



SEC Noted Increased Scrutiny of Private Hedge and Equity Funds

Increased SEC scrutiny of private funds and their managers. The SEC noted this month significant growth and importance of private funds – particularly, private equity and hedge funds – to our capital markets, with distinct focus on fees and expenses, side letters, fiduciary duty and conflicts of interest. SEC noted the rapid growth and changes in the field “to bring more sunshine and competition to the private fund space.” Specific areas of concern staff observed deficiencies with respect to adviser’s fee calculations, disclosures, policies and procedures, and financial statements. The EXAMS staff encouraged advisers to revisit their written policies and procedures, fee billing processes, established resources and tools, and recording processes for compliance with relevant rules and regulations regarding advisory expenses and fees addressed to and from clients. The SEC Risk Alert, indicates that the SEC is prioritizing transparency and integrity of fees and expenses. In addition, broader focus on investment adviser fiduciary duty to its clients.