Proskauer

SEC Chairman Paul Atkins to Urge SEC to Rethink Private Fund 15% Threshold

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Introduction

On May 19, 2025, the Securities and Exchange Commission's (the "***SEC***") Chairman Paul Atkins delivered prepared remarks before the SEC Speaks Conference hosted by the Practicing Law Institute (PLI). In his remarks, Atkins shared his forward-looking vision for the SEC, emphasizing the importance of regulatory flexibility, financial innovation, and market adaptability. His speech signaled a continued shift toward a more adaptable and transparent regulatory approach aimed at fostering innovation while maintaining investor protection and market integrity.

SEC Innovation

Atkins stressed the importance of ingraining innovation into the SEC's culture and allowing for regulatory adaptability in response to new market developments such as crypto. To this end, he noted his intention to integrate the functions of the Strategic Hub for Innovation and Financial Technology (FinHub) into other parts of the agency. He made clear in his remarks that he wants innovation to be a priority throughout the entire agency, rather than a focus of just one office.

Rethinking the Private Fund 15% Threshold

Atkins highlighted the dramatic growth of the private fund market, noting that assets under management have nearly tripled over the past decade from $11.6 trillion to $30.9 trillion. He acknowledged the increased oversight of and enhanced reporting by both private fund advisers and registered closed-end funds, and emphasized the need for a balanced regulatory approach that protects investors without stifling capital formation. Specifically, Atkins announced his plan to urge the SEC to reconsider the position it has held for the past 23 years that registered closed-end funds investing 15% or more of their assets in private investment funds should impose a minimum initial investment requirement of $25,000 and restrict sales to investors that satisfy the accredited investor standard (the "***private fund 15% threshold***"). He expressed concern that such blanket requirements unnecessarily stifle innovation and block retail investor access to hedge funds and private equity funds. Atkins' remarks signal a favorable shift in the SEC's attitudes towards participation by retail investors in private markets with an increased focus on principles, flexibility, and market-driven solutions.

Takeaways

- Atkins' remarks underscore the SEC's recent tilt towards a more principles-based regulatory approach, with an emphasis on encouraging innovation.
- Removing the private fund 15% threshold should facilitate the creation of publicly traded versions of registered closed-end funds of funds that invest primarily in private funds.
- Removing the private fund 15% threshold should also ease the investor intake process for non-traded versions of registered closed-end funds of funds that invest primarily in private funds, particularly for interval funds and similar regulated funds that possess ticker symbols.

Related Professionals

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