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SEC Charges 13 Private Fund Advisers for Form PF Filing Failures

by Prufesh R. Modhera, Peter Tsirigotis, Peter Bogdasarian and Michael E. Schapiro

On June 1, the Securities and Exchange Commission announced settlements with 13 registered investment advisers who failed to file Form PF annual reports with the SEC, including required information that the SEC uses to monitor risk.¹

Pursuant to Rule 204(b)-1 under the Investment Advisers Act of 1940, as amended (the “Advisers Act”), certain investment advisers to private funds, as well as certain commodity pool operators and commodity trading advisors, must file Form PF with the SEC. Specifically, private fund advisers managing \$150 million or more of assets have been required to make annual filings on Form PF since 2012. The orders found that the 13 advisers were delinquent in their filings over multiyear periods.

The SEC uses Form PF data to monitor industry trends, inform rulemaking, identify compliance risks, and target examinations and enforcement investigations. The SEC publishes quarterly reports with aggregated information and statistics derived from Form PF data to inform the public about the private fund industry. It also provides Form PF data to the Financial Stability Oversight Council to help it evaluate and monitor systemic risk in the private fund industry.

The SEC’s orders find that each adviser violated the reporting requirements of the Advisers Act. Without admitting or denying the findings, the advisers agreed to be censured, to cease and desist, and to each pay a \$75,000 civil penalty. During the course of the SEC’s investigation, the advisers also remediated their deficiencies by making the necessary filings.

We recommend that our private fund clients have their compliance departments review whether they are complying with the Form PF reporting requirements, in addition to all other reporting requirements under the Advisers Act.

¹ See Press Release, *SEC Charges 13 Private Fund Advisers for Repeated Filing Failures*, June 1, 2018, <https://www.sec.gov/news/press-release/2018-100>. The advisers that were charged include: Bachrach Asset Management Inc., Biglari Capital LLC, Brahma Management Ltd., Bristol Group Inc., CAI Managers & Co. L.P., Cherokee Investment Partners LLC, Ecosystem Investment Partners LLC, Elm Partners Management LLC, HEP Management Corp., Prescott General Partners LLC, RLJ Equity Partners LLC, Rose Park Advisors LLC, and Veteri Place Corp.

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