

FUND FINANCE FRIDAY

Private Fund Disclosure – Times Are Changing

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Recent days have offered us a couple of data points indicating that the private fund disclosure regime is under review at the SEC and that this review is a priority at the agency.

SEC Chair Gary Gensler discussed the review and its priority in House committee [testimony](#) this week, stating, “Given the growth and changes in private funds, I’ve asked staff for recommendations for consideration of enhanced reporting and disclosure through Form ADV, Form PF, or possible other reforms.” Days earlier, SEC Commissioner Allison Herren Lee discussed the imperative of “ensuring investors are protected and small businesses are supported in the private markets” in a [speech](#) to state securities regulators.

The rapid growth in private markets in recent years poses challenges to regulators. The historic approach of simply excluding certain investors has become less practical as the amount of capital raised in private markets now far exceeds capital formation in public markets. According to SEC data, exempt offerings accounted for approximately \$2.7 trillion of new capital raised in 2019, compared to \$1.2 trillion in registered offerings in the year.

In response, the SEC moved last year to broaden the Accredited Investor definition, allowing a wider group of non-institutional investors access to private markets. The comments made in recent days suggest broadened market access may come with strings attached over time, potentially starting with heightened disclosure requirements.