

# Learning Circuits: Form PF

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# Recent Amendments: Detailed Disaggregated Reporting

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- **Amendments Apply to All Private Fund Advisers**
  - Many of the changes are focused on large hedge fund advisers (>\$1.5BN) and “qualifying” hedge funds (>\$500M)
  - But all private fund advisers are impacted
  - In particular, the amendments largely require fully disaggregated reporting of all fund entities, regardless of fund type
- **Which Form PF Filings Will Be Impacted by the Latest Amendments?**
  - **March 31, 2025 Filing:** Hedge fund advisers
  - **April 30, 2025 Filing:** All other advisers

# Organization of Form PF

## ■ Key Terms

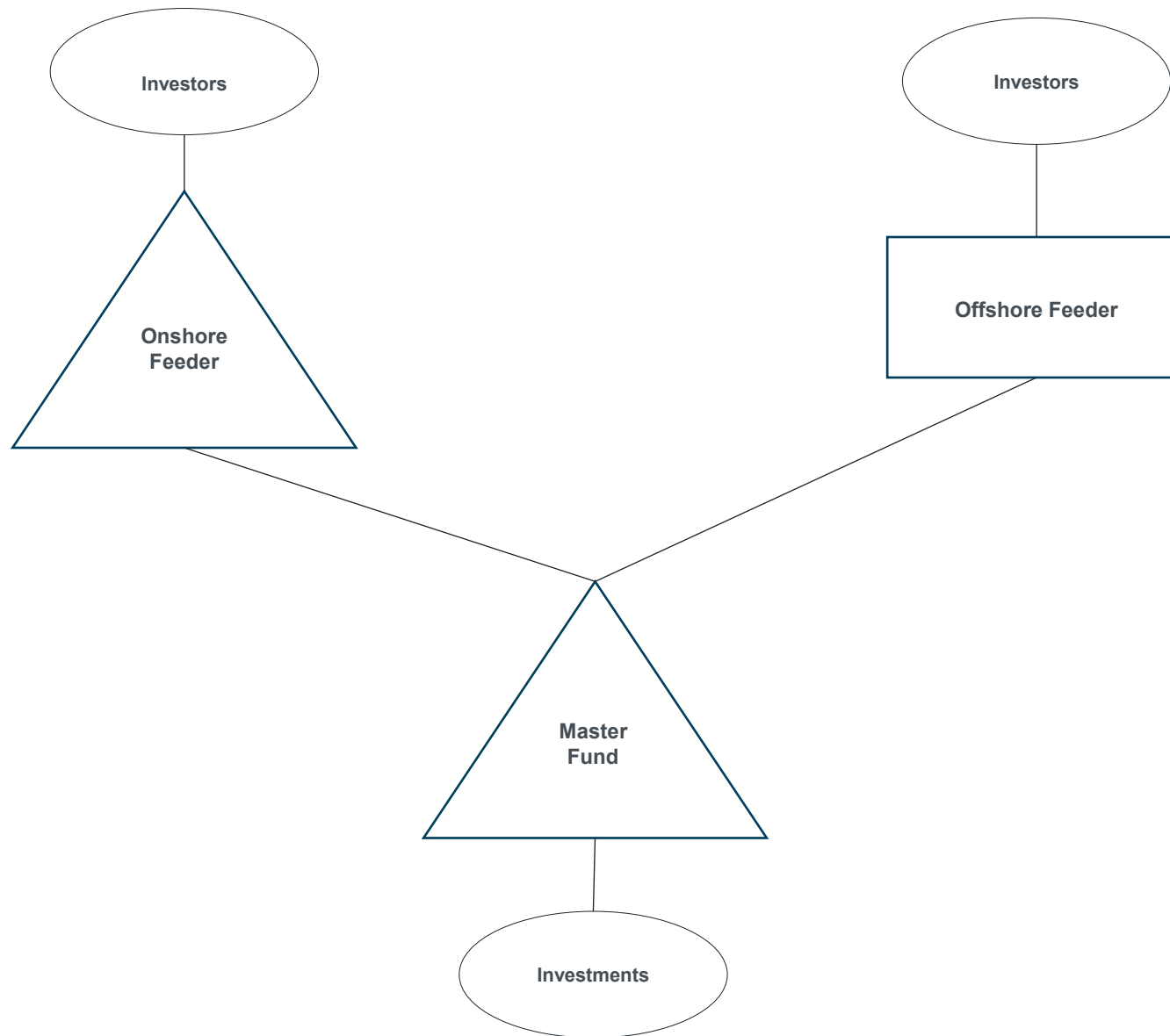
- **Private Fund:** Would be an investment company “but for” Sec. 3(c)(1) or 3(c)(7) of the Company Act
  - Would therefore not include funds able to rely on other exceptions (e.g., 3(c)(5)(C))
- **Reporting Fund:** A private fund as to which you must report on Form PF. Note, each Private Fund is typically a Reporting Fund, and Reporting Funds are listed in Schedule 7.D. of Form ADV
- **Qualifying Hedge Fund:** Any hedge fund with NAV (individually or in combination with any feeder fund, parallel fund or dependent parallel managed account) of at least \$500 million
- **Trading Vehicle:** A separate legal entity, wholly or partially owned by one or more reporting funds, that holds assets, incurs leverage or conducts trading or other activities as part of such reporting funds’ investment activities, but does not operate a business
- **Disregarded Feeder Fund:** A feeder fund that invests all of its assets into (i) a single master fund, (ii) U.S. treasury bills and/or (iii) cash and cash equivalents (includes investments in money market funds) – note: if a feeder fund holds other government security investments it will not be a disregarded feeder fund

# Organization of Form PF

- **Key Terms (cont'd)**

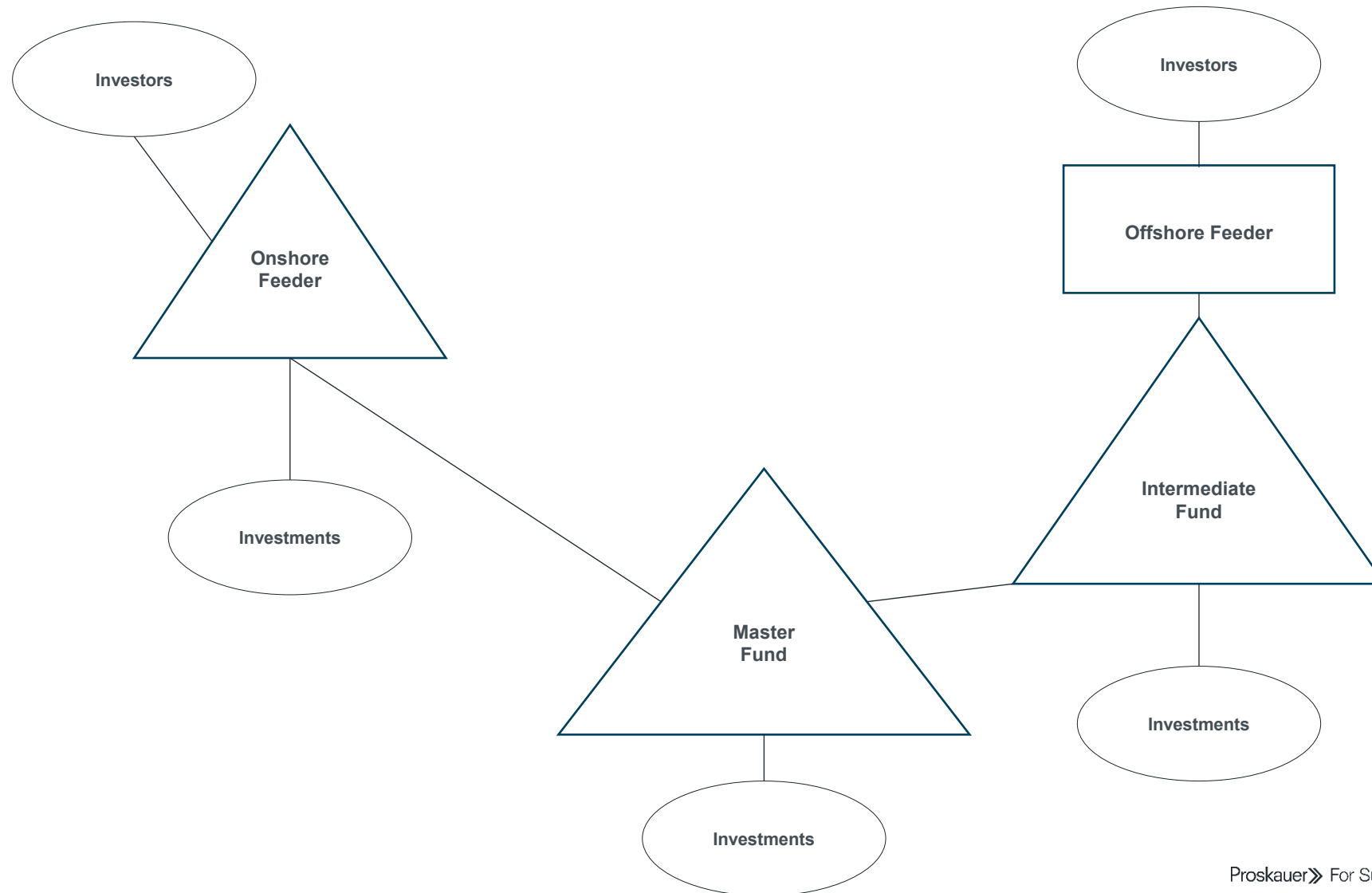
- **Internal Private Fund:** A private fund advised by the reporting RIA or an affiliate
- **External Private Fund:** A private fund advised by a non-affiliate
- **Commodity Pool:** Means any investment trust, syndicate or similar form of enterprise operated for the purpose of trading in commodity interests
- **Regulatory Assets Under Management (RAUM):** Undrawn committed capital plus aggregate gross assets – same as Form ADV definition
- **Private Fund Assets Under Management:** RAUM specifically tied to private funds managed by the adviser
- **Gross Asset Value:** Value of gross assets (see Instruction 6.e(3) of Form ADV)
- **Net Asset Value:** RAUM minus outstanding liabilities and other accrued but unpaid liabilities

# Master-Feeder Structure

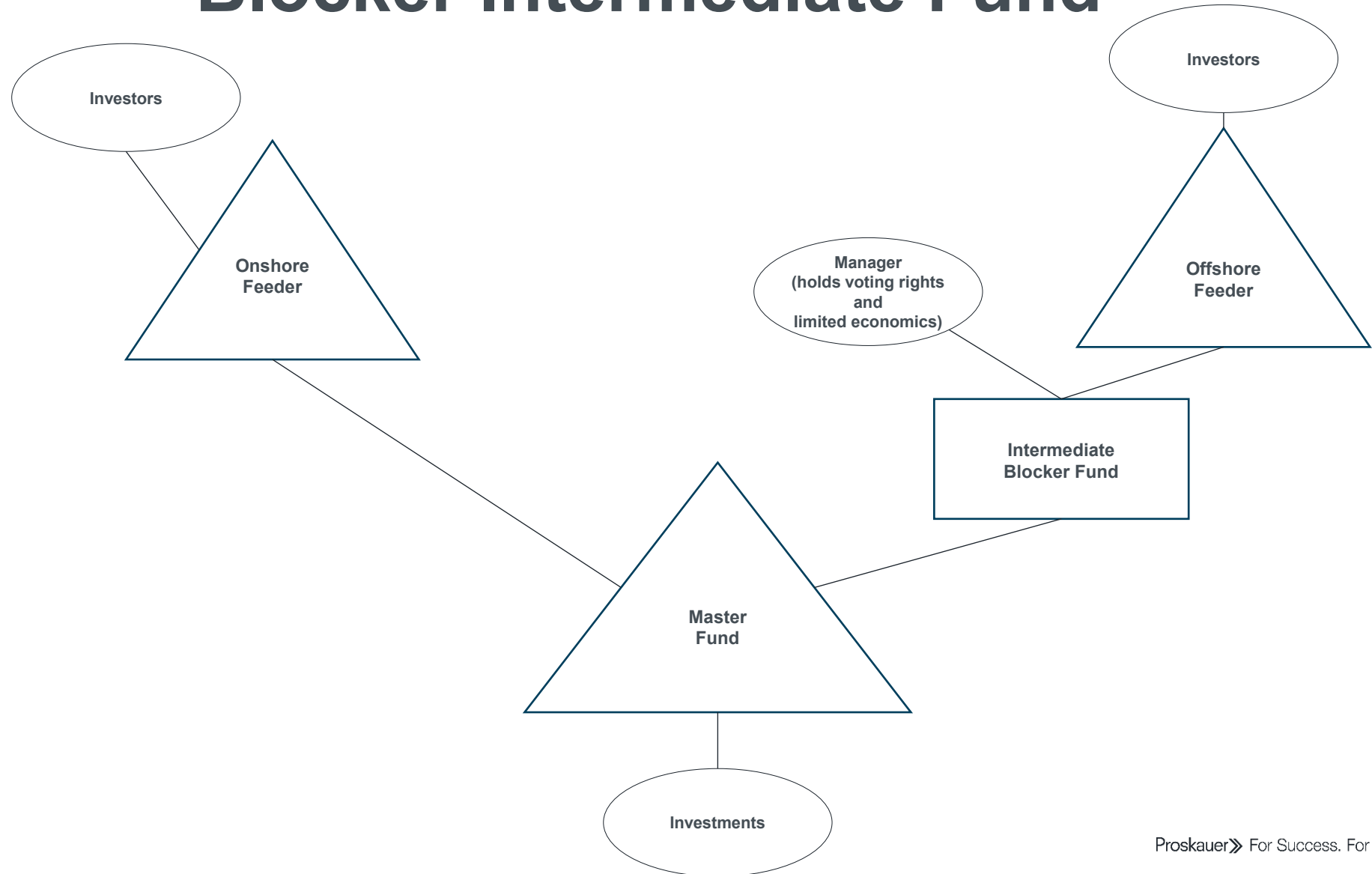




# Master-Feeder Structure with Intermediate Fund

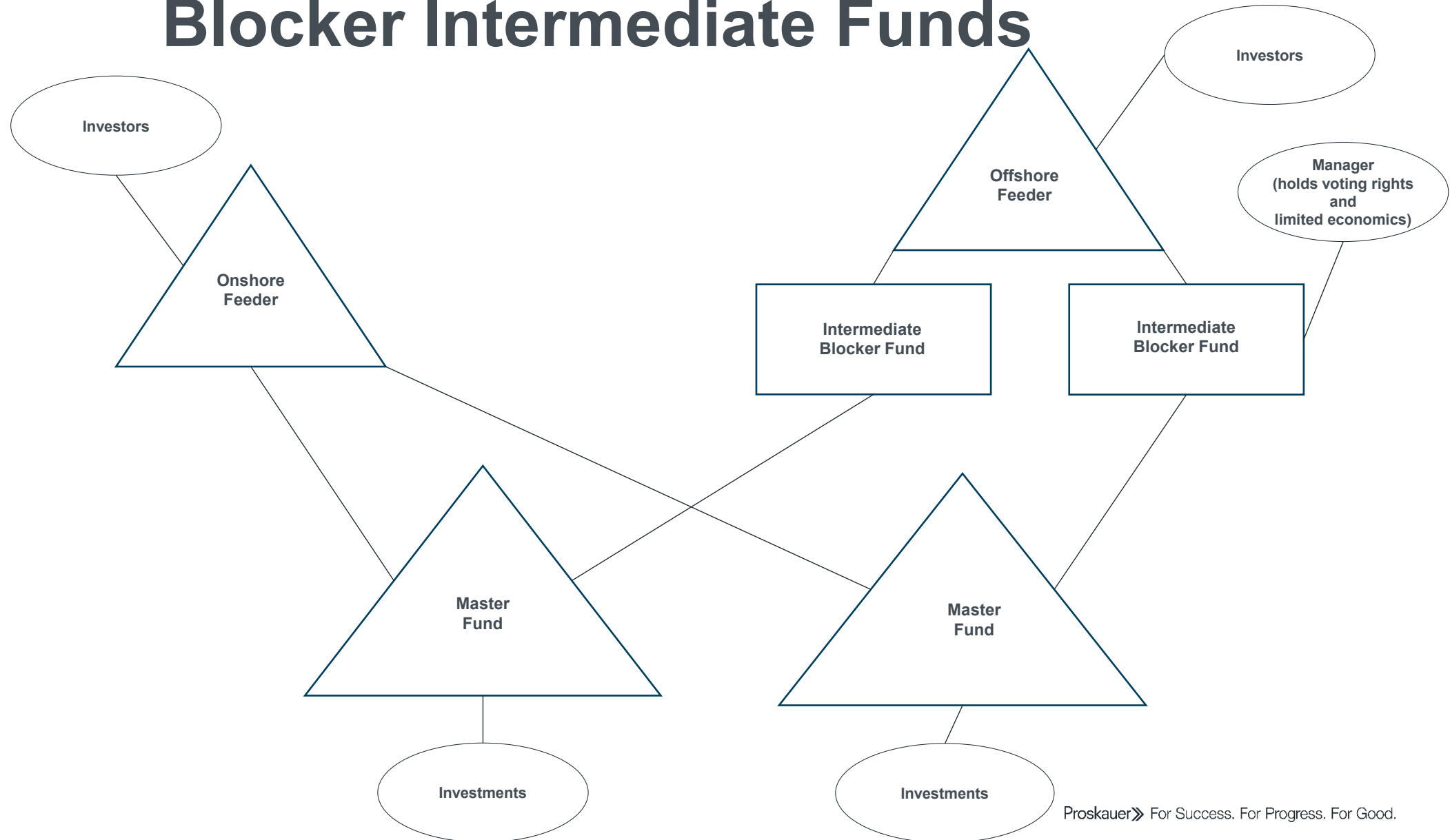


# Master-Feeder Structure with Blocker Intermediate Fund

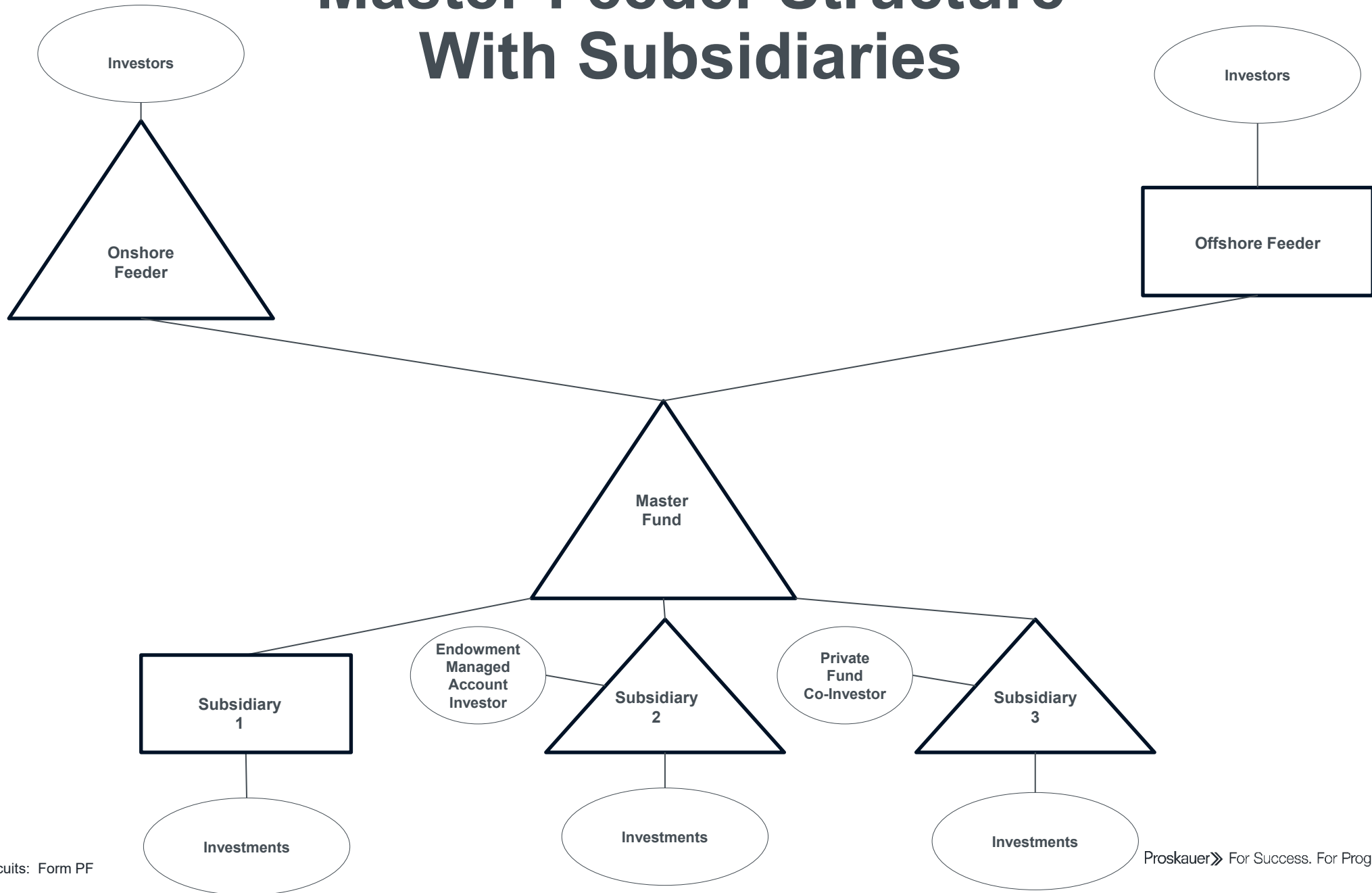




# Dual Master-Feeder Structure with Blocker Intermediate Funds



# Master-Feeder Structure With Subsidiaries



# Recent Amendments: Detailed Disaggregated Reporting

- **Changes to General Instructions**

- Changes to reporting of (i) master-feeder and parallel fund structures, (ii) private funds that invest in other private funds and (iii) reporting timelines for hedge fund advisers that file quarterly
- Reporting Master-Feeder and Parallel Fund Structures:
  - Separately report each component fund of a master-feeder arrangement and parallel fund structure
  - **Except** for any disregarded feeder fund

# Recent Amendments: Detailed Disaggregated Reporting

- **Changes to General Instructions**

- Private Funds that Invest in Other Private Funds:
  - Adviser must include the value of one private fund's investment in another private fund (whether managed by the adviser or a third party) in determining whether the first private fund meets any reporting thresholds under the Form
  - Look-throughs/consolidation generally not permitted for reporting purposes unless a Question specifically asks the adviser to do so
    - **Except** for investments in “trading vehicles” through which the private fund invests, where the reporting fund generally should report on a consolidated basis
    - Look-through also required when assessing reporting thresholds (e.g., “large” HF/PE advisers)
  - Special rules for aggregating parallel managed accounts together with related private funds
- Reporting Timelines for Hedge Fund Advisers that File Quarterly:
  - Quarterly reporting is now keyed off of the calendar quarter end, not the fiscal quarter end
  - But annual filings (and filing triggers based on quarter-end dates) still based on fiscal year



# Recent Amendments: Detailed Disaggregated Reporting

- **Changes to Section 1**
  - Section 1a: Information Relating to the Investment Adviser
    - Now must provide information regarding the adviser's related persons, including:
      - LEIs (if they have one)
      - Private fund RAUM, not double-counting assets held by affiliated private funds that are reported separately

# Recent Amendments: Detailed Disaggregated Reporting

- **Changes to Section 1**

- Section 1b: Information About the Adviser's Private Funds
  - Now requires expanded reporting on private fund details
    - Fund type (new item)
    - Master-feeder & parallel fund structures, “internal” & “external” private funds (revised)
    - Redemption rights (more detailed)
    - Trading vehicles (new item)
    - Gross & net assets (revised)
    - Inflows/outflows by quarter (new item)
    - Borrowings and types of creditors (revised)
    - Fair value hierarchy (more specific)
    - Beneficial ownership (more detailed)
    - Performance (more detailed)

# Recent Amendments: Detailed Disaggregated Reporting

- **Changes to Section 1**

- Section 1c: Information About the Adviser's Hedge Funds
  - Changes how advisers must report investment strategies, counterparties and trading and clearing mechanisms. This section should be skipped for any hedge fund that invests 80% or more in another private fund (even an “internal” private fund) other than a “trading vehicle” and that only holds cash and cash equivalents and hedging currency investments alongside its private fund investments
  - Investment Strategies:
    - More detailed categorizations
  - Counterparties:
    - Counterparty exposure reporting, consolidated within each fund (not across funds)
  - Trading and Clearing:
    - Must now report value traded and end-of-period value in dollar amounts, instead of as percentages of total
    - Separate reporting of interest rate derivatives vs. other derivatives trading, and breakdown of trading on exchanges vs. OTC with CCP vs. OTC without CCP. Clarification of repo reporting.

# Recent Amendments: Detailed Disaggregated Reporting

- **Changes to Section 2**

- Section 2: Information About “Qualifying” Hedge Funds (i.e., >\$500M)
  - Threshold still measured by aggregating across master-feeder structures, parallel funds and “dependent” parallel managed accounts
  - Removes former Section 2(a)’s aggregate reporting, redesignates Section 2(b) as Section 2
  - Amends reporting for:
    - Investment Exposure
    - Borrowing and Counterparty Exposure
    - Market Factors
  - Also adds or amends reporting for (i) turnover, (ii) currency, country and industry exposure, (iii) risk metrics, (iv) investment performance (by strategy), (iv) CCPs and (v) portfolio and financing liquidity reporting



# Recent Amendments: Detailed Disaggregated Reporting

- **Changes to Section 2**
  - Investment Exposure
    - Replaces previous table format with drop-down menus to ensure consistency
      - Asset classes and sub-classes now more precise; some consolidated, some new
    - If position exceeds either 5% of NAV or \$1BN, additional details required
    - Must “look through” all funds for questions 32, 33, 36 and 47, whether internal & external (private funds, RICs/ETFs, other funds)
    - “Adjusted exposure” reporting by netting positions with the same reference asset across instrument types
      - Permitted cross-counterparty netting for adjusted exposure if consistent with internal reporting
    - Dual Reporting: If internal exposure methods differ, must also report using internal approach and explain any differences
    - New requirement to report the absolute value of short positions, including shorts held in side pockets and any closed out and OTC forwards that have not yet expired
    - Data reported with respect to each month within the reporting period

# Recent Amendments: Detailed Disaggregated Reporting

- **Changes to Section 2**
  - Borrowing and Counterparty Exposure
    - New consolidated table for reporting counterparty exposure (repl. prev. Quests. 43, 44, 45, & 47)
      - Borrowings, repos, type and amount of collateral posted, expected increase in collateral required if margin increases by 1% of position, cleared and non-cleared derivatives
      - Intended to enhance ability to assess the impacts of specific counterparty defaults
  - Market Factors
    - Must now report on all market factors directly impacting a hedge fund's portfolio
      - Removes option to omit factors not regularly used in risk management
      - Intended to capture plausible yet infrequent market stress scenarios, improving relevance of reported data
    - Adds a test for risk-free interest rate movements, changes in the slope of the yield curve

# Questions?



# Meet Your Team

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Jennifer “Jenny” Dunn is a partner in the Firm’s Corporate Department and a member of its Private Funds Group and Hedge Funds practice.

Jennifer focuses her practice on advising hedge funds, closed-end funds (including debt funds), hybrid funds, co-investment platforms and investment advisers in connection with their structuring, formation and ongoing operational needs, general securities laws matters, and regulatory and compliance issues.

Her practice includes structuring and negotiating seed and strategic investments, advising investment managers regarding the structure and sale of their platforms and the structure of their compensation arrangements. She also represents investment managers in connection with managed accounts and single investor funds.



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Kelli Moll is a partner of Proskauer’s Private Funds Group and co-head of the Hedge Funds practice. She also co-leads the Firm’s global credit funds initiative. With over 25 years of experience amassed advising large institutional asset managers to independent sponsors across the spectrum of asset classes, Kelli is considered a leading lawyer in the funds industry.

Kelli’s practice particularly focuses on counseling investment advisors on the formation and ongoing operations of hedge funds, credit funds and growth equity funds. Kelli regularly advises fund sponsors on fund formation, co-investment arrangements, upper tier arrangements, seed capital arrangements, asset manager M&A, complex fund restructurings, funds-of-one, managed accounts and various regulatory issues.



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Robert Sutton is a partner of the Private Funds Group and a member of the Corporate Department. He is a seasoned practitioner with over 20 years of experience counseling managers and advisers of private funds on regulatory matters, as well as regulatory issues related to the formation and operation of private equity, credit, real estate, infrastructure, hedge and other private funds.

Rob has a deep knowledge of the market practice of asset managers, and in particular, as it relates to Advisers Act-related issues. From some of the largest and most sophisticated firms in the global asset management industry to start-ups and mid-sized firms, Rob’s experience includes a wide spectrum of funds and asset classes across their life cycles.



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Chris Wells heads Proskauer’s Hedge Funds Group and has been a leading lawyer in the hedge fund industry for more than 30 years. During that time, he has assisted on hundreds of hedge fund launches, counselling and assisting hedge fund managers as they grew from often very modest beginnings to become some of the world’s largest and best known hedge funds.

He advises fund managers and investors on all aspects of the hedge fund business, including fund structuring and formation, seed investments, asset manager M&A transactions, agreements among principals, employment and compensation issues, and regulatory and enforcement matters.



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