

9 June 2025

By e-mail to: AIFMR@hmtreasury.gov.uk

Asset Management Unit
HM Treasury
Horse Guards Road
SW1A 2HQ

Re: HM Treasury's Consultation on Regulations for Alternative Investment Fund Managers

Managed Funds Association (“MFA”) ¹ appreciates the opportunity to represent the views of the global alternative asset management industry in this written response to the consultation by His Majesty’s Treasury (“HMT”) which sets out the Government’s proposed approach to the future legal framework for the regulation of alternative investment fund managers (“**Consultation**”). Effective and appropriate regulation plays an important role in ensuring that the UK’s regulatory regime continues to set high standards for the alternative asset management industry while ensuring it does not stifle growth or undermine the UK as a competitive jurisdiction for managers of various sizes and strategies.

Of MFA’s 180-plus alternative asset manager members, half have a significant presence in the UK – either as their headquarters, with offices typically in the EU, US, and elsewhere, or as a significant component of a US-based firm. MFA membership includes hedge funds, credit, and crossover funds that invest across a diverse group of investment strategies. Accordingly, MFA regards the proposals to be an important component in the revision of the regulatory framework for alternative investment fund managers and have potential to promote dynamic growth and success of the UK as a leading centre for the asset management industry.

MFA is supportive of HMT’s proposals to streamline the framework for the regulation of alternative investment fund managers and depositaries. MFA agrees that, by removing elements from the legislative framework, the UK Financial Conduct Authority (“FCA”), as the principal regulator of alternative investment funds managers, will be able to establish a more graduated and proportionate approach to regulation. MFA has separately responded to the FCA’s Call for Input, which was issued alongside the Consultation.

¹ Managed Funds Association (“MFA”), based in Washington, D.C., New York City, Brussels, and London, represents the global alternative asset management industry. MFA’s mission is to advance the ability of alternative asset managers to raise capital, invest it, and generate returns for their beneficiaries. MFA advocates on behalf of its membership and convenes stakeholders to address global regulatory, operational, and business issues. MFA has more than 180 fund manager members, including traditional hedge funds, private credit funds, and hybrid funds, that employ a diverse set of investment strategies. Member firms help pension plans, university endowments, charitable foundations, and other institutional investors diversify their investments, manage risk, and generate attractive returns throughout the economic cycle.

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MFA appreciates the opportunity to highlight the views and specific observations of its members, as set out below in the Annex. We have identified a number of questions in the Consultation to which we have responded and hope our views are helpful to HMT's continuing consideration of how best to streamline the UK regulatory framework. These include the following topics:

- codifying key definitions which inform the construction of the regulation affecting alternative investment fund managers;
- proposal to maintain the National Private Placement Regime;
- private equity notifications; and,
- external valuers' liability.

We have a vital interest in ensuring the UK remains a leading financial centre with a regulatory framework that promotes fair and efficient financial markets, and which delivers the best possible outcomes for investors, and other market participants. The UK's asset management regulatory regime is the product of decades of EU policy and legislation under the Alternative Investment Fund Managers Directive, the Undertakings for Collective Investment in Transferable Securities Directive, and the Markets in Financial Instruments Directive. MFA considers the Consultation, together with the Smarter Regulatory Framework for financial services, to be an important opportunity to delegate rulemaking power to the regulator and to empower it provide effective and proportional oversight supporting the UK's desire to facilitate growth and ensure its competitiveness as an international financial centre.

MFA and its members consider it essential that the UK maintains an internationally competitive regulatory framework that does not disincentivise growth or impede business while ensuring adequate investor protection and the integrity of financial markets. A nimble and responsive regulatory framework for the asset management industry more generally, and with respect to alternative investment fund managers specifically, would support the UK asset management industry to continue to thrive in an increasingly competitive international market for financial services.

We have set out our responses to the relevant questions in the Annex.

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MFA appreciates the opportunity to provide these comments to HMT in response to the Consultation. If you have any questions about these comments, or if we can provide further information, please do not hesitate to contact me, via rhailey@mfaalts.org, or Jeff Himstreet (jhimstreet@mfaalts.org).

Yours sincerely,

/s/ Rob Hailey

Rob Hailey
Managing Director, Head of EMEA Government Affairs
MFA

Annex

Consultation on Regulations for Alternative Investment Fund Managers

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Definitions and other perimeter issues

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

MFA recognises and supports the Government’s aim to include key definitions under the AIFM Regulation in the Regulated Activities Order (“**RAO**”) to codify the key definitions and provide firmer legal footing for the regulation of AIFMs. The key definitions have been subject to extensive guidance issued by the FCA and the European Securities and Markets Authority (“**ESMA**”), largely because the definitions are very broadly drafted. MFA considers it important that existing ambiguities that exist within the current definitions are addressed such that managers can understand in clear and practical terms how and whether the regulations apply to different vehicles. We acknowledge that the precise drafting of the definitions will be subject to consultation when the draft legislation is published.

Specifically, MFA and its members would be grateful if the draft legislation provided clear exclusions from the definition of an AIF to ascertain whether the relevant rules should apply to certain investment vehicles. For example, it would be helpful to set out clear statutory exemptions for single-asset investment vehicles, vehicles which grant the investors refusal rights with respect to each asset the vehicle proposes to acquire, single-investor funds, employee co-investment vehicles, carried interest vehicles and management fee participation vehicles. MFA would also welcome clarification of other key definitions, including the definition of an investor, and whether entities in the same corporate group may be deemed to constitute a single investor.

The National Private Placement Regime

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?

MFA acknowledges that the National Private Placement Regime (“**NPPR**”), as operated by the FCA, has been a highly efficient form of NPPR.

However, managers incur material costs with respect to ongoing compliance with the AIFM Regulation requirements. Those ongoing compliance requirements are often largely duplicative of regulatory compliance carried out under other rules. Such ongoing compliance requirements include the following:

- the requirement to produce an AIFM Regulation-compliant annual report, rather than allowing the AIFM to comply by providing the financial statements and other investor reporting produced in the ordinary course of operation of the AIF;

- Annex IV regulatory reporting, which is similar to, not the same as, Form PF reporting required by the SEC, and which may further diverge in the future from the Annex IV reporting requirements in the EU pursuant to the proposed changes under the revisions to same which will take effect in 2026; and,
- monitoring various FCA notification obligations (Please see the response to question 14 below).

Particularly with respect to AIFs that are marketed exclusively to professional investors who are sophisticated and experienced investors in investment funds, the additional compliance obligations associated with the NPPR marketing registration provide limited investor protection benefits but cause unnecessary cost and delay in launching new products and diminish the ease of marketing into the UK.

MFA invites the Government to consider whether retaining the NPPR marketing registration requirement affords advantages with respect to investor protection or other regulatory objectives such as to reasonably justify the added cost and compliance burden AIFMs incur when complying with the NPPR marketing registration requirement.

Marketing Notifications

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?

MFA supports the removal of the 20-day notification period. The pre-notification requirement is superfluous, introduces no material safeguards, causes unnecessary delay in launching new products and needlessly complicates the marketing process.

Private Equity Notifications

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?

MFA supports the removal of the notification requirements under the AIFM Regulation with respect to interests in private and public companies. The notification requirements under the AIFM Regulation apply to acquisitions of interests at 10% or above, with additional disclosure requirements upon acquiring control.

MFA considers the notification requirements to be largely redundant. UK listed public companies are subject to more stringent public disclosure requirements under Chapter 5 of the Disclosure Transparency Rules² starting at 3% (or 5% with respect to investment managers). Additional obligations apply under the rules of the Takeover Panel with respect to the acquisition of interests of 30% or more.

² FCA, Disclosure Guidance and Transparency Rules Handbook, Ch. 5 (May 2025), avail. at <https://www.handbook.fca.org.uk/handbook/DTR.pdf>

Further, acquisition of interests of any public or a private company that is, or the subsidiaries of which are, authorised by the FCA or the Prudential Regulation Authority (“**PRA**”) is subject to statutory obligations to obtain the relevant regulator’s prior approval. Comparable sectoral regulators’ approval requirements apply with respect to certain other companies, *e.g.*, in media, telecommunications, utilities, aviation, railways, energy, etc.

The notification requirements under the AIFM Regulation therefore appear principally to provide additional information of an acquisition with respect to private companies that are not subject to financial or other sectoral regulation.

As relevant notification and pre-approval requirements already exist across several sectors with attendant regulatory powers of the sectoral regulators, a general notification requirement under the AIFM Regulation does not seem to serve a clear purpose, and it is unclear how the actions of an investment manager acquiring interests in an unlisted UK company would be monitored. Accordingly, MFA considers it unnecessary to require investment managers to comply with a general notification requirement in respect of an acquisition of a controlling or a non-controlling interest in an unlisted UK company.

External Valuation

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

MFA supports the removal of an external valuer’s statutory liability to the AIFM for any losses caused by the valuer being negligent or intentionally failing to perform its tasks. MFA supports stringent standards applied to professional service providers but believes that appropriate standards may be achieved through contractual arrangements. Imposing statutory liability on external valuers, especially those in non-AIFMD jurisdictions, is likely to impede access to appropriately qualified external valuers. This may adversely affect the ability of managers to access valuations or verification of valuations of longer-term, illiquid or other assets which may be more complex to value.