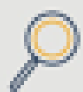
RESEARCH SEMINAR

> Wednesday, June 14th, 2023
14:00 - 15:30

FINANCE RESEARCH SEMINAR

EMPOWERING CHANGEMAKERS FOR A BETTER SOCIETY



ABSTRACT

‘MISCONDUCT AND FUNDRAISING IN PRIVATE EQUITY’

BY YIMING QIAN – UNIVERSITY OF CONNECTICUT

Beginning in 2012, private equity (PE) fund advisers (i.e., general partners, or GPs) must register with the SEC and disclose information regarding misconduct. We find that the disclosure of misconduct reduces GPs’ ability to raise future funds. Among different types of investors (i.e., limited partners, or LPs), public pension funds are most averse to misconduct disclosure. Further, misconduct disclosure reduces the likelihood that a fund’s existing investors commit capital to a GP’s subsequent PE funds, suggesting that the public disclosure of misconduct deters both current and new investors. We find that LPs are averse to misconduct disclosure because of reputation concerns. We also find evidence that misconduct is related to GP crash risk. This study sheds light on the effects of mandatory disclosure in the lightly regulated PE market, which is drawing increasing scrutiny as PE’s economic importance grows. Our findings also contribute to the growing literature on the economics of misconduct.

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