

U.S. Securities and Exchange Commission

Annual Staff Report Relating to the Use of Form PF Data



This is a report of the Staff of the U.S. Securities and Exchange Commission.

The Commission has expressed no view regarding the analysis, findings, or conclusions contained herein.

December 9, 2022

Executive Summary

Since July 2012, the Commission has collected data about hedge funds, private equity funds, and other private funds reported by certain registered investment advisers to private funds on Form PF. This collection is pursuant to amendments to the Investment Advisers Act of 1940 (“Advisers Act”), enacted in 2010, that provide that the Commission require registered investment advisers to maintain records and file reports regarding the private funds they advise, for use by the Commission and by the Financial Stability Oversight Council (“FSOC”). The Commission is the primary regulator of advisers to private funds.

Private funds and their advisers play an important role in both private and public capital markets. These funds, including hedge funds, private equity funds and liquidity funds (which operate, in certain respects, similarly to money market funds), currently have approximately \$14 trillion in net assets. Private funds invest in large and small businesses and use strategies that range from long-term investments in equity to rapid trading and investments in complex instruments. Their investors include individuals, institutions, governmental and private pension funds, and non-profit organizations. The economic activity of private funds is significant both to large portions of the capital markets and to many individual American investors.

Before Form PF was adopted, the Commission and other regulators had limited visibility into this economic activity. With the significant increase in private fund advisers registered with the Commission in 2012, Form PF represented an improvement in available data about private funds compared with the third party data on which the Commission would otherwise rely. Form PF data allow the Commission to better monitor and identify trends that may affect private funds, advisers and investors.

Part III of this tenth Annual Report Relating to the Use of Form PF Data highlights the uses of the Form PF Data by the Commission and Commission staff. These include:

- *Informing Commission Policy.* Commission staff uses data from Form PF to identify trends and develop analyses that deepen staff understanding of private funds, private fund advisers and the markets in which they participate, subject to a framework designed to maintain the security and confidentiality of the data. The data set resulting from Form PF has provided a better perspective of the trading strategies and other activities of private funds, and of how private funds and their advisers may be affected by market and geopolitical events. This enhances the Commission’s ability to evaluate and frame regulatory policy, inform policy discussions of private fund activity and test with evidence assertions about private fund activity.
- *Informing the Public.* Staff’s quarterly public report, *Private Funds Statistics*, provides analyses of aggregated Form PF data, including information about industry trends. Staff also uses Form PF data to conduct and publish research intended to deepen public understanding of private funds and their market activities and risks.
- *Prioritizing and Informing Examination and Enforcement Efforts.* Staff reviews and analyzes Form PF data to identify potential compliance risk areas and assist in prioritizing the use of exam and enforcement resources. Reports summarizing key information, which can be rapidly and automatically generated, expedite staff’s preparation and conduct of focused exams by helping to identify areas of inquiry.
- *Facilitating Coordination with Other Regulators.* The Commission adopted Form PF in part to obtain data that FSOC can use for the assessment of systemic risk in the U.S. financial markets. Accordingly, the Commission makes Form PF data available to FSOC through the Office of Financial Research (“OFR”) and to the Federal Reserve Board, subject to agreements regarding appropriate use of and confidentiality protections for Form PF data. Staff also uses Form PF data when coordinating with other federal regulators and international organizations in areas of mutual interest, subject to protections designed to maintain data security.

I. Introduction

Today's U.S. private fund industry, including hedge funds, private equity and other private funds, with approximately \$14 trillion in reported net assets as of the fourth quarter of 2021¹ plays an active and important role in the U.S. private and public capital markets. Important financial innovations, capital market trends, and new investment strategies and structures have emerged first among private funds and private fund advisers. As the primary U.S. regulator of advisers to private funds,² the Commission depends on robust and reliable information to inform its understanding of private funds and private fund advisers, including how private funds and advisers participate in financial markets, so that it can carry out its mission of protecting investors, maintaining fair, orderly and efficient markets and facilitating capital formation. Further, because of private funds' important role in capital markets, the Commission can better identify potential trends in the markets that it regulates by understanding new developments and trends in private funds.

Form PF and Advisers Act rule 204(b)–1, adopted by the Commission in 2011, require certain registered investment advisers to private funds (including hedge funds, private equity funds, liquidity funds, and other private funds) to file Form PF to report information about the private funds they manage.³ Section 204(b) of the Advisers Act requires an annual report to Congress regarding how the Commission has used the Form PF data to monitor markets for the protection of investors and the integrity of the markets.⁴ This report is being submitted to Congress to satisfy that requirement.⁵

This is a report of the staff of the Commission, and the Commission has expressed no view regarding any analysis, findings, or conclusions contained herein.

¹ *Private Funds Statistics, Fourth Calendar Quarter 2021*, Table 4, at the Appendix. Reported net assets of private funds have more than doubled since this data collection began, growing from about \$5 trillion as of the end of the first quarter of 2013. See [Private Funds Statistics, Fourth Quarter 2014](#), Table 4.

² Section 202(a)(29) defines a “private fund” as “an issuer that would be an investment company, as defined by section 3 of the Investment Company Act, but for section 3(c)(1) or 3(c)(7) of that Act.” Some investment advisers registered with the Commission are also registered with and regulated by the U.S. Commodity Futures Trading Commission as commodity pool operators (“CPOs”) or commodity trading advisers (“CTAs”). See *Reporting by Investment Advisers to Private Funds and Certain Commodity Pool Operators and Commodity Trading Advisors on Form PF*, Investment Advisers Act Release No. 3308 (Oct. 31, 2011) at n. 10 and text accompanying n. 49 [76 Fed. Reg. 71128, 71132 (Nov. 16, 2011)], <https://www.gpo.gov/fdsys/pkg/FR-2011-11-16/pdf/2011-28549.pdf> (the “Adopting Release”).

³ See *Adopting Release*, *supra* note 2; see also *Money Market Fund Reform; Amendments to Form PF*, Investment Advisers Act Release No. 3879 (July 23, 2014) [79 Fed. Reg. 47736 (Aug. 14, 2014)], <https://www.gpo.gov/fdsys/pkg/FR-2014-08-14/pdf/2014-17747.pdf> (amending certain reporting required by private liquidity funds) (the “Money Market Fund Reform Release”). <https://www.reginfo.gov/public/do/PRAOMBHistory?ombControlNumber=3235-0679>.

⁴ Advisers Act Section 204(b)(11), 15 U.S.C. § 80b-4(b)(11).

⁵ See Division of Investment Management, U.S. Securities and Exchange Commission, Annual Staff Report Relating to the Use of Form PF Data, <https://www.sec.gov/reports>.

II. Overview of Form PF and Form PF Data Management at the Commission

A. Overview of Form PF

Form PF provides the Commission information that it uses in carrying out its mission.⁶ Before Form PF was adopted, the Commission and other regulators had more limited visibility into the economic activity of private funds. With the significant increase in private fund advisers registered with the Commission in 2012, Form PF represented an improvement in available data about private funds compared with the third party data on which the Commission would otherwise rely.⁷ The data set that is generated from information reported by private fund advisers on Form PF is more reliable and complete when contrasted with private vendor databases that cover only voluntarily-provided private fund data and are not representative of the total population. The Commission adopted Form PF in part to obtain data that FSOC can use for the assessment of systemic risk in the U.S. financial markets.⁸ As required by statute, the Commission designed Form PF in consultation with FSOC.⁹

Generally, investment advisers registered (or required to be registered) with the Commission with at least \$150 million in private fund assets under management must file Form PF. Most private fund advisers file annually to report general information such as the types of private funds advised (*e.g.*, hedge funds, private equity funds, or liquidity funds), fund size, use of borrowings and derivatives, strategy, and types of investors. Certain larger advisers provide more information on a more frequent basis, including more detailed information on particular hedge funds and liquidity funds.

B. How the Commission Secures and Manages Form PF Data

Advisers file Form PF using the Private Fund Reporting Depository (“PFRD”), an electronic filing system maintained by the Financial Industry Regulatory Authority (“FINRA”).¹⁰ Commission staff receives Form PF data via a direct feed from FINRA and maintains the data on access-controlled internal data systems. Consistent with provisions under the Advisers Act that provide heightened confidentiality protections for any proprietary information of private fund advisers submitted on Form PF,¹¹ Commission staff has implemented systems and controls designed to limit access to Form PF data and protect its confidentiality within and outside the agency. This includes limits on access to FINRA’s PFRD system and to internal data systems that contain PF Data to staff experts across the Commission who have been authorized to access

⁶ Section 204(b) of the Advisers Act requires the Commission to implement recordkeeping and reporting requirements for private fund advisers as necessary and appropriate in the public interest and for the protection of investors, or for the assessment of systemic risk by FSOC. Section 204(b) was enacted as part of the Dodd- Frank Wall Street Reform and Consumer Protection Act, Public Law No. 111-203, § 404, 124 Stat. 1376 (the “Dodd-Frank Act”).

⁷ Adopting Release, *supra* note 2, at 71129 n. 11 (describing transition period for registration by private fund advisers that previously relied on the repealed exemption under section 203(b)(3) of the Advisers Act) and 71130 n.19 (citing FSOC 2011 Annual Report, <http://www.treasury.gov/initiatives/fsoc/Pages/annual-report.aspx>).

⁸ *See supra* note 6.

⁹ *See* Advisers Act section 204(b)(3) (requires the Commission to consult with FSOC).

¹⁰ The Commission developed PFRD to implement reporting requirements on Form PF. PFRD is operated under a contract between the Commission and FINRA as an extension of the Investment Adviser Reporting Depository system used by advisers to register with the Commission on Form ADV. *See* Adopting Release, *supra* note 2, at Section II.E

¹¹ Advisers Act Section 204(b)(10), 15 U.S.C. § 80b-4(b)(10).

the data, and processes under which any Form PF data released to the public is reviewed before release so that the data is aggregated and/or masked to avoid public disclosure of proprietary information of private fund advisers. Senior staff members from various Divisions and Offices within the Commission are members of the Form PF Steering Committee tasked with overseeing these systems and controls for access, use, and security of Form PF data. The Committee, on an ongoing basis, monitors and updates these systems and controls and meets regularly to address any new matters arising from time to time relating to the access, use and security of the Form PF data.

C. Efforts to Improve the Quality of Form PF Data

Commission staff works with filers to improve the quality of data filed on Form PF. For example:

- Staff responds to specific, factual inquiries about how to complete and file Form PF on an ongoing basis. Staff maintains a separate email address that advisers and others can use to obtain answers to questions about how to complete and file Form PF. Staff also issued and periodically updates a series of “Frequently Asked Questions” that address specific, factual questions received from advisers and other members of the public related to Form PF.¹²
- Staff regularly contacts individual filers when staff members identify anomalous and possibly erroneous data as well as possibly delinquent or missing filings. Staff works with these individual filers to determine steps for improving timeliness and accuracy of filings.
- When delinquencies persist, the staff has taken further steps to ensure that information is appropriately filed.¹³

D. Analytical Tools Using Form PF Data

Commission staff has developed various analytical tools to use Form PF data in support of its monitoring of private funds and private fund advisers, consistent with the systems and controls discussed above in Section II.B. These tools enhance staff’s ability to assess large volumes of data, streamline analysis of the data by automating certain analytical processes, and evaluate Form PF data alongside other relevant datasets. As examples, these analytical tools have enhanced the staff’s ability to:

- identify “outliers” among private funds and private fund advisers using factors such as performance, investment exposures, and liquidity;
- identify private funds based on one or more areas of policy interest, such as type of strategy, types of investments, use of derivatives, and extent of leverage;

¹² The Form PF Frequently Asked Questions (“PF FAQs”), <https://www.sec.gov/divisions/investment/pfrd/pfrdfaq.shtml>, represent the views of the staff of the Division of Investment Management. The PF FAQs are not a rule, regulation or statement of the Commission, and the Commission has neither approved nor disapproved the information therein. The public Form PF inquiry email address as well as a phone number to reach staff with questions relating to Form PF is published at <https://www.sec.gov/divisions/investment/iard/iardhelp.shtml>. See also Division of Investment Management: Electronic Filing of Form PF for Investment Advisers on PFRD (PFRD Home Page) at <https://www.sec.gov/divisions/investment/pfrd.shtml>.

¹³ The Commission announced settlement orders with 13 registered investment advisers who repeatedly failed to file Form PF providing information about the private funds that they advise. See *SEC Charges 13 Private Fund Advisers for Repeated Filing Failures*, Press Release June 1, 2018, at <https://www.sec.gov/news/press-release/2018-100>.

- monitor changes and other trends in industry exposures, asset composition, and trading activity;
- empirically test claims made in the financial press or other public sources regarding private funds and the private fund industry; and
- facilitate assessment of the operations and investment activities of private funds and private fund advisers.

III. How the Commission Uses Form PF Data

The Commission staff in the various Divisions and Offices use Form PF data in mission-focused activities, including to inform policy by identifying and monitoring private fund trends, inform the public, conduct focused exams, and pursue potential wrongdoing. Additionally, consistent with the Advisers Act, the Commission makes the Form PF database available to FSOC through OFR.¹⁴ Staff also makes the Form PF database available to the Federal Reserve Board and uses Form PF data when coordinating with other federal regulators and international organizations in areas of mutual interest involving private fund advisers, subject to appropriate protections for data security. The following provides more detail on how the Commission staff uses Form PF data.

A. Informing Commission Policy

The Commission staff analyzes Form PF data to identify trends and possible emerging risks among private funds and private fund advisers and to develop analyses that deepen the Commission's understanding of private funds, private fund advisers, and the markets in which they participate. As compared to third-party sources, Form PF provides the Commission with a broader perspective and more complete view of the financial markets in general and the private fund industry in particular. Using data collected on Form PF promotes the ability of the Commission staff to analyze information related to private fund activity, evaluate existing regulatory policies and programs directed to private fund advisers, evaluate the impact of policy choices on private funds' activities, and consider whether activities of private funds may involve any potential wrongdoing that indicates a need for regulatory action. The Commission and its staff use this insight in support of the Commission's mission to protect investors, maintain fair, orderly and efficient markets, and facilitate capital formation.

Some examples of how the Commission and staff use Form PF Data to inform policy are as follows:

Assess Private Funds Activities and Trends. Staff uses Form PF data to identify and monitor the activities of private funds, trends in the private funds industry and the possible effects on the broader financial markets. Through this analysis, staff may consider persistent questions and test perceptions – and in some cases, misconceptions – about the activities of private funds and the effects of these activities in the markets the Commission regulates. For example, staff uses Form PF data to assess funds' use of borrowing and leverage based on multiple metrics, including gross notional exposure to net asset value (economic leverage), long and short notional exposures, gross and net exposure by investment strategy, aggregate borrowings and posted collateral. Staff also uses Form PF data to consider liquidity trends, including funds' portfolio, investor and financing liquidity, funds' usage of derivatives and high frequency trading (among other strategies), and how private fund advisers use risk management tools such as stress tests and value at risk (VaR) reporting in the management of private funds.¹⁵

¹⁴ OFR was established under the Dodd-Frank Act to support FSOC in fulfilling FSOC's purpose and duties. See Section 152 of the Dodd-Frank Act, *supra* note 7.

¹⁵ Staff makes some of this analysis publicly available in *Private Funds Statistics*, its quarterly report. See Appendix and Section III.B, *infra*.

Assess Effects of Market and Geopolitical Events. Staff analyzes Form PF data to determine how private funds and private fund advisers might be affected by market and geopolitical events. Staff has assessed the exposure of private funds to various types of assets and financial markets. This type of assessment, aggregated with other industry information that may be available to staff, facilitates development of a broader understanding of the potential effects of certain market or global events for private funds and the financial markets regulated by the Commission in which private funds participate.

Identify New Developments in Broader Financial Markets. Form PF data has the potential to capture new developments and trends among private funds and private fund advisers. This provides the Commission and staff with a window into potential new developments and trends in the broader public markets regulated by the Commission. For example, it is well-known that certain “alternative” investment strategies first offered in hedge funds have more recently been developed and modified to be offered by mutual funds.¹⁶ Staff has also used Form PF data to monitor trends in hedge fund exposures to leveraged loans and collateralized loan obligations.

Assess Effects of Rulemaking. The Commission and staff also are using information from Form PF to assess the potential impact of rulemaking proposals and analyze impacts of its rulemaking on markets and market participants. For example, the Commission has recently proposed amendments to Form PF to require new current reporting of certain events for large hedge fund advisers and advisers to private equity funds, among other things.¹⁷ In a joint rulemaking proposal with the CFTC, the Commission proposed additional amendments to Form PF to enhance FSOC’s ability to monitor systemic risk as well as bolster the SEC’s regulatory oversight of private fund advisers and investor protection efforts.¹⁸ In a proposed rulemaking to provide greater transparency through the publication of certain short sale related data, the Commission utilized Form PF data on short selling in hedge funds.¹⁹ The Commission used Form PF data to show that certain hedge funds may engage in activities that fall under a new proposed rule that modifies the definition of “dealer” and “Government Securities Dealer.”²⁰ Form PF data on private fund advisers and the private fund space informed the Commission on a proposed rulemaking to enhance oversight on private fund advisers and to further protect private fund investors.²¹

¹⁶ See, e.g., FINRA, *Alternative Funds Are Not Your Typical Mutual Funds*, <http://www.finra.org/investors/alerts/alternative-funds-are-not-your-typical-mutual-funds> (describing “alternative mutual funds” as funds that seek to accomplish the fund’s objectives through non-traditional investments and trading strategies that “may bring to mind” the strategies and investments of hedge funds).

¹⁷ See *Amendments to Form PF to Require Current Reporting and Amend Reporting Requirements for Large Private Equity Advisers and Large Liquidity Fund Advisers*, Advisers Act Release No. 5950 (Jan. 26, 2022), [87 FR 9106 (Feb. 17, 2022)], <https://www.sec.gov/rules/proposed/2022/ia-5950.pdf>.

¹⁸ See *Form PF; Reporting Requirements for All Filers and Large Hedge Fund Advisers*, Advisers Act Release No. 6083 (Aug. 10, 2022), [87 FR 53832 (Sept. 1, 2022)], <https://www.sec.gov/rules/proposed/2022/ia-6083.pdf>.

¹⁹ See *Short Position and Short Activity Reporting by Institutional Investment Managers*, Securities Exchange Act Release No. 34-94313 (Feb. 25, 2022), [87 FR 14950 Mar. 16, 2022)], <https://www.sec.gov/rules/proposed/2022/34-94313.pdf>.

²⁰ See *Further Definition of “As a Part of a Regular Business” in the Definition of Dealer and Government Securities Dealer*, Securities Exchange Act Release No. 34-94524 (Mar. 28, 2022), [87 FR 23054 (Apr. 18, 2022)], <https://www.sec.gov/rules/proposed/2022/34-94524.pdf>.

²¹ See *Private Fund Advisers; Documentation of Registered Investment Adviser Compliance Reviews*, Advisers Act Release No. 5955 (Feb. 9, 2022), [87 FR 16886 (Mar. 24, 2022)], <https://www.sec.gov/rules/proposed/2022/ia-5955.pdf>.

B. Informing the Public about the Private Fund Industry

The Commission seeks to provide the public with more transparency into and an understanding of the private funds industry by publishing aggregated information and analysis from Form PF, subject to its systems and controls designed to preserve the confidentiality of proprietary information of individual advisers. Following are two examples.

Private Funds Statistics. Since October 2015, Commission staff has published a quarterly report, *Private Funds Statistics*, which contains aggregated private fund industry statistics derived from Form PF data.²² As supplemented with new data and analysis in May 2017, and more recently in December 2020, the report includes more than 100 separate tables and figures that offer analyses of hedge fund industry practices.²³ To avoid public disclosure of proprietary information of private fund advisers, the Form PF data provided in these reports is aggregated, rounded and/or masked under processes that are reviewed periodically for effectiveness. Information included in the reports is typically at least six months old when published. The Appendix contains the most recent report.²⁴

Private Funds Statistics is designed to enhance public understanding of the private fund industry and facilitate Commission and staff participation in meetings and discussions with industry professionals, investors, and other regulators. Statistics that are published quarterly in *Private Funds Statistics*, include, for example, statistics describing numbers and assets of private funds; the extent of private funds' borrowing and derivatives holdings; comparisons of investor, portfolio and financing liquidity; use of financial and economic leverage by certain hedge funds; and categories of investment exposures. The report also includes information about the characteristics of private liquidity funds that may facilitate comparisons with data published by staff relating to registered money market funds.²⁵ Staff understands that the financial industry press monitors the release of these quarterly reports and industry participants may use the report

²² See *SEC Staff Publishes Private Funds Statistics Report*, Press Release (Oct. 16, 2015), <https://www.sec.gov/news/pressrelease/2015-240.html>.

²³ See *SEC Staff Supplements Quarterly Private Funds Statistics*, Press Release (Dec. 10, 2020), <https://www.sec.gov/news/press-release/2020-313>; *SEC Staff Supplements Quarterly Private Funds Statistics*, Press Release (May 3, 2017), <https://www.sec.gov/news/press-release/2017-92>.

²⁴ Historical reports can be found at: <https://www.sec.gov/divisions/investment/private-funds-statistics.shtml>.

²⁵ See Division of Investment Management, *Money Market Fund Statistics*, <https://www.sec.gov/divisions/investment/mmf-statistics.shtml>.

to assist investors with investment decisions.²⁶ In addition, the staff understands that other regulators and organizations may also monitor these public reports for their own risk monitoring activities.²⁷

Staff Research Publications. Commission staff has used Form PF data to contribute to the Commission's and investors' understanding of the economic forces and dynamics underlying the private funds market by conducting and publishing research on various topics, such as characteristics of leverage used by hedge funds and consideration of self-reporting bias in commercial hedge fund databases. Research is aggregated and/or masked under processes that are reviewed periodically for effectiveness to avoid public disclosure of proprietary information of private fund advisers before any publication. Published staff research and white papers have used Form PF data to describe liquidity and other characteristics of certain

²⁶ See, e.g. Finadium, "SEC publishes expanded analysis of hedge funds from forms PF and ADV" (Dec. 10, 2020); <https://www.privatefundscfo.com/a-cfos-2020-outlook-part-one-us-steadily-losing-fund-domicile-market-share/>; Graham Bippart, Private Funds CFO Blog, *A CFO's 2020 Outlook* (Feb. 12, 2020), <https://www.privatefundscfo.com/a-cfos-2020-outlook-part-one-us-steadily-losing-fund-domicile-market-share/>; Andy Jones, PEI Blog, *Private Equity Firms – Form PF Data* (Nov. 10, 2018), <http://blog.privateequityinfo.com/index.php/2018/11/10/private-equity-firms-form-pf-data/>; ICS Group, *Summary of the 2017 Q2 Private Fund Statistics* (Feb. 23, 2018), <https://www.i-c-solutions.net/updates/2018/02/23/2017-private-fund-statistics/>; Marc Gorfinkle, SS&C Technologies, *SEC releases expanded private fund statistics* (Dec. 11, 2017), <https://www.ssctech.com/blog/sec-releases-expanded-private-fund-statistics/>; Crane Data, *Prime Streak Ends; Still UP 20% YTD; SEC: Private Funds Drop in Q'17* (Oct. 27, 2017), <https://cranedata.com/archives/all-articles/6890/>; Lance Pan, Capital Advisors Group, *Demystifying Private Liquidity Funds: Reaffirming Advantages of Separately Management Accounts* (Mar. 14, 2017), <https://www.capitaladvisors.com/research/demystifying-private-liquidity-funds/>; Judy Gross, *SEC Releases Data on Private Funds: Big Picture of US Private Fund Industry Emerges*, *Forbes* (Oct. 26, 2015), <https://www.forbes.com/sites/judygross/2015/10/26/sec-releases-data-on-private-funds-big-picture-of-us-private-fund-industry-emerges/#6b77bbb393e5>.

²⁷ See IOSCO investment Funds Statistics Report, Jan. 2022, <https://www.iosco.org/library/pubdocs/pdf/IOSCOPD693.pdf>.

hedge funds.²⁸ Another staff white paper used Form PF data to characterize private liquidity funds and compare them to registered money market funds.²⁹

C. Assisting the Examinations and Enforcement Programs³⁰

Form PF data allows Commission staff to more efficiently prioritize its examinations and enforcement activities. Commission staff's analyses of Form PF data include risk-based analysis and monitoring initiatives that facilitate the identification of potential compliance risks and assist in prioritizing the use of exam and enforcement resources. For example, Commission staff may use Form PF data to identify private fund advisers whose activities involve areas of specific examination focus or that may present heightened compliance risks.

Before beginning an examination of an investment adviser, staff reviews applicable regulatory filings, such as Form ADV. For advisers that manage private funds, Form PF filings may also be reviewed as part of a routine pre-examination evaluation for risk identification and scoping. This review, in conjunction with other data sources, provides staff with an understanding of an adviser's current business, operations, and investment strategy as well as an analysis of how this strategy has evolved or changed over different reporting periods.

Commission staff has developed automated analyses and risk metrics that summarize and combine Form PF data with Form ADV data about an adviser's private funds and advisory business. These reports expedite staff preparation for examinations of a private fund adviser and its private funds and are designed to make exams more efficient by helping to focus areas of inquiry. These reports also assist staff in identifying potential reporting errors, compliance issues, or other issues of interest for the examination team to consider in their examination scope. Developed based on examiner insight and experiences, these reports distribute knowledge gained from exams and analysis to relevant staff on a need-to-know basis, which in turn informs monitoring programs. Generated from analytical tools that use custom code developed by staff to automate report production, these reports deliver intuitive and timely output to examiners, using the most recently filed Form PF and Form ADV data.

²⁸ See George O. Aragon, A. Tolga Ergun, Mila Getmansky, and Giulio Girardi, Division of Economic Risk and Analysis, *Hedge Fund Liquidity Management* (May 17, 2017), https://www.sec.gov/dera/staff-papers/working-papers/aragon-ergun-getmansky-girardi_HF-Liquidity-Management; George O. Aragon, A. Tolga Ergun, Mila Getmansky, and Giulio Girardi, Division of Economic Risk and Analysis, *Hedge Funds: Portfolio, Investor and Financing Liquidity* (May 17, 2017), https://www.sec.gov/dera/staff-papers/white-papers/aragon-ergun-getmansky-girardi_HF-Liquidity; George O. Aragon, A. Tolga Ergun, Mila Getmansky, and Giulio Girardi, *Measuring Hedge Fund Liquidity Mismatch*, (July 1, 2021), <https://jai.pm-research.com/content/ijaltinv/24/1/26.full.pdf>, Aragon, George O. and Ergun, A. Tolga and Girardi, Giulio, *Hedge Fund Liquidity Management: Insights for Fund Performance* Mar. 22, 2022), https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3734596. These papers report analyses using data reported on Form PF in quarterly filings from 2013 to 2017.

²⁹ See Daniel Hiltgen, Division of Economic Risk and Analysis, *Private Liquidity Funds: Characteristics and Risk Indicators* (Jan. 27, 2017), https://www.sec.gov/dera/staff-papers/white-papers/27jan17_hiltgen_private-liquidity-funds.html. The observations of the white paper indicate that, while most private liquidity funds and their parallel accounts did not formally commit to comply with the rule 2a-7 risk limits that apply to registered money market funds, the vast majority held portfolios that were consistent with those limits during the period studied.

³⁰ Because examination and enforcement matters are generally non-public, this report only summarizes generally how Form PF data has been integrated into exam and enforcement matters. See Advisers Act Section 210(b).

Commission staff also obtains and reviews Form PF information to focus its enforcement investigations, including investigations of private fund advisers. For example, Commission staff used Form PF data together with other information to identify hedge fund advisers whose reported data — such as returns, exposures, liquidity — appear inconsistent with the funds’ investment strategies or other benchmarks. These reviews have, in certain cases, led to examinations and enforcement investigations.

D. Coordination and Consultation with Other Financial Regulators

As required by statute, and as described above, the Commission adopted Form PF in part to obtain information about the operations and investment activities of private funds for FSOC to use in the assessment of systemic risk in the U.S. financial markets. The Commission has made the Form PF data available to FSOC through OFR since 2013, subject to agreements regarding appropriate use of and confidentiality protections for Form PF data. Beginning in July 2018, the Commission also makes Form PF data available to the Federal Reserve Board under agreements regarding appropriate use of and confidentiality protections for the Form PF data, which are similar to those provided under applicable agreements with OFR.

The Commission staff also uses Form PF data in its collaborations with other federal regulators on areas of mutual interest, such as on matters affecting the integrity of the financial markets and in communications with international organizations on areas of mutual interest regarding private funds and their investment advisers. For example, the staff regularly discusses information and analysis of Form PF data with OFR. The staff has also used reports of data from Form PF in connection with its participation in FSOC’s review of asset management products and activities.³¹ Commission staff from time to time also may provide certain Form PF data to other federal regulators in connection with compliance and enforcement matters. In every instance where staff shares information with an external regulatory entity, staff seeks to limit the type and amount of data that may be shared consistent with the purpose for sharing, and the information is either subject to assurances of confidentiality or aggregated to prevent disclosure of any proprietary information of private fund advisers.

IV. Conclusion

During the past year, the Commission staff has continued to use Form PF data to enhance the Commission’s efforts to protect investors and the integrity of our markets, including through our work with other federal regulators and international organizations.

³¹ See, e.g., *Financial Stability Oversight Council 2021 Annual Report* (updated Dec. 17, 2021), home.treasury.gov/system/files/261/FSOC2021AnnualReport.pdf. Section 3.5.2.5 of this report includes data from the SEC’s Private Funds Statistics in describing recent developments relating to alternative funds.