



Email: [enquiries@fs-cp.org.uk](mailto:enquiries@fs-cp.org.uk)

9 June 2025

By email: [AIFMR@hmtreasury.gov.uk](mailto:AIFMR@hmtreasury.gov.uk)

Dear HM Treasury/ Asset Management Unit,

**Financial Services Consumer Panel response to HM Treasury consultation - Regulations for Alternative Investment Fund Managers**

The Financial Services Consumer Panel (the Panel) welcomes the opportunity to respond to HM Treasury's consultation on Regulations for Alternative Investment Fund Managers.

The Panel is an independent body. We represent the interests of individual and small business consumers in the development of policy and regulation of financial services in the UK. Our work is focussed primarily on the FCA, but we take a keen interest on impactful policy developments in the broader regulatory family, including HM Treasury, hence, our contribution to this consultation. We are also separately responding to the FCA's associated call for input<sup>1</sup>.

Given the broad range of characteristics of Alternative Investment Funds (AIFs), we believe that the FCA must take a formal and documented risk-based approach to regulation and supervision of these investment vehicles. There must be a basic set of high standards for all funds, but additional rules and guidance should be applied where the risk to investors in the fund is greater.

Our focus on individual consumers and small businesses means that we expect that these investors will be provided with the necessary information to make decisions in their best interests and to be appropriately protected by regulation across their entire investment journey. In this context, we also advocate that firms must be able to show documented evidence of an assessment of accredited / professional investors; self-certification alone is not adequate.

---

<sup>1</sup> [Call for Input: Future regulation of alternative fund managers](#)

The Panel fully supports the evolution of the regulatory framework, as long as consumer protection remains the highest priority and is only enhanced, not diminished, from current levels.

We have responded to the questions in the attached Annex.

Yours sincerely,

Chris Pond  
Chair of the Financial Services Consumer Panel

**Annex:****Question 1: Do you agree with the proposal to remove the legislative thresholds from the AIFM Regulations, enabling the FCA to determine proportionate and appropriate rules for AIFMs of all sizes?**

Yes, the Panel agrees that the flexibility to apply appropriate rules to AIFMs based on the risks they pose to the FCA's primary objectives of consumer protection and market integrity is critically important. The size of the AIF is a contributing factor to its risk profile, but the FCA should be able to establish rules and their approach to firms with a holistic perspective, considering the widest set of impactful characteristics. This will also create a regulatory framework that can change within the context of an evolving financial services industry.

**Question 2: Do you agree that the Small Registered Regime should be removed, as it adds significant complexity to the regulatory perimeter?**

Yes, the Panel agrees that the Small Registered Regime should be removed. The Panel strongly believes that investors should be able to easily understand their regulatory protections and that these protections should always be the same for what they would view as the same products and services. Furthermore, as noted in the consultation, it appears that the Small Registered Regime has been used to circumvent existing rules to the detriment of investors; any time the FCA finds that there is the potential for manipulation / abuse of rules, the gaps must be closed.

**Question 3: What should we take into consideration when we review the SEF/RVECA regulations?**

The Panel takes the view that the FCA should approach rules pertaining to Social Entrepreneurship Funds (SEFs) and Registered Venture Capital Funds (RVECA) based on the potential risks they present to investors. This is likely to mean that the approach and rules may be very different, based on the FCA's risk assessment of each fund category. For example, it may be necessary to apply an investment cap to SEFs, but not an RVECA, and there should be a requirement that only accredited investors can invest in an RVECA.

The Panel also believes that the information presented to investors of SEFs and RVECA should be at the same level as is the case for other fund types.

**Question 4: How should the Government approach the regulation of Venture Capital fund managers in future?**

The Panel's view is that any investor in a Venture Capital fund must be able to understand the assets of the fund and the various risks involved in the investment. Therefore, the fund distributor must ensure they are an accredited investor and this must be evidenced; self-certification is not adequate.

**Question 5: Do you agree with the proposal to require managers of unauthorised property collective investment schemes and internally managed investment companies to seek FCA authorisation?**

Yes, the Panel firmly agrees that managers of unauthorised property collective investment schemes and internally managed investment companies must be FCA authorised. Investments in these funds carry risks, both to consumers and the markets. The FCA principles and standards, such as the Consumer Duty and the Senior Managers and Certification Regime must apply to protect consumers, and the FCA must also be able to respond to issues that impact the markets.

As past events have demonstrated, because of the particular risks posed by these schemes, such as liquidity risk, these companies must ensure that they communicate those risks to investors and potential investors in an easily understood manner on a timely basis. These communications should be tested to ensure consumer understanding.

**Question 6: What would be the impact of requiring these firms to seek authorisation?**

The FCA will need to be adequately resourced to regulate these firms. This is critical for staff involved in the authorisation gateway, but also the supervisory and enforcement teams.

The impact of FCA authorisation is likely to increase trust in these firms, which in the long term should support their growth.

**Question 7: Do you agree with the Government's proposals for the future regulation of Listed Closed-Ended Investment Companies?**

Yes, the Panel agrees that the Listed Closed-Ended Investment Companies should remain subject to AIFM regulation. As noted in paragraph 4.10 over half of the investor base are consumers. The complexity of assets under management may make it more difficult to understand the risks involved, and removing these companies from AIFM

regulation means that consumers may lose access to redress. These are important protections that consumers must retain.

**Question 8: Are there any unintended consequences associated with Listed Closed-Ended Investment Companies, including those which are internally managed, being in scope of AIFM Regulation?**

Once again, the Panel suggests that a risk-based approach to rules, supervision, and enforcement applicable to Listed Closed-Ended Investment Companies would apply to ensure that the framework is not unduly complicated, making it easier for both investors and firms to understand the risks and relevant mitigations. This could include reference to other existing rules, such as the Listing Rules, when indicated.

**Question 9: If the Government were to consider an alternative approach, such as removing certain Investment Companies from scope of the regulation, should this be limited to closed-ended investment companies listed on the London Stock Exchange, or should other types of closed-ended investment company be captured?**

If the government removes Investment Companies from the scope of this regulation, the only acceptable alternative from the Panel's perspective would be to address the risks noted in the consultation by imposing separate regulation specific to Listed Closed-Ended Investment Companies.

**Question 10: Do you consider there to be any duplication in AIFM Regulation and other regulatory requirements imposed upon Listed Closed-Ended Investment Companies, which the FCA should account for when proposing rules?**

There may be overlaps with other regulation, e.g., the Consumer Composite Investments proposals, which should also be considered. However, classifying investment funds according to risk profile and implementing rules accordingly could also help to address this complexity.

**Question 11: Do you agree with the proposal to transfer definitions underpinning the regulatory perimeter to legislation?**

Yes, the Panel agrees that the definitions underpinning the regulatory perimeter should be transferred to legislation. This creates certainty that there is a single definitive and consistent resource for these definitions, which aids understanding for all stakeholders.

**Question 12: Do you agree with the proposal to maintain the National Private Placement Regime? Do you have any concerns with how the Regime currently operates?**

The Panel would advocate that overseas and UK and Gibraltar AIFs managing overseas AIFs are subject to the same UK regulation as all UK AIFs. Applying the same regulations, rules, supervision, and enforcement to all UK firms or firms marketing to UK consumers ensures a common understanding, prevents arbitrage to the detriment of consumers, and simplifies FCA supervision.

**Question 13: Should the requirement to notify the FCA 20 days prior to marketing be removed and what impact would this have for firms and investors?**

The Panel would expect that removal of this 20-day requirement would only take place if there is absolute assurance that only professional investors can invest in the AIF, and that the AIF must engage in diligence to ensure that the investor qualifies as a professional investor; this cannot be based on self-certification.

**Question 14: Should the requirement for AIFMs to notify the FCA in relation to acquisition of non-listed companies, be removed or should this information be provided elsewhere?**

The Panel believes that the FCA must assess the risks associated with the acquisition of non-listed companies by AIFs, and the risks to investors must be addressed by appropriate regulation. In the view of the Panel, FCA notification on its own does not achieve adequate protection, but until the FCA demonstrates that risks to consumers are addressed, it should remain. This is especially important given the secondary objective of international competitiveness and growth; this objective cannot take priority over the protection of consumers.

**Question 15: Should the liability for external valuers be reviewed, and would any additional safeguards be required?**

External valuers must have liability for their valuations, and AIFs must act if they have any concerns that these valuations are inaccurate; therefore, they too must have liability to their investors. However, to expect AIFs to maintain the requisite level of valuation expertise, in addition to that of external valuers, will serve to transfer risk from the valuer to the AIF, which will then translate into additional costs for the investor. The drive to increase productive investment in the UK is likely to lead greater demand for valuations. The government must look to pragmatically address issues around professional indemnity insurance and the potential skills gap.

Removing the liability of the valuer is not the solution, as this is likely to lead to poorer outcomes for investors.