December 22, 2025

Via Electronic Mail

Brian Daly
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Division of Investment Management
Securities and Exchange Commission
100 F Street, NE
Washington, D.C. 20549

Tom Smith
Acting Director
Market Participants Division
Commodity Futures Trading Commission
Three Lafayette Center
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Re: Recommendations for Revamping Form PF

Dear Director Daly and Acting Director Smith:

MFA[1] appreciates that the U.S. Securities and Exchange Commission ("**SEC**") and U.S. Commodity Futures Trading Commission ("**CFTC**" and, together with the SEC, the "**Commissions**") further extended the compliance date for the amendments to Form PF to October 1, 2026, to allow time for the Commissions to complete a substantive review of Form PF and determine whether there are any substantial questions of fact, law, or policy such that further

1 Managed Funds Association (MFA), based in Washington, D.C., New York City, Brussels, and London, represents the global alternative asset management industry. MFA's mission is to advance the ability of alternative asset managers to raise capital, invest it, and generate returns for their beneficiaries. MFA advocates on behalf of its membership and convenes stakeholders to address global regulatory, operational, and business issues. MFA has more than 180 fund manager members, including traditional hedge funds, private credit funds, and hybrid funds, that employ a diverse set of investment strategies. Member firms help pension plans, university endowments, charitable foundations, and other institutional investors diversify their investments, manage risk, and generate attractive returns throughout the economic cycle.

action is needed.[2] This is consistent with Executive Orders, which require agencies to review and reevaluate rules that are unlawful or impose significant, unjustified costs and burdens on investors and other market participants with little to no corresponding benefits.[3]

As a result of recent amendments, Form PF is almost twice its original size, requires registrants to submit multiple more forms, and has departed from its statutory purpose.[4] It imposes unwarranted costs on the private fund industry and its downstream investors in the process. MFA believes there is an opportunity to reimagine Form PF and return it to its original purpose—to collect data to assist the Financial Stability Oversight Council ("**FSOC**") with the assessment of systemic risk posed by private funds and their advisers in the U.S. financial markets. The Commissions can do this by revising Form PF to bring it back in line with the statutory factors identified in Section 204(b)(3) of the Investment Advisers Act of 1940 ("**Advisers Act**"). Such a realignment would streamline the information reported on Form PF and enable FSOC to better assess systemic risk posed by private funds or their advisers in the U.S. financial markets. This also would reduce unwarranted reporting burdens on Form PF filers and help to promote investment and economic growth. We believe the Commissions can do this without impairing the quality of information received by the Commissions and FSOC. As is apparent in the many statements made by Commissioners of the SEC and CFTC in recent years cautioning against the consequences of Form PF's continued expansion, it is time to revamp Form PF.

*To accomplish this important task, it is necessary for the Commissions to do more than simply eliminate or revise individual questions in Form PF as it had been amended in 2023 and 2024 ("**Form PF 2.0**"). Such adjustments would fail to restore Form PF to its original purpose and*

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2 Form PF; Reporting Requirements for All Filers and Large Hedge Fund Advisers; Further Extension of Compliance Date, 90 Fed. Reg. 45131 (Sept. 19, 2025) at 45132, *available at*: https://www.govinfo.gov/content/pkg/FR-2025-09-19/pdf/2025-18228.pdf.

3 *See*, *e.g.*, Regulatory Freeze Pending Review Executive Order, 90 Fed. Reg. 8249 (Jan. 28, 2025), available at: https://www.whitehouse.gov/presidential-actions/2025/01/regulatory-freeze-pending-review/; Reducing Anti-Competitive Regulatory Barriers Executive Order 90 Fed. Reg. 15629 (Apr. 9, 2025), *available at:* https://www.federalregister.gov/documents/2025/04/15/2025-06463/reducing-anti-competitive-regulatory-barriers.

4 *See*, *e.g.*, Commissioner Mark T. Uyeda, Statement on Form PF; Reporting Requirements for All Filers and Large Hedge Fund Advisers (Feb. 8, 2024) ("**Uyeda 2024 Statement**"), *available at*: https://www.sec.gov/newsroom/speeches-statements/uyeda-statement-form-pf-reporting-reqs-020823 ("The Commission justifies the various reporting burdens on private fund advisers with a version of the following statement: the new reporting requirement will '[improve] systemic risk assessment and regulator programs to protect investors.' In many cases, the SEC does not even bother to claim that the additional reporting ***will*** satisfy the statutory standard, but instead settles for claiming that the reporting ***may*** do so.").

correct the excessive information collection currently performed by Form PF. A more fundamental and principled revamp of Form PF is necessary.

As explained below, we strongly recommend the Commissions return to the statutory purpose of Form PF and focus the data collection on the specific items of information identified in the statute as relevant to the assessment of systemic risk. Such a principled approach will enable the Commissions to meet their policy objective of collecting information primarily for systemic risk purposes but avoid collecting additional private fund data as if such funds were registered investment companies.

To assist the Commissions, in the following we provide:

- Background on the creation and purpose of Form PF;
- Recommendations to guide the Commissions in their revamp of Form PF;
- A clear rationale for reviewing and reevaluating Form PF; and
- In Appendix A, a discussion draft of a proposed markup of Form PF based on a composite of the original Form PF and certain questions from Form PF 2.0.[5]

I. Background

The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 ("**Dodd-Frank Act**") amended Section 204(b) of the Advisers Act providing the SEC with authority to establish record and reporting requirements for advisers to private funds.[6] Under the statute, the Commissions must jointly issue, after consultation with FSOC, rules establishing Form PF and content of any reports to be filed.[7] The statutory amendments also provided that certain records and reports of the private fund shall be deemed the records of the investment adviser and

5 We have provided a markup of the original Form PF (as modified in places by new questions from Form PF 2.0, where appropriate) because our members have years of experience with the original Form PF and understand how it can be improved to provide the Commissions with better, more consistent data, while reducing the reporting burden for advisers. We believe this will produce a draft that is cleaner and closer to what a revamped Form PF should look like. However, if the staff requests, we can provide a markup of Form PF 2.0.

6 Pub. L. 111-203, 124 Stat. 1376 (2010). Section 204(b)(2) of the Advisers Act notes that "[t]he records and reports of any private fund" to which an adviser provides investment advice "shall be deemed to be the records and reports of the investment adviser."

7 *See* Section 211(e) of the Advisers Act.

mandated that data collected under this authority be kept confidential.[8] The amendments provided a list of specific items of information that an adviser must maintain for each private fund, specifically:

(A) AUM and leverage, including off-balance-sheet leverage;

(B) counterparty credit risk exposure;

(C) trading and investment positions;

(D) valuation policies and practices of the fund;

(E) types of assets held;

(F) side letters or similar arrangements;

(G) trading practices; and

(H) other information necessary and appropriate for investor protection or systemic risk assessment.

The Commissions must use these factors when determining what information should be reported. While Section 204(b)(3)(H) does relate to "investor protection," when Form PF was first adopted in 2011, the Commissions stated that the primary purpose of Form PF was to "assist FSOC in its monitoring obligations under Dodd-Frank" by "enabl[ing] FSOC to obtain data that will facilitate monitoring of systemic risk in U.S. financial markets," specifically, "empirical data . . . with

8 *See* Section 204(b)(7)(B) of the Advisers Act (requiring FSOC to maintain the confidentiality of information received from Form PF); *see also* Section 204(b)(8) of the Advisers Act ("[T]he Commission may not be compelled to disclose any report or information contained therein required to be filed with the Commission under this subsection" save to Congress pursuant to a confidentiality agreement or certain requests for information from other Federal departments, agencies, or self-regulatory organizations, or certain orders brought by courts of the United States); Section 204(b)(9) of the Advisers Act (requiring departments, agencies, or self-organizations to keep the same level of confidentiality for Form PF information received from the SEC as is required of the SEC); 204(b)(10) of the Advisers Act (generally exempting the SEC and FSOC, and departments, agencies, and self-regulatory organizations that receive Form PF information from the provisions of the Freedom of Information Act with respect to that information). Form PF is prepared solely for purposes of regulatory reporting and is not provided to investors or used for internal risk monitoring purposes.

which [FSOC] may make a determination about the extent to which the activities of private funds or their advisers pose such risk."[9]

It was in addition to this primary purpose that the Commissions acknowledged that they "may use information collected on Form PF in their regulatory programs, including examinations, investigations and investor protection efforts relating to private fund advisers."[10] However, that does not change Form PF's primary statutory purpose—to serve as just one of the many tools at the disposal of FSOC and its constituent agencies to better assess systemic risk posed by private funds or their advisers in the U.S. financial markets. Yet, Form PF has steadily morphed over time, such that developing an understanding of the private fund industry in general under the rationale "investor protection" has taken precedence over assessment of systemic risk in the U.S. financial markets.[11]

In fact, there is a question as to whether the information collected in Form PF 2.0 is solely focused on assessing the risk posed by private funds or their advisers, or is now also a tool for collecting data on other market participants. We note that while Form PF might provide information relating to other market participants, including counterparty exposure information, the ***primary*** purpose of the form is to assess systemic risk posed by private funds or their advisers in the U.S. financial markets. While FSOC assesses systemic risk posed by other market

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9 *See* Reporting by Investment Advisers to Private Funds and Certain Commodity Pool Operators and Commodity Trading Advisors on Form PF, 76 Fed. Reg. 71128 (Nov. 16, 2011) ("**Adopting Release**") at 71129, 71132, *available at*: https://www.govinfo.gov/content/pkg/FR-2011-11-16/pdf/2011-28549.pdf; and Commissioner Peirce, Curiouser and Curiouser: Statement on Amendments to Form PF to Amend Reporting Requirements for All Filers and Large Hedge Fund Advisers (Feb. 8, 2024) ("**Peirce 2024 Statement**"), *available at*: https://www.sec.gov/newsroom/speeches-statements/peirce-statement-amendments-form-pf-amend-reporting-reqs-020823 ("In 2010, Congress established [FSOC] and charged it with, among other things, 'identifying risks to the stability of the United States.' Congress directed the [SEC] and the [CFTC] . . . to provide some of the information FSOC would need to fulfill its duties, and so in 2011 Form PF was born.").

10 Adopting Release, *supra* note 9, at 71132.

11 *See*, *e.g.*, Form PF; Event Reporting for Large Hedge Fund Advisers and Private Equity Fund Advisers; Requirements for Large Private Equity Fund Adviser Reporting, 88 Fed. Reg. 38146 (June 12, 2023) ("**2023 Amendments**") at 38147, *available at*: https://www.govinfo.gov/content/pkg/FR-2023-06-12/pdf/2023-09775.pdf; and Commissioner Peirce, Time to Fix the Form: Statement on Further Extension of Compliance Date for Form PF (Sep. 17, 2025) ("**Peirce 2025 Statement**"), *available at*: https://www.sec.gov/newsroom/speeches-statements/peirce-091725-time-fix-form-statement-further-extension-compliance-date-form-pf ("Form PF has not-so-subtly morphed into an all-purpose means to gather information from the private market under the seemingly limitless rubric of systemic risk.").

participants, FSOC member agencies, such as the banking regulators, regularly receive information about their particular registrants, which is more relevant and timely to the risks posed and faced by those entities. Indeed, recent events have shown that when international or regional bank counterparties to private funds faced financial distress, local regulators had the tools they needed to timely respond without requiring greater information from counterparties to these entities.[12] Form PF should not be used as the venue to gather information regarding systemic risk posed by any other actors in the U.S. or global financial markets.

Since 2011, the Commissions have amended Form PF numerous times,[13] mostly in the last two years, and continuously stated that the main purpose of many of the amendments was "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***."[14] This change in the scope ignores that Form PF was not designed to bolster the SEC's regulatory oversight. The SEC has other tools to oversee private fund advisers, including disclosure in Form ADV and by obtaining the advisers' books and records under Section 204(b)—tools that are designed to respond to and

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12 *See*, *e.g.*, Lucian A. Bebchuk, The Credit Suisse Collapse and the Regulation of Banking (Mar. 27, 2023), available at: https://corpgov.law.harvard.edu/2023/03/27/the-credit-suisse-collapse-and-the-regulation-of-banking/ (noting that "[w]ith access to private bank information" the Swiss National Bank and Swiss banking regulator were able to quickly react to the distress faced by Credit Suisse in March of 2023 and take proper corrective action); *see also* Financial Stability Board, 2023 Bank Failures: Preliminary lessons learnt for resolution (Oct. 10, 2023) at 21-23 (noting U.S. bank regulators' use of longstanding powers and tools to mitigate the impact of the failures of Silicon Valley Bank, First Republic Bank, and Signature Bank and limit losses to shareholders and unsecured/uninsured creditors of the banks).

13 *See* Money Market Fund Reform; Amendments to Form PF, 79 Fed. Reg. 47736 (Aug. 14, 2014), *available at*: https://www.govinfo.gov/content/pkg/FR-2014-08-14/pdf/2014-17747.pdf (amending Section 3 in connection with certain money market fund reforms); Money Market Fund Reforms; Form PF Reporting Requirements for Large Liquidity Fund Advisers; Technical Amendments to Form N-CSR and Form N-1A, 88 Fed. Reg. 51404 (Aug. 3, 2023), *available at*: https://www.govinfo.gov/content/pkg/FR-2023-08-03/pdf/2023-15124.pdf (amending Section 3 in connection with certain money market fund reforms); 2023 Amendments, *supra* note 9, at n.3 (amending Section 4 and adding new Sections 5 and 6 and redesignating prior Section 5 as Section 7 in connection with certain amendments to require event reporting for large hedge fund advisers and all private equity fund advisers and to revise certain reporting requirements for large private equity fund advisers); and Form PF; Reporting Requirements for All Filers and Large Hedge Fund Advisers, 89 Fed. Reg. 17984 (Mar. 12, 2024) ("**2024 Amendments**"), *available at*: https://www.govinfo.gov/content/pkg/FR-2024-03-12/pdf/2024-03473.pdf (amending the General Instructions, Section 1, Section 2 and related parts of the Glossary of Terms).

14 2024 Amendments, *supra* note 13, at 17984 (emphasis added).

further investigate specific risks posed by private fund advisers in the U.S. financial markets.[15] It further ignores that investors in private funds are generally sophisticated investors that have sufficient knowledge and expertise to invest in certain investment opportunities and do not need the full protection of the securities laws.[16]

While we acknowledge that Form PF can be used to collect information for investor protection purposes, we believe that in order to do so, the Commissions must consider whether Form PF still meets its policy purpose of collecting data to assess systemic risk and whether any such extra data is otherwise available, such as in Form ADV, through trade reporting or through the SEC's books and records authority. Any collection of information should be tied to the items enumerated in Section 204(b)(3).

Form PF 2.0 is almost twice the size of Form PF's original size and collects a far greater amount of information from private fund advisers without regard to the increased burdens, including legal and compliance costs,[17] or usefulness of such information for assessing systemic risk posed by private funds or their advisers in the U.S. financial markets. In fact, the recent amendments have made Form PF 2.0 extremely complex and disassociated from how private fund advisers conduct financial reporting and risk management, meaning that preparing Form PF is a completely different workstream that private fund advisers do not utilize when monitoring their own risks.

II. Recommendations for Streamlining Form PF

MFA members have over 14 years of experience with Form PF and have spent many years working with the data that Form PF collects.[18] Based on our knowledge and experience, we offer

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15 Section 204(b)(2) of the Advisers Act.

16 *See, e.g.*, Securities and Exchange Commission, Commission Interpretation Regarding Standard of Conduct for Investment Advisers, 84 Fed. Reg. 33669, 33677 (July 12, 2019) ("Full and fair disclosure for an institutional client (including the specificity, level of detail, and explanation of terminology) can differ, in some cases significantly, from full and fair disclosure for a retail client because institutional clients generally have a greater capacity and more resources than retail clients to analyze and understand complex conflicts and their ramifications.").

17 *See*, *e.g.*, Paul S. Atkins, Chairman, Statement at Open Meeting on Further Extension of the Form PF Compliance Date (June 11, 2025), *available at*: https://www.sec.gov/newsroom/speeches-statements/atkins-statement-open-meeting-061125 ("The complexity of the form, in addition to the ever-evolving nature of its demands has required advisers to seek costly legal and compliance support to complete it accurately. These costs divert resources away from advisers' core investment functions").

18 MFA has submitted a number of comment letters recommending modifications and suggesting

the following recommendations to amend Form PF to ensure that information collected on Form PF services its statutory purpose and provides FSOC with data that is needed to assess systemic risk posed by private funds or their advisers to the U.S. financial markets. These suggestions would reduce burdens to filers, protect highly sensitive confidential information from the risks of cyberattacks, and reduce the risk that certain data points could be misleading.[19] We further propose more discrete changes in a markup of a revamped Form PF contained in Appendix A.[20]

Accordingly, we urge the Commissions to consider the following recommended changes to revamp Form PF:[21]

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ways to streamline systemic risk reporting. *See* Comment Letter of MFA to SEC and CFTC (Mar. 16, 2023), *available at*: https://www.sec.gov/comments/s7-22-22/s72222-20159964-328328.pdf; *see* Comment Letter of MFA to SEC and CFTC (Dec. 7, 2022) ("**MFA 2022 Comment Letter**"), *available at*: https://www.mfaalts.org/wp-content/uploads/2022/12/MFA-Letter-on-Form-PF-Proposed-Rules-FINAL.pdf; Letter from MFA to CFTC Chairman Christopher Giancarlo (Oct. 9, 2018), *available at*: https://www.mfaalts.org/wp-content/uploads/2020/04/MFA.CFTC-Form-PF.final-w.-attachment.10.9.18-1.pdf; Letter from MFA to SEC Chairman Jay Clayton re: A Streamlined Form PF: Reducing Regulatory Burdens (Sept. 17, 2018), *available at*: https://www.mfaalts.org/wp-content/uploads/2020/04/MFA.Form-PF-Recommendations.attachment.final_.9.17.18.pdf; and Letter from MFA to SEC re: Form PF Comment Request (Mar. 12, 2018), *available at*: https://www.mfaalts.org/wp-content/uploads/2018/03/MFA-AIMA-Form-PF-Info.Collection.final_.3.12.18.pdf.

19 *See* MFA 2022 Comment Letter, *supra* note 18.

20 In terms of methodology, Form PF 2.0 allows advisers to use their own internal methodologies and the conventions of their service providers to complete the form as long as the methodologies are applied consistently and their responses are consistent with any instructions or other guidance related to the form (Instruction 15). We agree with this general approach. However, as part of the Commissions' effort to review and reevaluate Form PF 2.0, we believe that, for each instance where the form requires advisers to respond to questions in ways that are inconsistent with advisers' internal methodologies or standard industry practices, the Commissions should determine whether use of such inconsistent methodology (1) produces data that is meaningful to regulators and (2) the marginal benefit of the new data collection is justified in light of the increased costs to advisers. We discuss several examples of this below.

21 In addition to the specific recommendations below, we want to highlight two overarching themes that should guide a revamp of Form PF. First, aligning Form PF reporting requirements with U.S. GAAP would improve comparability, reduce interpretive ambiguity, and materially lower compliance burden. Second, aligning Form PF with the CFTC's Form CPO-PQR investment exposure reporting would allow dual registrants to leverage a single, consistent data set, which will reduce significant mapping, reconciliation, and system customization efforts. This latter recommendation was

A. Streamlining Form PF for Systemic Risk and Efficient Reporting

- ***Allow Aggregated Reporting.*** Form PF 2.0 requires advisers to report each component fund of a master-feeder arrangement and parallel fund structure separately. As a result, an adviser will no longer be able to choose whether to report master-feeder arrangements and parallel fund structures in the aggregate or separately. Reporting on a disaggregated basis, however, is inconsistent with how advisers monitor their own risks and not very helpful to regulators in assessing systemic risk. Although advisers may form master-feeder structures and utilize trading vehicles to increase efficiency for investors, the broader private fund structures that those entities are part of are nonetheless managed on a consolidated or aggregated basis. Private fund advisers typically do not manage each feeder fund, master fund, or trading vehicle within a private fund structure on a stand-alone basis with respect to risk management, financing, or liquidity. Rather, advisers frequently consider these matters from the perspective of the aggregated, consolidated activities of the private fund structure.

  Furthermore, assessing certain Form PF metrics at the level of an individual entity within an overall fund structure is likely to result in the Commissions receiving data that is not indicative of systemic risk. For example, advisers often pool unencumbered cash at the master fund level, meaning that assessing unencumbered cash at the feeder fund level would be likely to present an incorrect analysis of the unencumbered cash that is available within a particular fund structure. Portfolio liquidity is another metric that can create the wrong impression when assessed on a disaggregated basis. Portfolio liquidity risk is best measured by looking at the amount of capital that can be liquidated within a particular time frame at the widest relevant level, not on an entity-by-entity basis. In the context of private fund structures, it would be of limited utility to assess the liquidity that a master fund has with respect to its feeder funds. Instead, what would be relevant to an assessment of potential liquidity risk is to examine alignment (or misalignment, as the case may be) between investor withdrawal or redemption terms on the one hand, and portfolio liquidity across an overall fund structure (*i.e.*, aggregated master fund, feeder fund, and trading vehicles) on the other.

discussed during the recent SEC-CFTC Joint Roundtable on Regulatory Harmonization Efforts (Sep. 2025). We provide specific examples of these themes in the markup of Form PF in Appendix A.

Not only is reporting on a disaggregated basis potentially misleading, it also is costly and burdensome, requiring large hedge fund advisers to complete numerous additional Form PFs and complete a huge number of new data points.[22]

Recommendation: Permit advisers to decide whether to report master-feeder arrangements and parallel fund structures separately or on an aggregated basis to reflect how funds are risk managed by advisers.

- ***Revise Information Requests Regarding Counterparty Exposure.*** Form PF contains questions that seek information with respect to a reporting fund's counterparties for purposes of understanding credit exposure and potential systemic risk. These questions require managers to ignore margin posted by a counterparty, and request for credit exposures in a manner that is inconsistent with how securities dealers and banking regulators consider counterparty exposure. These questions are also inconsistent with how capital requirements for counterparty risk are calculated under the Basel rules.

  Recommendation: Questions in Form PF regarding counterparty exposures (e.g., QQ.22, 23, 36, and 37) should be consolidated and revised in a manner that would better identify counterparties whose default would likely lead to a significant loss for the reporting fund and, correspondingly, better identify a reporting fund whose default would likely lead to a loss for financing providers, such as dealers and banks. In doing so, the questions should not ignore margin and be consistent with the capital rules.

- ***Remove Disclosures of Indirect Exposures.*** Calculating and reporting indirect exposure information for investments in externally managed funds imposes burdens that are not justified by any benefit to the Commissions or FSOC. Private fund advisers often do not receive, and are unlikely to be able to acquire, information about the underlying exposures of an investment fund managed by a third party. Even with third-party managed funds like U.S.-listed exchange traded funds or other registered investment companies for which information about underlying exposures is available, requiring private fund advisers to track potentially thousands of securities in each such fund would provide limited value to the Commissions or FSOC and would be overly burdensome for reporting advisers.

  Recommendation: Eliminate the requirement to calculate and report indirect exposure information for investments in externally managed funds.

[22] For example, one large hedge fund adviser estimated that the number of funds it will have to report on has increased 500% (5x) from and the data points Form PF 2.0 asks for each increased 1000% (10x) from approximately 70 to 700.

- ***Remove Data Points that Require Advisers to Purchase Third-Party Data or Services.*** Questions in Form PF that require advisers to purchase data or services that they do not use in their businesses are costly and time consuming to complete. Some examples include requiring reporting of:

    - The six-digit North American Industry Classification System ("**NAICS**") codes for foreign businesses (Form PF 2.0, Q.36);
    - Collateral (Form PF 2.0, Q.41); and
    - Market factors (Form PF 2.0, Q.47).

  Recommendation: Eliminate the requirement to report information that they do not use in their businesses, is unavailable, or would require the advisers to purchase data or services from third parties.

- ***Update Events Reporting.*** The new event reporting in Sections 5 and 6 of Form PF 2.0 represents a sea change from the existing design and focus of Form PF and imposes significant operational burdens on private fund advisers. Furthermore, the breadth and scope of some of the reporting requirements, as well as the fact that some of them lack a materiality threshold, lead to "false positive" filings.[23]

  Recommendation: Revise the reporting triggers in Sections 5 and 6 to eliminate questions that are confusing or ambiguous (particularly the operational disruption event prong in Section 5) and raise thresholds or otherwise provide a fitting materiality threshold for other triggers (such as the extraordinary investment loss and significant margin event prongs).

- ***Eliminate the Reporting of Monthly Data Points.*** Providing monthly data points creates significant burdens for many private fund advisers, which only calculate monthly metrics for purposes of reporting on Form PF. We further question whether it is meaningful for regulators to receive information reflecting month-to-month developments rather than quarterly developments for purposes of assessing systemic risk. Section 5 of Form PF discussed above is a better tool for the SEC to monitor for financial events that may indicate significant changes at an adviser.

  Recommendation: Eliminate the reporting of monthly data points.

23 *See* Comment Letter of MFA to SEC (Mar. 21, 2022), *available at:* https://www.mfaalts.org/wp-content/uploads/2022/04/MFA-Comment-Letter-on-SECs-Proposed-Form-PF-Amendments-as-submitted-on-3.21.22.pdf.

- ***Simplify or Eliminate Certain Questions That Are Duplicative.*** Over the years, some of the Form PF questions have become less relevant, especially as regulators have implemented regulations under the Dodd-Frank Act. These include the significant reforms that reduce counterparty risk in the OTC derivatives markets (e.g., mandatory clearing of swaps and security-based swaps) and the development of a robust regulatory framework for managers of private funds who file Form ADV.

  Recommendation: Simplify or eliminate questions that are duplicative with other questions on the form or with information that the Commissions otherwise collect.

B. Updating Form PF: Definitions, Thresholds, Fund Categories

- ***Revise Definition of "Hedge Fund."*** The definition of "hedge fund" in Form PF is too broad, as it captures closed-end private funds that technically fall within the definition of "hedge fund"—for example, a private equity fund that has the ability to engage in short selling would be categorized as a hedge fund for purposes of Form PF even if it never actually sells short.[24] This leads to advisers having to respond to questions that are not tailored to the business of their funds, leading to irrelevant information being reported to regulators, which will undermine the value of aggregated information.

  Recommendation: Amend the definition of "hedge fund" (or otherwise change the form) so that "open-end private funds" report in Section 2 and "closed-end private funds" report in Section 4 of Form PF.[25]

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24 The definition of "hedge fund" in Form PF includes, among other things, a fund "that may sell securities or other assets short or enter into similar transactions (other than for the purpose of hedging currency exposure or managing duration)" (Glossary of Terms). *See* FAQ D.1 of the Legacy Form PF FAQs, *available at:* https://www.sec.gov/rules-regulations/staff-guidance/division-investment-management-frequently-asked-questions/historical-form-pf-faqs ("In adopting the Form, the [SEC] considered, but did not accept, commenters' arguments that the leverage and shorting characteristics in the definition of 'hedge fund' should focus on actual or contemplated use, rather than potential use."). Accordingly, even if a fund does not short assets (or use leverage), it must be reported as a hedge fund if the fund documentation does not explicitly prohibit it. As such, funds could fall into the hedge fund definition solely on the basis of a drafting decision.

25 Some advisers managing a mix of hedge funds and private equity funds would like the optionality to report all of their funds in Section 2. This will greatly reduce their compliance burden and cost because it will allow them to develop (or acquire) one reporting system rather than two. Just like the SEC allows passive investors to file Schedule 13G rather than Schedule 13D but passive investors could still choose to file on Schedule 13D because Schedule 13D contains all of the information

- ***Raise Thresholds for "Large Hedge Fund Advisers" and "Qualifying Hedge Funds."*** The threshold for a "large hedge fund adviser" for purposes of Form PF is $1.5 billion in hedge fund regulatory assets under management ("**RAUM**") and the threshold for "qualifying hedge fund" is $500 million. These thresholds were set in 2011 and have not been adjusted since to reflect information or the growth of the capital markets. Managers with RAUM under $2.5 billion do not pose the type of risk that merits the costs to the government or those managers of the frequent and detailed reporting required by Form PF.[26] Raising the large hedge fund adviser reporting threshold would decrease the burden on these small businesses and promote business formation and competition in the hedge fund industry. Likewise raising the threshold for qualifying hedge fund to $1 billion would better reflect inflation and the growth of the hedge fund industry. This change would reduce the number of qualifying hedge funds and materially decrease the reporting burden across advisers. Furthermore, we believe that the Commissions likely would continue to capture information regarding a similar portion of the hedge fund market than it did in 2011 due to inflation and the increase in the size of the capital markets. Additional information regarding private fund advisers is available in Form ADV.

  Recommendation: Raise the threshold for a "large hedge fund adviser" for purposes of Form PF to $2.5 billion in hedge fund RAUM and the threshold for "qualifying hedge fund" to $1 billion.

- ***Include Tailored Questions Relating to Private Credit Funds.*** Private fund advisers typically report private credit funds on Section 2 of Form PF because of the Form PF definition of "hedge fund" (discussed above) and the contractual ability of many private credit funds to use leverage.[27] However, Section 2 is aimed at hedge funds and therefore requests information that is not well tailored to the business activities of private credit funds. Furthermore, simply requiring advisers to report private credit funds (appropriately defined) in Section 4 would not address the fact that the questions in Section 4 are aimed at private equity funds and not tailored to private credit funds (or

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requested in Schedule 13G, we believe it would be consistent for the Commissions to allow advisers to continue to report all of their funds on Section 2.

26 In fact, we believe the size at which a fund may begin to be systemically risky is much higher. For example, despite a loss of more than $5 billion, the collapse of the Amaranth Advisors hedge fund did not have a big impact on the broader markets. *See*, *e.g.*, Hedge Fund's Collapse Met with a Shrug, Washington Post (Sep. 20, 2006), *available at*: http://www.washingtonpost.com/wp-dyn/content/article/2006/09/19/AR2006091901388.html.

27 *See supra* note 24.

other types of closed-end funds). This shortcoming could be addressed by providing a definition of "private credit fund" and then amending Section 4 to request more targeted information depending on the type of closed-end fund—for example, private equity, private credit, real estate, and consumer credit funds.

Recommendation: First, include a definition of "private credit fund" describing a closed-end fund that primarily pursues a private credit strategy (*e.g.,* the origination of, or direct investment in, privately negotiated, non-tradable credit instruments and similar instruments) and, second, solicit information specifically tailored to the business activities of such private credit funds in Section 4 of Form PF (such as through the use of subsections or a drop-down menu).

- ***Move to a Biannual Reporting Frequency.*** The current quarterly reporting cadence of Form PF for large hedge fund advisers is overly burdensome and unnecessary. Moving to a biannual reporting cadence with quarterly data points would result in significant compliance cost savings, while still enabling FSOC and other regulators to receive data to track quarterly trends. For systemic risk assessment, the SEC would continue to be able to rely on the event reporting in Sections 5 and 6 of Form PF discussed below.

  Recommendation: Move to semiannual reporting frequence with quarterly data points.

- ***Incorporate Alphanumeric Identifiers to Mitigate Potential Cyber Breaches.*** Form PF requests a large quantify of information from private fund advisers regarding their funds. Much of this is confidential commercial information. To enhance protections for registrant data, use of alphanumeric identifiers within Form PF would help to obscure the identity of Form PF filers to anyone who gains access to the filings without authorization.

- *Recommendation:* Require the use of alphanumeric identifiers within Form PF to obscure the identity of the registrant and its funds.

C. <u>Process Reforms to Protect Form PF Data and to Help Ensure Future Amendments Reflect the Form's Primary Purpose</u>

In addition to changes to Form PF, the SEC should adopt formal policies and procedures through a rulemaking governing the use of Form PF data by SEC staff and other agencies to ensure sufficient protection of confidential and commercially valuable information. In doing so, the SEC should revisit current memoranda of understanding with FSOC and its member agencies to clarify the parties responsible for safeguarding data.

The Commissions also should consider implementing a process for revising Form PF to ensure that Form PF remains consistent with its statutory purpose of assisting with assessing of systemic risk posed by private funds and their advisers to the U.S. financial system. This could include articulating a standard for evaluating any additional data points and/or revising questions, as well as a yearly staff review of whether questions asked in Form PF are providing data that are informative to the evaluation of systemic risk.

III. Rationale for Reviewing and Amending Form PF 2.0

MFA believes that the Commissions have a clear rationale to amend Form PF 2.0 and develop a new Form PF 3.0 according to the above principles, and such amendments would be consistent with the Commissions' statutory authority, the Administrative Procedure Act ("**APA**") and recent executive orders.[28] The Commissions can accomplish this by rescinding the 2024 amendments to Form PF 2.0 to return Form PF back to its original statutory purpose and to develop new Form PF 3.0. We acknowledge that Form PF 2.0 has been fully implemented and the economic baseline needs to include the full implementation of Form PF 2.0. In the members' experience, the ongoing costs remain unnecessarily burdensome and MFA believes that streamlining the data in new Form PF 3.0 will result in ongoing cost savings, among other benefits.

The APA requires an agency to "examine the relevant data and articulate a satisfactory explanation for its action including a rational connection between the facts found and the choice made."[29] A court evaluating the substance of an agency action will only vacate a challenged regulation if it "had no rational basis or . . . it involved a clear and prejudicial violation of applicable statutes or regulations."[30] To revamp Form PF, the Commissions "must show . . . 'that the new policy is permissible under the statute, that there are good reasons for it, and that the [Commissions] . . . believe[] it to be better'" and "must also 'display awareness that [they are] changing position[s].'"[31] Here, not only is it statutorily permissible to revise Form PF, but the Commissions—by recognizing Form PF 2.0 as the economic baseline and providing a rational basis for rescinding Form PF 2.0 (and using the original Form PF as a starting place to design a new

28 *See supra* note 3.

29 *Chamber of Com. of United States* v. *Sec. & Exch. Comm'n*, 115 F.4th 740, 750 (6th Cir. 2024) (citing *Motor Vehicle Mfrs. Ass'n of U.S., Inc.* v. *State Farm Mut. Auto Ins. Co.*, 463 U.S. 29, 43, 103 S.Ct. 2856, 77 L.Ed.2d 443 (1983)) (holding that a 2022 rule rescinding certain rules applicable to proxy advisory firms was not arbitrary and capricious, given that the SEC recognized a shift in approach from when it adopted the rules and that it identified "good reasons" for the change in position).

30 *Id.* (citing *McDonald Welding v. Webb*, 829 F.2d 593, 595 (6th Cir. 1987)).

31 *Id.* (citing *FCC v. Fox Television Stations, Inc.*, 556 U.S. 502, 515, 129 S.Ct. 1800, 173 L.Ed.2d 738 (2009)).

Form PF 3.0)—would clearly meet their obligations under the APA and satisfy several compelling reasons for making such revisions at that, such as: (i) re-aligning Form PF with its statutory purpose; (ii) providing the Commissions and FSOC with more informative data for systemic risk monitoring purposes; and (iii) as a result of efficiencies of a more streamlined reporting process benefiting both direct and indirect investors.[32]

First, as an example of unjustified burdens and costs, the Commissions and the public, including the sophisticated investors that invest in private funds, have access to certain of the data requested in Section 1 of Form PF in Section 7.B of Schedule D in Part 1A of Form ADV. Section 1 is the only section of Form PF 2.0 that would be filed by smaller private fund advisers and it significantly overlaps and sometimes conflicts with information that advisers provide in Form ADV. The Commissions acknowledged this when adopting the most recent amendments to Form PF,[33] but instead chose to amend Form PF to keep this duplicative and inconsistent information. In addition to the information collected on Form ADV, the SEC has books and records authority to request additional information from these smaller private funds. Both of these avenues provide alternatives to requiring this information on Form PF 2.0.

Second, many Form PF 2.0 filers and the funds they advise do not implicate systemic risk to the U.S. financial markets. SEC-registered advisers with at least $150 million in private fund assets under management report on Form PF, but such low AUM does not pose systemic risk. Similarly, as discussed above, the thresholds for "large hedge fund adviser" and "qualifying hedge fund" have not been adjusted for inflation since Form PF was first adopted in 2011 or reflect the significant growth of the U.S. financial markets. To the extent the SEC has concerns of a specific nature with respect to the operations of a smaller private fund adviser, the SEC and its staff can request additional information listed in Section 204(b)(3) through its books and records authority and other monitoring tools instead of requiring an onerous, duplicative filing.

Third, a substantial majority of the questions in Form PF 2.0 do not clearly align with the statutory factors in Section 204(b)(3) and instead rely more heavily on the goal of investor protection.[34] These questions do not provide information on systemic risk and create additional

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32 There is precedent for this approach. In 2018, the SEC replaced the requirement on the recently adopted Form N-PORT that a fund publicly disclose on an aggregate basis the percentage of its investments allocated to each liquidity classification category with a new narrative discussion in the fund's shareholder report regarding its liquidity risk management program to address concerns that the disclosure had the potential to mislead investors. *See* Investment Company Liquidity Disclosure, 83 Fed. Reg. 31859, 31860 (July 10, 2018).

33 *See* 2024 Amendments, *supra* note 13, at 17994, 17998-17999.

34 The Fifth Circuit recently held that the SEC could not use authority under the Advisers Act to regulate private funds like registered investment companies under the Investment Company Act of

costs and burdens for private fund advisers, which are then passed onto investors as well as the downstream beneficiaries of the private fund investments of large institutional investors, such as those participating in public and private pension plans, endowments, foundations, and certain other retirement plans.[35]

Fourth, numerous features of Form PF 2.0 raise substantial questions of fact through the interpretive questions the industry is facing. For example, as noted above, Form PF 2.0 requires disaggregated reporting with respect to master-feeder funds, parallel funds, and trading vehicles that compose reporting funds. Private funds manage risk based on the portfolio as a whole and do not separately analyze feeder funds, parallel funds, or trading vehicles when they are part of the overall fund strategy. By requiring disaggregated reporting, FSOC is receiving data that is not consistent with how private funds manage risk. This and similar disconnects raise questions

1940 because the Investment Company Act "purposefully exempted private funds from the prescriptive framework, permitting private funds to freely negotiate fund agreements concerning investor access to periodic financial reports . . . investor input on advisory fees chargeable to the fund . . . and terms," and that "[b]y congressional design, private funds are exempt from federal regulation of their internal 'governance structure.'" *See Nat'l Ass'n of Priv. Fund Managers v. Sec. & Exch. Comm'n*, 103 F.4th 1097, 1113 (5th Cir. 2024). The Fifth Circuit, in its findings, acknowledged that historically, private funds were regulated differently under the Advisers Act than public funds, in part due to the different client relationships of the advisers of the different types of funds. *Id.* at 1103 ("The Advisers Act recognizes a fiduciary duty between an investment adviser and his client. In the private fund context, that client is the fund itself—not the fund's investors. A private fund adviser must be concerned with the fund's performance, not with each investor's financial condition. Before 2010, most private fund advisers were exempt from registration with the Commission, but the Dodd-Frank Act eliminated this 'private adviser' exemption making most private fund advisers subject to the same limited requirements as other investment advisers.") (citations omitted).

35 *See* 2024 Amendments, *supra* note 13, at 18042 ("The amendments to Form PF will lead to certain additional costs for private fund advisers. Any portion of these costs that is not borne by advisers will ultimately be passed on to private funds' investors.").

regarding the utility of the data that is collected. Current Commissioners of the SEC[36] and CFTC,[37] as well as commenters to the amendments,[38] have all recognized this fact.

Furthermore, the Commissions underestimated the costs and burdens of Form PF 2.0, including ongoing compliance costs. For example, the economic analysis for Form PF 2.0 did not

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[36] *See*, *e.g.*, Peirce 2025 Statement, *supra* note 11 ("Through Form PF, the Commissions send private funds on a scavenger hunt for an odd collection of data points, some quite sensitive, some requiring extensive work and expense by funds to assemble, and many of questionable relevance to systemic risk or investor-protection objectives. The utility of the data to [FSOC] has never been clear.").

These questions also were raised at the SEC Open Meeting adopting Form 2.0. *See*, *e.g.*, Peirce 2024 Statement, *supra* note 9 (Feb. 8, 2024), *available at:* https://www.sec.gov/newsroom/speeches-statements/peirce-statement-amendments-form-pf-amend-reporting-reqs-020823 ("We insist, for instance, that each component fund in a master-feeder arrangement be reported separately. We ignored commenters who pointed out that disaggregation makes little sense in light of how private funds manage risk and that the information submitted will be of little use to the Commission."); *see also* Uyeda 2024 Statement, *supra* note 4 ("One commenter explained that disaggregated information would be 'misleading and difficult to analyze,' and that it is 'not the type of information that the Commissions likely would be able to readily and accurately re-aggregate.' The Commission simply 'disagree[s],' that the information would be misleading, and notes that it 'could, if necessary, aggregate the data to understand the overall fund.' There is no analysis or evidence to support this response. The response's 'could, if necessary' language does not even imply that the Commission ***needs*** this information in the first place.").

[37] *See* Dissenting Statement of Commissioner Caroline D. Pham on SEC-CFTC Joint Final Rule on Form PF (Feb. 8, 2024), *available at*: https://www.cftc.gov/PressRoom/SpeechesTestimony/phamstatement020824 ("[T]he SEC-CFTC Joint Final Rule on Form PF continues to mandate double, and sometimes triple, reporting, without being based on any demonstrated data or evidence that it will improve systemic risk monitoring. To the contrary, it will hinder the ability of both firms and regulators to truly identify hidden risk. Effective risk management requires aggregation to understand the risk exposure. Indeed, this is a key pillar of Dodd-Frank reforms. But the Joint Final Rule will force firms to disaggregate risk monitoring and reporting to the individual fund level—obscuring the full picture.").

[38] Comment letters that we have previously submitted in the course of amendments made to Form PF have raised similar concerns as to the utility of information collected by the form. MFA 2022 Comment Letter, *supra* note 18, at 23 (describing, for instance, that the "approach to require reporting on a disaggregated basis for many master-feeder structures and trading vehicles is likely to provide misleading information for the purpose of conducting risk assessment," given that such structures of which such entities are a part "are nonetheless managed on a consolidated or aggregated basis.").

account for many of the additional ongoing burdens, such as the costs of requiring disaggregated reporting of master-feeder funds and parallel fund structures. The Commissions justified this requirement by noting that occasional aggregated and disaggregated reporting could result in the obscuring of risk profiles thus making it difficult to compare complex structures. The Commissions merely acknowledged without any analysis that some commenters found this to be a burdensome requirement.[39] This determination did not take into account the substantial cost of actually reporting on each individual constituent of a master fund's structure, culminating in sometimes hundreds of thousands of dollars of vendor and other ongoing compliance costs. In addition, the economic analysis for the 2024 Amendments did not consider the costs of using a third-party vendor and assumed that ongoing compliance costs would be internal.[40]

While we understand any rulemaking to revamp Form PF would need to use Form PF 2.0 as the economic baseline[41] and analyze both the implementation and ongoing costs and benefits of any new Form PF 3.0,[42] we believe that the benefits of a streamlined Form PF would include (i)

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39 *See* 2024 Amendments, *supra* note 13, at 17987-88.

40 *See* 2024 Amendments, *supra* note 13, at n.619. In a previous rulemaking, the SEC acknowledged that the industry's reliance on third party vendors was more significant than originally anticipated and, among other things, extended the compliance date in acknowledgement of this initially unexpected cost. *See* Investment Company Liquidity Risk Management Programs; Commission Guidance for In-Kind ETFs, 83 Fed. Reg. 8342, 8345, 8350 (noting that "virtually all [fund groups with whom the SEC staff had met would] rely on . . . service providers to a significant degree"—sometimes even "multiple service providers" to gain access to information necessary to classify "certain investments for which service providers [did not then] provide classification data"—and "[t]he scope of the difficulties that [were] being experienced in developing liquidity classification systems, the extent of fund reliance on external service providers . . . , and the substantial number of implementation questions . . . are matters that were not anticipated in the Adopting Release.").

41 *See* Div. of Risk, Strategy & Fin. Innovation & Off. of the Gen. Couns., U.S. Sec. & Exch. Comm'n, Current Guidance on Economic Analysis in SEC Rulemakings (2012) at 6 (Citing Off. of Mgmt. & Budget, Exec. Off. of the President, Circular No. A-4, Regulatory Analysis (2023)) ("The economic consequences of proposed rules (potential costs and benefits including effects on efficiency, competition, and capital formation) should be measured against a baseline, which is the best assessment of how the world would look in the absence of the proposed action."); *see also Am. Equity Inv. Life Ins. Co. v. S.E.C.*, 613 F.3d 166, 178 (D.C. Cir. 2010) (vacating a rule where the SEC "did not assess the baseline level of price transparency and information disclosure under state law" and "fail[ed] to determine whether, under the existing regime, sufficient protections existed" as to competition and efficiency before proposing a rule that would subject fixed indexed annuities to a panoply of new requirements).

42 *See*, *e.g.*, *Am. Sec. Ass'n, Citadel Sec. LLC v. U.S. Sec. & Exch. Comm'n*, 147 F.4th 1264, 1277 (11th Cir. 2025) (holding that the SEC acted arbitrarily and capriciously when it did not conduct new

reduced ongoing compliance costs, (ii) more streamlined and accurate data, and (iii) the ability for private fund advisers to better focus on managing the private funds rather than compiling a form that is not used by the adviser to monitor risk. These benefits, among others, would justify the additional costs of revamping to a new Form PF 3.0.

IV. Conclusion

Form PF is almost twice its original size, requires registrants to file multiple forms, and has departed from its statutory purpose. Consistent with recent Executive Orders, we believe the Commissions should seize on this opportunity to realign the form with the statutory purpose of facilitating systemic risk assessment of private funds or their advisers to the U.S. financial markets and reduce some of the unnecessary burdens placed on private fund advisers to promote investment and economic growth. The Commissions can do this without impairing the information received by the Commissions and FSOC—in fact, by reforming Form PF, the Commissions can improve the quality and consistency of data submitted by reporting advisers.

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We thank you for considering our request that the Commissions amend Form PF, and we would be pleased to meet with you to discuss our request. Please do not hesitate to contact Matthew Daigler (mdaigler@mfaalts.org) or the undersigned at (jhan@mfaalts.org) with any questions regarding this letter.

Sincerely,

/s/ Jennifer W. Han

Jennifer W. Han
Chief Legal Officer & Head of Regulatory Affairs
MFA

Cc:

The Hon. Paul S. Atkins, Chairman, SEC
The Hon. Hester M. Peirce, Commissioner, SEC
The Hon. Caroline A. Crenshaw, Commissioner, SEC
The Hon. Mark T. Uyeda, Commissioner, SEC
The Hon. Caroline D. Pham, Acting Chairman, CFTC

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economic analysis or revise a seven-year-old economic analysis in light of new circumstances, namely that actual and projected CAT costs were far above those estimated in original analysis, and relatedly failed to examine how the rise of CAT costs, which might cause increased CAT fees, might impact prior analysis of the costs and benefits of CAT).

Appendix A

[Revamped Form PF]