

Budget 2025 Stakeholder Representation from MFA

About MFA

MFA is the trade association for the global alternative asset management industry dedicated to advancing the ability of asset managers to raise capital, invest, and generate returns for their beneficiaries. MFA has over 180 fund manager members, including traditional hedge funds and private credit funds, collectively managing £2.5 trillion across a diverse range of investment strategies.

Around half of MFA's members have a significant presence in the UK, making it vital to ensure the UK remains a leading international financial centre. This requires a regulatory framework that facilitates fair, efficient, and effective financial markets that support sustainable economic growth.

MFA members play an important role in the UK economy, supporting institutional investors – including pension funds – to diversify their portfolios, manage risk more effectively, and generate steady returns throughout the economic cycle.

Policy recommendations

To support the Government's central mission of growing the UK economy, MFA recommends three key policies to further the industrial policy, strengthen the country's position as a global hub for alternative asset management, and enhance capital markets for investors, businesses, and savers:

1) Simplify reporting requirements for asset managers to enhance international competitiveness

The UK's role as a global hub for asset management can be strengthened by taking steps to deliver a more competitive regulatory environment, by simplifying the rulebook for regulated firms without undermining investor protections and effective market oversight.

Today, alternative asset managers doing business in the UK face costly and burdensome reporting requirements, which can deter managers from launching here. Chief among these burdens is (MiFID) transaction reporting, which poses a considerable cost on many buy-side firms operating in the UK. Such costs are often passed on to investors, thereby lowering investment returns. Reducing the burden of complying with reporting requirements – without compromising the ability of the regulator to ensure market cleanliness – will significantly enhance the attractiveness of UK capital markets.¹

1 MFA response to FCA Discussion Paper (DP24/2) on improving the UK transaction reporting regime:
<https://www.mfaalts.org/wp-content/uploads/2025/02/MiFID-Transaction-Reporting.pdf>

Reform of transaction reporting should be prioritised as a means of reducing the regulatory burden on firms, while maintaining high regulatory standards, and aligning with best practices in other major markets. Unlike in the US, the Financial Conduct Authority (FCA) currently requires two-sided reporting, i.e. by both the dealer and the non-dealer. This duplicative transaction reporting regime imposes a needless cost on the non-dealer and increases the likelihood of the FCA receiving inconsistent data. MFA is urging the FCA to eliminate the duplicative dual-sided reporting requirements and instead implement single-sided reporting. This is an approach that would rely on the dealer's transaction reporting infrastructure, which is an established mechanism in place for years for reporting a wide array of trade data to regulators.

2) Modernise the regulatory framework for asset management

The Government and regulators should modernise the UK asset management regulatory landscape to promote more competitive capital markets. The framework can be improved by adopting changes that balance the benefits of addressing the specific needs of UK financial market participants with the importance of maintaining consistency with international standards.

The ongoing review of the Alternative Investment Fund Managers Directive (UK AIFMD) presents an opportunity to consider areas of commonality across the AIFMD and MiFID regulatory regimes that apply to alternative asset managers. There is scope to remove inconsistencies in areas ranging from prudential rules on regulatory capital, remuneration, best execution, conflicts of interest, to costs and charges disclosures. Furthermore, asset managers should be able to apply for the full range of permissions that are relevant to their business models, regardless of their classification as an AIFM or a MiFID firm. With greater consistency, asset managers can more effectively pursue the varying portfolio diversification, risk management, and financial returns sought by investors and their beneficiaries.²

In the prudential regulatory sphere, MFA calls on the FCA to revisit its rulebook on capital requirements for investment firms. The existing regulation means bank-style capital rules are applied to all investment firms regardless of their business model or capacity for systemic risk. Firms must hold high-quality capital that can absorb losses to maintain financial resilience during periods of stress, but the regulation of investment firms does not adequately account for the limited risks posed by alternative asset managers predominantly serving professional investors. Solo-regulated alternative asset managers are required to hold disproportionately high levels of regulatory capital, which presents a significant disincentive to establishing and continuing to operate an asset management

² MFA's responses to HM Treasury and FCA consultations on AIFMD:
<https://www.mfaalts.org/wp-content/uploads/2025/06/MFA-HMT-Comment-Letter-re-AIFMD-Regulations-09Jun25-FINAL.pdf>
<https://www.mfaalts.org/wp-content/uploads/2025/06/MFA-FCA-Comment-Letter-re-AIFMD-Regulations-09Jun25-FINAL.pdf>

business in the UK, erects a barrier to entry for new managers, and is out of line with the established approach to regulatory capital in other international financial centres.³

Regarding remuneration, MFA is supportive of the regulators' objectives to make the regime for banks and dual-regulated firms more effective, simple and proportionate – in line with the regulators' secondary objective for international competitiveness and growth, while still ensuring appropriate accountability for risk taking. A number of the remuneration rules being removed or made more proportionate for dual-regulated firms apply also to MiFID investment firms subject to the MiFIDPRU Remuneration Code and, in certain cases, full-scope UK AIFMs subject to the AIFM Remuneration Code. It is important that corresponding changes are made to align the rules applicable to solo-regulated firms, an area that has so far not been considered as part of wider remuneration reforms.⁴

Finally, with respect to funds data reporting, MFA recommends that the FCA modernise UK AIFMD's Annex IV reporting requirements and return these to their original purpose of providing regulators and supervisors with the information they actually need to assess systemic risks, while avoiding the imposition of unnecessary compliance costs on firms. In doing so, the FCA should work to make the reporting requirements consistent with equivalent international standards, including the U.S. SEC's Form PF.

3) Safeguard the contribution of alternative asset managers to the economy

The nonbank financial intermediation (NBFI) ecosystem, also referred to as market-based finance, includes a diverse range of financial activities, entities and infrastructure. It includes alternative asset managers (such as hedge funds and private credit funds), money market funds, other mutual funds, pension funds, insurers, family offices, foundations, private equity, and real estate investment trusts – each with their own unique business models, regulatory oversight regimes, investors/stakeholders, balance sheets and governance structures.

Given this heterogeneous ecosystem, it is inappropriate to treat all financial activity outside the banking system as a monolith that deserves the same level of macroprudential regulation. Each type of nonbank is subject to distinct regulatory frameworks that serve distinct purposes.

Alternative asset managers overwhelmingly cater to sophisticated, professional investors, including high-net-worth individuals and institutional investors. The absence of daily redemptions for investors means the funds are not susceptible to mass, daily redemptions in times of market stress. Investors' use of alternative asset managers naturally entails

³ MFA's response to FCA consultation CP25/10 on the definition of capital for investment firms:
<https://www.mfaalts.org/wp-content/uploads/2025/06/FCA-CP25-10-1.pdf>

⁴ MFA response to FCA/PRA consultation on remuneration reform:
<https://www.mfaalts.org/wp-content/uploads/2025/03/MFA-to-PRA-FCA-Remuneration-Consultation.pdf>

investment risk (and potential reward), but this is not to be confused with systemic risk for the financial system as a whole.

The Government should ensure the UK is at the forefront of this growing source of capital and seize the opportunities it presents for British businesses of all sizes to invest in their growth.

Securing this position also requires an appropriate approach to taxation of financial services firms. MFA supports tax policies that encourage long-term capital investment and opposes discriminatory tax proposals that act as a disincentive for investment advisers to choose the UK as the place to build their alternative asset management businesses.