

22 October 2026

By email: cp26-26@fca.org.uk

Financial Conduct Authority
12 Endeavour Square
London
E20 1JN

Re: CP26/26: Fund Reporting for Asset Management Entities (FRAME)

Dear Sir/Madam

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 Financial Conduct Authority’s (“**FCA**”) consultation paper CP26/26 on Fund Reporting for Asset Management Entities (“**FRAME**”) (the “**Consultation Paper**”).

We are strongly supportive of the principles underlying the design of FRAME, namely simplicity, proportionality and international alignment.

In the context of international alignment of private fund reporting regimes, we welcome the FCA’s efforts to align certain concepts and requirements with the U.S. Securities and Exchange Commission’s (“**SEC**”) Form PF framework. Greater consistency across jurisdictions can significantly reduce operational complexity, compliance costs, and duplicative reporting obligations for globally active managers, while improving the comparability and usefulness of regulatory data. Because many UK managers also file Form PF, we encourage the FCA, where appropriate, to align its reporting requirements, definitions, and calculation methodologies with Form PF so firms can leverage existing reporting controls, systems, and governance processes. Particular focus should be given to alignment of approaches relating to fund strategy and size, leverage, counterparty exposure, investor liquidity, and portfolio composition.

At the same time, the SEC is actively reassessing and refining Form PF to better focus data

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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collection on information relevant to systemic risk monitoring while reducing unnecessary reporting burdens and requests for information that firms do not maintain in the ordinary course of business.² MFA has recommended several changes to Form PF that would improve the quality of the data reported to regulators. Our recommended changes are intended to align the information reported on Form PF with the manner in which risk and disclosure information currently is maintained by the manager, reported internally, and disclosed to counterparties. We therefore encourage the FCA to pursue international convergence in a manner that remains responsive to those ongoing efforts, promotes high-quality and decision-useful data, and minimises unnecessary implementation and reporting costs.

The Annex sets out our responses to the relevant questions of the Consultation Paper and our suggestions for further changes. In particular, we would encourage further attention to the following areas:

- **Threshold for Enhanced Reporting.** Given the granularity of Enhanced Reporting, we would ask the FCA to consider raising the threshold for its application to £750 million NAV to further align with the thresholds in the new AIFM classification system. While such an increase would be welcome for all firms subject to FRAME, the proportionality it would achieve is particularly important for non-UK alternative investment fund managers (“**AIFMs**”) subject to FRAME solely in connection with the marketing of alternative investment funds (“**AIFs**”) in the UK. In such cases, the UK will often be one of many jurisdictions in which the fund is marketed, and the application of unique and extensive reporting requirements in the UK may disincentivise firms from marketing in the UK and reduce investor choice.
- **Calculation methodologies.** MFA strongly supports allowing firms to use existing calculation methodologies for FRAME. Certain modifications to the proposed rules should help achieve further flexibility; notably clarification that use of any existing methodologies is optional not mandatory, and that firms may use methodologies in place for purposes of regulatory reporting in other jurisdictions.
- **Descriptive classifications.** Certain definitions relating to the descriptive classifications seem to be capable of applying concurrently; for example, it seems possible that a fund could fall within both the hedge fund and loan origination fund (“**LOF**”) definitions. We would welcome clarification that only a single descriptive classification can be selected for any fund and that, where a fund may fall within the definition of more than one descriptive classification, it is at the reasonable discretion of the AIFM to select the most appropriate classification, having regard to factors including the way the fund is described to investors in its documentation and

² See MFA Letter to the SEC and CFTC (June 23, 2026), available at: <https://www.mfaalts.org/wp-content/uploads/2026/07/Form-PF-Comment-Letter-As-submitted-6.23.26.pdf>, and MFA Supplemental Letter to the SEC and CFTC (Sept. 25, 2026), available at: <https://www.mfaalts.org/wp-content/uploads/2026/10/Supplemental-Comment-Letter-on-Form-PF-Proposal-As-submitted-on-9.25.26.pdf>

marketing materials.

- **Event-based reporting.** We believe certain modifications to the event-based reporting (“EBR”) proposal would help address certain proportionality issues; notably, removing non-UK AIFMs from scope; raising the drawdown threshold to 20% (to align with the corresponding Form PF requirement) and changing the reporting deadline from 72 hours to three business days.
- **Loan origination funds.** MFA acknowledges that private credit has become a significant part of global credit intermediation and that regulators understandably seek greater visibility into market structure, leverage, liquidity, portfolio composition, and interconnectedness. Accordingly, we do not oppose the introduction of reporting for private credit and loan origination, but believe certain modifications are necessary to achieve the FCA’s aims of simplicity, proportionality and international alignment, particularly as it relates to questions that are highly analogous to Form PF questions; especially clarification on whether the reporting is limited to “originated loans” as defined or broader loan portfolios, as well as further guidance on certain of the data items.

MFA appreciates the opportunity to provide these comments to the FCA in response to the Consultation Paper. If you have any questions about these comments, or if we can provide further information, please do not hesitate to contact the undersigned rhailey@mfaalts.org at 020 3008 4377.

Yours faithfully

/s/

Rob Hailey
Managing Director
Head of EMEA Government Affairs

CHAPTER 3. A NEW FUND REPORTING FRAMEWORK

Q1: Is our approach to proportionality appropriate and do the proposals for moving between tiers and opting up allow sufficient flexibility?

MFA Response

MFA agrees with the opt-up proposal as an option for firms to manage boundary issues or maintain consistency across funds.

More broadly, MFA agrees with the principles underlying the FRAME proposal, including that of proportionality. However, we believe certain other aspects of the current proposals should be reconsidered to better achieve that objective, as follows.

Threshold for Enhanced Reporting

Given the granularity of Enhanced Reporting as proposed, MFA recommends that the threshold for its application should be raised to £750 million NAV. This would better align FRAME with the proposed new AIFM classifications set out in CP26/28³. If the threshold for Enhanced Reporting remains at £500 million, then a small AIFM could be subject to Enhanced Reporting (if, for example, it manages a single AIF with a NAV between £500 and £750 million). Requiring a small AIFM to comply with Enhanced Reporting would undermine the aim of introducing proportionality for smaller firms. Conversely, increasing the threshold for Essential Reporting to £750 million would mean that only medium and large AIFMs could be in scope, which would be more aligned with proportionality principles and easing the compliance burden for smaller firms.

A further consideration in relation to the Enhanced Reporting threshold is the case of global funds that meet the NAV threshold, but only have a very small number of UK investors. Should the FCA not increase the threshold for Enhanced Reporting to £750 million for all firms, it would be proportionate and appropriate for such an increase to apply at a minimum to non-UK AIFMs subject to FRAME solely in connection with the marketing of the relevant AIF in the UK.

Nevertheless for many AIFMs, the UK will be one of a potentially large number of overseas jurisdictions in which the AIF is marketed, often including EU member states that require Annex IV reporting. The application of Enhanced Reporting under FRAME alongside Annex IV reporting in the EU would result in a significant uplift in the compliance burden for such firms compared to the position today, whereby a broadly uniform approach to reporting across the EU and UK can be applied. Not accounting for this scenario risks harming the UK's attractiveness as a jurisdiction in which to market funds, to the detriment of UK investors. This could be addressed by setting a threshold (e.g. £250 million) for the portion of the assets

³ CP26/28: The UK AIFM Regime (<https://www.fca.org.uk/publication/consultation/cp26-28.pdf>)

managed that relates to UK investors – Enhanced Reporting would apply to funds where this UK-specific threshold is crossed.

Time cushion

We agree with the proposal of a time cushion for quarterly reporting funds. However, given the significant time and resources that would be needed where a fund newly comes into scope of Enhanced Reporting, particularly for firms whose funds have to date been subject to Essential Reporting (including time and resources for the firm to understand a new set of requirements, implement updates to reporting systems and arrangements with third party service providers, train relevant internal teams), we think the time cushion for this should be increased to at least three quarters, with managers having the option to begin Enhanced Reporting for the relevant fund sooner if they are able to do so.

Q2: Does our approach aligning to frequency and lag to liquidity capture the risks sufficiently for different fund types and allow sufficient headroom for submission?

MFA Response

While we agree that liquidity is a relevant factor in determining frequency for reporting rules, we note the following.

Mandating quarterly reporting for hedge funds would be unduly burdensome and at odds with other regulators

Currently, AIF Annex IV reporting is either annual, semi-annual or quarterly, in accordance with the tests in SUP 16.18.4UK(3), which copies out Article 110 of the AIFMD Level 2 Regulation.⁴ Applying these tests, hedge funds will usually be subject either to quarterly or semi-annual reporting, with semi-annual reporting being common for smaller managers. Where such funds are marketed under any EU member state National Private Placement Regime (“NPPR”), Annex IV reporting will be at the same frequency as the tests are the same.

Moving to quarterly reporting for all hedge funds would mean that, for many smaller hedge fund managers, reporting frequency will increase and will be at a different frequency to any Annex IV reporting in the EU, which would be at odds with the stated objectives of increased proportionality, as well as that of international alignment. We would therefore encourage the FCA to preserve semi-annual reporting for smaller hedge fund managers.

Hedge fund definition

⁴ Commission Delegated Regulation (EU) No 231/2013

Given that classification as a “hedge fund” as defined is a factor in determining the application of various requirements (notably reporting frequency, lag, additional reporting modules, and Event-Based Reporting (“**EBR**”), it is critical to ensure the term is carefully defined.

The FRAME definition appears to draw inspiration from the US Securities and Exchange Commission’s (“**SEC**”) definition for purposes of Form PF. We support the principle of closer alignment with major international regulatory reporting regimes such as the SEC’s Form PF, and believe the definition should be modified such that:

- The lead-in language clarifies that, in respect of a feeder AIF, limbs (a) and (b) are assessed at the level of the feeder AIF and a master AIF is assessed only where it is itself subject to FRAME reporting; and,
- In limb (b), “*it is possible for*” be deleted and reference the actual exposure of the AIF, which could be over a historical lookback period. The inclusion of any fund where “*it is possible*” to incur such exposure would necessarily capture a broader universe of funds than may be intended. In particular, any funds that do not have binding leverage limits, or any funds that have set high leverage limits to retain flexibility (which might include funds managed by EU AIFMs subject to AIFMD leverage limit rules), would satisfy this limb by default because “it is possible”, regardless of whether they actually incur any meaningful amounts of leverage. As this would be a historical test, to address the application of the definition to newly launched funds, the FCA could consider issuing guidance to the effect that AIFMs may deem this limb to be satisfied where they have a reasonable expectation of incurring such a degree of exposure in the ordinary course of managing the fund.

The current Form PF in the U.S. is instructive of the consequences of including “it is possible” language in the hedge fund definition. The Form PF classifies a hedge fund as a fund where it is possible that the manager could use leverage. Many U.S. private credit managers select “hedge fund” from the PF drop-down menu because it is possible that the private credit fund would incur leverage but engages purely in a private credit strategy. The end result is a skewed dataset for the SEC and other U.S. stability regulators when analysing “hedge fund” Form PF data.

It should be clarified how the definition applies in situations where the performance fee and leverage conditions separately at feeder and master level could mean that neither vehicle meets the definition. This should address whether leverage is assessed on a look-through basis at feeder level and which vehicle should report in that scenario.

Lag time

MFA welcomes the FCA’s proposals to maintain or increase lag times for all funds from current levels. Regarding the 45 day lag time proposed for hedge funds, while we appreciate the rationale for setting shorter lag times for more liquid strategies;

given the more granular information required from hedge funds under FRAME, a 60 day lag time would better balance the need for information to be provided on a timely basis to the FCA with the ability of firms to gather complete and accurate data in relation to the extensive set of data items required from hedge funds. This change would also help to increase consistency with Form PF reporting lag times.

Q3: Do you agree with our approach of collecting more granular data on the use of leverage rather than relying upon inaccurate complex calculations?

MFA Response

MFA strongly supports the removal of the prescriptive leverage calculations, the related reporting, and the rules tied to the “substantially leveraged” AIF concept. These requirements have contributed to operational complexity and cost for firms. For example, the granularity asked for in the Portfolio Exposures matrix is very high and does not align with any currently required reporting format.

However, if the existing regulatory definition of “leverage” is retained, clarity should be provided as to whether the legacy AIFMD supporting provisions and guidance on this definition (notably, in the AIFMD Level 2 Regulation, and certain ESMA AIFMD Q&As⁵) may continue to be applied in interpreting the definition. An alternative approach would be to remove all regulatory definitions in respect of leverage and move more fully to a principles based regime.

Q4: Do you agree with our approach to calculation methodologies? If not, why?

MFA Response

Calculation methodologies

We support the proposal of allowing firms to use existing calculation methods, with the FCA’s definitions applying as a fallback. However, the following modifications would help achieve the intended flexibility more effectively:

- It should be clarified that the use of the calculation method used for investor information (rather than the FCA definition) is optional. The final paragraph of current draft SUP 16.36.23G(1) uses the language “*should use the same calculation method*” which should be changed to “*may*” to clarify this.
- Rather than limiting the flexibility to use existing methodologies to investor reporting, it should be extended to include information *reported to a regulator*. With particular regard to non-UK firms, this would allow existing calculation methodologies for regulatory reporting in other jurisdictions (including the SEC’s Form PF, for example) to be leveraged for FRAME

⁵ ESMA Questions and Answers on the Application of the AIFMD (ESMA34-32-352)

purposes, and reduce the need to run multiple calculations. This would also be of particular use for firms that will still be submitting Annex IV reports in the EU once FRAME is in effect, and wish to continue using consistent calculation methodologies across both frameworks where possible.

- We understand that firms must refer to the FCA's definition of a given metric where it does not already calculate and report it to investors. A number of metrics are not defined in the draft rules (examples of which are cited in other responses). This may give rise to legal uncertainty where the firm does not already report that metric to investors. A catch-all provision for any other calculation method would be useful in addressing this gap, subject to the condition that the method meets the FCA's "*clear, fair and not misleading*" standard.

Feeder funds

Separately, we support the exclusion of feeder funds from reporting, where the master fund itself is subject to reporting under FRAME.

Q5: Do you agree with our proposed design of the framework? If not, what would you change and why?

MFA Response

In addition to our comments on the "hedge fund" definition, MFA would welcome clarification as to how certain of the new descriptive fund classifications are intended to interact with one another; in particular, whether any classifications are intended to be capable of overlapping or are mutually exclusive. For example:

- The "hedge fund" and "loan origination fund" ("**LOF**") classifications appear to be mutually exclusive based on the dropdown menu in the FRAME template (STR004), but as a definitional matter, a fund could fall concurrently within both regulatory definitions, noting that the former is based on performance fee / allocations and leverage whereas the latter is based on the fund's investment activities. This could be addressed by clarifying that a fund can select only one descriptive classification and that, where a fund may fall within the definition of more than one descriptive classification, it is at the reasonable discretion of the AIFM to select the most appropriate classification, having regard to the way the AIF is described to investors in its documentation and marketing materials. Examples would be instructive to filers in this regard.
- It is unclear whether a LOF can also be a "private credit fund" (noting the FCA has not proposed to define the latter term). Many LOFs may be termed private credit funds more loosely, but without a definition of the latter term (for example, to carve out funds that fall within the narrower LOF definition), there is uncertainty as to how funds should be classified. MFA suggests addressing this issue by including a guidance provision to the effect that the private credit descriptive classification excludes funds that fall within the narrower LOF definition.

CHAPTER 4. ESSENTIAL REPORTING REQUIREMENTS

Q6: Do you agree with our approach to the essential reporting requirements? If not, what would you change, and why?

MFA Response

We support the simplification that the Essential Reporting requirements represent, notably compared to the current Annex IV framework. We have additional observations as follows:

- Descriptive classifications: As above, clarity should be provided as to which of the new descriptive classifications overlap and which are mutually exclusive.
- Retail investors: Regarding the *Investor base & Distribution* section, and in particular INV002, we think this should be qualified to the effect of “*where known*” (similarly to the wording of INV003), or otherwise be limited to marketing conducted directly by the firm itself and not any distributors. While firms need to be aware of UK retail investors investing in their funds, for those firms whose distributors have the direct engagement with investors or take on the procedural elements of classifying investors, the firm should not be liable for misreporting in the event a retail investor subscribed to its fund without it being aware. While it is acknowledged that certain distributors are required to provide information on fund sales to end investors under FCA (and corresponding EU) product governance rules, firms’ ability to comply with FRAME should not be dependent on firms in such firms complying with their respective obligations.

CHAPTER 5. ENHANCED REPORTING REQUIREMENTS

Q7: Do you agree with our proposals to collect client categorisation and investor data information in the enhanced reporting requirements, and if not, why?

MFA Response

Granular client categorisation details may be challenging to report for firms that rely on distributors or other intermediaries to assist in the categorisation of end investors. The requirement for data on this should therefore be limited to information the firm has through its own direct marketing, or should specify that the firm may reasonably rely on any information made available to it by its distributors in reporting this data.

We also note that the proposal to distinguish between elective and per se professional investors represents an increase in the granularity of reporting in this area, compared to current Annex IV reporting. While we acknowledge the FCA wishes to have visibility of the opt-up practices of firms for investor protection purposes, we believe visibility of such practices can be more appropriately addressed through bilateral supervisory engagement with firms or multi-firm reviews, rather than periodic regulatory reporting.

Q8: Do you agree with our approach to performance and flow reporting, particularly with respect to frequency? If not, why?

MFA Response

We agree.

Q9: Do you agree that our characterisation of unencumbered highly liquid assets best captures cash and near cash that would be readily available to pay immediate liabilities, such as unexpected redemptions or margin call?

MFA Response

We agree.

Q14: Do you agree that collecting exposure data by asset class and breaking it down by instrument type, and standardising rates and credit exposure, is viable for reporting purposes? If not, what alternatives would you propose?

MFA Response

The proposed standardisation of rates and credit exposure will improve the meaning of reported exposures, especially when accounting for the exposure generated by swaps. However, we note that the asset class and instrument type breakdown will likely require firms to undertake an extensive reworking of their reporting infrastructure given the additional granularity required.

Q15: Does this approach to sensitivities reporting sufficiently capture where fund managers are running market risks?

MFA Response

In relation to the implied volatility shock (SEN010), the shock as described is unclear: there is no directive on whether the shock should be relative or additive; and the units are not consistent with market conventions. Interest rate shocks are generally expressed as specified basis point movements, while volatility shocks for other asset classes are generally expressed as additive volatility point or percentage changes to annualised implied volatility.

Q16: We propose to collect concentrated position data per entity rather than per individual security, should we consider collecting security level concentrations, particularly with respect to the Gilts market?

MFA Response

Firms may not currently report issuer concentration to investors, so introducing a requirement to report this information may necessitate investment in additional reporting infrastructure.

Q17: Do you agree with our approach to counterparty exposures, and in particular collection of initial amounts (margins) and the use of it in ranking counterparties?

MFA Response

Ranking exposure to counterparties net of margin posted/received will give an accurate snapshot of credit exposure to a firm's given counterparties; however, it will not accurately reflect counterparties who are providing the greatest amount of financing/leverage.

Under the proposed approach, counterparties are effectively ranked on how much initial margin is posted to them plus any timing differences between mark-to-market exposure and variation margin (due to the fact variation margin is typically collected T+1). It is not accurate to say that if a firm is posting more initial margin to one counterparty versus another, then that counterparty is providing more leverage. For example, two counterparties providing the same amount of repo financing might collect different haircuts due to a difference in the quality of collateral used in the repo financing.

We would therefore recommend a similar approach to the SEC's Form PF whereby counterparties are first ranked on exposure excluding margin, and then margin posted/received is provided at a counterparty level for those counterparties providing the most credit to the firm and to those the firm is most exposed to.

Q18: We are considering whether to capture data on individual information for the top 15 counterparties, rather than the top 5 as currently required in Annex IV. Aside from the increase in the volume of information, what are the challenges (if any), with providing this additional information?

MFA Response

We would discourage moving from five to fifteen counterparties when collecting this data. The consultation paper does not demonstrate that expanding the requirement from five to fifteen counterparties would generate supervisory benefits proportionate to the significant increase in data volume and implementation burden. The requirements should remain as five counterparties unless a specific data gap is identified that the larger population would address.

Under the current proposal of providing exposure/margin at a more granular level, the volume of data required would already dramatically increase without moving to fifteen counterparties. Five counterparties is an adequate amount to cover the majority of most firms' exposure.

Q19: For both financing maturity and counterparty exposures, how should we best capture Total Return Swaps?

MFA Response

For Total Return Swaps, and any type of equity/portfolio swap, the exposure should be calculated by taking the market value of the underlying asset in the swap and not the mark-to-market of the swap. For the financing maturity, the maturity of the swap should be used; and in the case that such swaps have early termination clauses, these should be used over the maturity date.

Q20: Do you agree with our proposed approach to event-based reporting with a single trigger? If not, why not? If you disagree with the EBRT or the data we propose collecting, please suggest alternative EBRT and data requirements.

MFA Response

We consider it to be disproportionate to apply the event-based reporting ("EBR") regime to non-UK AIFMs that are subject to FRAME solely in connection with marketing one or more AIFs under the NPPR, on the basis of the following:

- While FRAME replaces Annex IV reporting for non-UK AIFMs, EBR represents an ad hoc reporting requirement for non-UK AIFMs, which is a substantial departure and uplift in compliance as compared to the legacy regime. We note that EU has not amended the Annex IV regime in this way pursuant to the recent AIFMD2 reforms, which might result in the UK being considered a less attractive marketing jurisdiction than the EU by overseas AIFMs, to the detriment of UK investors.

- Relatedly, noting that the rationale for introducing EBR is in part to support systemic risk monitoring alongside the Bank of England, many non-UK AIFMs marketing under the NPPR may not be actively trading on UK markets. For such firms, we do not consider EBR to be a necessary data point for the FCA.

We understand the EBR proposal is modelled on the reporting of drawdowns under the SEC's Form PF (noting the FCA's Cost Benefit Analysis references at paragraph 51 the EBR proposal's policy alignment with the SEC). We support greater international alignment, and believe the EBR regime could be aligned further with Form PF, and made more proportionate, as follows:

- 20% threshold: Raising the trigger threshold from 10% to 20%, to align with the corresponding trigger threshold under Section 5 of Form PF. With reporting at 20%, the FCA would still be alerted to any genuinely severe drawdown, but without the trigger capturing ordinary market volatility (which would be the likely result of a 10% threshold).
- Reporting deadline: Consistent with our comments to the SEC in the Form PF Letter, the proposed 72-hour deadline introduces challenges depending on when the drawdown trigger event occurs or when the firm reasonably believes such an event occurred. MFA recommends changing this to a business day-based period and we suggest a three-business day deadline, which would balance the need to provide complete information to the FCA on a timely basis with the practical impediments to a firm's ability to collect complete and accurate information during certain periods, like weekends and holidays.
- NAV calculation: The drawdown NAV trigger should be measured on a daily estimated value equivalent to the reporting fund aggregate calculated value ("**RFACV**"), calculated using the firm's own methodologies. A fund that strikes its official NAV monthly can then run the test off its internal daily estimates rather than waiting for a struck NAV. Furthermore, the reporting deadline should run from the end of the business day on which that estimate first shows the threshold has been met. Combined, these changes would help address the question of when the clock starts, since NAV may otherwise be calculated at some point after the drawdown occurs.

CHAPTER 6. PRIVATE MARKET FUND REPORTING

Q21: Do you agree with our approach to collecting data on private market valuation practices? If not, why?

MFA Response

We agree with the FCA's approach to collecting data on private market valuation practices.

We note that a fund could fall within both the hedge fund and private market fund classifications (for example, if the fund predominantly invests in private credit). We would support clarification that a fund may only select a single descriptive classification – please see further Q5 above.

Q22: Do you agree with our approach to defining which funds should complete private markets and loan origination reporting based on whether they originate loans? If not, why, and what alternatives should we consider?

MFA Response

MFA recommends that the FCA examine whether the second limb of the definition referring to funds that have “originated loans that have a notional value that represents at least 50% of the fund's NAV”, could result in funds moving in and out of the definition of what constitutes a loan origination fund. The consequence would be that the reporting regime results in additional and unnecessary monitoring and compliance costs for firms, and an environment in which the FCA would experience changes in data and responses for a particular fund.

Q23: Do you agree with our approach to collecting data on loan quality and stress? If not, why?

MFA Response

We recognise that private credit has become a significant part of global credit intermediation and that regulators seek greater visibility into market structure, leverage, liquidity, portfolio composition, and interconnectedness. Accordingly, we do not oppose the introduction of reporting for private credit and loan origination, but certain modifications are needed to achieve the FCA's aims of simplicity, proportionality and international alignment.

MFA cautions against a wholesale import of data requests used for system-wide exploratory scenarios (“**SWES**”) into the FRAME ecosystem. We acknowledge the importance of the SWES as a means for regulators to understand market dynamics, including stress impacts and risks to financial stability. However, while certain data requests may be reasonable in a bespoke supervisory exercise like a SWES, those same requests may not be appropriate as standardised, ongoing mandatory reporting requirements. As such, it is important to apply a high standard of necessity

and definitional clarity before incorporating SWES-like information into routine compulsory reporting.

With the context of these overarching principles, our comments regarding the proposed LOF reporting are as follows.

Number of loans (LOF001)

MFA recommends clarification of the scope of the “loan” definition. As the FCA notes, loan origination forms part of a wider private credit market that includes syndication, secondaries and other strategies. Based on paragraphs 6.11-6.12 of the Consultation Paper, we understand the focus of LOF reporting to be on “*loan origination fund managers, who make primary credit risk decisions*” and the proposed definitions of an “originated loan” and an LOF align with that focus.

However, beyond the determination of whether a fund is an LOF, it is not clear whether the LOF questions should be similarly construed as limited to “originated loans” in the sense of the defined term, or should cover the LOF’s whole loan portfolio (including, for example, acquired loans). For example, LOF001 in the template asks for the “*total number of loans in the portfolio*”, while the underlying draft rule (SUP 16 Annex 64.37R(1)) uses the undefined term “loans”, rather than the defined “originated loans. Absent clarity on the definitional perimeter of “loan,” firms inevitably will take differing approaches regarding the loans to report, resulting in a distorted and potentially misleading data set for the FCA.

If the FCA’s intention is that LOFs report on their whole loan portfolios, MFA recommends that the FCA provide the needed clarity on certain consequential issues. Notably, whether a purchased portfolio should count as a single position, multiple loans, or must be decomposed at the underlying-loan level. Without clarification, firms could report the same economics in materially different ways.

Capital deployed (LOF002)

We also seek FCA clarification regarding “capital deployed.” The concept of capital deployed is susceptible to differing interpretations. Interpretative issues include whether deployment should be considered to encompass delayed-draw commitments, refinancing transactions, amendments, revolver draws, secondary loan purchases (as above), and restructurings.

As there is no definition of “capital deployed”, nor guidance on these issues then, as discussed at Q4 above, where the firm does not already make this or an equivalent item of information available to fund investors, it is uncertain what approach the firm should take to reporting this. We recommend that the FCA address this issue as discussed at Q4 above.

Capital deployed to other funds or investment vehicles (LOF003)

It similarly would be helpful to understand the supervisory objective behind this question; in particular, whether the focus is on measuring interconnectedness or something else? As currently drafted – to include capital deployed both to “funds” and “investment vehicles” (the latter term being undefined) – this could be construed to capture both fund-of-fund investments (which may be relevant to interconnectedness), as well as more ordinary course financing arrangements that simply involve the use of SPVs (which should be less relevant for such purposes).

Significant amendments to loan documentation (LOF007)

The draft Handbook text describes this item as “*non-grammatical amendments to a document that sets any kind of lending terms between multiple parties, resulting in a change of previously agreed terms*” (SUP 16 Annex 64.37R(6)). Notwithstanding the exclusion of “grammatical amendments”, the subjectivity of the term “significant amendment” gives rise to differing and subjective interpretations, uncertainty for firms and inconsistent reporting to the detriment of the FCA’s market monitoring capabilities. For example, it is at present unclear whether technical updates and administrative changes that are not substantive to the commercial terms of the agreement, but more than merely grammatical, should be reported and, if so, how this information is of use for the FCA’s purposes.

We would therefore recommend deleting this question or, at a minimum, changing it to a more objective standard tied to specifically identified categories of amendments to address the legal uncertainty issues. If the objective of this question, for example, is to seek information regarding restructurings or refinancings, then those items should be expressly referenced.

Covenant defaults (LOF008)

MFA recommends that the FCA specifically define what constitutes a covenant default. We acknowledge that this concept is important in assessing credit deterioration, but note that covenant structures vary significantly across private credit transactions. We recommend that this item be clarified by: (i) specifying that firms may apply the definitions of default, breach, waiver and cure period contained in the applicable loan documentation, consistently with the fund’s ordinary credit monitoring practices; and (ii) introducing a materiality threshold so that technical covenant breaches do not distort the dataset.

Unrecoverable loans (LOF009)

We note the proposed description of unrecoverable is tied to formal write-offs by the lender after recovery efforts are exhausted. However, additional guidance would be helpful; for example, to specify that the firm may apply the relevant definition of unrecoverable in accordance with the fund’s applicable accounting framework, or with the manager’s ordinary valuation practices.

Weighted average spread (LOF005)

We consider this to be one of the questions needing the most clarification. For firms that do not make this data available to investors already and must therefore rely on the FCA definition, we would welcome clarification as to whether firms should report: current portfolio spread; spread at origination; spread at acquisition; spread relative to a reference rate; or another measure. A standardised calculation methodology would be essential for generating useful data.

As a purely technical comment, the definition of spread described at paragraph 6.13 of the Consultation Paper (“*the interest rate or premium charged by the lender over a floating benchmark (e.g. Secured Overnight Financing Rate – SOFR)*”) appears to be missing from the draft Handbook text.

Percentage of NAV in first lien and second or other lien (LOF010 and LOF011)

Clarity would be helpful as to how to categorise unitranche facilities, split-lien structures, and other hybrid financing arrangements (for example, whether these should all be reported as “other” in LOF011).

Average life of loans (LOF012)

We note that *weighted* average life of loans is a commonly used metric and comparatively straightforward to calculate. We would therefore welcome clarity that the principle of reporting in accordance with information made available already to investors would extend to a weighted average life metric.

Q24: Do you agree with our approach to focus our requirements on portfolio data? If not, which alternative metrics would you propose?

MFA Response

We are generally supportive of a focus on portfolio data, subject to the comments discussed at Q23 above.

CHAPTER 7. OTHER CHANGES TO REPORTING REQUIREMENTS

Q27: Do you agree with our proposals to require an annual report from CIS operators? If not, why?

MFA Response

Segregated portfolio manager and adviser reporting

While we do not comment on the CIS operator reporting requirements, we note that this section of the Consultation Paper proposes a new “Funds Information Report” to be submitted annually by “*segregated portfolio manager and advisers*”.

The proposed glossary definition of a “*segregated portfolio manager or adviser*” refers to a firm either advising on investments or managing investments that are designated investments for the following types of clients:

- UCITS, AIFs, residual CIS, recognised schemes and their respective managers/operators; and
- pensions and insurance clients in relation to certain specified arrangements.

However, certain of the questions in the Funds Information Report refer to a broader set of client categories than the above definition would seem to capture – for example, the breakdown of funds under management (“**FUM**”) in SUP 16 Annex 67R(2) includes family offices, government entities, and banks among the client category options. It is not at present clear, for example, whether this is requiring a look-through to the breakdown of the underlying investors in the arrangements referred to in the glossary definition.

We recommend an exclusion from the requirements for UK firms carrying out discretionary investment management or advisory activities exclusively in respect of one or more funds that are, or the primary manager of which are, subject to reporting to a regulatory authority with which the FCA has a formal memorandum of understanding (“**MoU**”) covering the exchange of relevant data. This would reduce the potential for duplicative reporting. In this scenario, the FCA would be able to source relevant information from the third country authority.

CHAPTER 8. REPORTING FUNCTIONALITY & USER EXPERIENCE

Q28: Should online form and XML upload submission options be maintained for both the essential and enhanced reporting requirements under the new framework?

MFA Response

As a minimum, XML reporting should be maintained for all reporting requirements so as to minimise any potential disruption. Consideration should also be given to providing an XML conversion tool, which may assist smaller fund managers by negating the need to hire external support.

Q29: Is having XML upload only submission functionality sufficient for the enhanced reporting requirements under the new proposed framework?

MFA Response

See response to Q28.

Q31: How much time, in months (e.g. 6, 12, 18, 24) would you require to operationalise the reporting requirements set out in this consultation paper, from the date of a policy statement and final rules being published?

MFA Response

18 months is the preferred time horizon to operationalise the new requirements.