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scrutiny to hedge funds and private equity firms.

May. 03, 2023



Gary Gensler, chair of the U.S. Securities and Exchange Commission, testifies during a House Committee on Appropriations Subcommittee on Financial Services hearing on the proposed budget request for the Federal Trade Commission and the Securities and Exchange Commission for fiscal year 2023 in Washington, D.C., on May 18, 2022 (Samuel Corum/CNP/Zuma Press/TNS)

*By Austin Weinstein, Bloomberg News (TNS)*

Gary Gensler is again blasting hedge funds and private equity firms for the fees they charge investors, as the Securities and Exchange Commission plows ahead with plans to boost oversight of the private fund industry.

“Today, private fund advisers receive multiple levels and types of fees—from

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quarter.

Separately, the SEC has floated making hedge funds and private equity firms include in quarterly reports to investors specific measures of performance and that account for all costs. Wall Street's main regulator has also proposed banning the firms from giving preferential treatment for certain investors, charging fees for services that aren't actually performed, or limiting liability for breaching a fiduciary duty.

For their part, industry lobbyists have been bracing for a fight, arguing that their investors are sophisticated and agree to fees ahead of time. Furthermore, Bryan Corbett, president and chief executive officer of MFA, which represents the hedge fund industry, has previously said some of the SEC's plans would actually harm investors.

Firms often charge investors fees of as much as 2% of money they manage and 20% of profits. On Tuesday, Gensler bristled at the costs to investors such as retirement funds.

“Fees and expenses range well into the hundreds of billions of dollars each year,” said Gensler. “We have a number of projects across the capital markets around efficiency. Most important to this group is the private fund adviser proposal.”

Hester Peirce, a Republican SEC commissioner who has often clashed with Gensler over his policy agenda, quipped earlier at the conference on Tuesday about how tense the industry was over his plans.

Peirce said the last time she was at the Plaza Hotel ballroom, where the event was being held, she was with people from an industry that was even angrier with the SEC than hedge funds: crypto. “Rest easy there are people who have it worse than you,” she said.

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