11. How do I file my Form PF?

You must file Form PF electronically through the [Form PF filing system] website (<www.[ ].com>), which contains detailed filing instructions. Questions regarding filing through the [Form PF filing system] should be addressed to the [Form PF filing system operator at [xxx-xxx-xxxx]].

12. Are there filing fees?

Yes, you must pay a filing fee for your Form PF filings. The Form PF filing fee schedule is published at <http://www.sec.gov/[ ]> and <http://www. [ ].com>.

13. 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 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).

14. How should I enter requested information?

Unless otherwise 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 asks for information expressed as a percentage, enter a percentage rounded to the nearest one-hundredth of one percent;
- if a question asks for a monetary value, provide the information in U.S. dollars as of the *data reporting date*, rounded to the nearest thousand;
- if a question asks for a numerical value other than a percentage or a dollar value, provide information rounded to the nearest whole number; and

- unless otherwise required by one of the preceding bullets, report using the same calculations you use internally and for investor reports.

Form PF Section 1a	Information about you and your *related persons* (to be completed by all Form PF filers)	Page 1 of 44

Section 1a: Information about you and your *related persons*

WARNING: Complete this Form PF truthfully. False statements or omissions may result in revocation of your registration or criminal prosecution. You must keep this Form PF updated by filing periodic amendments. See Form PF General Instruction 8.

Check the box that indicates what you would like to do:

A. If you are not a *large private fund adviser*:

- ☐ Submit an initial filing
- ☐ Submit an *annual update*
- ☐ Submit a final filing
- ☐ Request a temporary hardship exemption

B. If you are a *large private fund adviser*:

- ☐ Submit an initial filing
- ☐ Submit a *quarterly update* (including fourth quarter updates)
- ☐ Transition to annual reporting
- ☐ Submit a final filing
- ☐ Request a temporary hardship exemption

Item A. Information about you

1. (a) Provide your name and the other identifying information requested below.

(This should be your full legal name. If you are a sole proprietor, this will be your last, first, and middle names. If you are a SID, *enter the full legal name of your bank. Please use the same name that you use in your* Form ADV.*)*

Legal name	SEC 801-Number, if any	NFA ID Number, if any

(b) Provide the following information for each of the *related persons*, if any, with respect to which you are reporting information on this Form PF:

Legal name	SEC 801-Number, if any	NFA ID Number, if any

Form PF Section 1a	**Information about you and your *related persons*** (to be completed by all Form PF filers)	Page 2 of 44

2. Signatures of sole proprietor or authorized representative *(see Instruction 10 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). The *firm*, each *related person* for which I am signing this Form PF, and I all certify, under penalty of perjury under the laws of the United States of America, that the information and statements made in this Form PF relating in whole or in part to the *firm* or any such *related person* are true and correct, and that I am signing this Form PF execution page as a free and voluntary act.

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(d), 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. Each such *related person* and I certify, under penalty of perjury under the laws of the United States of America, that the information and statements made in this Form PF relating in whole or in part to any such *related person* are true and correct, and that I am signing this Form PF execution page as a free and voluntary act.

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(d), 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. Assets under management (in U.S. dollars):

(Your regulatory assets under management *for purposes of Form PF may differ from the amount you reported on* Form ADV *if you are filing Form PF on a quarterly basis or if you advise any* parallel managed accounts *that are not "securities portfolios" within the meaning of Instruction 5.b to* Form ADV.*)*

(a) Total *regulatory assets under management*	
(b) Total *net assets under management*	

4. Of your *regulatory assets under management* and your *net assets under management* listed above, provide a breakdown of the dollar amount attributable to the following types of *private funds* that you advise:

(The totals of items (a) through (h) should equal the amounts reported in response to Question 3.)

	Regulatory assets under management	Net assets under management
(a) *Hedge funds*		
(b) *Liquidity funds*		
(c) *Private equity funds*		
(d) *Real estate funds*		
(e) *Securitized asset funds*		
(f) *Venture capital funds*		
(g) *Other private funds*		
(h) Funds and accounts other than *private funds* ...		

Item C. Miscellaneous

5. 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 provided in, or in connection with, 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.

Question number	Description

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

You must complete a separate Section 1b for each *private fund* that you advise. You must aggregate information regarding *private funds* as provided in the General Instructions.

Item A. *Reporting fund* identifying information

6. (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 .....

Item B. Assets, financing and investor concentration

7. *Gross asset value* of *reporting fund* .....

   (This amount may differ from the amount you reported in response to question 11(a) 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 required to aggregate 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 required to aggregate a* parallel managed account *for purposes of this Form PF.)*

8. *Net asset value* of *reporting fund* .....

   (This amount may differ from the amount you reported in response to question 11(b) 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 required to aggregate 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 required to aggregate a* parallel managed account *for purposes of this Form PF.)*

9. 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 37 in Section 2b.)*

   (The percentages borrowed from the specified types of creditors should add up to 100%.)

   Dollar amount of total *borrowings* .....
   (a) Percentage borrowed from *U.S. financial institutions* .....
   (b) Percentage borrowed from *non-U.S. financial institutions* .....
   (c) Percentage borrowed from creditors that are not *financial institutions* .....

10. 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.

Name of creditor	Dollar amount owed to each creditor
[drop-down list of creditor/counterparty names] Other: _____	
[repeat drop-down list of creditor/counterparty names] Other: _____	
[repeat drop-down list of creditor/counterparty names] Other: _____	

11. Provide the aggregate value of all derivative positions of the *reporting fund*..... [ ]

(The value of any derivative should be its total gross *notional value, except that the value of an option should be its delta adjusted notional value. Do not net long and short positions.)*

(You are not required to respond to this question for any reporting fund *with respect to which you are answering Question 38 in Section 2b.)*

12. 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. Also, if you are aggregating any* parallel managed accounts *with the* reporting fund *in accordance with the General Instructions, you should treat the account owners as beneficial owners of the* reporting fund.*)*

(a) Specify the total number of beneficial owners of the *reporting fund's* equity interests..... [ ]

(b) Specify the 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*..... [ ]

Item C. *Reporting fund* performance

13. When does the fiscal year of the *reporting fund* end?

(Please respond with the last day of the reporting fund's *fiscal year even if a* feeder fund *or* parallel managed account *aggregated with the* reporting fund *has a different fiscal year end.)*

☐ March 31 ☐ June 30 ☐ September 30 ☐ December 31 ☐ Other: _____

14. For each period specified below, provide the following information expressed as a percentage:

(i) the change in the *reporting fund's net asset value*; (ii) the *reporting fund's* performance, without deducting performance fees or charges; and (iii) the *reporting fund's* performance, after deducting performance fees and charges.

(Change in net asset value *should be determined by including subscriptions and redemptions as of the last day of the relevant period and deducting fees and expenses (including performance fees, performance allocation charges or accruals, fixed advisory fees and operating, trading and investment expenses).)*

(Performance should be determined by deducting fees and expenses (including fixed advisory fees and operating, trading and investment expenses). Include or exclude performance fee or performance allocation charges or accruals as indicated below (if you do not accrue a performance fee or performance allocation charge throughout the year, then your response should include a pro forma accrual of the fee or charge where indicated).)

(You must respond based on the performance of the equity class that has been in existence since the inception (or the representative limited partner invested since inception) of the reporting fund *("inception class"), inclusive of all investments made by the fund and based on the inception class fee structure. If you are aggregating one or more* private funds *and/or* parallel managed accounts *with the* reporting fund *in accordance with Instruction 5, use the inception class of the oldest* private fund *in the group.)*

(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.)*

	***NAV* change**	**Performance**	
		Without deducting performance fees/charges	**After deducting performance fees/charges**
(a) 1st month of *reporting fund's* fiscal year.....			
(b) 2nd month of *reporting fund's* fiscal year			
(c) 3rd month of *reporting fund's* fiscal year.....			
(d) First quarter.....			
(e) 4th month of *reporting fund's* fiscal year			
(f) 5th month of *reporting fund's* fiscal year			
(g) 6th month of *reporting fund's* fiscal year			
(h) Second quarter			
(i) 7th month of *reporting fund's* fiscal year			
(j) 8th month of *reporting fund's* fiscal year			
(k) 9th month of *reporting fund's* fiscal year			
(l) Third quarter			
(m) 10th month of *reporting fund's* fiscal year			
(n) 11th month of *reporting fund's* fiscal year			

Form PF Section 1b	**Information about the *private funds* you advise** (to be completed by all Form PF filers)	Page 8 of 44

(o) 12th month of *reporting fund's* fiscal year			
(p) Fourth quarter			
(q) Twelve-month period ending on the *data reporting date*			

Section 1c: Information about the *hedge funds* you advise

You must complete a separate Section 1c for each *hedge fund* that you advise. You must aggregate information regarding *hedge funds* as provided in the General Instructions.

Item A. *Reporting fund* identifying information

15. (a) Name of the *reporting fund* ..... [ ]

    (b) *Private fund* identification number of the *reporting fund* ..... [ ]

Item B. Certain information regarding the *reporting fund*

16. Does the *reporting fund* have a single primary investment strategy or multiple strategies?

    ☐ Single primary strategy ☐ Multi-strategy

17. Indicate which of the strategies below best describe the investment strategies that the *reporting fund* used during the *reporting period*. For each strategy that you have selected, provide a good faith estimate of the percentage of the *reporting fund's net asset value* represented by that strategy.

    (Select the strategies that best describe the reporting fund's investment strategies, even if the descriptions below do not precisely match your characterization of those strategies; select "other" only if a strategy that the reporting fund uses is significantly different from any of the strategies identified below. The total among all strategies should add up to 100%.)

Strategy	% of *NAV*
☐ Equity, Market Neutral	
☐ Equity, Directional	
☐ Equity, Short Bias	
☐ Macro, Active Trading (high frequency trading)	
☐ Macro, Commodity	
☐ Macro, Currency	
☐ Macro, Global Macro	
☐ Relative Value, Fixed Income Asset Backed	
☐ Relative Value, Fixed Income Convertible Arbitrage	
☐ Relative Value, Fixed Income Corporate	
☐ Relative Value, Fixed Income Sovereign	
☐ Relative Value, Volatility	
☐ Event, Activist	

☐ Event, Distressed/Restructuring	
☐ Event, Merger Arbitrage/Special Situations	
☐ Event, Private Issue/Reg D	
☐ Investment in other funds	
☐ Other: _____	

18. During the *reporting period*, approximately what percentage of the *reporting fund's net asset value* was managed using computer-driven trading algorithms to select investments?

(In your response, please do not include algorithms that are used solely for trade execution.)

☐ 0% ☐ less than 10% ☐ 10-25% ☐ 26-50% ☐ 51-75% ☐ 76-99% ☐ 100%

19. Identify the five trading counterparties to which the *reporting fund* has the greatest 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 and* CCPs *should not be regarded as trading counterparties.)*

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

(However, you should not take into account: (i) assets that the counterparty is holding in custody on your behalf; (ii) securities transactions that have been executed but not yet settled; (iii) margin held in a customer omnibus account at a CCP, *which should be considered exposure to the* CCP *rather than a trading counterparty; or (iv) holdings of debt or equity securities issued by the counterparty.)*

	Name of counterparty	**Exposure (% of *reporting fund's net asset value*)**
(a)	[repeat drop-down list of creditor/counterparty names] Other: _____	
(b)	[repeat drop-down list of creditor/counterparty names] Other: _____	
(c)	[repeat drop-down list of creditor/counterparty names] Other: _____	
(d)	[repeat drop-down list of creditor/counterparty names] Other: _____	
(e)	[repeat drop-down list of creditor/counterparty names] Other: _____	

20. Identify the five trading counterparties that have the greatest 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 and* CCPs *should not be regarded as trading counterparties.)*

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

(However, you should not take into account: (i) assets that the counterparty is holding in custody on your behalf; (ii) securities transactions that have been executed but not yet settled; (iii) margin held in a customer omnibus account at a CCP, *which should be considered exposure to the* CCP *rather than a trading counterparty; or (iv) holdings of debt or equity securities issued by the counterparty.)*

	Name of counterparty	**Exposure (in U.S. dollars)**
(a)	[repeat drop-down list of creditor/counterparty names] Other: _____	
(b)	[repeat drop-down list of creditor/counterparty names] Other: _____	
(c)	[repeat drop-down list of creditor/counterparty names] Other: _____	
(d)	[repeat drop-down list of creditor/counterparty names] Other: _____	
(e)	[repeat drop-down list of creditor/counterparty names] Other: _____	

21. 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. 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.)*

(An instrument should only be included in a single category for each of the trading and clearing portions of this question. The total in each row should add up to 100%.)

Form PF Section 1c	**Information about the *hedge funds* you advise** (to be completed by all Form PF filers that advise *hedge funds*)	Page 12 of 44

Trading of securities:

	On a regulated exchange	*OTC*
(a) Estimated % (in terms of market value) of equity securities (other than derivatives) that were traded by the *reporting fund*		
(b) Estimated % (in terms of market value) of debt securities (other than derivatives) that were traded by the *reporting fund*		
(c) Estimated % (in terms of market value) of *ABS* that were traded by the *reporting fund*		

Clearing of securities:

	Cleared by a *CCP*	Bilaterally transacted (i.e., not cleared by a *CCP*)
(d) Estimated % (in terms of market value) of equity securities (other than derivatives) that were traded by the *reporting fund* and		
(e) Estimated % (in terms of market value) of debt securities (other than derivatives) that were traded by the *reporting fund* and		
(f) Estimated % (in terms of market value) of *ABS* that were traded by the *reporting fund* and		

Trading of derivatives:

	On a regulated exchange or swap execution facility	*OTC*
(g) Estimated % (in terms of notional value) of *credit derivatives* that were traded by the *reporting fund*		
(h) Estimated % (in terms of notional value) of *interest rate derivatives* that were traded by the *reporting fund*		
(i) Estimated % (in terms of notional value) of *commodity* derivatives that were traded by the *reporting fund*		
(j) Estimated % (in terms of notional value) of equity derivatives that were traded by the *reporting fund*		
(k) Estimated % (in terms of notional value) of *foreign exchange derivatives* that were traded by the *reporting fund*		

Form PF Section 1c	**Information about the *hedge funds* you advise** (to be completed by all Form PF filers that advise *hedge funds*)	Page 13 of 44

(l) Estimated % (in terms of notional value) of *other derivatives* that were traded by the *reporting fund*		

Clearing of derivatives:

	Cleared by a *CCP*	Bilaterally transacted (i.e., not cleared by a *CCP*)
(m) Estimated % (in terms of notional value) of *credit derivatives* that were traded by the *reporting fund* and		
(n) Estimated % (in terms of notional value) of *interest rate derivatives* that were traded by the *reporting fund* and		
(o) Estimated % (in terms of notional value) of *commodity* derivatives that were traded by the *reporting fund* and		
(p) Estimated % (in terms of notional value) of equity derivatives that were traded by the *reporting fund* and		
(q) Estimated % (in terms of notional value) of *foreign exchange derivatives* that were traded by the *reporting fund* and		
(r) Estimated % (in terms of notional value) of *other derivatives* that were traded by the *reporting fund* and		

Clearing of *repos*:

	Cleared by a *CCP*	Bilaterally transacted (i.e., not cleared by a *CCP*)	Constitute a tri-party *repo*
(s) Estimated % (in terms of market value) of *repo* trades that are entered into by the *reporting fund* and.....			

22. 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 (s) of Question 21?	

Form PF Section 2a	Aggregated information about *hedge funds* that you advise (to be completed by *large private fund advisers* only)	Page 14 of 44

Section 2a: Aggregated information about *hedge funds* that you advise

Item A. Exposure of *hedge fund* assets

23. Aggregate *hedge 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. The value of any derivative should be its* total gross *notional value, except that the value of an option should be its delta adjusted notional value. 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.*)*

	1st Month		2nd Month		3rd Month	
	LMV	*SMV*	*LMV*	*SMV*	*LMV*	*SMV*
Listed equity						
Issued by *financial institutions*						
Other *listed equity*						
Unlisted equity						
Issued by *financial institutions*						
Other *unlisted equity*						
Listed equity derivatives						
Related to *financial institutions*						
Other *listed equity derivatives*						
Unlisted equity derivatives						
Related to *financial institutions*						
Other *unlisted equity derivatives*						
Corporate bonds issued by *financial institutions* (other than *convertible bonds*)						
Investment grade						
Duration						
Non-investment grade						
Duration						
Corporate bonds not issued by *financial institutions* (other than *convertible bonds*)						
Investment grade						
Duration						

Form PF Section 2a	Aggregated information about *hedge funds* that you advise (to be completed by *large private fund advisers* only)	Page 15 of 44

Non-investment grade						
Duration						
Convertible bonds issued by *financial institutions*						
Investment grade						
Duration						
Non-investment grade						
Duration						
Convertible bonds not issued by *financial institutions*						
Investment grade						
Duration						
Non-investment grade						
Duration						
Sovereign bonds and municipal bonds						
U.S. treasury securities						
Duration						
Agency securities						
Duration						
GSE bonds						
Duration						
Sovereign bonds issued by *G10* countries other than the U.S.						
Duration						
Other *sovereign bonds* (including supranational bonds)						
Duration						
U.S. state and local bonds						
Duration						
Loans						
Leveraged loans						
Duration						
Certificates of deposit						
Duration						
Other loans (not including *repos*)						
Duration						

Form PF Section 2a	Aggregated information about *hedge funds* that you advise (to be completed by *large private fund advisers* only)	Page 16 of 44

Repos						
Duration						
ABS/structured products						
RMBS						
Duration						
CMBS						
Duration						
Agency MBS						
Duration						
Auto ABS						
Duration						
Consumer ABS						
Duration						
ABCP						
Duration						
CDO						
Duration						
CLO						
Duration						
WBS						
Duration						
Other ABS						
Duration						
Other structured products						
Credit derivatives						
Single name CDS						
Index CDS						
Exotic CDS						
Foreign exchange derivatives						
Non-U.S. currency holdings						
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						

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

Investments in funds for cash management purposes						
Cash and cash equivalents (other than instruments covered by another category above)						
Investments in other sub-asset classes						

24. For each month of the *reporting period*, provide the *turnover rate* for the aggregate portfolio of the *hedge funds* that you advise.

	1st Month	2nd Month	3rd Month
Turnover rate (as a percentage)			

25. Provide a geographical breakdown of the investments made by the *hedge funds* that you advise (by percentage of the *hedge funds'* aggregate gross asset value).

(Except for foreign exchange derivatives, *investments should be allocated by the jurisdiction of organization of the issuer or counterparty, as applicable. In the case of* foreign exchange derivatives, *investments should be allocated by the country to whose currency the* reporting fund *has exposure through the derivative. The total should add up to 100%.)*

(The value of any derivative should be its total gross *notional value, except that the value of an option should be its delta adjusted notional value. Do not net long and short positions.)*

Form PF Section 2a	Aggregated information about *hedge funds* that you advise (to be completed by *large private fund advisers* only)	Page 18 of 44

Region	%
Americas	
(a) Brazil	
(b) Canada	
(c) Mexico	
(d) United States	
(e) Other Americas	
Europe	
(f) *EEA*	
(g) Russia	
(h) Other Europe	
Asia and Pacific	
(i) Australia	
(j) China (including Hong Kong)	
(k) India	
(l) Japan	
(m) Korea, Republic of	
(n) Middle East	
(o) Other Asia and Pacific	
Africa	
(p) South Africa	
(q) Other Africa	

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 (or, in the case of *parallel fund structures* that collectively comprise a *qualifying hedge fund*, each *parallel fund* that is part of that *parallel fund structure*). You must aggregate information regarding *qualifying hedge funds* as provided in the General Instructions.

Item A. *Reporting fund* identifying information

26. (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 27.
☐

27. *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. The value of any derivative should be its* total gross *notional value, except that the value of an option should be its delta adjusted notional value. 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* reporting fund. *Provide the absolute value of short positions.)*

(Each position should only be included in a single sub-asset class.*)*

	1st Month		2nd Month		3rd Month	
	LMV	*SMV*	*LMV*	*SMV*	*LMV*	*SMV*
Listed equity						
Issued by *financial institutions*						
Other *listed equity*						
Unlisted equity						
Issued by *financial institutions*						
Other *unlisted equity*						
Listed equity derivatives						
Related to *financial institutions*						
Other *listed equity derivatives*						
Unlisted equity derivatives						
Related to *financial institutions*						

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Other *unlisted equity derivatives*						
Corporate bonds issued by *financial institutions* (other than *convertible bonds*)						
Investment grade						
Duration						
Non-investment grade						
Duration						
Corporate bonds not issued by *financial institutions* (other than *convertible bonds*)						
Investment grade						
Duration						
Non-investment grade						
Duration						
Convertible bonds issued by *financial institutions*						
Investment grade						
Duration						
Non-investment grade						
Duration						
Convertible bonds not issued by *financial institutions*						
Investment grade						
Duration						
Non-investment grade						
Duration						
Sovereign bonds and municipal bonds						
U.S. treasury securities						
Duration						
Agency securities						
Duration						
GSE bonds						
Duration						
Sovereign bonds issued by ~~*G10* countries~~ other than the U.S.						
Duration						

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Other *sovereign bonds* (including supranational bonds)						
Duration						
U.S. state and local bonds						
Duration						
Loans						
Leveraged loans						
Duration						
Certificates of deposit						
Duration						
Other loans (not including *repos*)						
Duration						
Repos						
Duration						
ABS/structured products						
RMBS						
Duration						
CMBS						
Duration						
Agency MBS						
Duration						
Auto ABS						
Duration						
Consumer ABS						
Duration						
ABCP						
Duration						
CDO						
Duration						
CLO						
Duration						
WBS						
Duration						
Other ABS						
Duration						
Other structured products						

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Credit derivatives						
Single name CDS						
Index CDS						
Exotic CDS						
Foreign exchange derivatives						
Non-U.S. currency holdings						
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						
Investments in internal private funds						
Investments in external private funds						
Investments in registered investment companies						
Investments in funds for cash management purposes						
Cash and cash equivalents (other than instruments covered by another category above)						
Investments in other sub-asset classes						

28. Provide the following information regarding the liquidity of the *reporting fund's* portfolio.

(Specify the percentage 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 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 (e.g., for listed equities, assume that you will not trade more than 20% of the 90 day average daily trading volume in a single day). 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 100%.)

	% of portfolio capable of being liquidated within
1 day or less	
2 days – 7 days	
8 days – 30 days	
31 days – 90 days	
91 days – 180 days	
181 days – 364 days	
365 days or longer	

	1st Month	2nd Month	3rd Month
29. Dollar value of *reporting fund's unencumbered cash*			
30. Total number of open positions (approximate), determined on the basis of each position and not the issuer or counterparty			

31. 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.

(This question relates to investment portfolio concentration. For purposes of this question, two or more positions in securities (or derivatives based on securities) of a single issuer should be treated as a single position and the sub-asset class *specified should be the* sub-asset class *of the security accounting for the greatest proportion of the aggregate position. Do not net long and short positions. Exclude* cash and cash equivalent *instruments.)*

	% of *net asset value*	*Sub-asset class*
(a) First month of the *reporting period*		
(i) Position		[drop-down of asset classes]
(ii) Position		[drop-down of asset classes]

(b) Second month of the *reporting period*

(i) Position ..... [drop-down of asset classes]

(ii) Position ..... [drop-down of asset classes]

(c) Third month of the *reporting period*

(i) Position ..... [drop-down of asset classes]

(ii) Position ..... [drop-down of asset classes]

32. For each of the top five trading counterparties listed in your response to Question 19 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 this question, include as collateral any assets purchased in connection with a repo *and any collateral that the counterparty has posted to the* reporting fund *under an arrangement pursuant to which the* reporting fund *has loaned securities to the counterparty.)*

(If you do not separate collateral into initial margin/independent amount and variation margin amounts or a trade does not require posting of variation margin, then include all of the collateral in initial margin/independent amount.)

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

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

(x) as initial margin/independent amounts .....

(y) as variation margin .....

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

(x) as initial margin/independent amounts .....

(y) as variation margin .....

(iii) value of other collateral posted:

(x) as initial margin/independent amounts .....

(y) as variation margin .....

(iv) face amount of letters of credit (or other similar third party credit support) posted .....

(v) percentage of initial margin/independent amounts that:

(x) may be rehypothecated .....

(y) the *reporting fund* has rehypothecated .....

(vi) percentage of variation margin that:

(x) may be rehypothecated .....

(y) the *reporting fund* has rehypothecated .....

33. For each of the top five trading counterparties listed in your response to Question 20 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.

(For purposes of this question, include as collateral any assets sold in connection with a reverse repo *and any collateral that the* reporting fund *has posted to the counterparty under an arrangement pursuant to which the counterparty has loaned securities to the* reporting fund.)

(If you do not separate collateral into initial margin/independent amount and variation margin amounts or a trade does not require posting of variation margin, then include all of the collateral in initial margin/independent amount.)

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

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

(x) as initial margin/independent amounts..... [ ]

(y) as variation margin..... [ ]

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

(x) as initial margin/independent amounts..... [ ]

(y) as variation margin..... [ ]

(iii) value of other collateral posted:

(x) as initial margin/independent amounts..... [ ]

(y) as variation margin..... [ ]

(iv) face amount of letters of credit (or other similar third party credit support) posted..... [ ]

(v) percentage of initial margin/independent amounts that may be rehypothecated..... [ ]

(vi) percentage of variation margin that may be rehypothecated..... [ ]

34. Identify the three *CCPs* to which the *reporting fund* has the greatest net counterparty credit exposure, measured as a percentage of the *reporting fund's net asset value*.

(Margin held at a CCP *typically represents the net counterparty credit exposure to the* CCP. *Where margin is held in a customer omnibus account at a* CCP *this should be considered exposure to the* CCP *rather than a trading counterparty. Any margin that a prime broker posts to a* CCP *on the* reporting fund's *behalf should be treated as margin posted by the* reporting fund *to the* CCP.*)*

	Name of *CCP*	**Exposure (% of *NAV*)**
(a)	[Drop-down list of CCP names] ☐ Other: _____	
(b)	[Repeat drop-down list of CCP names]	

☐ Other: _____ _____

(c) [Repeat drop-down list of CCP names] ☐

☐ Other: _____

Item C. *Reporting fund* risk metrics

35. (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 35 (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 35(b) for each such combination.)*

(i) Confidence interval used (e.g., 1 – alpha) ..... ☐

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

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

☐ None ☐ Equal ☐ Geometric ☐ Other: _____

(iv) If you responded "geometric" to Question 35(b)(iii), provide the weighting factor used. ☐

(v) What method was used to calculate *VaR*?

☐ Historical simulation ☐ Monte Carlo simulation

☐ Parametric ☐ Other: _____

(vi) Historical lookback period used, if applicable (in number of years)..... ☐

(vii) *VaR* for the 1st month of the *reporting period* (as a % of *NAV*) ..... ☐

(viii) *VaR* for the 2nd month of the *reporting period* (as a % of *NAV*) ..... ☐

(ix) *VaR* for the 3rd month of the *reporting period* (as a % of *NAV*)..... ☐

36. 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 (whether in formal testing or otherwise) in the reporting fund's *risk management. If you omit any market factor, check the box in the first column indicating that this market factor is not relevant to the* reporting fund's *portfolio.)*

(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 with a positive change in valuation under a given stress scenario and (ii) the short component represents the aggregate result of all positions with a negative change in valuation under a given stress

scenario.)

(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 bonds*;*

(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.)

Not relevant	Market factor – changes in market factor	Effect on long component of portfolio (as % of *NAV*)	Effect on short component of portfolio (as % of *NAV*)
☐	Equity prices:		
	Equity prices increase 5%		
	Equity prices decrease 5%		
	Equity prices increase 25%		
	Equity prices decrease 25%		
☐	Risk free interest rates:		
	Risk free interest rates increase 10*bp*		
	Risk free interest rates decrease 10*bp*		
	Risk free interest rates increase 100*bp*		
	Risk free interest rates decrease 100*bp*		
☐	Credit spreads:		
	Credit spreads increase 10*bp*		
	Credit spreads decrease 10*bp*		
	Credit spreads increase 300*bp*		

	Credit spreads decrease 300*bp*		
☐	Currency rates:		
	Currency rates increase 5%		
	Currency rates decrease 5%		
	Currency rates increase 25%		
	Currency rates decrease 25%		
☐	Commodity prices:		
	Commodity prices increase 10%		
	Commodity prices decrease 10%		
	Commodity prices increase 50%		
	Commodity prices decrease 50%		
☐	Option implied volatilities:		
	Implied volatilities increase 2 percentage points		
	Implied volatilities decrease 2 percentage points		
	Implied volatilities increase 10 percentage points		
	Implied volatilities decrease 10 percentage points		
☐	Default rates (*ABS*):		
	Default rates increase 1 percentage point		
	Default rates decrease 1 percentage point		
	Default rates increase 5 percentage points		
	Default rates decrease 5 percentage points		
☐	Default rates (*corporate bonds*):		
	Default rates increase 1 percentage point		
	Default rates decrease 1 percentage point		
	Default rates increase 5 percentage points		
	Default rates decrease 5 percentage points		

Item D. Financing information

37. 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%.)

	1st Month	2nd Month	3rd Month
(a) Dollar amount of *unsecured borrowing*			
(i) Percentage borrowed from *U.S. financial institutions*			
(ii) Percentage borrowed from *non-U.S. financial institutions*			
(iii) Percentage borrowed from creditors that are not *financial institutions*			

(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.)*

(i) Dollar amount via prime brokerage			
(A) value of collateral posted in the form of *cash and cash equivalents*			
(B) value of collateral posted in the form of securities (other than *cash and cash equivalent* instruments).			
(C) value of other collateral posted			
(D) face amount of letters of credit (or other similar third party credit support) posted			
(E) percentage of posted collateral that may be rehypothecated			
(F) percentage borrowed from *U.S. financial institutions*			
(G) percentage borrowed from *non-U.S. financial institutions*			
(H) percentage borrowed from creditors that are not *financial institutions*			
(ii) Dollar amount via *reverse repo (for purposes of items (A) through (E) below, include as collateral any assets sold in connection with the* reverse repo *as well as any variation margin)*			
(A) value of collateral posted in the form of *cash and cash equivalents*			
(B) value of collateral posted in the form of securities (other than *cash and cash equivalent* instruments).			

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(C) value of other collateral posted			
(D) face amount of letters of credit (or other similar third party credit support) posted			
(E) percentage of posted collateral that may be rehypothecated			
(F) percentage borrowed from *U.S. financial institutions*			
(G) percentage borrowed from *non-U.S. financial institutions*			
(H) percentage borrowed from creditors that are not *financial institutions*			
(iii) Dollar amount of other *secured borrowings*			
(A) value of collateral posted in the form of *cash and cash equivalents*			
(B) value of collateral posted in the form of securities (other than *cash and cash equivalent* instruments).			
(C) value of other collateral posted			
(D) face amount of letters of credit (or other similar third party credit support) posted			
(E) percentage of posted collateral that may be rehypothecated			
(F) percentage borrowed from *U.S. financial institutions*			
(G) percentage borrowed from *non-U.S. financial institutions*			
(H) percentage borrowed from creditors that are not *financial institutions*			

38. For each month of the *reporting period*, provide the following information regarding the value of the *reporting fund's* derivative positions and the collateral posted to secure those positions.

(The value of any derivative should be its total gross *notional value, except that the value of an option should be its delta adjusted notional value. Do not net long and short positions.)*

(For items regarding collateral postings, if you do not separate collateral into initial margin/independent amount and variation margin amounts or a trade does not require posting of variation margin, then include all of the collateral in initial margin/independent amount.)

	1st Month	**2nd Month**	**3rd Month**
Aggregate value of all derivative positions of the *reporting fund*			
(a) value of collateral posted in the form of *cash and cash*			

equivalents:

(i) as initial margin/independent amounts .....

(ii) as variation margin .....

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

(i) as initial margin/independent amounts .....

(ii) as variation margin .....

(c) value of other collateral posted:

(i) as initial margin/independent amounts .....

(ii) as variation margin .....

(d) face amount of letters of credit (or other similar third party credit support) posted .....

(e) percentage of initial margin/independent amounts that may be rehypothecated .....

(f) percentage of variation margin that may be rehypothecated.....

39. 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 39(a) among the periods specified below depending on the longest period for which the creditor is contractually committed to provide such financing.

(If a creditor (or syndicate or administrative/collateral agent) is permitted to vary unilaterally the economic terms of the financing or to revalue posted collateral in its own discretion and demand additional collateral, then the financing should be deemed uncommitted for purposes of this question. Uncommitted financing should be included under "1 day or less.")

(The total should add up to 100%.)

	% of total financing
1 day or less	
2 days – 7 days	
8 days – 30 days	
31 days – 90 days	
91 days – 180 days	
181 days – 364 days	
365 days or longer	

Item E. Investor information

40. Provide the following information regarding the *reporting fund's* use of side-pockets and restrictions on investor withdrawals and redemptions.

(For Questions 40 and 41, 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)	Is subject to a "side-pocket" arrangement	
(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)*	

41. 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 invested funds could be withdrawn or investors could 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 valuation date rather than the date paid to investor.)*

(The total should add up to 100%.)

	% of *NAV* locked for
1 day or less	
2 days – 7 days	
8 days – 30 days	
31 days – 90 days	

91 days – 180 days	
181 days – 364 days	
365 days or longer	

Section 3: Information about *liquidity funds* that you advise.

You must complete a separate Section 3 for each *liquidity fund* that you advise. You must aggregate information regarding *liquidity funds* as provided in the General Instructions.

Item A. *Reporting fund* identifying and operational information

42. (a) Name of the *reporting fund*.....

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

43. Does the *reporting fund* use the amortized cost method of valuation in computing its *net asset value*?

☐ Yes ☐ No

44. Does the *reporting fund* use the penny rounding method of pricing in computing its *net asset value*?

☐ Yes ☐ No

45. (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 45(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

46. Provide the following information for each month of the *reporting period*.

		1st Month	2nd Month	3rd Month
(a)	*Net asset value* of *reporting fund*.....			
(b)	*Net asset value* per share of *reporting fund*.....			
(c)	*Market-based net asset value per share* of *reporting fund*.....			
(d)	*WAM* of *reporting fund*.....			
(e)	*WAL* of *reporting fund*.....			
(f)	*7-day gross yield* of *reporting fund*.....			
(g)	Dollar amount of the *reporting fund's* assets that are *daily*			

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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			

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

(Give the gross dollar 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. The value of any derivative should be its* total gross *notional value, except that the value of an option should be its delta adjusted notional value. 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.)

	Maturity				
	1 day or less	**2 days to 7 days**	**8 days to 30 days**	**31 days to 397 days**	**Greater than 397 days**
***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*					
Where assets purchased are *corporate bonds* that are *investment grade*					
Where other assets are purchased					

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Instruments issued by companies organized in the U.S. (other than *U.S. financial institutions*)

Unsecured commercial paper					
Corporate bonds (other than unsecured commercial paper), loans, *ABS*, *structured products* and *repos*, combined					

Instruments issued by *non-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*					
Where assets purchased are *corporate bonds* that are *investment grade*					
Where other assets are purchased					

Instruments issued by companies organized outside the U.S. (other than *non-U.S. financial institutions*)

Unsecured commercial paper					
Corporate bonds (other than unsecured commercial paper), loans, *ABS*, *structured products* and *repos*, combined					

Other instruments

Investments in *money market funds*					
Investments in *liquidity funds*					
Cash and cash equivalents (other than instruments covered by another category above)					

48. 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.

(This question relates to investment portfolio concentration. For purposes of this question, two or more positions in securities (or derivatives based on securities) of a single issuer should be treated as a single position and the sub-asset class *specified should be the* sub-asset class *of the security accounting for the greatest proportion of the aggregate position.*

Do not net long and short positions. Exclude cash and cash equivalent *instruments.)*

	% of *net asset value*	*Sub-asset class*
(a) First month of the *reporting period*		
(i) Position		[drop-down of asset classes]
(ii) Position		[drop-down of asset classes]
(b) Second month of the *reporting period*		
(i) Position		[drop-down of asset classes]
(ii) Position		[drop-down of asset classes]
(c) Third month of the *reporting period*		
(i) Position		[drop-down of asset classes]
(ii) Position		[drop-down of asset classes]

Item C. Financing information

49. (a) Is the amount of total *borrowing* reported in response to Question 9 equal to or greater than 5% of the *reporting fund's net asset value*?

☐ Yes ☐ No

(b) If you responded "yes" to Question 49(a) above, divide the dollar amount of total *borrowing* reported in response to Question 9 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 the total amount of* borrowing *reported in response to Question 9.)*

	1 day or less	2 days to 7 days	8 days to 30 days	31 days to 397 days	Greater than 397 days
Unsecured borrowing					
U.S. financial institutions					
Non-U.S. financial institutions					
Other creditors					
Secured borrowing					
U.S. financial institutions					

Non-U.S. financial institutions					
Other creditors					

50. (a) Does the *reporting fund* have in place one or more committed liquidity facilities?

☐ Yes ☐ No

(b) If you responded "yes" to Question 50(a), provide the aggregate dollar amount of commitments under the liquidity facilities

Item D. Investor information

51. Specify the number of outstanding shares or units of the *reporting fund's* stock or similar securities

52. 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. *Also, if you are aggregating any* parallel managed accounts *with the* reporting fund *in accordance with the General Instructions, you should treat the account owners as beneficial owners of the* reporting fund.*)*

(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?

53. 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*

54. Provide the following information regarding the restrictions on withdrawals and redemptions by investors in the *reporting fund*.

(For Questions 54 and 55, 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)* ..... [ ]

55. 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 invested funds could be withdrawn or investors could 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 valuation date rather than the date paid to investor. The total should add up to 100%.)*

	% of *NAV* locked for
1 day or less	
2 days – 7 days	
8 days – 30 days	
31 days – 90 days	
91 days – 180 days	
181 days – 364 days	
365 days or longer	

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. You must aggregate information regarding *private equity funds* as provided in the General Instructions.

Item A. *Reporting fund* identifying information

56. (a) Name of the *reporting fund* .....
    (b) *Private fund* identification number of the *reporting fund* .....

Item B. *Reporting fund* financing and investments

57. (a) Does the *reporting fund* have in place one or more loan or other borrowing facilities?
    ☐ Yes ☐ No

    If you responded "yes" to Question 57(a) above, provide the total outstanding balance for all such facilities:

    (b) As a dollar value .....
    (c) As a percentage of the *reporting fund's unfunded commitments* .....

58. (a) Does the *reporting fund* guarantee the obligations of any portfolio company in which the *reporting fund* invests?
    ☐ Yes ☐ No

    If you responded "yes" to Question 58(a) above, report the total value of all such guarantee obligations of the *reporting fund*:

    (b) As a dollar value .....
    (c) As a percentage of the *reporting fund's unfunded commitments* .....

59. What is the weighted average debt-to-equity ratio of the *controlled portfolio companies* in which the *reporting fund* invests?

    (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.*)*

60. What is the highest debt-to-equity ratio of any *controlled portfolio company* in which the reporting fund invests?

61. What is the lowest debt-to-equity ratio of any *controlled portfolio company* in which the reporting fund invests?

62. Provide a breakdown of the indebtedness of the *reporting fund's controlled portfolio companies* by maturity.

    (For amortizing debt, each amortization payment should be treated separately and grouped with other debt based on its payment date.)

Maturity	Principal amount
6 months or less following the *data reporting date*	
More than 6 months but less than or equal to 1 year following the *data reporting date*	
More than 1 year but less than or equal to 2 years following the *data reporting date*	
More than 2 years but less than or equal to 3 years following the *data reporting date*	
More than 3 years following the *data reporting date*	

63. What percentage of the aggregate indebtedness of the *reporting fund's controlled portfolio companies* is payment-in-kind (PIK) or zero-coupon debt? [ ]

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

☐ Yes ☐ No

65. (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 65(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.

Name	Outstanding amount of financing, if drawn	Amount of commitment, if undrawn
[repeat drop-down list of creditor/counterparty names] Other: _____		
[repeat drop-down list of creditor/counterparty names] Other: _____		
[repeat drop-down list of creditor/counterparty names] Other: _____		

66. (a) Does the *reporting fund* invest in any *financial industry portfolio companies*?

☐ Yes ☐ No

(b) If you responded "yes" to Question 66(a), then for each *financial industry portfolio company* in which the *reporting fund* invests, provide the following information.

Legal Name	**Address of principal office (include city, state and country)**	***NAICS code***	***LEI*, if any**	**Debt-to-equity ratio of portfolio company**	**% of *reporting fund's* gross assets invested in this portfolio company**	**% of portfolio company beneficially owned by the *reporting fund***

67. Provide a breakdown of the *reporting fund's* investments by industry, based on the *NAICS codes* of its portfolio companies.

(The total should add up to 100%.)

NAICS code	**% of *reporting fund's* gross assets invested in this industry**

68. Provide a geographical breakdown of the *reporting fund's* investments by percentage of gross asset value.

(Except for foreign exchange derivatives, *investments should be allocated by the jurisdiction of organization of the issuer or counterparty, as applicable. In the case of* foreign exchange derivatives, *investments should be allocated by the country to whose currency the* reporting fund *has exposure through the derivative. The total should add up to 100%.)*

(The value of any derivative should be its total gross *notional value, except that the value of an option should be its delta adjusted notional value. Do not net long and short positions.)*

Region	**%**
Americas	
(a) Brazil	
(b) Canada	
(c) Mexico	

(d) United States .....

(e) Other Americas .....

Europe

(f) *EEA* .....

(g) Russia .....

(h) Other Europe .....

Asia and Pacific

(i) Australia .....

(j) China (including Hong Kong) .....

(k) India .....

(l) Japan .....

(m) Korea, Republic of .....

(n) Middle East .....

(o) Other Asia and Pacific .....

Africa

(p) South Africa .....

(q) Other Africa .....

69. If you or any of your *related persons* 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 private fund adviser*:
   - ☐ Initial filing
   - ☐ *Annual update*
   - ☐ Final filing
2. If you are a *large private 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]:

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:

GLOSSARY OF TERMS

A. General terms

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*.
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), such as CC&G, CME Clearing, The Depository Trust & Clearing Corporation (including FICC, NSCC and Euro CCP), EMCF, Eurex Clearing, Fedwire, ICE Clear Europe, ICE Clear U.S., ICE Trust, LCH Clearnet Limited, LCH Clearnet SA, Options Clearing Corporation and SIX x-clear.
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.
Committed capital	Any commitment pursuant to which a *person* is obligated to acquire an interest in, or make capital contributions to, the *private fund*.
Commodity pool	A "commodity pool," as defined in section 1a(10) of the CEA.
Control	Has the meaning provided in *Form ADV*. The term *controlled* has a corresponding meaning.
Controlled portfolio company	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 part of a club or consortium including the *private equity fund*.
CPO	A "commodity pool operator," as defined in section 1a(11) of the CEA.
CTA	A "commodity trading advisor," as defined in section 1a(12) of the CEA.

Daily liquid assets	Has the meaning provided in *rule 2a-7*.
Data reporting date	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 private fund adviser*, the most recently completed calendar 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 the most recently completed calendar quarter.
Duration	The weighted average maturity of a portfolio comprised of the specified fixed income assets, where the weights are the relative discounted cash flows in each period.
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.
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) a *financial institution*.
Financial institution	Any of the following: (i) a bank or savings association, in each case as defined in the Federal Deposit Insurance Act; (ii) a bank holding company or financial holding company, in each case as defined in the Bank Holding Company Act of 1956; (iii) a savings and loan holding company, as defined in the Home Owners' Loan Act; (iv) a Federal credit union, State credit union or State-chartered credit union, as those terms are defined in section 101 of the Federal Credit Union Act; (v) a Farm Credit System institution chartered and subject to the provisions of the Farm Credit Act of 1971; or (vi) an entity chartered or otherwise organized outside the United States that engages in banking activities.
Firm	The *private fund adviser* completing or amending this Form PF.
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.
Gross asset value	Value of gross assets, calculated in accordance with Part 1A, Instruction 6.e(3) of *Form ADV*, provided that, for all purposes under this Form PF, assets held in *parallel managed accounts* should be treated as assets of the *private funds* with which they are aggregated (see Instruction 5 of Form PF).
Hedge fund	Any *private fund* that: (a) has a performance fee or allocation calculated by taking into account

unrealized gains;

(b) 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) may sell securities or other assets short.

Solely for purposes of this Form PF, a *commodity pool* satisfying the definition of "*private fund*" 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.
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.
Large private fund adviser	Any *private fund adviser* that is required to file Section 2a, 3 or 4 of Form PF. See Instruction 3 to determine whether you are required to file one or more of these sections.
LEI	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.
Liquidity fund	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.
Liquidity fund assets under management	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*).
LMV	Total market value of long positions, measured as specified in the instructions to this Form PF.
Market-based net asset value per share	*Net asset value* per share calculated using available market quotations (or an appropriate substitute that reflects current market conditions), to the nearest hundredth of a cent. Exclude the value of any capital support agreement or similar arrangement.
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, taking into account the maturity shortening provisions contained in paragraph (d) of *rule 2a-7*.
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.
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 7 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 *financial institutions*: (i) a *financial institution* chartered outside the United States; (ii) a subsidiary of a *U.S. financial institution* that is separately incorporated or otherwise organized outside 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 private fund	Any *private fund* that is not a *hedge fund, liquidity fund, private equity fund, real estate fund*, *securitized asset fund* or *venture capital fund*.
Parallel fund	See *parallel fund structure*.
Parallel fund structure	A structure in which one or more *private funds* (each, a "*parallel fund*") pursues substantially the same investment objective and strategy and invests side by side in substantially the same positions as another *private fund*.
Parallel managed account	With respect to any *private fund*, a *parallel managed account* is any managed account or other pool of assets that you advise and that pursues substantially the same investment objective and strategy and invests side by side in substantially the same positions as the identified *private fund*.
Person	Has the meaning provided in *Form ADV*.
Principal office and place of business	Has the meaning provided in *Form ADV*.
Private equity fund	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.
Private equity fund assets under management	With respect to any adviser, *private equity fund assets under management* are the portion of such adviser's *regulatory assets under management* that are attributable to *private equity funds* it advises.
Private fund	Any issuer that would be an investment company as defined in section 3 of the

	Investment Company Act of 1940 but for sections 3(c)(1) or 3(c)(7) of that Act. If any *private fund* has issued two or more series (or classes) of equity interests whose values are determined with respect to separate portfolios of securities and other assets, then each such series (or class) should be regarded as a separate *private fund*. This only applies with respect to series (or classes) that you manage as if they were separate funds and not a fund's side pockets or similar arrangements.
Private fund adviser	Any investment adviser that (i) is registered or required to register with the *SEC* (including any investment adviser that is also registered or required to register with the *CFTC* as a *CPO* or *CTA*) and (ii) advises one or more *private funds*.
Qualifying hedge fund	Any *hedge fund* that has a *net asset value* individually, or in combination with any *parallel funds* and/or *parallel managed accounts*, of at least $500 million as of the close of business on any day during the most recently completed calendar quarter.
Quarterly update	An update of this Form PF with respect to any calendar quarter.
Real estate fund	Any *private fund* that is not a *hedge fund*, that does not provide investors with redemption rights in the ordinary course and that invests primarily in real estate and real estate related assets.
Regulatory assets under management	Regulatory assets under management, calculated in accordance Part 1A, Instruction 5.b of *Form ADV*, provided that, for all purposes under this Form PF, assets held in *parallel managed accounts* should be treated as assets of the *private funds* with which they are aggregated (see Instruction 5 of Form PF).
Related person	Has the meaning provided in *Form ADV*.
Reporting period	With respect to an *annual update*, the twelve month period ending on the *data reporting date*. With respect to a *quarterly update*, the three month period ending on the *data reporting date*.
Reporting fund	A *private fund* as to which you must report information on Form PF. Typically, each *private fund* is a *reporting fund*. This includes *parallel funds*, each of which is a separate *reporting fund*. However, only the *master fund* in any *master-feeder arrangement* should be identified as the *reporting fund* with respect to any such arrangement. See Instructions 3 and 5.
Risk limiting conditions	The conditions specified in paragraphs (c)(2) (maturity), (c)(3) (quality), (c)(4) (diversification), and (c)(5) (liquidity) of *rule 2a-7*.
Rule 2a-7	Rule 2a-7 promulgated by the *SEC* under the Investment Company Act of 1940.
SEC	U.S. Securities and Exchange Commission.
Secured borrowing	Obligations for borrowed money in respect of which the borrower has posted collateral or other credit support. For purposes of this definition, *reverse repos* are *secured borrowings*.
Securities lending collateral	Cash pledged to the *reporting fund's* beneficial owners as collateral in respect of securities lending arrangements.
Securitized asset fund	Any *private fund* that is not a *hedge fund* and that issues asset backed securities and whose investors are primarily debt-holders.

7-day gross yield	Based on the 7 days ended on the *data reporting date*, calculate the *liquidity fund*'s yield by determining the net change, exclusive of capital changes and income other than investment income, in the value of a hypothetical pre-existing account having a balance of one share at the beginning of the period and dividing the difference by the value of the account at the beginning of the base period to obtain the base period return, and then multiplying the base period return by (365/7) with the resulting yield figure carried to at least the nearest hundredth of one percent. The 7-day gross yield should not reflect a deduction of shareholders fees and fund operating expenses.
SMV	Total market value of short positions, measured as specified in the instructions to this Form PF.
Sub-asset class	Each sub-asset class identified in Questions 23 and 27.
Total gross	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*.
Turnover rate	Divide the lesser of amounts of purchases or sales of securities or other investments for the month by the average value of the securities or other investments owned by the *hedge funds* during the month. Calculate the average value by totaling the values of securities and other investments as of the beginning and as of the end of the month and dividing the sum by 2. The value of any derivative should be its *total gross* notional value, except that the value of an option should be its delta adjusted notional value. Do not net long and short positions. However, in relation to derivatives, packages such as call-spreads may be treated as a single position (rather than as a long position and a short position) Purchases include any cash paid upon the conversion of one security into another and the cost of rights or warrants. Sales include net proceeds of the sale of rights and warrants and net proceeds of securities that have been called or for which payment has been made through redemption or maturity. Include proceeds from a short sale in the value of the securities sold during the period; include the cost of covering a short sale in the value of securities purchased during the period. Include premiums paid to purchase options in the value of securities purchased during the period; include premiums received from the sale of options in the value of the securities sold during the period.
U.S. financial institution	Any of the following *financial institutions*: (i) a *financial institution* chartered in the United States (whether federally-chartered or state-chartered); (ii) a subsidiary of a *non-U.S. financial institution* that is separately incorporated or otherwise organized in the United States; or (iii) a branch or agency that resides outside the United States but has a parent that is a *financial institution* chartered in the United States.
Unencumbered cash	The fund's *cash and cash equivalents* minus the sum of the following (without duplication): (i) *cash and cash equivalents* transferred to a collateral taker pursuant to a title transfer arrangement; and (ii) *cash and cash equivalents* subject to a security interest, lien or other encumbrance (this could include *cash and cash equivalents* in an account subject to a control agreement).

Unfunded commitments	*Committed capital* that has not yet been contributed to the *private equity fund* by investors.
United States person	Has the meaning provided in rule 203(m)-1 under the Advisers Act, which includes any natural person that is resident in the United States.
Unsecured borrowing	Obligations for borrowed money in respect of which the borrower has not posted collateral or other credit support.
VaR	For a given portfolio, the loss over a target horizon that will not be exceeded at some specified confidence level.
Venture capital fund	Any *private fund* meeting the definition of venture capital fund in rule 203(l)-1 of the *Advisers Act*.
WAL	Weighted average portfolio maturity of a *liquidity fund* calculated taking into account the maturity shortening provisions contained in paragraph (d) of *rule 2a-7*, but determined without reference to the exceptions in paragraph (d) of *rule 2a-7* regarding interest rate readjustments.
WAM	Weighted average portfolio maturity of a *liquidity fund* calculated taking into account the maturity shortening provisions contained in paragraph (d) of *rule 2a-7*.
Weekly liquid assets	Has the meaning provided in *rule 2a-7*.

B. Types of securities and instruments

ABCP	Asset backed commercial paper, including (but not limited to) structured investment vehicles, single-seller conduits and multi-seller conduit programs. Provide the market value of all investments in *ABCP*, but 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.
Agency MBS	Agency mortgage-backed securities (whether residential or commercial). Provide the market value of all investments in *agency MBS*, but do not include any positions held via *CDS* (these should be recorded in the *CDS* category).
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. Provide the market value of all investments in *agency securities*. Include bond derivatives.
Auto ABS	*ABS* secured by automobile loans. Provide the market value of all investments in *auto ABS*, but do not include any positions held via *CDS* (these should be recorded in the *CDS* category).
CDO	Collateralized debt obligations (including cash flow and synthetic) other than *CLO, agency MBS*, *CMBS*, *RMBS*, *auto ABS* and *consumer ABS*. Provide the market value of all investments in *CDOs*, but do not include any

	positions held via *CDS* (these should be recorded in the *CDS* category).
CDS	Credit default swaps, including any *LCDS*. *LMV* should be the *total gross* notional value of protection written and *SMV* should be the *total gross* notional value of protection bought.
CLO	Collateralized loan obligations other than *CDO, agency MBS*, *CMBS*, *RMBS*, *auto ABS* and *consumer ABS*. Provide the market value of all investments in *CLOs*, but do not include any positions held via *CDS* (these should be recorded in the *CDS* category).
CMBS	Commercial mortgage backed securities, other than *agency MBS*. Provide the market value of all investments in *CMBS*, but do not include any positions held via *CDS* (these should be recorded in the *CDS* category).
Commodities	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).
Consumer ABS	*ABS* secured by loans to consumers other than *RMBS* and *auto ABS*. Provide the market value of all investments in *consumer ABS*, but do not include any positions held via *CDS* (these should be recorded in the *CDS* category).
Convertible bonds	Convertible *corporate bonds* (not yet converted into shares or cash). Provide the market value of all investments in *convertible bonds*. Include bond derivatives, but do not include any positions held via *CDS* (these should be recorded in the *CDS* category).
Corporate bonds	Bonds, debentures and notes, including commercial paper, issued by corporations and other non-governmental entities. Do not include preferred equities. Provide the market value of all investments in *corporate bonds*. Include bond derivatives, but do not include any positions held via *CDS* (these should be recorded in the *CDS* category).
Credit derivatives	*Single name CDS*, *index CDS* and *exotic CDS*.
Crude oil	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).
ETF	Exchange-traded fund.
Exotic CDS	*CDS*s referencing bespoke baskets or tranches of *CDOs*, *CLOs* and other structured investment vehicles, including credit default tranches. Provide the *total gross* notional value of all investments in *Exotic CDSs*. *LMV* should be the *total gross* notional value of protection written and *SMV* should be the *total gross* notional value of protection bought.
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*. Provide the *total gross* notional value of outstanding transactions (or, in the case of options, the delta adjusted notional value of outstanding transactions). Only

	one currency side of every transaction should be counted.
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).
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. Provide the market value of all investments in *GSE bonds*. Include bond derivatives, but do not include any positions held via *CDS* (these should be recorded in the *CDS* category).
Index CDS	*CDSs* referencing a standardized basket of credit entities, including *CDS* indices and indices referencing leveraged loans. Provide the *total gross* notional value of all investments in *Index CDSs*. *LMV* should be the *total gross* notional value of protection written and *SMV* should be the *total gross* notional value of protection bought.
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*. Provide the *total gross* notional value of outstanding transactions (or, in the case of options, the delta adjusted notional value of outstanding transactions). 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 sub-asset classes	Any investment not included in another *sub-asset class*.
Investments in registered investment companies	Investments in registered investment companies (other than cash management funds).
LCDS	Loan credit default swaps.
Leveraged loans	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. Provide the market value of all investments in *leveraged loans*, but do not include any positions held via *LCDS* (these should be recorded in the *CDS* category).
Listed equity	Direct beneficial ownership of equities, including preferred equities, listed on a regulated exchange. Do not include synthetic or derivative exposures to equities. *ETFs* 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). Provide the market value of all investments in *listed equities*.
Listed equity derivatives	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. Provide the *total gross* notional value of outstanding transactions (or, in the case of options, the delta adjusted notional value of outstanding transactions).
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).
Other ABS	*ABS* products that are not covered by another *sub-asset class*. Provide the market value of all investments in *other ABS*, but 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 limited to) ethanol, heating oil propane and gasoline, should be included in this category. 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).
Other derivatives	Any derivative not included in another *sub-asset class*. Provide the *total gross* notional value of outstanding transactions (or, in the case of options, the delta adjusted notional value of outstanding transactions).
Other loans	All loans other than *leveraged loans* and certificates of deposit. *Other loans* includes (but is not limited to) bilateral or syndicated loans to corporate entities. Provide the market value of all investments in *other loans*, but do not include any positions held via *LCDS* (these should be recorded in the *CDS* category).
Other structured products	Any *structured products* not included in another *sub-asset class*. Provide the market value of all investments in *other structured products*, but do not include any positions held via *CDS* (these should be recorded in the *CDS* category).
Power	For questions regarding power derivatives, provide the value of all exposure to power that you do not hold physically, whether held synthetically or through derivatives (whether cash or physically settled).
Repo	Any purchase of securities coupled with an agreement to sell the same (or similar) securities at a later date at an agreed upon price. Provide the market value of all investments in *repos*, but do not include any positions held via *CDS* (these should be recorded in the *CDS* category).
Reverse repo	Any sale of securities coupled with an agreement to repurchase the same (or similar) securities at a later date at an agreed upon price.
RMBS	Residential mortgage backed securities, other than *agency MBS*. Provide the market value of all investments in *RMBS*, but do not include any positions held via *CDS* (these should be recorded in the *CDS* category).

Single name CDS	*CDSs* referencing a single entity. Provide the *total gross* notional value of all investments in *single name CDSs*. LMV should be the *total gross* notional value of protection written and SMV should be the *total gross* notional value of protection bought.
Sovereign bonds	Any notes, bonds and debentures issued by a national government (including central governments, other governments and central banks but excluding U.S. state and local governments), whether denominated in a local or foreign currency. Provide the market value of all investments in *sovereign bonds*. Include bond derivatives, but do not include any positions held via *CDS* (these should be recorded in the *CDS* category).
Structured products	Pre-packaged investment products, typically based on derivatives and including structured notes.
Unlisted equity	Direct beneficial ownership of equities, including preferred equities, that are not listed on a regulated exchange. Do not include synthetic or derivative exposures to equities. Provide the market value of all investments in *unlisted equities*.
Unlisted equity derivatives	All synthetic or derivative exposures to equities, including preferred equities, that 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. Provide the *total gross* notional value of outstanding transactions (or, in the case of options, the delta adjusted notional value of outstanding transactions).
U.S. treasury securities	Direct obligations of the U.S. Government. Provide the market value of all investments in *U.S. treasury securities*. Include *U.S. treasury security* derivatives.
WBS	Whole business securitizations. Provide the market value of all investments in *WBS*, but do not include any positions held via *CDS* (these should be recorded in the *CDS* category).

By the Commodity Futures Trading Commission.

Dated: January 26, 2011.

David A. Stawick,

Secretary.

By the Securities and Exchange Commission.

Dated: January 26, 2011.

Elizabeth M. Murphy,

Secretary.

Appendix 1—Commodity Futures Trading Commission Voting Summary

On this matter, Chairman Gensler and Commissioners Dunn, Sommers (by proxy), Chilton and O'Malia voted in the affirmative; no Commissioner voted in the negative.

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