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# FCA and HM Treasury Publish Detailed Proposals to Streamline UK Asset Management Regulation

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On 14 July 2026, HM Treasury published the draft Alternative Investment Fund Managers Regulations 2026 (the "Draft AIFM Regulations") and an accompanying policy note (the "HMT Policy Note"), setting out proposed legislative changes to the UK AIFM framework. On the same day, the Financial Conduct Authority ("FCA") published three consultation papers designed to streamline the UK asset management regulatory framework (the "FCA Consultations").

The proposed reforms are intended to make the regime more proportionate, clearer and better aligned to the size and activities of firms. The proposals would mark a clear move away from the onshored EU AIFMD framework in several areas. They would also increase UK/EU divergence, with the UK pursuing a more tailored domestic AIFM regime while the EU has moved ahead with AIFMD II.

1. Background

These publications follow HM Treasury's April 2025 consultation on the future framework for Alternative Investment Fund Managers ("AIFMs") and the FCA's accompanying call for input ("Call for Input"). We discussed those earlier proposals in our prior blog post, Changes on the Horizon for UK Alternative Investment Fund Management Regulation.

The Draft AIFM Regulations provide the proposed legislative foundation for reforming the UK AIFM regime, by establishing a new legislative framework. While some of the former regulations will be restated to maintain the overall framework, most of the firm facing requirements will not be restated in legislation, and the FCA will be empowered to put in place rules to create a new AIFM regime.

The FCA Consultations then set out the detailed rule changes that would sit within that revised statutory framework.

The FCA Consultations consist of:

1. CP26/28: The UK AIFM Regime (the "AIFM Consultation");
2. CP26/26: Fund Reporting for Asset Management Entities ("FRAME") (the "FRAME Consultation"); and
3. CP26/27: Remuneration: Solo-regulated firms' rules reform (the "Remuneration Consultation").

The AIFM Consultation also includes discussion chapters on depositaries, prime brokers, the AIFM business restriction and prudential reform, which operate as an embedded call for input rather than draft rules. We understand that further consultations on these areas may follow later this year or in early 2027.

1. **FCA's Proposed Reforms to the UK AIFM Regime**

The AIFM Consultation sets out detailed changes to the UK AIFM regime. The proposals would replace aspects of the current AIFMD-derived framework with a UK-specific regime that is intended to be more proportionate and easier to navigate.

The FCA proposes to create a new Alternative Investment Funds sourcebook ("ALTS") for managers of unauthorised funds. The FCA expects most of the AIFM regime to sit in FCA rules in future, rather than in legislation, which would allow the FCA to amend the regime more quickly than under the current codified framework.

1. **Revised Firm Size Thresholds**

In line with last year's Call for Input, the FCA proposes to move to a three-tier regime based on net asset value ("NAV"), rather than the current AIFMD thresholds based on assets under management.

The proposed categories are:

- Small AIFMs: below £750 million aggregate NAV;
- Medium AIFMs: £750 million to £5 billion aggregate NAV; and
- Large AIFMs: over £5 billion aggregate NAV.

This is a notable development from the FCA's earlier call for input. The FCA had previously explored a £100 million NAV threshold for medium-sized firms. Following industry feedback, it now proposes a £750 million NAV threshold. The FCA states that this should better support firms as they grow within the small firm regime before moving into the more extensive requirements for larger firms.

The FCA also proposes that smaller firms should be able to elect into a higher category. This may be relevant for firms that want to apply a higher regulatory standard for investor, commercial or group policy reasons.

1. **Other Key Areas of Change**

The AIFM Consultation also contains detailed proposals across a number of operational and conduct requirements. The following points are likely to be most relevant for private fund managers.

- Valuation

The FCA proposes to recast the valuation rules and, in doing so, to codify aspects of its recent supervisory work on private market valuation practices. The proposals include requirements on valuation policies, conflicts management, independence from the portfolio management function, valuation governance and the circumstances in which ad hoc valuations should be considered.

These proposals are particularly relevant for private markets managers, given the FCA's continued focus on valuation governance, committee composition and the role of investment professionals in valuation decision-making. The application of these requirements would also be tiered. Certain expectations would operate as guidance for small and medium AIFMs, while large AIFMs would be subject to more prescriptive rules.

- Leverage

The FCA proposes changes to the treatment of leverage. The proposals distinguish more clearly between leverage used for investment purposes and leverage or derivatives used for hedging or risk management.

This distinction is important for private equity and other closed-ended strategies, where borrowing and derivatives may be used in different ways and may not raise the same risks as leverage in more liquid or trading-oriented strategies.

- Pre-contractual disclosures

The proposed ALTS 9 disclosure regime would materially recast the current Article 23 AIFMD disclosure framework. For professional investors, the FCA proposes to replace the existing prescriptive disclosure checklist with a more principles-based obligation, supported by a limited number of mandatory disclosures.

To date, firms marketing funds in both the UK and EEA have often been able to use substantially the same Article 23-style disclosure for both regimes. If implemented, ALTS 9 would require firms to take a more nuanced approach to UK disclosures. Market practice will need to develop, but some firms may choose to retain a fuller EU AIFMD-style disclosure for operational simplicity, supplemented where necessary to address specific UK ALTS 9 requirements. This may avoid maintaining two separate disclosure documents where there is substantial overlap, provided the UK disclosure remains accurate, clear, fair and not misleading.

- NPPR and Cross-Border Marketing

The proposed rules would not materially change the route for non-UK managers marketing AIFs into the UK.

However, the current practical distinction currently available to sub-threshold non-UK managers that have not been subject to the full Article 23 and annual reporting framework, would no longer be available under the proposed changes and they would be expected to comply with pre-contractual  disclosure and regulatory reporting requirements.

The Draft AIFM Regulations would also make provision for the FCA to maintain a public register, or registers, of AIFs notified under NPPR and of marketing entitlements that have been suspended or revoked. This may increase transparency for investors and could become a further factor for non-UK managers considering whether to make UK NPPR notifications.

- Other Areas Covered by the AIFM Consultation

The AIFM Consultation also includes proposals on delegation, risk management, liquidity risk management, closed-ended investment funds trading on UK markets and internally managed investment companies. These areas form part of the wider recalibration of the UK AIFM regime and should be considered by firms when assessing the impact of the proposals on their structures, strategies and operating models.

2. **FRAME: A New Fund Reporting Framework**

The FRAME Consultation proposes a new fund reporting framework called Fund Reporting for Asset Management Entities, or FRAME.

FRAME is intended to simplify and improve how asset management firms report fund data. A key point to note is the new distinction essential reporting for funds below £500 million and enhanced reporting for funds above £500 million NAV. Funds below £500 million NAV would be subject only to essential reporting, rather than the enhanced reporting requirements, which is a positive liberation from the reporting obligations.

The FCA plans to produce further prototype forms before the end of 2026. It expects to publish final rules in the first half of 2027, with full implementation currently targeted for 2028.

3. **Remuneration Reform for Solo-Regulated Firms**

The Remuneration Consultation proposes a new remuneration framework for in-scope FCA solo-regulated firms. The proposals sit against the backdrop of recent bank remuneration reforms, but are intended to create a simpler and more proportionate framework for firms whose business models differ from banks.

The current framework applies across several remuneration codes, including those for AIFMs, UCITS management companies and MIFIDPRU investment firms. Under the Remuneration Consultation, the FCA proposes to replace the three existing codes with a single consolidated code for in-scope firms.

The FCA also proposes to move away from detailed prescriptive rules towards a more outcomes-focused approach based on firm governance and accountability.

This proposal may be helpful for groups that currently need to apply overlapping remuneration requirements across different UK regulated entities. However, firms should still expect the FCA to focus on whether remuneration structures support effective risk management, good conduct and alignment with the interests of clients, funds and investors.

4. **Next Steps**

The key response deadlines are:

- 16 September 2026 for the Remuneration Consultation;
- 18 September 2026 for the AIFM Consultation discussion chapters, except the prudential discussion chapter;

- 22 September 2026 for the FRAME Consultation; and
- 14 October 2026 for the AIFM Consultation, the prudential discussion chapter and technical comments on the Draft AIFM Regulations.

The current expectation is that the new UK AIFM regime and the new asset management reporting regime will come into effect mid-2028. The FCA may, however, remove some requirements earlier where this can be done once the final legislation and policy statement are published. The Draft AIFM Regulations would therefore need to be finalised before the FCA can implement the main AIFM rule changes.

AIFMs should begin assessing how the proposals would apply to their UK regulated entities, fund structures and reporting systems. The proposals will be particularly important for UK AIFMs firms that will be close to the proposed NAV thresholds in the next 12-24 months, and these firms should engage in the consultation to express and concerns they have on the FCA's proposals.

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