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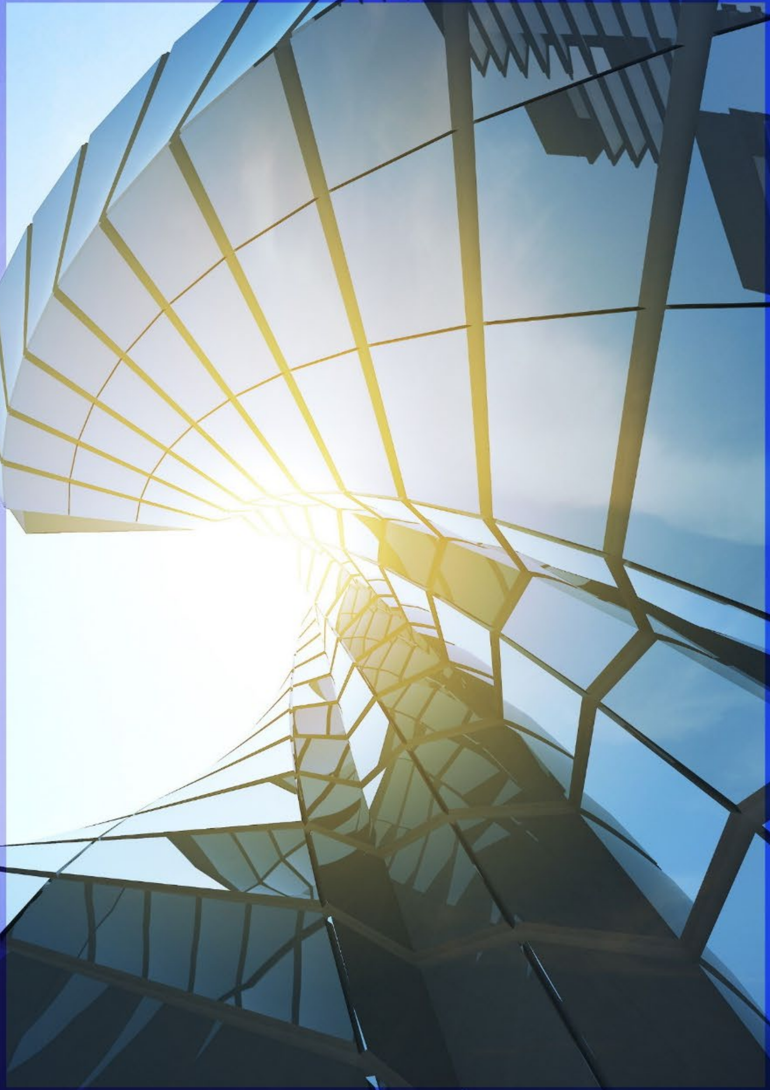
Addressing top of mind capital markets and wealth management issues

April 2025



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Policy in motion

The policy landscape is constantly evolving, and the Trump administration has brought a wave of regulatory and proposed legislative changes that impact businesses, industries, and individuals alike. Staying ahead of economic uncertainty isn’t just about reacting—it’s about being proactive, informed, and ready to adapt.

Visit these KPMG Insights for the latest thinking on trade, fiscal and regulatory policy changes:

Policy in motion: Insights for navigating the Trump administration with confidence

Climbing a wall of worry: Navigating uncertainty amidst an erosion of trust

Trade and Tariff Insights

Tax Policy Trifecta

First 100 Days: Regulatory Signals

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US Treasury central clearing and settlement transactions

On December 13, 2023, the Securities and Exchange Commission (SEC) authorized an amendment[1] to improve risk management and operational effectiveness in the US Treasury securities clearing and settlement market. The rule modifications specify updates to membership standards for covered clearing agencies (CCAs) in the US Treasury market, particularly targeting clearance and settlement procedures for designated secondary market transactions. The rule enforces four vital actions, which will be addressed across two phases:

Phase 1: Separation of house and customer margin, broker-dealer customer protection, and access to central clearing (go-live deadline March 31, 2025):

- **Segregation of margin for proprietary transactions:** Market participants must institute policies to calculate, collect, and hold margin separately for proprietary and customer transactions.
- **Amendments to broker-dealer customer protection rule**: Rule 15c3-3 (broker-dealer customer protection rule) has been amended to allow the margin required and deposited at a covered clearing agency to be included as a debit item in the customer reserve formula, subject to the conditions in Note H to Rule 15c3-3a.
- **Facilitation of access to clearance services:** Market participants must ensure proper access to clearance and settlement services, including provisions for indirect participants.

Phase 2: Phased requirements to clear specific transactions (deadline for cash transactions of December 31, 2025 and repo transactions of June 30, 2026):

- **Mandatory clearing for eligible secondary market transactions:** Market participants are mandated to submit repurchase agreement and cash transactions collateralized by US Treasury securities for clearing.

On February 25,2025, the SEC announced[2] that it has extended the compliance dates for Rule 17ad-22(e)(18)(iv)(A) and (B) (Phase 2) under the Securities Exchange Act by one year to Dec. 31, 2026, for eligible cash market transactions, and June 30, 2027, for eligible repo market transactions. The SEC also issued a temporary exemption, delaying enforcement of a rule requiring separate management of margin amounts until September 30, 2025 (Phase 1).

The complexity of the transition requires careful planning and execution as there are significant operational and technological challenges to overcome. These extensions aim to provide market participants with additional time to address operational changes necessary to comply with new rules and allows firms to implement more strategic and scalable solutions.

Potential actions:

- **Adjusting implementation timelines and resourcing:** Firms should evaluate the need to revise project plans, timelines, resourcing and budget to meet revised compliance dates.
- **Operational readiness:** Continue to develop and test operational processes, systems, and controls necessary for clearing Treasury securities, ensuring operational readiness and systems integration. With additional time to comply, focus on implementing strategic long-term solutions.
- **Counterparty communication**: Communicate updated timelines and any related changes to counterparties and clients. Keep clients and counterparties informed of progress and any changes to timelines.
- **Margin management:** Review and adjust margin management practices in light of the temporary exemption for separate management of margin amounts, keeping in mind the September 30, 2025 deadline. Don't lose sight of interpretive questions and issues - like double margining for investment advisors.
- **Address key issues:** Focus on resolving outstanding issues like "Done-Away" market structure, documentation, and margining complexities.
- **Risk assessment**: Re-evaluate risk management frameworks to address any new or altered risks arising from the extended compliance dates.
- **Review 15c3-3 amendment:** Review Note H of SEA Rule 15c3-3 Appendix A to determine impact and potential modifications to Reserve Formula computation and reporting based on the new criteria within Note H.

Thought leadership

- US Treasury central clearing and settlement transactions
- US Treasury Securities Clearing Agency Standards: SEC Final Rule

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[1] SEC, "Standards for Covered Clearing Agencies for US Treasury Securities and Application of the Broker-Dealer Customer Protection Rule with Respect to US Treasury Securities (December 2023)

[2] SEC, "SEC Extends Compliance Dates and Provides Temporary Exemption for Rule Related to Clearing of U.S. Treasury Securities" (February 25, 2025)

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CFTC issues final rule on Margin Adequacy and Treatment of Separate Accounts

On December 20, 2024, the Commodities Futures Trading Commission (CFTC) announced[3] the final rule on Margin Adequacy and Treatment of Separate Accounts of a Customer by FCMs. The final rule codifies the No-Action Relief provided by staff letter 19-17, which provided enforcement relief for Derivatives Clearing Organization (DCO) clearing member Futures Commission Merchants (FCM) electing to treat separate accounts of customers as accounts of separate entities. The final ruling codifies the position in CFTC Regulation 1.44. The regulation aims to maintain customer protection while allowing the operational flexibility of treating multiple accounts for the same customer as separate entities under specific conditions. The final rule was published in the Federal Register[4] with an effective date of March 24, 2025 and a compliance date for FCMs that are clearing members of a DCO of July 21, 2025, while all other FCMs are required to comply by January 22, 2026.

Key provisions of the final rule include:

- FCMs will be required to ensure customers hold sufficient funds to cover initial margin following a withdrawal of funds. The applicability of this section extends to business days following a holiday when there is active trading on a board of trade or contract market by FCM customers, in which case customer net liquidating value shall be calculated as of the close of business on the holiday.
- FCMs may now elect to treat accounts of a separate account customer, as separate entity accounts. If the election is made, the FCM must implement and maintain written procedures and internal controls designed to comply with Regulation 1.44, which includes maintaining its books and records, a current list of separate account customers which identifies each separate account customer and each separate account of such customer. Additionally, the FCM is required to notify their Designated Self-Regulatory Organization (DSRO) and the CFTC of the election within one business day following the first time it adds a customer to such list.
- Specific conditions in which FCMs are required to end, or pause, separate account treatment. These “trigger” events and the occurrence of any such event will prompt the FCM to disallow disbursements on a separate account basis for all accounts falling under the respective separate account customer. The FCM must then notify in writing their DSRO and the CFTC of the triggering event no later than the following business day following the event. In the case the triggering event is remediated, the FCM may go back to separate account treatment.
- FCMs are required to have each separate account on a one business day margin call fulfillment and to maintain policies and policies for stress testing and establishing risk-based limits under CFTC 1.73 for each separate customer account, as well as on a combined basis. Additionally, in calculating (i) margin requirements, (ii) adjusted net capital, and (iii) its own funds it is required to maintain in segregated accounts to cover debits and deficit balances, FCMs are required to treat each separate account independently as if the accounts are accounts of separate entities.
- FCMs have additional customer information and disclosure obligations. The FCM must collect sufficient data from separate account customers to assess separate account asset value and identify parent (direct and indirect) companies of the separate account customer (if applicable). Moreover, each separate account customer must be provided a disclosure under CFTC Part 190, stating that in the event of the FCM’s bankruptcy, separate accounts of the customer will be combined. Additional disclosure under CFTC 1.55 is required to be included in the FCM Disclosure Document specifying the treatment of accounts for the same customer pursuant to CFTC 1.44.

Potential actions

- **Policies and procedures:** Review and update policies and procedures to document how the firm will comply with CFTC Regulation 1.44, including how the firm will determine when to treat a customer as having a separate account or events and conditions in which the firm will no longer consider an account as being separate.
- **Communication strategy:** Develop a process to formally communicate new or changes to separate accounts, in writing, to the rule’s DSRO and to the CFTC.
- **Impact on Net capital/segregation computation:** Prior to making a separate account election, firms should perform an impact assessment to determine net effect on the firm’s adjusted net capital position and firm funds required to be maintained in segregation to cover debit and deficit balances. Specifically, the assessment should include how adjusted net capital is impacted in lieu of no net debit/deficit offsets between accounts of the same separate account customer. Moreover, consideration should also be given to the impact from treating separate accounts as separate entities for the purposes of calculating its own funds in segregated accounts to cover debit and deficit balances, calculating residual interest, determining the residual interest target, and impact of calculating customer receivables for separate account customers on a separate account basis.
- **Update and Enhance Disclosures**: Evaluate the way the firm will collect information from customers and identify the information required to be able to appropriately assess separate account customers. Further, firms should assess the manner in which they will make required disclosures under CFTC Part 190 and CFTC 1.55.
- **Information Technology (IT) systems**: Evaluate changes required to the firm’s IT systems in order to appropriately calculate margin calls, debit and deficit balances, and minimum customer margin maintenance requirements.

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[3] Commodities Futures Trading Commission, “CFTC Approves Final Rule on Margin Adequacy, Treatment of Separate Accounts of a Customer by Futures Commission Merchants” (December 20, 2024)

[4] Federal Register, “Commodity Futures Trading Commission17 CFR Parts 1, 22, 30, and 39RIN 3038-AF21” (January 2025)

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SEC Rule 15c3-3 – Daily reserve computation

On December 20, 2024, the SEC approved rule amendments[5] to SEC Rule 15c3-3, the Customer Protection Rule, requiring an increase in the frequency of Reserve Formula computation from weekly to daily for certain broker-dealers. The rule amendments were modified from the previous version of the proposed rule. Most notably, the current version of the final rule includes modified provisions for:

- A threshold for the daily requirement that is increased to an average total credits of $500 million, defining average total credits as the arithmetic mean of the sum of total credits reported in a carrying broker-dealer's customer and PAB reserve computations in its 12 most recently filed FOCUS Reports
- A decrease in the percentage applied as a reduction in aggregate debits, whereby broker-dealers that compute Reserve Formula on a daily basis will be permitted to apply a reduction of 2 percent instead of the traditional 3 percent -- provided the broker-dealer calculates net capital under the alternative method and computes Reserve Formula on a daily basis (a broker-dealer may voluntarily compute Reserve Formula on a daily basis if it notifies its designated examining authority 30 days in advance).

Consistent with the previous version of the proposed rule, the current version of the final rule requires that carrying broker-dealers comply with the daily Customer and PAB Reserve computation requirements no later than six months after exceeding the $500 million average total credit threshold (i.e., December 31, 2025 for firms exceeding the threshold as of June 30, 2025).

Potential actions:

- **Evaluate if your rule is required or will elect to perform a daily customer and PAB reserve computation**. The SEC released a fact sheet[6] that discusses using the 12 filed month-end FOCUS reports from July 31, 2024 through June 2025 as a measurement for the threshold. However, a proactive approach to determining impact can be beneficial, particularly if the likelihood of exceeding the threshold is high:
  - As outlined in the final rule and the fact sheet, notify your rules designated examining authority within 30 calendar days prior to reducing aggregate debits percentage to 2 percent within the customer reserve computation, as applicable.
- **Identify system and process enhancements** that are needed in order to obtain information on a more timely basis. Successful daily 15c3-3 programs rely on early availability of information, providing for opportunities to identify items requiring further attention. Key areas for such system and process enhancements can include:
  - Identifying any areas within the computation process that can be automated
  - Enabling intraday reallocations of Stock Record in lieu of accumulating specific adjustments
  - Evaluating ways in which the rule can more efficiently resolve reconciling differences, and illogical or unallocated position balances
  - Moving certain procedures offshore to leverage the time difference and obtain key reports earlier in the local workday
  - Updating technology platforms from higher maintenance legacy systems.
- **Revisit overall computation methodology** (inclusion, exclusion, "waterfall," etc.) and modifications to existing allocation hierarchies to better suit current business activity.

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[5] SEC, "Daily Computation of Customer and Broker-Dealer Reserve Requirements under the Broker-Dealer Customer Protection Rule," (December 20, 2024)
[6] SEC, "Enhancements to the Broker-Dealer Customer Protection Rule" (December 20, 2024)

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Definition of "Dealer" and "Government Securities Dealer"

In the spring of 2024, various trade associations representing private fund managers and the digital asset industry initiated two separate lawsuits, *Crypto Freedom Alliance of Texas, et. al. v SEC, et al*[7]. and *National Association of Private Fund Managers v. SEC*[8], challenging the SEC's Dealer Rule[8] (adopted on February 6, 2024). The rule would have established new qualitative criteria for defining "regular business activities" under Sections 3(a)(5) and 3(a)(44) of the 1934 Securities Exchange Act with an expected compliance date of April 2025. Notably, the rule would have required digital asset intermediaries, investment advisors, hedge funds, and other relevant market participants to register as "dealers" based on their business activities, and market participants engaged in the business of buying and selling government securities as "Government Securities Dealers" with exceptions for:

a. any person that has or controls total assets of less than $50 Million

b. investment companies registered under the Investment Company Act of 1940 and

c. central banks; sovereign entities, and international financial institutions.

On November 21, 2024, a US district court sided (in two separate opinions, here[6] and here[7]) with the plaintiffs noted within the cases above, concluding the SEC's interpretation of the Securities Exchange Act was disconnected from the text, history, and structure of the statute and therefore represents unlawful agency action taken in excess of the SEC's authority.

On January 17, 2025, the SEC appealed the district court's rulings and subsequently dropped its appeal of both cases on February 19, 2025, stating, among other reasoning, that the new rule could reduce "liquidity in the Treasury markets, making them more volatile, and increasing debt for taxpayers."

The district court's rulings and subsequent decision by the SEC not to appeal is an important development for digital asset intermediaries and other market participants not currently required to register as "Dealers" or "Government Securities Dealers" as the new rule would have established increased oversight and regulation of entities that have historically not been required to register with the SEC and self-regulatory organizations such as FINRA.

Potential actions:

- **Monitor regulatory updates:** Stay informed about any regulatory changes, industry developments, or future revisions to the dealer rule.

Thought leadership

- Dealer Definition: SEC Final Amendments

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[7] United States District Court, Northern District of Texas, Fort Worth Division, *Crypto Freedom Alliance of Texas, et al, vs. Securities and Exchange Commission, et al*. (November 2024)

[8] United States Court of Appeals for the Fifth Circuit, *National Association of Private Fund Managers; Alternative Investment Management Association, Limited; American Investment Council; Loan Syndications and Trading Association; Managed Funds Association; National Venture Capital Association, Petitioners, versus Securities and Exchange Commission* (June 2024)

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Cryptocurrency assets – Regulatory landscape

On January 23, 2025, President Trump issued an executive order[9] introducing a new framework for cryptocurrency (crypto) asset policy. The order reverses prior policies, emphasizes open public blockchain networks, reflects opposition to U.S. and foreign Central Bank Digital Currencies, and establishes the President's Working Group on Digital Asset Markets, chaired by David Sacks, to develop federal regulatory frameworks and evaluate national crypto asset stockpiles. The order also mandates federal agencies, including the SEC and CFTC, to review and potentially rescind conflicting guidance. As a byproduct of the executive order, on January 23, 2025, the SEC issued[10] Staff Accounting Bulletin (SAB) 122, rescinding the guidance of SAB 121, *Accounting for Obligations to Safeguard Crypto-Assets an Entity Holds for its Platform Users.*

On January 21, 2025, the SEC announced[11] it was launching a **Crypto Task Force** dedicated to developing a comprehensive and clear regulatory framework for crypto assets. SEC Commissioner Hester Peirce has been tasked with leading the task force, which aims to clarify the application of federal securities laws to the crypto asset market and recommend policy measures that encourage innovation while protecting investors. The Task Force's goal is to develop a modern regulatory approach to digital assets, including cryptocurrencies, digital coins, and tokens. Additionally, the Task Force's objectives include clarifying federal securities laws application to different crypto assets, creating tailored disclosure frameworks, and developing paths to registration. Moreover, the Task Force will also focus on investors' access to critical information, regulatory enforcement, engaging with the public, and coordinating with government agencies. The Task Force will work with the Office of Strategic Hub for Innovation and Financial Technology (FinTech), who will provide subject matter expertise and technical assistance to support the oversight of, and responses to, emerging financial technologies across various areas including blockchain/distributed ledger technology and digital/crypto assets, among other things.

On February 4, 2025, Commissioner Peirce provided a statement[12] outlining key objectives including assessing crypto asset status, providing registration pathways, and clarifying guidelines for crypto ETFs, lending, staking, and custody solutions.

Potential actions:

- **Monitor regulatory actions** from the SEC, including the Crypto Task Force, the President's Working Group on Digital Asset Markets, and other relevant bodies to stay abreast of regulatory changes
- **Participate** in public meetings, information requests, and roundtable discussions to help shape regulatory approaches and provide industry perspectives
- **Evaluate current compliance structures** and ensure alignment with new regulations and guidelines to mitigate risks
- Adapt business models to **incorporate new regulatory requirements** while exploring innovative solutions to enhance efficiency and market competitiveness
- **Establish compliant custody frameworks** for client crypto assets in line with current guidance and expectations
- **Evaluate the impact** that adopting SAB 122 has on the Firms **financial statements and disclosures**, including the balance sheet, changes in significant accounting policies and commitments and contingencies.

Thought leadership

- SEC rescinds SAB 121
- Digital Assets: From Crypto to Compliance

[9] whitehouse.gov, "Strengthening American Leadership in Digital Financial Technology" (January 25, 2025)

[10] SEC, "Staff Accounting Bulletin No. 122"(January 30, 2025)

[11] SEC, "SEC Crypto 2.0: Acting Chairman Uyeda Announces Formation of New Crypto Task Force" (January 25, 2025)

[12] SEC, "The Journey Begins" (February 4, 2025)

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Regulatory change and leveraging GenAI to enhance wealth managers' ability to improve oversight

The SEC and other regulatory agencies have continued to focus on wealth managers to protect clients. The form and approach to enforcement and supervision is rapidly evolving with the new administration and the announcement of changes to regulatory priorities. The actual changes are uncertain, but differences in the January 2025 settlement terms associated with the industry-wide investigation on off-platform communications included changes in settlement terms (e.g., not requiring an external compliance consultant to certify remediation), which could be indicative of the new approach.

Despite the changes in regulatory approach, the focus and goals for wealth managers remain the same, to identify and prevent bad actors and practices that are not in the best interest of clients. Companies continue to enhance and deploy new artificial intelligence (AI) and data analytics tools and techniques including:

- Technologies that capture, consolidate, and analyze all forms of communication, including emails, texts, social media interactions
- Surveillance tools that monitor communications in real time, flagging potential compliance breaches for further review, including using AI-driven analytics to identify patterns and anomalies that may indicate noncompliance or risky behavior
- Machine learning scoring to validate and rank alerts based on their propensity to lead to customer exits
- Investigation engines that crawl private and public websites and collect information to assess public customer information (e.g., executives, politicians, social media influencers, high-net-worth individuals) and rank the reputational risk based on the customers' ability and likelihood to cause harm to the organization.

Potential actions

- **Evaluate existing risks** – Understand entity-specific risks, including patterns and trends around bad actors both internal and external and related root cause associated with client exits.
- **Evaluate emerging technology solutions** - Consider integrating AI and data analytics solutions to enhance the efficiency and effectiveness of oversight and reduce customer risk.

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M&A deal market in wealth management – the high cost of inorganic growth and the emergence of new models

The US wealth management sector has experienced robust merger and acquisition (M&A) growth over the last four years. The growth in Registered Investment Advisor (RIA) acquisitions is driven by several factors, including the highly fragmented industry, succession planning for advisors, the pursuit of operational efficiencies and economies of scale, the desire to broaden service offerings and expand geographic footprints, the shift from commission-based to advice-driven models, changing demographics and customer needs, and the need to enhance advisor and client experiences. Valuations for RIAs remain high, with the median earnings before interest, taxes, depreciation, and amortization (EBITDA) multiples continuing to remain above historical levels.

Capital flows continue to be predominantly from private-equity-backed “RIA aggregators” focused on independent advisory firms while larger wealth managers, banks, and broker-dealers have shifted their focus to alternative growth models.

As the traditional wealth management inorganic growth model is being challenged, new alternative models have emerged:

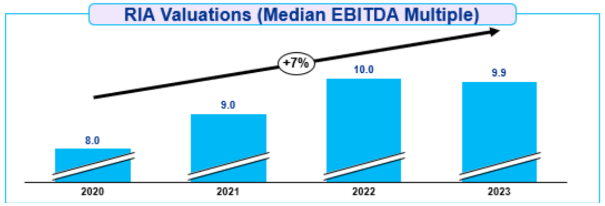
- Acquisition of institutional investment consulting firms – Recent transactions to diversify and bolster solutions and leverage specific expertise.
- Establishing strategic partnerships – Collaborating with other financial services companies to provide middle- and back-office support to those who are underscaled and allow them to focus on the front office and differentiating business activities.
- Strategic investments in technology – Identifying and leveraging emerging technology solutions to improve the organization’s overall risk framework and enhance client solutions while boosting advisor efficiency and productivity.
- Pursuing individual Financial Advisory teams – Identifying and pursuing private banking teams within larger organizations that can support quick wins by offering new capabilities and entering new markets.

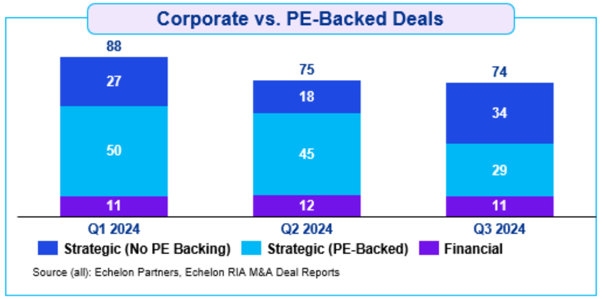
As part of executing these alternative models, wealth managers also remain focused on the fundamental aspects of the business and growth strategy, including:

- Advisor retention postacquisition due to cultural misalignment and loss of autonomy
- Differences in incentive structures that present integration challenges within existing models
- Integration issues with the tech stack for RIAs that may not align with existing systems
- Postdeal integration focusing on the scalability and optimizing the operating model.

Potential actions

- **Consider alternatives to traditional growth strategies,** including strategic partnerships and new technologies to fill current gaps and add new service offerings and capabilities.
- **Monitor industry landscape and “transactions”** to understand changes in competitors’ strategy and offering and potential impact on existing business.
- **Perform a comprehensive evaluation of recent transactions** to ensure the strategic objectives have been met and desired outcomes achieved.





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Form PF amendments

On January 29, 2025, the SEC, in conjunction with the CFTC, announced an extension of the compliance date for the amendments to Form PF,[13] which were adopted on February 8, 2024. The new compliance date is set for June 12, 2025, whereas the original compliance date was March 12, 2025.

Form PF, or Private Fund Reporting, is a regulatory form mandated by the SEC for RIAs who manage private funds, including hedge funds, private equity funds, and liquidity funds. The primary goal of Form PF is to enhance the transparency and oversight of private fund activities to help identify and mitigate systemic risks. This form requires detailed information about the private fund's operations, investment strategies, leverage, and risk exposures. RIAs must file Form PF quarterly and/or annually, depending on the size and type of their managed funds, through the SEC's Electronic Data Gathering, Analysis, and Retrieval System (EDGAR). The adopted amendments to Form PF include more detailed reporting requirements for large hedge fund advisors regarding investment exposures, borrowing and counterparty exposure, market factors, and other risk metrics. Additionally, the amendments mandate the inclusion of basic information about advisors and private funds, such as assets under management and fund performance, to improve data quality, reduce reporting errors, and provide greater insight into the operations and strategies of these funds.

The extension of the compliance date for the amendments to Form PF has several implications for private fund advisors. With the new deadline set for June 12, 2025, firms now have additional time to update systems, processes, and training programs to align with the new reporting requirements. This delay also helps mitigate potential challenges associated with overlapping reporting requirements for advisors who file Form PF quarterly and annually.

Potential actions

- **Extended preparation period:** Firms now have an extended timeframe to ensure their reporting is fully compliant with the new regulations. Firms should use this additional time to thoroughly test and refine their compliance mechanisms, reducing the risk of errors or noncompliance when the amendments take effect.
- **Regulatory uncertainty:** The postponement may lead to short-term uncertainty as firms await further guidance from the SEC and CFTC. This uncertainty can affect decision-making and strategic planning, as firms may hesitate to implement significant operational changes until they gain a clearer understanding of the regulatory landscape. Firms should monitor for updates from the SEC and CFTC or other industry participants.
- **Reporting adjustments:** Annual filers with a December 31 fiscal year-end need to file their 2024 reports by April 30, 2025, using the current Form PF, before switching to the amended form after June 12, 2025. Similarly, quarterly filers must file their fourth-quarter 2024 data by January 15 or March 1, 2025 (depending on the type of private fund) using the current form, and then switch to the amended form after June 12, 2025. Firms should be aware of the reporting time timelines and ensure planning and resourcing is in place to ensure they remain compliant with updated regulations.

Thought leadership

- Form PF Reporting: SEC, CFTC Joint Final Rule

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[13] SEC, "Extension of Form PF Amendments Compliance Date" (January 29, 2025)

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Form SHO 13f-2 extension

On February 19, 2025, the SEC announced an extension of the compliance date[14] for Exchange Act Rule 13f-2 and Form SHO outlining the first filings by covered institutional investment managers will be due on February 17, 2026, covering the January 2026 reporting period, originally due by February 14, 2025.

Exchange Act Rule 13f-2 requires institutional investment managers to report their short positions and short activity to the SEC by filing Form SHO. This rule aims to provide greater transparency into short selling activities, which can impact market stability and investor confidence. Form SHO, under Rule 13f-2, governs short sales and aims to prevent abusive short selling practices. Institutional investment managers that meet or exceed certain specified thresholds must file Form SHO with the SEC within 14 calendar days after the end of each calendar month via the SEC's Electronic Data Gathering, Analysis, and Retrieval System.

The extension of the compliance date for these regulations has several implications for market participants. Firms now have additional time to prepare for compliance, which may involve updating systems, processes, and training programs. This delay may create uncertainty in the market as firms await further guidance and clarification from the SEC. Additionally, firms may need to adjust their operational strategies to align with the new compliance timeline, enhancing short selling transparency and reporting practices.

Potential actions

- **Extended preparation period:** Firms now have an extended timeframe to ensure their reporting is fully compliant with the new regulations. Firms should use this additional time to thoroughly test and refine their compliance mechanisms, reducing the risk of errors or noncompliance when the amendments take effect.
- **Regulatory uncertainty:** The postponement may lead to short-term uncertainty as firms await further guidance from the SEC and CFTC. This uncertainty can affect decision-making and strategic planning, as firms may hesitate to implement significant operational changes until they gain a clearer understanding of the regulatory landscape. Firms should monitor for updates from the SEC and CFTC or other industry participants.
- **Reporting adjustments:** Annual filers with a December 31 fiscal year-end need to file their 2024 reports by April 30, 2025, using the current Form PF, before switching to the amended form after June 12, 2025. Similarly, quarterly filers must file their fourth-quarter 2024 data by January 15 or March 1, 2025 (depending on the type of private fund) using the current form, and then switch to the amended form after June 12, 2025. Firms should be aware of the reporting time timelines and ensure planning and resourcing is in place to ensure they remain compliant with updated regulations

Thought leadership

- Short Sales: SEC proposed disclosures
- Short Sale Reporting: SEC Final Rule

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[14] SEC, "Exemption From Exchange Act Rule 13f-2 and Related Form SHO" (February 19, 2025)

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