HM Treasury

Regulations for Alternative Investment Fund Managers

Consultation

April 2025

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Chapter 1
Introduction

1.1 Growth is the Government's number one mission and the financial services sector has a central role in delivering this. Asset management plays a particularly significant role by channelling capital from investors to investment opportunities and providing financing for Government priorities such as infrastructure projects and delivering returns to investors. It is essential that the regulations underpinning this important sector are appropriately targeted and proportionate for UK markets to foster economic growth.

1.2 This consultation sets out the Government's proposed approach for a streamlined framework for the regulation of Alternative Investment Fund Managers (AIFMs), and the depositories they use.

1.3 The Financial Services and Markets Act 2023 (FSMA 2023) repeals assimilated law (formerly known as retained EU law) in financial services. This allows the Government to replace assimilated law with rules set by our independent and expert regulators, operating within a framework set by Government and Parliament.

1.4 As part of this, the Government is reviewing the regulations for AIFMs, and this consultation will explore whether HM Treasury should simplify their regulatory framework. By removing elements from the legislative framework, the government intends to enable the FCA to establish a more graduated and proportionate approach to regulation.

1.5 The Financial Conduct Authority (FCA) has published a Call for Input alongside this consultation, which indicates its approach to regulating AIFMs within the framework proposed in this consultation. The FCA propose a three-tiered approach to regulation of AIFMs, with only the largest firms being subject to a regime similar to the current rules for full-scope UK AIFMs. Even for these firms, the FCA may remove some elements of prescriptive detail. A new mid-tier of firms would be subject to a comprehensive regulatory regime, covering all the same areas as the current regime, but without many of the prescriptive detailed requirements, to allow for greater flexibility. Small firms would be subject to core baseline standards.

1.6 The FCA also suggest streamlining requirements for some different types of activities such as managing Venture Capital or Listed Closed-Ended Investment Companies, to reflect the differences in their business models.

1.7 The overall aim of both this consultation and the FCA's Call for Input is to streamline the regulatory requirements for AIFMs, and reduce burdens, while maintaining core protections for consumers and markets.

Taken together, the proposals across both publications would see a reduction in requirements for the majority of firms, with rules that are better targeted to their size and business models.

1.8 Within the remainder of this consultation document:

- Chapter Two sets out the background for the regulations for AIFMs and scope of this consultation.
- Chapters Three to Five set out policy proposals for streamlining the framework for AIFMs.
- Chapter Six explains how to respond to this consultation.
- Chapter Seven provides a summary of questions asked in this consultation.

Chapter 2

Background

2.1 This chapter sets out the background and history of the regulation of AIFMs, and the scope of this consultation.

Regulations for Alternative Investment Fund Managers

2.2 Regulations for AIFMs were harmonised across the EU in 2013 under the Alternative Investment Fund Managers Directive (AIFMD). This Directive was introduced in the aftermath of the 2008 financial crisis to address risks posed by Alternative Investment Funds (AIFs) to investors, market participants, and markets. Recognising the fragmentation of regulation of AIFMs across the EU, AIFMD established an EU-wide framework for monitoring and supervising risks posed by AIFMs and the funds they manage, and for strengthening the internal market in alternative funds.

2.3 The firms captured by AIFMD include managers of hedge funds, private equity funds, investment companies, real estate funds, and some retail investment funds. AIFMD also included requirements for firms acting as depositaries of AIFs whose managers are subject to AIFMD.

2.4 Prior to AIFMD's introduction, UK regulation required a wide range of investment management firms to be authorised when carrying out regulated activities such as operating a collective investment scheme, or conducting discretionary portfolio management. However, AIFMD introduced new additional requirements, such as:

- Requirements for all AIFMs managing assets over a certain size threshold. The threshold is set at €100m of assets under management, except for where a manager only manages AIFs that are unleveraged and have no redemption rights for the first 5 years, where it is set at €500m. For managers below these thresholds, it only required that Member States introduce a registration regime, which was lighter touch than the requirements applying to managers above the thresholds;
- Consistent requirements across all AIFMs above the threshold, including on risk management, liquidity management, and leverage;
- Strict depositary obligations;
- Requirements on risk management systems, to report information to regulators, conduct stress tests, and to ensure proper valuation of AIF assets;

- Mandatory disclosures for investors on fund strategy, risks, leverage, and fees; and
- Requirements on remuneration policies for directors and certain employees of AIFMs.

2.5 The UK Government implemented AIFMD in the United Kingdom through a combination of Treasury regulations and FCA rules. The first piece of legislation of what is collectively known as "the AIFM Regulations[1]", came into force on 22nd July 2013.

2.6 The Government consulted on the implementation of AIFMD in March 2012 and January 2013. In particular, the consultation considered requirements for sub-threshold AIFMs. To avoid duplication, while reflecting existing regulation, under which some managers were already regulated by the FCA, the UK introduced the Small Authorised and Small Registered Regimes ("the Small Regimes"), which are explained further in the next chapter.

2.7 All managers above this threshold are deemed "Full-Scope" UK AIFMs and required to comply with all AIFMD rules. Managers who are within the Small Regimes can choose to opt-up to the Full-Scope Regime.

2.8 Following the UK's decision to leave the EU, the Government transposed the body of EU legislation that applied directly in the UK at the point of exit onto the statute book. The retained EU law was modified to fix any deficiencies arising from EU exit; however, this did not extend to policy changes. While this approach provided stability and continuity in the immediate period after EU exit, it was never intended to provide the optimal long-term approach for UK regulation of financial services.

2.9 Despite initial concerns from industry regarding the implementation of AIFMD, feedback from market participants suggests firms have adapted to the regime and many value it. In the ten years following the introduction of the EU Directive, the UK asset management sector grew by 50% and, today, the UK is the second largest global asset management hub, with £14 trillion total assets under management.

2.10 Many aspects of AIFMD are necessary to formalise a global consensus, provide investor protections and mitigate against some of the financial stability risks which AIFs can pose. However, the Government recognises that some aspects of the regime are not necessarily proportionate to the risks in different parts of the sector and

[1] This refers to all regulations the UK introduced to implement AIFMD:

Alternative Investment Fund Managers Regulations 2013; Alternative Investment Fund Managers Order 2014; Alternative Investment Fund Managers (Amendment) Regulations 2018/134; Alternative Investment Fund Managers (Amendment) 2013/1797; Alternative Investment Fund Managers (Amendment etc.) (EU Exit Regulations 2019; Commission Delegated Regulation (EU) 2015/514; Commission Delegated Regulation (EU) 231/2013; Commission Implementing Regulation (EU) 448/2013; Commission Implementing Regulation (EU) 447/2013; Commission Delegating Regulation (EU) 694 2014.

for firms of different sizes. The Government now has an opportunity to review and streamline the regime to ensure it works well for AIFMs operating and marketing in the UK.

Scope of this consultation

2.11 The Government is now reviewing the AIFM Regulations to establish streamlined and proportionate regulation for the alternative investment fund sector.

2.12 Assimilated law will be replaced with rules set by the UK's expert and independent regulators, operating within a legislative framework set by Parliament and the Government. This approach will allow regulation to be tailored to the UK's markets and be updated in the future in a more agile and streamlined manner.

2.13 This consultation focuses on the regulatory framework for AIFMs and relevant depositories. It covers topics such as which AIFMs should be subject to the regulations, and whether any changes are needed to key provisions due to be retained in legislation.

2.14 Any changes considered will carefully balance costs and benefits to industry and investors, the impact on overseas funds marketing to, and being managed in, the UK, and implications for financial stability and market integrity in line with commitments to maintain global standards to enhance resilience in the funds sector.

2.15 The FCA has already begun its consideration of potential changes to rules for AIFMs in the discussion paper – *Updating and improving the UK regime for asset management* (DP 23/2). The discussion paper tested views on how the regulatory burden on asset managers could be reduced, including whether there was any merit to simplifying FCA rules.

2.16 As noted in the previous chapter, alongside HM Treasury's consultation, the FCA has released a Call for Input outlining how it intends to approach the regulatory regime, in light of the Government's proposals.

2.17 Following the consideration of responses to this consultation, HM Treasury will publish a draft statutory instrument on the regulatory framework for AIFMs and the FCA will consult on its proposed rules for AIFMs.

Chapter 3

Requirements for sub-threshold Alternative Investment Fund Managers

3.1 This chapter details proposals for regulating sub-threshold AIFMs and simplifying the existing regulatory perimeter.

Background on the "Small Regimes"

3.2 As outlined in Chapter 2, AIFMD required EU Member States to establish, at a minimum, a registration regime for sub-threshold AIFMs[2]. The UK chose to take this forward by establishing two regimes, for sub-threshold AIFMs.

3.3 At the point of transposing the directive, most firms falling within AIFMD were already authorised in some form. As such, the Government created the **Small Authorised Regime**, applying to all sub-threshold AIFMs (except certain firms which are detailed below). Firms within the Small Authorised Regime are required to be authorised by the FCA to manage AIFs but are not subject to Full-Scope requirements.

3.4 For a minority of firms which had not previously been FCA authorised, the Government determined, following consultation, that sub-threshold managers would not be required to seek FCA authorisation and would instead need to register with the FCA. This reflected the minimum requirements of the European Directive and maintained the existing regulatory perimeter.

3.5 This **Small Registered Regime** now applies to three categories of sub-threshold AIFM and exempts them from the requirement to seek FCA authorisation when managing certain AIFs. The three categories of firm are:

- Managers of Social Entrepreneurship Funds (SEF) and Registered Venture Capital Funds (RVECA).

[2] For sub-threshold AIFMs, the threshold is set at €100m, except for where a manager only manages AIFs that are unleveraged and have no redemption rights for the first 5 years, where it is set at €500m

- Managers of Unauthorised Property Collective Investment Schemes, meaning AIFMs managing assets of unauthorised funds mostly holding land; and

- Managers of 'Internally Managed Companies', meaning investment companies which are not collective investment schemes and which do not appoint an external AIFM.

3.6 Managers of SEF and RVECA funds are registered and subject to requirements under relevant assimilated law applying to these structures.[3] These include restrictions on portfolio holdings, reflecting their focus on social entrepreneurship and venture capital. The other two categories of manager are only required to register with the FCA and comply with limited reporting requirements.

Problems with the existing Regimes

3.7 Since the implementation of the AIFM Regulations, market participants have provided feedback on the operational challenges of the legislative thresholds for the Small Regimes, including in response to the FCA's 2023 discussion paper.

3.8 Significantly, the threshold for the Regimes was established in 2013 and has not been increased since its introduction. Based in legislation, the threshold is inflexible to market movements and does not account for inflation.

3.9 The threshold creates cliff-edge risks whereby sub-threshold AIFMs are subject to minimal requirements, whereas those above the threshold see a significant increase in requirements. The threshold can be passed because of market movements or changes in valuation rather than any actions of the firm. Market participants have identified that this transition creates the risk of an immediate large increase in regulation and disincentivises growth. This is in part because some requirements of the Full-Scope Regime mean firms need to make business model or structural changes. This is particularly true of the Small Registered Regime where managers are required to become FCA-authorised Full-Scope AIFMs when they hit the threshold.

3.10 Additionally, the Small Registered Regime may be misleading for consumers. It could create a "halo effect" as FCA registration implies a

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[3] Managers of Social Entrepreneurship and registered Venture Capital funds are subject to requirements in provisions of the relevant assimilated regulations. These regulations impose requirements on managers relating to (but not limited to) the asset mix that fund can hold, conduct of business obligations on managers, conflicts of interest, and prudential requirements.

The relevant assimilated laws are:

Regulation (EU) No 346/2013 of the European Parliament and of the Council of 17 April 2013 on European Social Entrepreneurship Funds (onshored by Social Entrepreneurship Funds (Amendment) (EU Exit) Regulations 2019/343);

Regulation (EU) No 345/2013 of the European Parliament and of the Council of 17 April 2013 on European Venture Capital Funds (onshored by Venture Capital Funds (Amendment) (EU Exit) Regulations 2019/333).

degree of oversight by the FCA, which in fact has limited powers over firms within the regime. Many of the central provisions of regulation applying to FCA-authorised firms do not apply to these firms, including in relation to conflicts of interest, accountability of senior managers and additional consumer protections. This is less of a concern for managers of SEF and RVECA funds, as their regulation is underpinned by wider legislation.

Policy Proposal to remove legislative thresholds

3.11 Given the shortcomings outlined above, the Government proposes to remove the legislative thresholds for the Small Regimes. This will enable the FCA to determine proportionate and appropriate rules for AIFMs of all sizes having regard to their investment activities and investor base, as well as the specific risks they pose. This approach follows the FSMA framework to permit the FCA to determine necessary and tailored rules for different fund managers.

3.12 The FCA's Call for Input, referenced in Chapter One, provides an initial outline of its intended approach to the future regulation of AIFMs, including how this could be differentiated dependent on the size and activities of the firm.

Q1: Do you agree with the proposal to remove the legislative thresholds from the AIFM Regulations, enabling the FCA to determine proportionate and appropriate rules for AIFMs of all sizes?

Policy Proposal for the Small Registered Regime

3.13 The default outcome of removing the legislative thresholds for the Small Regimes, is that all firms currently within the Small Registered Regime would fall within the regulatory perimeter. This means they would be required to seek FCA authorisation and comply with a proportionate set of rules, based on their size. There is a strong case for taking this approach as the challenges with the legislative thresholds are particularly pronounced for the Small Registered Regime and the existing carve-out adds significant complexity. There is also the risk that the Regime misleads consumers on the level of protection they are afforded, and the requirements firms are subject to.

3.14 The proposals and rationale for how the three categories of firm captured by the Small Registered Regime should be treated are set out below.

Managers of Social Entrepreneurship Funds and Registered Venture Capital Funds

3.15 As previously set out, SEF and RVECA Funds are subject to certain requirements under assimilated law in addition to the AIFM Regulations. Because of the need to consider the wider legislative approach to regulating these products, the treatment of the managers of these fund types under the AIFM Regulations is not in scope of this consultation.

3.16 Instead, HM Treasury will retain the existing rules for the regulation of managers of SEF and RVECA Funds and consider their regulation in full as a separate workstream. However, we welcome reflections from respondents on how the Government should approach the regulatory framework for these fund-types in future, including whether firms value the existing regime.

3.17 In particular, the Government recognises the critical role Venture Capital funds play in channelling funding to high-growth UK companies. We note that respondents to the Government recent Call for Evidence on Financial Services Growth and Competitiveness suggested some amendments to the RVECA regime to increase flexibility for firms and make the structure more attractive. This feedback will be accounted for as part of future work on the regime.

3.18 Venture Capital funds have different objectives and characteristics to other Alternative Investment Funds, and there is a case for a regulatory regime which reflects that. While this is not directly in scope of this consultation, the Government will, as part of a future workstream, be considering how the regulatory regime could be best adapted to suit the needs of Venture Capital Funds.

Managers of Unauthorised Property Collective Investment Schemes

3.19 Unauthorised Property Collective Investment Schemes are funds which are not FCA-authorised and mostly invest in land.

3.20 Prior to AIFMD, the Investment Managers for these schemes were not FCA-authorised because property is not a 'specified investment' under FSMA. When the UK implemented the AIFM Regulations in 2013, above-threshold managers fell within scope of the regulated activity of managing an AIF but those below the threshold were subject to the Small Registered Regime.

3.21 In the time since the AIFM Regulations were introduced, it has become clear there are some consumer protection risks arising from these funds. Furthermore, there is no evidence that these funds operate differently to other unauthorised fund types holding non-specified investments, which are subject to the AIFM Regulations.

3.22 In line with the objective of simplifying the regulatory perimeter, the Government proposes requiring managers of sub-threshold Unauthorised Property Collective Investment Schemes to seek FCA authorisation, as managers of AIFs. We recognise that this will result in

up-front costs for managers who will be required to become authorised and comply with additional requirements. We welcome reflections from those falling within this category on the impact of having to seek FCA authorisation.

Internally Managed Investment Companies

3.23 'Internally Managed Investment Companies' refers to investment companies which are not collective investment schemes, and which do not appoint an external AIFM. While this section details proposals for sub-threshold Internally Managed Investment Companies, there are further considerations for Listed Closed-Ended Investment Companies which are covered in the following chapter.

3.24 Prior to AIFMD, Investment Companies were subject to regulatory requirements arising from company law, the Listing Rules, the Prospectus Directive, and the Transparency Directive. For unlisted internally managed companies, some of these regulations (including the Listings Rules) would not have applied. The managers of such funds were not required to seek FCA authorisation, although some had external investment managers who may have been authorised by the FCA. When the AIFM Regulations were implemented, sub-threshold managers of Internally Managed Companies were placed in the Small Registered Regime, relying on the enforcement powers and investor protections already afforded by the wider regulation of investment companies.

3.25 However, since AIFMD's introduction, in this category, the Small Registered Regime exemption appears to be having a broader effect than intended. There is evidence that funds are being structured as Internally Managed Companies to qualify for the Small Registered Regime despite not following the typical business model of an Investment Company. These firms could be benefitting from a "halo-effect" provided by FCA registration, despite the FCA having limited powers to prevent managers from registering with them.

3.26 Therefore, to guard against any potential consumer protection risks, the Government is considering requiring the managers of sub-threshold Internally Managed Companies to seek FCA authorisation, as managers of AIFs. Again, the Government recognises that this would lead to up-front costs for some fund managers and welcomes reflections from impacted firms on this approach.

Q2: Do you agree that the Small Registered Regime should be removed, as it adds significant complexity to the regulatory perimeter?

Q3: What should we take into consideration when we review the SEF/RVECA regulations?

Q4: How should Government approach the regulation of Venture Capital fund managers in future?

Q5: Do you agree with the proposal to require managers of unauthorised property collective investment schemes and internally managed investment companies to seek FCA authorisation?

Q6: What would be the impact of requiring these firms to seek authorisation?

Chapter 4

Policy Proposal for Listed Closed-Ended Investment Companies

4.1 Listed Closed-Ended Investment Companies are investment funds which are admitted to the Official List and traded on the Main Market of the London Stock Exchange. These companies are subject to the FCA's Listings Rules. To note, this section does not apply to Exchange Traded Funds (ETFs), which are open-ended structures.

4.2 Managers of Listed Closed-Ended Investment Companies have been regulated by the AIFM Regulations since their introduction. Prior to this, such companies were not regulated as investment funds in the UK, although many had external, FCA-regulated investment managers.

4.3 Listed Closed-Ended Investment Companies are a popular UK investment structure, which were first founded over 150 years ago. They now represent around over 30% of the FTSE 250 and invest in over £250 billion of assets.

4.4 The Government is focused on ensuring that the regulatory regime for Listed Investment Companies is streamlined and proportionate. Across the sector we have heard a range of perspectives on whether Listed Closed-Ended Investment Companies should be viewed as financial services products, or publicly traded companies, and regulated as such.

Policy Proposal for regulation of managers of Listed Investment Companies

4.5 Market participants have raised several challenges with the application of AIFM Regulations to Listed Closed-Ended Investment Companies.

4.6 Listed Closed-Ended Investment Companies operate differently to other AIFs, given their unique corporate structures, meaning that investors into the fund acquire securities with associated shareholder rights. Furthermore, as the securities are traded on a UK market, the value of listed-investment companies is driven by supply and demand, which means that their share price is can trade at a premium or a discount to the fund's net asset value.

4.7 Governance arrangements also differ as a Listed Closed-Ended Investment Company has an independent board of directors, whose responsibilities include oversight and monitoring of the fund. The

requirement for an authorised manager taking responsibility for compliance with regulation therefore complicates this model. Furthermore, unlike some other fund structures, Listed Closed-Ended Investment Companies have the capacity to replace their managers.

4.8 As well as their managers being subject to the AIFM regulations, Listed Closed-Ended Investment Companies must also comply with elements of the Listings Rules. There is some cross-over between these regimes, including on reporting requirements, transparency rules, and some obligations on risk management. As a result, some in this sector have called for Listed Closed-Ended Investment Companies to be entirely removed from scope of AIFM Regulation.

4.9 However, the AIFM Regulations also include provisions which are not duplicated in the Listings Rules, in relation to consumer protection, market integrity, and financial stability.

4.10 Listed Closed-Ended Investment Companies are popular with retail investors, who make up over half of their investor base. Removing these products from the scope of AIFM Regulation would impact general consumer protections under the consumer duty (although distributors would still be subject to it) and would remove investors' ability to access redress in certain situations.

4.11 Listed Closed-Ended Investment Companies could also pose risks to financial stability through their use of leverage, and the potential for their shares to become illiquid in times of stress. As with other funds, even at the smaller end, these entities have the potential to pursue similar strategies and therefore have an outsized impact on volatility or market movements. An exemption of these firms from the financial stability reporting required under AIFM regulations could mean that, in the future, risks grow undetected in the sector.

4.12 Some market participants have also highlighted the benefit of AIFM Regulation for Listed Closed-Ended Investment Companies as it demonstrates to investors that they are financial services products, with a high regulatory standard.

4.13 Following careful consideration, the Government is proposing that all Listed Closed-Ended Investment Companies remain in-scope of the AIFM regulations to ensure continued financial stability and consumer protections apply.

4.14 This proposal would include bringing internally managed Listed Closed-Ended Investment Companies below the threshold into scope of the regulations, in line with the suggestion in the previous chapter. This is on the basis that we understand it is comparatively uncommon for firms to be internally managed, and in many cases such firms are associated with a regulated entity such as an investment manager. However, we welcome representations from firms on the feasibility and likely costs associated with this proposal.

4.15 As detailed in Chapter One, the FCA is proposing to significantly streamline requirements for most AIFMs, and remove certain duplicative requirements in relation to the management of Listed Closed-Ended

Investment Companies, in recognition of the particular structure of these products, and the other requirements firms are subject to. We welcome reflections from firms on our proposals, in light of the FCA's suggested regulatory structure.

4.16 Whether or not Listed Closed-Ended Investment Companies are regulated under the AIFM Regulations, they may still be subject to other areas of Regulation, such as the Listing Rules and the new Consumer Composite Investments regime.

Q7: Do you agree with the Government's proposals for the future regulation of Listed Closed-Ended Investment Companies?

Q8: Are there any risks associated with Listed Closed-Ended Investment Companies, including those which are internally managed, being in scope of AIFM Regulation?

Q9: If the Government were to consider an alternative approach, such as removing certain Investment Companies from scope of the regulation, should this be limited to closed-ended investment companies listed on the London Stock Exchange, or should other types of closed-ended investment company be captured?

Q10: Do you consider there to be any duplication in AIFM Regulation and other regulatory requirements imposed upon Listed Closed-Ended Investment Companies, which the FCA should account for when proposing rules?

Chapter 5
Additional Proposals

5.1 This section summarises further areas in which the Government intends to legislate as part of the new regulatory framework for AIFMs.

Definitions and other perimeter issues

5.2 **Managing an AIF:** A number of definitions underpin the regulated activity of *managing an AIF* and therefore determine which fund managers must comply with its requirements. Currently these definitions are set out across different regulations and FCA guidance.

5.3 In line with the SRF process, we propose to move definitions relating to the regulatory perimeter to the Regulated Activities Order to ensure they continue to work as intended. This will provide firmer legal footing for the Regulation of AIFMs.

5.4 The definition of an AIF determines which fund managers must comply with rules. AIF is defined as Collective Investment Undertaking. This is explained across FCA guidance and retained ESMA guidance but is not defined in legislation. No changes to the definitions or regulatory perimeter are intended to be made as part of this transition. This will ensure that (other than certain consequential amendments) there is no impact on other legislation which makes use of the definitions of an AIF, including various tax regimes. The precise drafting of the definitions will be subject to consultation when the draft legislation is published.

5.5 **Acting as a trustee or depository of an AIF:** Currently the regulated activity for *acting as a trustee or depository of an AIF* rests on the concept of a "full-scope AIFM" and therefore the legislative thresholds, which the Government is proposing to revoke.

5.6 As such, this definition will need to be reviewed, with reference to the FCA's new graduated approach to regulation of AIFMs.

5.7 **The AIFM Business Restriction:** Some firms have raised concerns that restrictions which prevent AIFMs from conducting non-AIFM activities from within the same legal entity add unnecessary costs and inefficiencies. The FCA are considering this as part of their Call for Input and we will work with them to ensure the regulatory framework supports their approach.

The National Private Placement Regime

5.8 The National Private Placement Regime (NPPR) is the marketing regime used by overseas AIFMs, and UK and Gibraltar AIFMs managing overseas AIFs, to market those AIFs in the UK.

5.9 It requires these managers to notify the FCA that they are marketing, confirm basic information, and confirm they are compliant with FSMA and AIFM Regulation.

5.10 The NPPR provides the FCA with powers to require these managers to comply with certain sections of its Handbook and to refuse marketing permissions if they fail to comply.

5.11 To date, market participants have not raised concerns with the operation of the National Private Placement Regime.

5.12 Therefore, we propose broadly restating the marketing regime for overseas AIFMs in legislation. Any technical changes will be subject to consultation when the draft legislation is published.

Marketing Notifications

5.13 Under the AIFM regulations, full-scope UK AIFMs of UK or Gibraltar AIFs are required to notify the FCA of their intention to market such AIFs to professional investors, and the FCA has 20 working days to grant or refuse approval.

5.14 Firms have said that the requirement causes unnecessary delay in launching new products and makes it less attractive to market into the UK. Because the AIFs are marketed predominantly to professional investors, we see no need to notify the FCA 20 working days prior to marketing.

Private Equity Notifications

5.15 Under the AIFM regulations, full-scope UK AIFMs and above-threshold overseas AIFMs must submit information to the FCA regarding any AIFs they manage which acquire control of non-listed companies and issuers. These requirements are particularly relevant for private equity funds.

5.16 While the purpose of these regulations is to identify issues in the private equity sector such as asset-stripping, in practice the FCA has limited powers to act regarding this kind of activity, which is not wholly relevant to its statutory objectives. Therefore, we are considering whether to remove the requirement for firms to submit these types of notifications to the FCA, or whether this information should be notified elsewhere.

External Valuation

5.17 The AIFM regulations allow for AIFMs to appoint external valuers to carry out a valuation of an AIF. However, they also set out that the external valuer is liable to the AIFM, for any losses caused by the valuer being negligent or intentionally failing to perform its tasks.

5.18 Feedback suggests that this liability makes valuers cautious about taking on business and makes it challenging for them to obtain professional indemnity insurance. This particularly impacts funds investing in longer-term assets which may be more complex to value.

5.19 We are considering whether growth in the market for external valuation services would be facilitated by removing the legal liability of the external valuer and removing this concept from legislation. In this scenario, the external valuer would have contractual liability to the AIFM, and the AIFM would still have legal liability to the fund and its investors; the final responsibility would rest with the AIFM.

Q11: Do you agree with the proposal to transfer definitions underpinning the regulatory perimeter to legislation?

Q12: Do you agree with the proposal to maintain the National Private Placement Regime? Do you have any concerns with how the Regime currently operates?

Q13: Should the requirement to notify the FCA 20 days prior to marketing be removed and what impact would this have for firms and investors?

Q14: Should the requirement for AIFMs to notify the FCA in relation to acquisition of non-listed companies, be removed or should this information be provided elsewhere?

Q15: Should the liability for external valuers be reviewed, and would any additional safeguards be required?

Chapter 6
Summary of Questions

1. Do you agree with the proposal to remove the legislative thresholds from the AIFM Regulations, enabling the FCA to determine proportionate and appropriate rules for AIFMs of all sizes?

2. Do you agree that the Small Registered Regime should be removed, as it adds significant complexity to the regulatory perimeter?

3. What should we take into consideration when we review the SEF/RVECA regulations?

4. How should the Government approach the regulation of Venture Capital fund managers in future?

5. Do you agree with the proposal to require managers of unauthorised property collective investment schemes and internally managed investment companies to seek FCA authorisation?

6. What would be the impact of requiring these firms to seek authorisation?

7. Do you agree with the Government's proposals for the future regulation of Listed Closed-Ended Investment Companies?

8. Are there any unintended consequences associated with Listed Closed-Ended Investment Companies, including those which are internally managed, being in scope of AIFM Regulation?

9. If the Government were to consider an alternative approach, such as removing certain Investment Companies from scope of the regulation, should this be limited to closed-ended investment companies listed on the London Stock Exchange, or should other types of closed-ended investment company be captured?

10. Do you consider there to be any duplication in AIFM Regulation and other regulatory requirements imposed upon Listed Closed-Ended Investment Companies, which the FCA should account for when proposing rules?

11. Do you agree with the proposal to transfer definitions underpinning the regulatory perimeter to legislation?

12. Do you agree with the proposal to maintain the National Private Placement Regime? Do you have any concerns with how the Regime currently operates?

13. Should the requirement to notify the FCA 20 days prior to marketing be removed and what impact would this have for firms and investors?

14. Should the requirement for AIFMs to notify the FCA in relation to acquisition of non-listed companies, be removed or should this information be provided elsewhere?

15. Should the liability for external valuers be reviewed, and would any additional safeguards be required?

Chapter 7

Responding to this Consultation

6.1 This consultation will remain open for nine weeks, closing on 9th June 2025. The Government is inviting stakeholders to provide responses to the questions set out above, and to share their views on our proposals for streamlining the regulation of AIFMs. After the consultation has closed HM Treasury will consider the responses. Depending on the outcomes from the consultation the Government will publish a draft statutory instrument for feedback.

Who should respond?

6.2 A wide range of stakeholders will be interested in the important issues presented in this document. Responses are welcome from all interested parties and stakeholders.

How to respond to this consultation

6.3 Please submit your responses to AIFMR@hmtreasury.gov.uk or post to:

Asset Management Unit
HM Treasury
1 Horse Guards Road
SW1A 2HQ

6.4 When responding, please state whether you are responding as an individual or representing the views of an organisation.

6.5 Responses to this consultation may be shared with the Financial Conduct Authority to assist with their design of the final rules for AIFMs. Please indicate if you do not wish for your response to be shared in this way.

Processing of personal data

This section sets out how we will use your personal data and explains your relevant rights under the UK General Data Protection Regulation (UK GDPR).

Data subjects

The personal data we will collect relates to individuals responding to this call for evidence. Responses will come from a wide group of stakeholders with knowledge of a particular issue.

The personal data we collect

The personal data will be collected through email submissions and are likely to include respondents' names, email addresses, their job titles, and employers as well as their opinions.

How we will use the personal data

This personal data will only be processed for the purpose of obtaining opinions about government policies, proposals, or an issue of public interest.

Processing of this personal data is necessary to help us understand who has responded to the call for evidence and, in some cases, contact certain respondents to discuss their response.

HM Treasury will not include any personal data when publishing its response to this call for evidence.

Lawful basis for processing the personal data

The lawful basis we are relying on to process the personal data is Article 6(1)(e) of the UK GDPR; processing is necessary for the performance of a task we are carrying out in the public interest. This task is seeking evidence for the development of departmental policies or proposals and obtaining evidence to help us to develop effective policies.

Who will have access to the personal data

The personal data will only be made available to those with a legitimate need to see it as part of the call for evidence process.

We sometimes issue calls for evidence in partnership with other agencies and government departments and, when we do this, this will be apparent from the branding and wording of the call for evidence itself. For joint calls for evidence, personal data received in responses will be shared with these partner organisations in order for them to also understand who responded to them.

As the personal data is stored on our IT infrastructure, it will be accessible to our IT service providers. They will only process this data for our purposes and in fulfilment with the contractual obligations they have with us.

How long we hold the personal data for

We will retain the personal data until our work on the call for evidence is complete.

Your data protection rights

You have the right to:

- request information about how we process your personal data and request a copy of it
- object to the processing of your personal data
- request that any inaccuracies in your personal data are rectified without delay
- request that your personal data are erased if there is no longer a justification for them to be processed
- complain to the Information Commissioner's Office if you are unhappy with the way in which we have processed your personal data

How to submit a data subject access request (DSAR)

To request access to your personal data that HM Treasury holds, please email: dsar@hmtreasury.gov.uk

Complaints

If you have concerns about Treasury's use of your personal data, please contact our Data Protection Officer (DPO) in the first instance at: privacy@hmtreasury.gov.uk

If we are unable to address your concerns to your satisfaction, you can make a complaint to the Information Commissioner at casework@ico.org.uk or via this website: https://ico.org.uk/make-a-complaint.

HM Treasury contacts

This document can be downloaded from www.gov.uk

If you require this information in an alternative format or have general enquiries about HM Treasury and its work, contact:

Correspondence Team
HM Treasury
1 Horse Guards Road
London
SW1A 2HQ

Tel: 020 7270 5000

Email: public.enquiries@hmtreasury.gov.uk