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FCA AIFMD CONSULTATIONS

July 2026

Introduction

On 14 July 2026, the FCA published three consultation papers containing a coordinated package of reforms aimed at making asset management regulation more proportionate, cheaper for firms to comply with, and better able to give the regulator the data it needs to supervise the sector.

Background

The consultations sit alongside HM Treasury's own parallel consultation on the legislative changes underpinning the reforms and will bring about the following two key changes:

The FCA will gain rule-making powers currently held in legislation, including the ability to set its own size thresholds and categories for AIFMS; and

The FCA will be required to bring the substance of the AIFMD Level 2 Regulation into its own Handbook

rather than relying on onshored EU text.

Below we look at the three consultation papers.

1. CP26/28 – the new UK AIFM regime

This is the largest of the three papers. It sets out the FCA's plans for a wholesale restructuring of the AIFM framework, centred on a new sourcebook (to be called "the Alternative Investment Funds sourcebook (ALTS)). This will contain most of the regulatory requirements for the managers of unauthorised funds.

Below are summaries of the main areas of change.

1.1 Size thresholds

These will be reformed into a three-tier structure which will be based on net asset value rather than the current AUM-based test. These tiers are:

- Firms below £750 million NAV - "small";
- Firms between £750 million and £5 billion - "medium"; and
- Firms above £5 billion - "large".

Firms will need to aggregate their NAV across all AIFs and relevant collective investment schemes and, whenever there is a material change in circumstances or assets, reassess their category and calculate average NAV over the preceding quarter. If they move tiers they must notify the FCA via a SUP 15 filing.

The FCA wants to avoid cliff-edge effects and so will give those firms which move up a tier a period of six months to meet the new requirements and up to twelve months to appoint a depositary (if needed).

The core requirements would apply across the board and will require, with additional governance, oversight and depositary obligations for medium and large firms. The general impact will be that large and medium firms will need to comply with the rules which are currently in place for full-scope AIFMs.

1.2 Risk management

All AIFMs will need to identify and manage the material risks in their portfolios. This begins at the beginning with a requirement for proper due diligence before investing.

For closed-ended, unleveraged funds, that baseline is likely to be all that is needed.

In contrast, open-ended funds and those which employ higher-risk strategies will have to put in place an independent risk management function. In addition, medium firms will need a documented policy, separation between risk and portfolio management, risk limits and periodic reviews. Large firms will keep the governance regime that is in place today for full-scope AIFMs and need standards, including risk committees and senior management reporting.

Do note that the FCA has flagged leverage, concentrated positions and increasing use of automated trading and AI as risks to watch.

1.3 Delegation

In a welcome move, the existing delegation model for portfolio and risk management will largely stay put, with simplification aimed at ancillary services.

As of now, it is the AIFM that remains responsible for its delegates and for making sure that it does not become a mere letter-box.

All AIFMs will have to satisfy themselves that a delegate's expertise and governance are correct and keep the arrangements under review.

There are to be newly defined "additional core functions" which can be delegated. This will relate to valuation, compliance monitoring, marketing, and an AIFM delegating any of these will need to put its objective justification in writing and contract with the delegate. This written contract is intended to ensure that the AIFM retains real oversight and termination rights.

Pre-notification to the FCA will be dropped in favour of after-the-fact notification and ongoing reporting.

1.4 Investor disclosure

There will be a new, more clearly tiered disclosure framework distinguishing between professional and retail investors.

The consequence of this is that the disclosures for professional investors will be built around a limited set of mandatory items (valuation, liquidity) plus a duty to respond to reasonable information requests, with updates generally only required on material change. Meanwhile, AIFMs with retail investors will be subject to a more prescriptive regime covering liquidity, leverage, valuation, conflicts, investor rights and complaints. In general, these will apply to all sizes of AIFM.

1.5 Annual reporting

Medium and large AIFMs would be required to produce annual reports for each unauthorised AIF. This must cover audited financials, material changes, arrangements around illiquid assets and the total remuneration paid to material risk-takers. They will need to be sent to all investors and may be requested by the FCA.

The basis for the reports will be principles-based and will align with international accounting standards. Small AIFMs and residual CIS operators will be subject to a simplified regime and an unaudited annual summary.

1.6 Valuation

All AIFMs will be subject to a single, proportionate valuation framework which will focus on good faith, impartiality and proper governance.

They will need to keep records of valuation decisions and revalue where market events warrant it and, following HM Treasury's plan to drop the statutory strict-liability regime for independent valuers, they will be able to appoint those which have suitable expertise and independence.

As with other expected changes, however, large firms will need to stay close to today's detailed rules. Lighter rules will apply to medium firms, and small AIFMS will only need to maintain a valuation policy and review it periodically.

1.7 Leverage

Here, the FCA wants to keep the definition of leverage but strip out the current calculation methods, which firms have long complained are complex and not especially informative. In their place, firms would disclose leverage to investors using the measure most suited to their particular strategy.

Additionally, the current "substantially leveraged" reporting threshold will be replaced with streamlined reporting from every leveraged firm. The FCA believes that this will lead to a clearer, market-wide picture.

1.8 Liquidity

Closed-ended funds which are unleveraged will not be caught by liquidity rules.

Small AIFMs which have open-ended funds will need to align redemption terms with the fund's strategy and liquidity profile, hold appropriate tools and controls, and stress-test at least annually.

Medium and large firms will have to comply with enhanced stress-testing, regular framework reviews, and a "look-through" on the liquidity of underlying funds.

1.9 Cross-border marketing

In general, the National Private Placement will remain in place with the addition of guidance in ALT.

As of now, third -country AIFMs will have to comply with rules on notification, reporting, fee and anti-financial-crime obligations, and the FCA may be given increased powers to deal with those firms that do not adhere.

1.10 Residual CIS operators

This last one is perhaps one of the most nuanced. It attempts to deal with setting out the boundary AIFs and CISs. One possible outcome is that the legal definition of an AIF will be amended to include some CISs and these will need to seek authorisation.

Those which remain outside the regime, known as "residual CISs", may be subject to a lighter regime. This will include structures such as carried interest vehicles, single-investor arrangements and joint ventures. The FCA will want to see what they are up to and may require information on the number, size and purpose of schemes.

2. CP26/27 – remuneration reform for solo-regulated firms

This consultation paper deals with the remuneration of AIFMs, UCITS management companies and MIFIDPRU investment firms. A new SYSC 19AA will be introduced for this and will use an outcomes-focused approach that looks to each firm's own governance and judgement.

The MIF008 reporting template will also be removed and instead firms will be asked to give evidence how their policies work in practice.

In time, this regime may be abandoned in relation to small firms. There is more work to be done here, including on how any changes will intertwine with the expected Senior Managers and Certification Regime review.

3. CP26/26 – Fund Reporting for Asset Management Entities (FRAME)

Finally, this consultation paper proposes a new reporting framework, FRAME, built around three principles:

- simplicity;
- proportionality to risk; and
- closer alignment with international reporting standards.

Depending on feedback, it may be that FRAME replaces the current patchwork of reporting requirements with a single framework which will look at fund type, size and activity, consolidating forms and cutting back separate notification requirements.

Look out for prototype forms which will test the new proposals

Next steps

Responses are due by the following dates:

- 16 September 2026 for CP26/27 (remuneration);
- 22 September 2026 for CP26/26 (FRAME); and
- 14 October 2026 for CP26/28 (the AIFM regime).

Once feedback on the discussion chapters has been considered, the FCA will consult further on those topics with draft rules and hopes to publish a final policy statement and Handbook rules in 2027.

Ready to explore how our expertise can help build your business? Reach out today - our team is standing by to craft solutions tailored specifically for your needs.

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