

What To Know As SEC Looks To Expand Private Fund Access

By **Sasha Burstein, George Zornada and Jennifer Klass** (July 28, 2025)

Expanding retail access to private markets is emerging as a significant focus for the newly appointed U.S. Securities and Exchange Commission Chairman Paul Atkins, which he has highlighted in recent speeches, including at this year's SEC Speaks in May. The commission is reconsidering long-standing restrictions on retail participation in private equity, real estate and credit strategies, aiming to democratize opportunities historically limited to institutions.

At the same time, investor demand for access to private markets is surging. Semiliquid alternative funds — continuously offered closed-end funds such as interval and tender offer funds — have emerged as the primary investment vehicles enabling such access.

These funds have gained significant traction, driven by growing retail demand for diversification and yield, as well as improvements in technology, transparency and distribution infrastructure.

As policymakers consider changes to the regulatory framework, understanding how these funds operate — and the role of financial intermediaries in guiding investors — is increasingly important. This article explores the appeal of semiliquid alternative funds and important considerations relating to retail access.

Investor Benefits

Semiliquid alternative funds offer a compelling blend of features that make them attractive to retail investors. These funds combine the return potential of private markets with greater liquidity, oversight and transparency than traditional private funds.

Diversification

Interval and tender offer funds provide access to illiquid alternative asset classes with historically low correlation to public markets, including private equity, real estate and private credit. This diversification can enhance portfolio resilience and long-term performance.

Periodic Liquidity

Interval and tender offer funds provide a liquidity framework that bridges the gap between the daily liquidity of mutual funds and the extended lock-up periods typical of traditional private equity funds.

Unlike mutual funds, these vehicles do not require daily repurchase. Instead, they offer periodic liquidity — e.g., quarterly or semiannually — allowing fund managers to pursue long-term, illiquid strategies while still allowing more frequent access to capital than traditional private funds.



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Higher Potential Yield

Interval and tender offer funds provide retail investors an opportunity to tap into the return potential of private markets, which have historically outperformed public markets over long periods, especially in private equity and credit sectors.

Increased Transparency and Governance

Unlike private funds, interval and tender offer funds are investment companies registered under the Investment Company Act. This regulatory framework offers investors enhanced protections, including through independent governance, conflict-of-interest management and mandatory disclosure requirements.

As a result, investors benefit from enhanced visibility into fund holdings and greater regulatory protections.

Technology-Enabled Efficiency

Technological developments have significantly improved the operational infrastructure behind semiliquid alternative funds.

The subscription and repurchase processes for interval and tender offer funds, previously reliant on manual workflows, have been digitized through purpose-built platforms. These systems streamline onboarding, automate transaction processing, and facilitate regulatory compliance and investor-level reporting, improving efficiency and enabling more proactive portfolio monitoring and communication.

Efficient Tax Structuring and Reporting

Interval and tender offer funds typically issue Form 1099 for investor tax reporting, rather than the more complex Schedule K-1 typically issued by private partnerships.

Form 1099 is often distributed earlier in the tax season than Schedule K-1, allowing investors to file their returns more promptly and with fewer administrative hurdles.

This not only improves the investor experience but also reduces the client service burden on intermediaries, which benefit from operational ease and compliance consistency.

Intermediary Considerations

Financial intermediaries, particularly investment advisers and broker-dealers, serve as the primary gatekeepers for semiliquid alternative funds and play a crucial role in distributing and managing access for retail investors. Their expertise and diligence are essential to navigating semiliquid fund complexities and enabling retail access to private markets.

Suitability and Standards of Conduct

Intermediaries are subject to investment adviser and broker-dealer standards of conduct requiring that advice and recommendations of semiliquid investments are in the best interest of clients based on each client's financial objectives, liquidity needs and risk tolerance.

This typically means offering them to clients with long-term investment horizons and moderate-to-high risk tolerance.

Education and Disclosure

Semiliquid alternative funds often feature greater complexity than the mutual funds familiar to most retail investors. Education and disclosure, especially around liquidity constraints, are critical.

Financial intermediaries play a vital role in helping clients understand the implications of limited liquidity, including the potential that shares may not be fully or even partially saleable during repurchase windows — particularly during periods of market stress or high repurchase demand — since these funds typically are required to repurchase only a limited percentage of outstanding shares.

Impact of Limited Liquidity

The limited liquidity of semiliquid alternative funds requires repurchase requests to be submitted in advance, often without certainty around the exact net asset value at the time of submission. Repurchases occur periodically and are subject to advance notice and potential pro rata reductions.

These features require advisers to carefully manage portfolio rebalancing, repurchase timing and client expectations, particularly during periods of market stress and volatility or oversubscribed repurchase windows.

Portfolio Limits

To manage liquidity and risk, intermediaries may impose limits on the portion of a model portfolio or individual accounts that can be invested in such funds. These thresholds help ensure diversification and portfolio flexibility.

Representative Training

Proper training ensures that financial representatives can explain these products effectively, including the liquidity trade-offs, pricing frequency, fee terms, and the structural differences from mutual funds and exchange-traded funds.

Given the relative complexity of these offerings, financial professionals should be equipped to clearly communicate their nuances and key characteristics, particularly the valuation lag, since investments are typically illiquid and not priced daily; periodic liquidity constraints; and risk-return profile.

Regulatory Focus

The Financial Industry Regulatory Authority and the SEC continue to focus on so-called complex products, including interval and tender offer funds.

Intermediaries should consider regulatory expectations and investor protection concerns relating to complex products in conducting due diligence; providing disclosures, particularly regarding illiquidity, repurchase terms and pricing mechanics; and recommending these products to retail clients.

Conclusion

In response to the growing demand for diversified investment opportunities, semiliquid alternative funds are poised to become a cornerstone of the modern retail portfolio. They offer access to private market strategies, while striking a balance between liquidity, transparency and regulatory oversight.

These funds offer a compelling blend of benefits and trade-offs for both investors and financial intermediaries. Through client education, strategic portfolio construction, prudent liquidity management and regulatory compliance, they can enhance how retail investors build diversified, resilient portfolios.

Financial intermediaries play an essential role in guiding investors through these complexities, ensuring that investments align with their clients' financial goals and risk tolerance.

As semiliquid funds capture an expanding share of the market, their growth may drive innovation in data analytics, investor tools, product structures and market insights, resulting in further transparency, efficiency and sophistication across the investment ecosystem.

Importantly, the evolving regulatory landscape offers an opportunity for semiliquid funds to serve as a model for broadening retail access to private markets. With their regulated structure, liquidity constraints and intermediary safeguards, these funds are more than a bridge to private markets — they offer a scalable framework for the future of democratized investing.

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