

MODERNISING THE UK REGULATORY REGIME FOR ALTERNATIVE INVESTMENT FUND MANAGERS

APRIL 2025

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On 7 April 2025, the Financial Conduct Authority (the “**FCA**”) and HM Treasury published, respectively, a call for input (the “**Call for Input**”) and consultation (the “**Consultation**”) proposing to change the scope of firms subject to the UK regime for alternative investment fund managers (“**AIFMs**”) as well as overhauling the UK’s current regulatory architecture for AIFMs to create a more bespoke approach.

A NEW, TIERED SYSTEM FOR UK AIFMS

Following Brexit, the UK onshored the EU’s Alternative Investment Fund Managers Directive (“**AIFMD**”) without any material amendments. The current proposals are aimed at streamlining the UK’s regulatory framework and increasing the UK’s competitiveness when compared with the EU’s rules. This would be achieved by refining the legislative perimeters of the UK’s Alternative Investment Fund Managers Regulations 2013 (“**AIFMR**”) and creating a simpler and more proportionate approach for managers of alternative investment funds, which include private equity, infrastructure and real estate funds. AIFMD introduced various regulatory requirements including thresholds of assets under management (“**AUM**”) used to determine the level of compliance required of AIFMs. Under the UK’s current regulatory framework, the AUM threshold levels are:

1. below €100m;
2. between €100m and €500m; and
3. above €500m (above-threshold AIFMs subject to the full scope of AIFMR).

While the UK is not contemplating a full overhaul of AIFMR, the proposals suggest changing the scope of firms that would be subject to the UK regime for AIFMs. The key element of the proposals is a new, tiered approach to regulation based on categorising UK AIFMs as small, mid-sized or largest based on their net asset value (“**NAV**”) – please refer to the table below for an overview. Under this new categorisation system which would replace the current framework, only firms with NAV of more than £5 billion would have to comply with a full suite of the AIFMR rules and smaller firms would have to comply with minimum standards or a subset of the rules. This would enable the FCA to set clearer and more growth-oriented requirements for firms, proportionate to their size. Importantly, the proposals use NAV (assets minus liabilities) rather than the current metric of leveraged AUM, which many managers will welcome as a positive change. In addition, under the proposals all UK AIFMs would need to be fully authorised by the FCA to act as such, but differentiating in terms of applicable rules depending on size, investment activities, investor base and risk profile.

New proposed category / tier	NAV threshold	Regulatory requirements
Largest firms	NAV of more than £5bn	Subject to a regime similar to current rules for a full-scope UK AIFM. The FCA may exempt firms carrying out specific activities from some of the rules (and may exempt all firms from certain burdensome rules).
Mid-sized firms	NAV between £100m and £5bn	Subject to a comprehensive regulatory regime, consistent with rules applying to the largest firms. It would cover all aspects of fund management but with fewer procedural requirements to allow greater flexibility and proportionality than the current full-scope regime.
Small firms	NAV up to £100m No minimum threshold, meaning all firms currently in the ‘Small Registered Regime’ would fall within the regulatory perimeter.	Subject to only core requirements appropriate to size and activity. The rules propose to set baseline standards for maintaining consumer protection and market integrity.

OTHER ASPECTS OF THE PROPOSALS FOR AIFMS

The proposals map out additional areas for future consultation and regulatory consideration for UK AIFMs, including (amongst others):

- **Remuneration:** the FCA intends to consider the operation and effectiveness of remuneration rules for AIFMs.
- **Prudential Requirements:** the prudential rules for AIFMs will be reviewed to determine how they should apply to different firms depending on their size.
- **The UK's National Private Placement Regime:** the proposals suggest retaining the marketing regime for overseas AIFMs in legislation, but market participants are invited to provide feedback on any concerns with how the regime currently operates.
- **Marketing Notifications:** full-scope UK AIFMs managing UK alternative investment funds ("AIFs") are currently required to notify the FCA at least 20 working days prior to commencing marketing. The proposals contemplate removing this requirement for AIFs marketed predominantly to professional investors.
- **AIFMD Notifications:** full-scope UK AIFMs and above-threshold overseas AIFMs are required to notify the FCA of acquisitions of control of UK non-listed companies and issuers. The proposals contemplate the removal or modification of this requirement, with market participants invited to provide feedback.
- **Depositories:** while the FCA doesn't deem it necessary to amend the current rules on oversight and safekeeping of assets (i.e. the depositories' duties) for largest and mid-sized managers, it has invited market participants to give their views on possible alternatives.

IMPACT

The proposals appear to be driven by the UK's policy objective of cutting red tape without undermining the UK's regulatory standards. If adopted, the proposed new tiers would have the effect of taking many UK fund managers out of scope of the highest category of compliance, providing welcome relief from regulatory requirements. Final rules remain to be seen, however, the proposals indicate a more targeted, proportionate and growth-oriented approach.

NEXT STEPS

Both the Consultation and the Call for Input remain open until 9 June 2025.

Market participants are invited to provide feedback which the Treasury will consider and publish a draft statutory instrument on the regulatory framework. Subject to the Treasury's proposals on the regime and feedback received from the market, the FCA intends to consult on detailed rules in Q1 2026.

The Consultation and the Call for Input are available in full at:

**Call for Input: Future regulation of alternative fund managers
Regulations for Alternative Investment Fund Managers
Consultation**

FOR MORE INFORMATION

If you would like more information about the topics raised in this briefing, please speak to your regular contact at Weil or to the authors listed below.



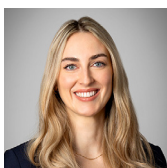
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