Horizon Scan for Private Investment Funds: recent developments and what to look out for (May 2026)

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This horizon scan highlights the principal legal and regulatory developments (excluding tax) that European managers should monitor over the coming months. Topics are grouped under the headings below, and we have commented on issues we think are especially noteworthy and included a note, highlighted in red, for each topic, to indicate any new topics or material updates since the previous edition of our horizon scan, published in February 2026.

The UK's and EU's parallel agendas of promoting growth and competitiveness remain central, alongside a continued focus on financial stability and the mitigation of systemic risk. Three overarching themes emerge.

- **Operational implementation and increasing regulatory divergence**. A notable shift is the transition of many initiatives from policy development into implementation, execution and practical application. As this occurs, areas of divergence between the UK and EU regimes are becoming more pronounced. A key example is the evolution of the Alternative Investment Fund Managers Directive (**AIFMD**) framework. Following the UK's departure from the EU, HM Treasury and the FCA have flexibility to depart from the AIFMD regime. The FCA's April 2025 Call for Input and HM Treasury's consultation on UK AIFM reform did not propose changes equivalent to those introduced under AIFMD2 in the EU, indicating a potential widening of divergence over time. AIFMD2 is unlikely to be the final stage of reform. Further changes are expected as related initiatives under the European Commission (the **Commission**)'s Market Integration and Supervision Package (**MISP**) under the Savings and Investment Union (**SIU**) Strategy and Retail Investment Strategy progress. In addition, targeted initiatives, such as the Commission's work on enhancing venture and growth capital markets, may lead to further adjustments, particularly affecting smaller and mid-sized AIFMs.

  In summary, the current position on AIFMD reform is as follows:

  - **EU**: Member states were required to implement AIFMD2 by 16 April 2026. EU managers continue to focus on operational readiness and embedding changes across policies, procedures, investor disclosures, reporting frameworks and fund documentation. The pivot points have been: (i) loan origination rules and how they might apply (including if any transitional provisions apply); and (ii) for open-ended AIFs, how liquidity management tools apply and timing of implementation.

  - **Non-EU managers**: The direct impact of AIFMD2 is more limited, primarily affecting enhanced disclosure and reporting obligations. However, non-EU managers and funds will want to monitor fund domiciles for marketing purposes to ensure that there are no issues with high-risk jurisdictions/tax blacklists.

  - **UK**: Further clarity on the UK AIFM regime is still awaited. The FCA's response to its Call for Input, including any proposed rule changes, is anticipated in July 2026, alongside HM Treasury's next steps. The direction of travel suggests a more tailored UK framework, with potential simplification in some areas.

- **The continued growth in the volume and pace of regulatory initiatives**. Despite stated regulatory objectives of simplification, proportionality and interoperability, both UK and EU policymakers continue to advance a significant pipeline of reforms, illustrated by the announcement in the 13 May 2026 Kings Speech on a new Enhancing Financial Services Bill (the detail of which is covered below under Regulatory Priorities (UK)), a broader push to make UK regulation more growth-focused. Many of these initiatives are broad in scope and, particularly in the EU, remain subject to evolving timelines, requiring ongoing monitoring.

Illustrative examples, the details and updates of which are expanded on in the table below, include:

- **UK**:
  - The FCA's final rules for the Consumer Composite Investments (**CCI**) regime, which will replace the PRIIPs and UCITS disclosure regimes.
  - Proposed reforms to client categorisation rules aimed at widening access for high-net-worth and sophisticated investors and supporting capital markets growth.
- **EU**:
  - The MISP, a cornerstone of the SIU, comprising a wide-ranging set of legislative proposals designed to deepen EU capital markets.
  - The Retail Investment Strategy introduced three years ago, including proposed amendments to the definition of "professional client".

- **Sustainable investing and the continued evolution of ESG frameworks**. Sustainable investing remains a key area of regulatory focus, although the direction of travel is increasingly towards consolidation and clarification. In the EU, this is reflected in efforts to rationalise the SFDR framework and improve its usability. Work is underway progressing SFDR2, although there is still a way to go before we are likely to see the final SFDR2 framework take shape. In the UK the focus remains on developing and implementing a more coherent sustainability disclosure regime. Managers continue to face practical challenges in aligning investor expectations with regulatory requirements, particularly in relation to SFDR classification, disclosures and governance standards.

  A further emerging area is the intersection of sustainable finance and defence investment. The EU's Defence Readiness Omnibus (published in June 2025) seeks to clarify the treatment of defence-related investments within sustainable finance frameworks and to support a broader "defence-readiness" agenda. While the FCA has confirmed that UK sustainability rules do not preclude investment in the defence sector, and its annual work programme 2026/27 includes prioritising defence-focused funds for authorisation, there is currently no equivalent, comprehensive UK initiative in this area.

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Sustainable Finance (EU and UK)			
Sustainable Finance Disclosure Regulation (SFDR) See our overview guide On ESMA Guidelines on funds names, see our alerts here and here **No material change to the SFDR compliance obligations since our prior edition.**	Unsurprisingly, since the Commission's publication of SFDR2 (see below), there have been few developments of note relating to SFDR. We would note three, as set out below. On 1 October 2025 the Commission published a letter with an accompanying list of measures that *"will not now be implemented before 1 October 2027"*. This includes revised regulatory technical standards (**RTS**) on various SFDR issues which had already been delayed due to the ongoing review of SFDR (e.g., on the DNSH principle and on details of transparency in disclosures and reporting). The press release states: *"The Commission's de-prioritisation of some level 2 measures is a pragmatic approach that can deliver simplification quickly, in line with the savings and investments union objectives and the Commission's simplification agenda."* On 17 December 2025 ESMA published research assessing the impact of its guidelines for those funds with an ESG or sustainability-related term in their fund name. The findings highlight the positive policy outcomes of the guidelines; finding that two-thirds of the 1000 funds (with AuM of €7.5 trillion) reacting to the guidelines changed their names (half of which adopted alternative terminology) and more than half updated their	Although the current regulatory framework under the SFDR will fall away when SFDR2 applies, many legacy funds with contractual obligations to investors on their sustainability-related investment objectives, including current reporting for Article 8 and Article 9 funds under the SFDR, will need to continue to comply. In the meantime, pending the outcome and entry into force of SFDR2, the SFDR continues to apply, as do the ESMA guidelines on fund names using sustainability or ESG-related terms. Overall the results of ESMA's December research indicate improved alignment of fund names with respective investment strategies, noting more pronounced re-naming effects for US funds that have also been impacted by regional sentiment and policies. ESMA notes: *"The Guidelines have also enhanced investor protection by reducing greenwashing risks: funds with less ambitious ESG strategies have removed ESG terms from their names, and funds retaining ESG terminology appear to be greening their portfolio relatively faster than other funds."* Interestingly, ESMA's December 2025 research also found that: • funds with higher fossil fuel exposures were more likely to remove ESG terms from their names, underscoring how portfolio composition influences compliance choices; and • since the publication of the guidelines, funds retaining ESG terms in their names have reduced their portfolio share of fossil fuel holdings more than all other funds, suggesting efforts to green their portfolios. ESMA comments that the results highlight the importance of fund names and minimum exclusions in the design of future sustainability-related regulatory requirements for funds and it plans to continue to monitor trends in this area. Following a delegated regulation simplifying reporting under the Taxonomy Regulation, the Commission is consulting on revising the	

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	investment policy (mostly by introducing fossil fuel exclusions). ESMA's 14 January 2026 thematic note on clear, fair and not misleading sustainability-related claims sets out four principles to follow (accurate, accessible, substantiated and up to date), examples of divergent market practices regarding ESG integration and exclusions and a practical list of do's and don'ts and best practice examples for guidance.	technical screening criteria in the Taxonomy Regulation, in order to make the framework simpler and easier to use.	
Review of the Sustainable Finance Disclosure Regulation (SFDR2) See our recent client alert here For managers, the SFDR2 is intended to simplify and reduce the sustainability-related administrative and disclosure requirements and enhance the framework's coherence. For investors, it is intended to improve their ability to understand and compare sustainability-linked products. **The feedback process to the proposal for a regulation ended on 6 April 2026 (a slight**	On 19 November 2025 the Commission published its draft proposal for an amending regulation of SFDR (SFDR2), open for feedback until early April 2026. SFDR2 is proposed to apply 18 months after coming into force; subject to the outcome of the European co-legislative process, this could be early/mid 2028 (at the earliest). Open-ended funds that pre-date the SFDR2, as well as closed-ended funds that are still open for marketing, in each case even if marketed exclusively to professional investors, will have to comply. As currently drafted, there are no transitional provisions for legacy funds. A key action for managers in the meantime is to monitor further developments, including the outcome of the current feedback process to the Commission's SFDR2 proposal and a level 2 consultation that is to follow and will include new disclosure and reporting	There are three main changes currently proposed under SFDR2 (which include a repeal of the April 2022 Delegated Regulation with the RTS that set out the SFDR's implementing measures): • Deleting the requirements for (a) entity-level "principal adverse impact" statements under Article 4 and (b) disclosures on information on remuneration policies under Article 5. • Reducing product-level disclosures, with refocused templates (to follow when the SFDR2 RTS are produced) for categorised products and fewer sustainability indicators. The supplemental pre-contractual disclosures under the EU Taxonomy Regulation are to be deleted, although for funds with an environmental objective, Taxonomy Regulation compliance is one way to fall within the scope of two of the new product categories, so it is still very much a feature of the SFDR2. • Introducing a three-way categorisation of financial products, with the names "ESG basics" (new Article 8), "transition" (new Article 7) and "sustainability" (new Article 9), with ESG features, each applying a 70% threshold/minimum proportion of investments and exclusions that align with ESMA's guidelines on funds' names using ESG or sustainability-related terms. Managers will want to continue to consider how the strategies of their existing funds and pipelines might fit under SFDR2, whilst	

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delay to the original deadline). On 29 April 2026 the European Parliament's draft report was published. We await further feedback, outcome of the European legislative procedure as well as draft level 2 RTS.	templates. Industry feedback to the SFDR2 proposal included a suggested amendment to reduce the 70% threshold to 50% for the "ESG Basics" category to facilitate an orderly transition from SFDR to SFDR2; as well as limiting the marketing restrictions for non-categorised products to apply to those marketed to retail investors only. The recently-published Draft Report by Rapporteur: Gerben-Jan Gerbrandy, Committee on Economic and Monetary Affairs does not include any of the significant changes that had been lobbied for in initial feedback to the SFDR2 proposal, for instance, reducing the 70% threshold to 50% for 'ESG basics' category or making Article 6a relevant for retail investor funds only. We await further output and agreement; noting that the Parliament vote is scheduled for mid-July 2026.	noting that we must wait both for the feedback and legislative process to run its course, as well as draft SFDR2 RTS to understand any further detail (including eligibility requirements for each product category and how the phase-in period to meet the 70% threshold will work). For non-categorised funds that consider sustainability factors there are new disclosure and marketing rules that apply. Headlines in the Rapporteur's report are (noting that this is a negotiating position that is subject to change and we await output from the Council): • Extension of implementation period from 18 to 24 months; other than scope changes (including the DNSH principle) and deletion of PAI at entity level and website remuneration disclosures that will apply when SFDR2 comes into force. • A mandatory set of PAI indicators (the detail of which is to be set out in RTS) alongside voluntary PAIs to disclose. • A tightening of requirements on categorisation: Taxonomy-alignment safe harbour for "transition" (Article 7) and "sustainable" (Article 9) products increased from 15 to 20%; "ESG basics" investments include those that outperform the average investment universe, reference benchmark, or average rating, but after eliminating at least 20% of the lowest values for the chosen indicators or ratings; a more rigorous justification of "other investments."	
Sustainability and financing of the defence sector **The amendment to the Benchmarks Regulation (from "controversial" to "prohibited" weapons) has been implemented. Otherwise the**	Three main European developments: • The definition of "controversial weapons" in the EU Climate Transition Benchmarks and EU Paris-aligned Benchmarks Regulation has been replaced with "prohibited weapons" i.e., "anti-personnel mines, cluster munitions, biological and chemical weapons the use, possession, development,	SFDR does not impose any limitations on financing the defence sector and, as in any sector, undertakings involved in defence-related activities can claim taxonomy-alignment for eligible horizontal investments (e.g., greening buildings, infrastructure, clean transport). The proposed amendment to reference to "controversial weapons" in EU climate-related benchmarks is relevant both to: • The review of SFDR2, given that "controversial weapons" are on the minimum exclusion list for each of the proposed SFDR2	

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proposals are in the legislative process and there have been no material changes since our prior edition.	transfer, manufacture, and stockpiling of which is expressly prohibited by the international arms conventions to which the majority of member states are parties…" as listed in the Annex to the Regulation. This was set out in the Defence Readiness Omnibus. • The Commission Notice dated August 2025 (one of the omnibus measures) on the application of the sustainable finance framework and the Corporate Sustainability Due Diligence Directive (**CSDDD**) to the defence sector sets out a series of clarifications on SFDR, the EU Taxonomy and the European Sustainability Reporting Standards (**ESRS**) under the Corporate Sustainability Reporting Directive (**CSRD**). Although the FCA has confirmed that its sustainability rules do not prevent defence finance or investment and its annual work programme 2026/27 includes prioritising defence-focused funds for authorisation, there is currently nothing akin to this EU package on defence investment in the UK.	product categories (ESG Basics, Transition and Sustainable); and • ESMA's guidelines on fund names (that incorporate EU benchmark exclusions). The Commission Notice points financial market participants investing in the defence industry to the relevant PAIs, those being PAI 10 (violations of UN Global Compact principles and OECD Guidelines for Multinational Enterprises), PAI 11 (lack of processes and compliance mechanisms) and PAI 14 (exposure to controversial weapons) as well as specific paragraphs of the ESRS under CSRD that are likely to need an explanation. With reference to both SFDR and the EU Taxonomy, it highlights the importance of due diligence requirements and measures to comply with national export control legislations. It also notes that defence activities can contribute to a social "sustainable" objective under Article 9 of SFDR, but this cannot be presumed and requires a careful case-specific assessment under Article 2(17) SFDR. It will be useful to see how these proposed confirmations track into the SFDR2 RTS to provide clarity and details for PAI indicators for defence investment along with reporting and due diligence considerations. The proposals are subject to the ordinary legislative procedure; how member states align will also be key. FCA Chief Executive Nikhil Rathi's October 2025 speech on 'Hardwiring finance into national security' highlights that finance must be at the centre of our defence, stating *"Nothing in our regulatory approach will stand in the way of investment in the UK's security or sovereign capabilities."*	
Carried interest linked to sustainability and impact outcomes	As the sustainable finance investment market evolves, we have seen a growth in the demand for environmental, social, and governance (**ESG**) or impact-linked	Changing investor demand is driving managers to examine how impact performance and KPIs are linked to carried interest. Ultimately, a manager needs to understand what an investor wants and, in this regard, consider the current investor ESG landscape	

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See our recent client alert here that examines the detail of the structuring solutions and key considerations, including on investment-specific calibration **This is a new topic.**	carried interest mechanisms that make part of the manager's carry contingent on achieving specific sustainability outcomes. This is implemented through a forfeiture mechanism, under which, if the manager does not meet impact key performance indicators (**KPIs**), they give up part of the carry. Various mechanisms can be used to achieve this, most commonly by gating, but also using a variable carry rate or end of fund test.	and the solutions that respond effectively to this. A manager will need to ensure that the rigour of impact objectives does not deter it from making profitable investments, an outcome that is neither in the manager's nor the investors' interests. Gating mechanisms are more common than the other two approaches, principally because a variable carry rate adds complexity to the waterfall operation and an end of fund test presents an enforceability risk. However, the likely irrecoverable tax leakage on any "adjusted" carried interest should also be considered in order to understand the overall efficiency of the different mechanics.	
Corporate sustainability reporting and due diligence under the Omnibus I simplification package See our June 2025 horizon scan and recent client alert here for background on the Omnibus I package See here for the final published text **The Omnibus I package has now been finalised.**	On 26 February 2026, the Omnibus Directive simplifying sustainability reporting and due diligence requirements introduced by the Corporate Sustainability Reporting Directive (**CSRD**) and the Corporate Sustainability Due Diligence Directive (**CSDDD**) was published in the Official Journal of the European Union. The Directive is part of a package of measures aimed at legislative simplification to reduce bureaucracy. The European Commission adopted its proposal for this Directive on 26 February 2025. Publication in the Official Journal follows adoption at first reading by the European Parliament on 16 December 2025 and by the Council of the EU on 24 February 2026. The Directive entered into force on 18 March 2026, the 20th day following its publication in the Official Journal.	Under the revised CSRD, the amended scope thresholds of 1,000 employees and €450 million net annual turnover are confirmed, as are the simplified reporting requirements and the voluntary nature of sector-specific reporting. Under the revised CSDDD, the narrowed scope applying only to businesses with more than 5,000 employees and €1.5 billion net annual turnover is confirmed, along with the removal of the climate transition plan obligation and a cap on penalties at 3% of worldwide turnover. The final scope and calibration remains politically sensitive and is subject to national transposition and any further refinements. In the meantime, the Commission is consulting on two delegated regulations on sustainability reporting standards under CSRD. The first, draft revised ESRS, are designed to simplify reporting for entities within scope. The second, voluntary sustainability reporting standards for smaller companies, are designed to support companies outside mandatory CSRD reporting and establish a "value chain cap," preventing CSRD in-scope companies from requiring more information from value-chain partners with 1,000 employees or fewer than what the voluntary standard covers.	

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	Member states must transpose the Directive into national law within 12 months of its entry into force, save that for Article 4 (which amends the sustainability due diligence obligations in the CSDDD), the transposition deadline is 26 July 2028.	The 6 May 2026 press release states: "*Building on the Omnibus I simplification package and the streamlined scope of the Corporate Sustainability Reporting Directive (CSRD), the draft standards published today aim to cut administrative burden for EU businesses while maintaining high-quality sustainability disclosures. The draft revised ESRS are shorter and clearer, add new flexibilities, and streamline key processes. They are expected to cut per-company reporting costs by more than 30%, reduce mandatory datapoints by over 60%, and cut total datapoints by over 70%*"	
UK's approach to sustainability reporting and transition planning **Updated following the end of the consultation and publication of the final UK SRS.**	Following its consultation process on the draft UK-endorsed International Sustainability Standards Board (**ISSB**) standards, known as UK Sustainability Reporting Standards (**UK SRS**), the UK government published on 25 February 2026 the final UK SRS, including UK SRS 1 on general requirements for disclosure of sustainability-related financial information and UK SRS 2 on climate-related disclosures. The FCA has also closed a consultation on amendments to the UK Listing Rules to align sustainability reporting to the UK SRS. It is now reviewing feedback and aims to publish a Policy Statement in autumn 2026.	The final UK SRS applies to UK companies on a voluntary basis and are expected to form the basis of future mandatory requirements. The UK government has completed its endorsement process and indicated that any future mandatory application of the UK SRS will be introduced by way of subsequent regulation and legislation. One of the key points to consider will be the scope and applicability of these standards if they become mandatory going forward. As the future application of UK SRS is developed, it will be important to continue to evaluate the international interoperability of the UK SRS with other international requirements, in particular, the EU's CSRD and the ESRS, and offset the application of the UK SRS against the desire to streamline reporting for UK companies in order to maintain UK competitiveness. Industry responses to the UK government's consultation on transition plan disclosures have generally supported enhanced transparency but have expressed concerns around prescriptive implementation and near-term rigidity, particularly in relation to mandatory transition plan requirements. Market feedback has emphasised the need for flexibility, phased implementation and clear alignment with the UK SRS framework. In the near term, regulatory focus is likely to remain on reporting and disclosure expectations, alignment across the UK sustainability reporting framework (including assurance and wider non-financial reporting	

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<tr><th>Topic</th><th>Key developments/what to look out for</th><th>Our comments</th><th>Jurisdictional Scope</th></tr>
<tr><td></td><td></td><td>reform), and further consultation before any mandatory transition planning or broader UK SRS reporting obligations are introduced.</td><td></td></tr>
<tr><td>UK Stewardship Code
No updates since our prior edition.</td><td>Since 1 January 2026, the UK Stewardship Code 2026 (the Code) has replaced the UK Stewardship Code 2020; the aim of the revised Code is to provide a more streamlined reporting structure for the organisations to which the Code applies and reduce the administrative burden for signatories.

The Code is voluntary and not legally enforceable but organisations who elect to become a signatory intend to demonstrate their commitment to stewardship and to provide transparent reporting on the activities they undertake on behalf of their clients.</td><td>The Code applies to a wide range of organisations, including asset owners, asset managers and the service providers that support them.

It does not prescribe a one size fits all approach to stewardship but sets out “apply and explain” principles for asset managers and asset owners, and a separate set of principles for service providers. These “apply and explain” principles are underpinned by reporting expectations, which leaves some discretion to signatories as to how to apply the principles in ways that are best tailored to their approach and activities.

Signatories will produce a stewardship report which explains how they have applied the principles. The report is submitted to the Financial Reporting Council (FRC) for approval (the organisation can remain a signatory of the Code if the report aligns with the FRC’s expectations).</td><td>🇬🇧</td></tr>
<tr><td>UK ESG Sourcebook requirements for asset managers (ESG2) and UK Sustainability Disclosure Requirements (SDR) and labelling requirements (ESG4 and ESG5)

See our recent client alert that sets out a comparative table of the ESG Sourcebook requirements and SFDR, as well as earlier briefings here and here</td><td>We would highlight the following developments of note:

• On 27 February 2026 the FCA provided examples of good practice and poor practice in relation to each of the sustainability labels (relating to, where relevant for each label, objectives; negative outcomes and conflicts with the objectives; robust, evidence-based standards; KPIs; fund holdings; and escalation plans).

• The April 2025 FCA announcement that it is “not the right time” to finalise rules on extending the UK SDR to portfolio management (having previously been anticipated in Q2</td><td>The FCA has set out that good disclosures are those that are clear, concise and easy to read and understand. For example, they avoid complex terms and explain those that are open to interpretation (such as “affordable”), avoid duplication and use a consistent narrative and logical flow of information. Also, they only disclose information relevant to the fund and don’t copy wording from others; use the right label for the fund and meet the relevant requirements and accurately reflect what the product invests in.

An example of the FCA examples for Sustainability Focus funds:

<table><tr><th>Good practice</th><th>Poor practice</th></tr><tr><td>It’s clear that the objective is to invest in assets that are environmentally or socially sustainable</td><td>The objective is not clear, specific and measurable

Selecting a company based on some sustainable attributes</td></tr></table></td><td>🇬🇧</td></tr>
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<td>For background see here

Minor updates since our prior edition to reflect FCA examples of good and poor practice in relation to sustainability labels.</td>
<td>2025), noting that “We want to take time to carefully consider the challenges and ensure that portfolio managers are positioned to implement the regime effectively before introducing requirements.”

• In August 2025, the FCA published its multi-firm review of climate reporting by asset managers, life insurers and FCA-regulated pension providers.

• The UK government intends to introduce a voluntary oversight regime and register for entities that offer third party assurance services for sustainability-related disclosures (with the FRC to set up an interim public register of sustainability assurance practitioners by mid-2026).

Otherwise, the FCA continues to support the implementation of the SDR regime. On 19 December 2025, some minor amendments to SDR were implemented as consulted on in CP24/24, “to give proper effect to an existing rule, [relating to index-tracking funds], and to give firms more flexibility in relation to the publication of Part B of a public product-level sustainability report.”

In the meantime, phased implementation of SDR is underway, with product-level disclosures for unlisted unauthorised AIFs (subject to the “on demand” regime) starting to apply from 2 December 2025.</td>
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<tr><td>Disclosures must include any material negative outcomes that might occur from pursuing a positive outcome

A scoring system that classifies assets as sustainable if they score 7 out of 10 and includes a description of the criteria that assets would need to meet, or attributes that they would need to have, to get that score

Includes a KPI which will confirm at least 70% of the fund is invested in line with its objective</td><td>without considering the complete picture

The standard of sustainability is not backed by evidence, or refers to the fact that peers have used a similar standard as evidence but cannot provide any authoritative evidence of its own

The firm claims that 100% of the company’s revenues is derived from sustainability products/services but cannot substantiate that claim</td></tr>
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In the light of the FCA’s multi-firm review, the FCA is planning to simplify and streamline its regulatory regime on sustainability disclosure requirements. The FCA notes that the current climate reporting rules set out in the ESG Sourcebook have increased firms’ consideration of climate risks and supported their integration into decision-making. The FCA, however, observes the following themes of interest:

• There have been lower levels of retail investor engagement due to the complexity of disclosures and Task Force on Climate-related Financial Disclosures (TCFD) product reports being difficult to find;

• The TCFD rules are too granular, and some data requirements are challenging (for instance, quantitative data to support forward-looking disclosures) and could be simplified, streamlined and made more proportionate, particularly as asset managers are required to report under multiple sustainability disclosure regimes; and
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	Sustainability entity reporting also recently started for firms with AuM ≥£50bn from 2 December 2025 and for firms with AuM ≥£5bn from 2 December 2026.	• A request from firms and stakeholders to clarify the future of the FCA's TCFD rules and consider international consistency. The simplification planning will encompass both the TCFD reporting rules under the FCA policy statement PS21/24 on climate-related disclosures by asset managers/asset owners/others and the rules on the SDR and investment labels under the FCA Policy Statement (PS23/16), both as set out in the ESG Sourcebook. These workstreams will also be relevant to the UK government's initiatives on sustainability reporting as a whole (as set out above).	
Regulatory Priorities (UK)			
The Government's Roadmap for Growth in Financial Services: the Kings Speech Enhancing Financial Services Bill See our previous client alert **Updated in light of the Kings Speech on 13 May 2026 and the announcement of an Enhancing Financial Services Bill and European Partnership Bill.**	The Kings Speech 2026 described the financial services sector as playing a vital role in the UK's economy, one of the most successful export sectors, a key enabler of growth in other sectors, and a provider of payments, credit, insurance and investment services to households and businesses nationwide. It announced the Enhancing Financial Services Bill (the **Bill**), to deliver key parts of the "Leeds Reforms" set out by the Chancellor in July 2025 (a programme for financial services reforms to drive investment and growth in the sector), with the aim of modernising how the sector is regulated, enabling it to grow and lend more to businesses, and making consumer protections fit for the digital age, while maintaining high standards of regulation and oversight and supporting the UK's position as a leading global financial centre.	Key measures announced that the Bill will cover: • Consumer protections and redress: modernise consumer protections and redress arrangements to reflect today's markets and maintain confidence, ensuring consumers are appropriately protected when something goes wrong and making protections fit for the digital age. Reforms to the Financial Ombudsman Service will increase consistency and clarity of decision-making, helping people resolve disputes more quickly and with greater certainty. • Regulatory consolidation: to enable stronger coordination and clearer responsibilities, reduce fragmentation, and support innovation. This includes streamlining the regulatory architecture and consolidating the Payment Systems Regulator within the FCA, so firms deal with fewer overlapping regulators, with clearer accountability and faster decision-making. • Senior Managers & Certification Regime (**SMCR**): ensure that the administrative burden on firms is proportionate without compromising on core consumer, prudential and market protections. This includes reducing the overall burden of the SMCR by 50%, with a focus on accountability of the most senior figures in financial services, freeing up	

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	These announcements build on the FCA's 9 December 2025 letter to the Prime Minister, *"growth is a cornerstone of our strategy to 2030."* It goes on to say: *"Rapid technological change means we must focus on outcomes, not prescriptive rules. We will further adapt our supervisory approach, with more tailoring to firms' size and type, accepting some things will go wrong and prioritising the most egregious harms."* The Kings Speech also included a European Partnership Bill, a commitment to improve the UK's trade and investment relationship with the EU. The Chief Executive Officer of the Association for Financial Markets in Europe (**AFME**), Adam Farkas, said *"AFME welcomes the UK Chancellor's focus on growth and her pragmatic approach to the EU–UK relationship [...] A stronger framework for deeper EU–UK financial services cooperation is essential to support growth, enhance regulatory certainty and unlock investment across Europe."*	firms to focus on serving customers and investing in growth. This is already in train (see SMCR below). • Ring-fencing and lending: reforms to separate major banks' retail and investment activities will boost lending and investment, increase SME lending competition, and improve small businesses' access to finance. The Bill references various initiatives already being implemented and covered in this horizon scan, the spirit of which reflects a desire to kick-start growth in the financial services sector. These workstreams also tie in with the July 2025 ten-year vision for growth, the Financial Services Growth and Competitiveness Strategy, a package of announcements including reducing regulatory statutory deadlines and principles, facilitating greater access for overseas firms and on technology and digitalisation. The Kings Speech notes various statistics to show the strength of the financial services sector (e.g., it accounts for around 8% of UK output and employs more than 1.1 million people, makes a significant tax contribution - 9% of total UK receipts - and is the largest global net exporter of financial services, totalling £102.2 billion in 2025 and representing half of the UK's services export surplus) but, despite this, the sector has not grown in real terms since 2010, in contrast to several international financial centres that recovered more strongly since the Global Financial Crisis.	
Reform of Senior Managers & Certification Regime (SMCR) See our recent client alert and earlier one here **Updated to reflect the FCA's publication of its**	In addition to its final guidance, "Policy Statement 25/23: Tackling non-financial misconduct in financial services" (which we commented on in the last horizon scan), the FCA has published its changes to the senior management and certification regime in PS26/6, the majority of which came into force on 24 April 2026 with further changes to come into force on 10 July 2026.	PS26/6 suggests a shift toward a more principles-based, regulator-defined accountability regime with the FCA using its supervisory powers to set standards rather than being bound by fixed legislative standards. This will be subject always to the requirement for the FCA to follow general law principles of good administration, such as the duty to act reasonably and in a manner that is procedurally fair. It is difficult at this stage to comment precisely on how firms' governance models will require material change, let alone any change at all.	

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Policy Statement (PS26/6).	Noting that PS 26/6's main aim is to simplify the operation of the SMCR and reduce the administrative function for FCA-authorised firms, including private fund managers, the changes to FCA rules and guidance include changes to the requirements on criminal record checks, the "12-week rule," statements of responsibility, the certification regime, the directory of certified and assessed persons, regulatory references, conduct rules and prescribed responsibilities.	PS26/6 represents the first phase of a broader reform agenda. Future developments are expected to include the following: • Potential legislative reform by HM Treasury • Removal or redesign of the Certification Regime • Reduction in the number of preapproval roles • Introduction of more flexible, risk-based frameworks • Further FCA/PRA rulemaking, contingent on legislative changes We cover PS26/6 in more detail in our briefing here.	
UK product information framework for Consumer Composite Investments (CCIs) FCA Policy Statement PS25/20 (Supporting informed decision making: Final rules for Consumer Composite Investments) sets out the final rules establishing the new UK CCI disclosure regime. This creates a modern, flexible framework for retail investment product information, replacing the legacy PRIIPs/UK UCITS disclosure regime.	We are now in the transitional regime (until 8 June 2027). During the transition, firms may choose between the existing PRIIPs KID regime or the new Product Summary regime. **Key Changes from the Prior Regime** New Product Summary Requirement • Product manufacturers must produce a concise Product Summary containing essential information. • Firms have flexibility in design - it is not a rigid, pre-prescribed template, unlike legacy PRIIPs KIDs. Standardised, Comparable Metrics The regime requires standardised disclosures of: • **Costs**: headline ongoing charge figure (**OCF**) shown in both percentage and pounds terms;	The new disclosure document will give firms more flexibility on how firms make the appropriate disclosures, although what they disclose will still be mandated. As will probably be obvious from the key changes we have set out, firms will have to produce two disclosure documents for the UK and the EU - a merged version to satisfy both regimes will probably not work.	

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We are now in the transitional regime for CCI.	separate disclosure of one-off and explicit transaction costs. • **Risk and return**: a risk/return disclosure based on a consistent model; risk scale extended from a 1–7 to a 1–10 scale. • **Past performance**: consistent graphic presentation (e.g., 10-year performance graph). These standardised metrics ensure like-for-like comparison across products. Focus on Consumer Outcomes • The regime places emphasis on the consumer's understanding and informed decision making. • Firms can innovate in presentation, but key metrics must be machine-readable for distributors and consistent to aid comparison. **Implementation Timeline** • Legislation commencement: 6 April 2026 (optional transitional application). • Full regime in force: 8 June 2027.		
FCA private market valuation review/conflicts of interest See our recent client alert	We noted the FCA's publication of a web page containing its findings on managers' valuation practices for private assets. The FCA updated its website on 5 December 2025. The review is ongoing, with the	As we have noted before, the FCA's findings set out on its webpage set out examples of good and bad behaviours which are not just useful but necessary to take into account in undertaking private fund asset valuations. This may be updated further following further reviews resulting from the questionnaire responses.	

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No updates since our prior edition.	FCA having asked firms to respond to the FCA questionnaires by 2 January 2026.		
Consumer Duty See our recent client alert **No material updates: in March 2026, the FCA published its Consumer understanding: good practice and areas for improvement**.	As part of the Leeds Reforms, the FCA set out a plan on 30 September 2025 to address concerns about the application of the Consumer Duty (the **Duty**) for firms primarily engaged in wholesale activity. These firms are currently subject to the Duty where the distribution chain impacts retail consumers. There are current FCA workstreams that address this, including: • Providing more clarity where firms work together to manufacture products, published on 8 December. • Consulting on plans to update the client categorisation framework (as set out below). • A consultation on the application and requirements of the Duty, including through distribution chains, expected in H1 2026.	The Duty remains an FCA focus area but the FCA appears to acknowledge that a more proportionate approach is required where a firm, such as a private fund manager, does not have a direct relationship with a retail investor and another firm which does have that relationship is responsible for ensuring that the retail investor receives regulatory protection. With changes to the rules for "opting-up" retail clients to professional clients, the compliance cost for managers is moving in a direction that more appropriately aligns with the risk to retail investors. The H1 consultation to follow is also expected to include proposals to remove businesses with non-UK customers from the scope of the Duty. We would make three points: • The FCA will still expect a due diligence process connected with client categorisation that prevents investors with a lower risk appetite from gaining access to (high risk) investments that do not match their objectives. • Although the Duty does not apply to non-UK managers, any UK placement agent employed will be subject to the Duty with likely knock-on contractual duties for the non-UK manager. • There are various practical points in how the Duty may apply (and flow from the nature, scale and complexity of the manager's business). See our client alert for more. The FCA's March 2026 publication is not directly relevant to private fund managers but does contain useful general statements, e.g. firms must maintain defined governance for distribution processes, review management information regularly, track actions, and make sure decisions lead to improvements. Oversight is embedded into everyday business processes.	

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Appointed Representatives Regime reforms **No material updates since our prior edition.**	HM Treasury has confirmed that the appointed representative (**AR**) regime will remain in place rather than be abolished, but the focus will be on targeted reforms to strengthen oversight and consumer protection. Authorised firms will be required to obtain a new FCA permission specifically to act as a principal firm that appoints ARs. The FCA will assess whether the principal has appropriate resources, expertise and oversight capability before it can appoint ARs. Existing principal firms are intended to be grandfathered onto the new regime and will not need to re-apply for the permission retrospectively. The FCA will be more actively involved in assessing principals' ability to oversee their ARs and ensure compliance with regulatory standards. These reforms respond to concerns identified in the UK government's 2021 Call for Evidence that specifically highlighted poor oversight by some principals. HM Treasury intends to close gaps in consumer redress by extending the Financial Ombudsman Service jurisdiction to cover unresolved complaints involving ARs, even where the principal firm is not directly responsible for the issue in dispute. The statement sets out HM Treasury's policy direction and envisages subsequent detailed consultation on	It is welcome that the regime will not be abolished as it is an important regime for new start-up adviser/arrangers that do not have the compliance resource to become FCA-authorised themselves. It is likely, though, that ARs will face additional supervisory oversight from their principals. Firms will also have to monitor the obligation to apply for an additional FCA permission to appoint an AR. Will this be limited to professional principals of multiple ARs or will it extend to firms that appoint only one or two ARs from their own corporate group in order to keep down the number of authorisations? In April 2026 the FCA published findings from a review of how principal firms manage potential risks from inactive ARs setting out good practices and areas for improvement.	

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	legislative and FCA rule changes. Detailed secondary legislation and FCA rule changes will follow based on consultation outcomes.		
Changes to the UK Money Laundering Requirements **No material updates since our prior edition.**	In July 2025, HM Treasury issued its consultation response confirming various amendments to improve the UK Money Laundering Regulations 2017 (**MLRs**). It published draft legislation in September 2025 with the final legislation expected in H1 2026. The changes include relaxation of enhanced customer due diligence for certain higher risk jurisdictions, an updated approach to complex transactions' trigger of enhanced due diligence, and the restatement of monetary thresholds into Sterling.	Although the updates to the MLRs are limited in scope, any changes that reduce some of the burden faced by managers and result in a more proportionate approach are to be welcomed. Anti-money laundering and terrorist finance requirements remain central to any manager's compliance obligations.	
Remuneration Review **No material updates since our prior edition.**	The December 2025 Regulatory Initiatives Grid indicates that the FCA is expected to provide an update in Q2, 2026 on its review on the remuneration rules for solo-regulated firms. The FCA raised the prospect of changes to the remuneration requirements for AIFMs in its call for input on the future regulation of alternative investment fund managers. A key driver for the review is to achieve a greater alignment between the remuneration regime for solo-regulated firms and that for PRA-regulated investment firms.	The outcomes of the review are not yet clear. However, lobbying efforts are likely to focus on, amongst other items: • Simplification of the remuneration rules applicable to AIFMs, UCITS managers and investment firms to ensure consistent, if not equal treatment. • Reconsideration of the malus and clawback and other requirements in order to give managers the same rights to apply proportionality principles. • The removal of Pillar 3 remuneration disclosure obligations.	

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Regulatory Priorities (EU)			
Proposals for capital market integration (the Market Integration & Supervision Package (MISP)), under the Savings and Investment Union (SIU) Strategy The proposed Directive and Regulation are the key pieces of draft legislation in this package for fund managers, published on 15 December 2025, open for feedback until 20 March 2026 This initiative falls under the comprehensive set of SIU policy measures that will have an impact on various aspects of the EU's financial system, focussing on market integration and scale and efficient supervision **Amidst the background of calls to accelerate adoption of MISP, there have been no material updates since our prior edition; we await output**	On 4 December 2025 the Commission adopted legislative proposals for a Directive and two Regulations on the further development of capital market integration and supervision within the EU under its SIU package. The package seeks to identify and address barriers to facilitate a more market-driven process for developing and integrating EU capital markets, thereby enhancing financial opportunities and boosting economic competitiveness, noting that private capital will be instrumental in closing the investment gap identified by the Draghi report in the most efficient manner. The preamble to the Directive states: *"Simplification is pursued in several ways: moving certain provisions from directives to regulations; narrowing the scope for nationally imposed 'gold-plating' measures; refining Level 2 empowerments; streamlining overlapping, costly and inefficient supervisory arrangements; and more generally removing barriers in EU and national frameworks for market operators and investors."* The Commission's FAQ published with this package states the AIFMD *"rules and procedures relating to marketing notifications, de-notifications, and pre-marketing remain unnecessarily lengthy, complex and divergent. This complexity*	**Marketing and Pre-Marketing** • The existing rules governing pre-marketing and marketing activities for EU AIFMs (currently set out in AIFMD) and UCITS managers will be consolidated into the Cross-Border Distribution of Funds Regulation (**CBDFR**), with certain amendments. Notification and de-notification procedures to be streamlined, with expedited timelines. • No changes to be made to the national private placement regimes applicable to non-EU AIFMs or EU AIFMs marketing non-EU AIFs. • Removal of the existing 36-month restriction preventing an AIFM that has de-notified the marketing of an AIF in a member state from subsequently engaging in pre-marketing of that AIF (or similar investment strategies or ideas) in that member state. • Removal of the requirement treating any subscription made within 18 months of pre-marketing as subject to the marketing notification procedure. • The Commission will be empowered to specify what constitutes a "marketing communication" under AIFMD (including scope, principles requiring information to be fair, clear and not misleading, general drafting principles, risk and reward descriptions, cost and fee disclosure principles, and past and future performance information) and to establish content and format requirements. Member state gold-plating will be prohibited. **Authorisation, Delegation and Cross-Border Management** • Harmonisation of authorisation procedures, including removing diverging national requirements and procedures with ESMA to develop RTS with standardised templates and procedures.	

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and any further developments following the feedback period, which closed on 20 March 2026.	*continues to hinder the seamless cross-border operation of UCITS and AIFs in the Single Market."* Recital (67) to the Master Regulation provides: *"it is therefore necessary to streamline marketing notification and de-notification procedures, shorten processing times and remove national requirements that create obstacles to the cross-border marketing of investment funds…."* Subject to the European legislative process, the expected implementation involves a "start-up" period between mid-2027 and mid-2029, with full-scale operation afterwards. We have set out the key proposals of impact in the Comment column. Implementing measures are awaited. Of related interest is the Third ESMA report on marketing requirements and communications under the CBDFR which identifies that AIFs represent 44% of the total number of notifications include in ESMA's central databases (56% being UCITS) with Luxembourg accounting for the largest share of outbound notifications overall (59%) followed by Ireland (30%). There have been calls to accelerate adoption of this package and several member states have called for further simplification (see the 10 March	• Introduction of the concept of an EU group of management companies or AIFMs; an AIFM can rely on other entities in its EU group to performs its functions or activities without being subject to the detailed AIFMD delegation rules and disclosures (National Competent Authorities (**NCA**) notification will apply). • A distributor performing marketing functions on its own behalf will be responsible for compliance with the requirements on marketing communications (not the AIFM). • Regulators to be subject to expedited processing times for transmitting management passporting documentation for AIFMs and UCITS managers. **Depositary passport** • Introduction of an EU depositary passport to allow AIFMs to appoint a depositary (that can provide cross-border services), that is an EU-authorised credit institution or investment firm, established anywhere in the EU. • Depositary rules (including "depo-lite" arrangements) will be harmonised, removing member state discretion. **Supervision and reporting** • Enhanced ESMA supervisory powers, including ESMA having some powers to intervene and to suspend cross-border marketing where it identifies supervisory deficiencies, following engagement with NCAs. • Enhanced ESMA supervision of large EU groups. • Elimination of national discretions to ensure harmonised rules of conduct and prudential rules for AIFMs; empowering ESMA to develop guidelines. • Simpler disclosure obligations for white label AIFMs (including only providing conflicts information to NCAs on request). • AIF reporting requirements will be standardised through a fixed list of requirements, with no member state gold-plating	

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	Economic and Financial Affairs Council update here).	permitted; in addition ESMA to review member state fees relating to marketing and may impose fees for passporting and de-notification processes (with a view to reducing diverging national practices).	
Consultation on reform of venture and growth capital fund frameworks **This is a new topic.**	On 15 January 2026, the Commission launched a targeted consultation, as part of its SIU Strategy, on potential reforms to the regulatory regimes governing venture and growth capital funds. The consultation seeks feedback on barriers faced by EU fund managers and potential policy responses, focusing on the EuVECA Regulation, AIFMD, and national regimes applicable to smaller and mid-sized AIFMs. The Commission also invites views on broader regulatory challenges, the role of innovation, and possible non-legislative measures.	Key areas under review include: • The calibration of AIFMD thresholds • Requirements applicable to sub-€500 million AIFMs • Proportionality for managers with assets above €500 million • The operation of the EuVECA and EuSEF frameworks The industry will be concerned that the threshold reassessments and re-calibrations are considered not in isolation, but alongside proportionate requirements, consistency and transitional measures in order to mitigate any cliff-edge effects and fit with the broader AIFMD framework.	
The EU Retail Investment Strategy (RIU) See our previous client alert here **No material updates since our prior edition; we await output and any further developments.**	On 18 December 2025 the EU's Council and Parliament agreed on an updated retail framework, as first presented in May 2023. The package aims to streamline and modernise investor protection rules in EU laws, including the AIFMD and the Markets in Financial Instruments Directive (**MiFID**), with the aim of increasing the level of retail investment in the EU. A revised text is awaited with a 2027/2028 implementation, on the basis that member states will have 24 months to transpose the rules, with them applying	The update includes broadly welcome changes to the proposed amendments to broaden the criteria to qualify as a "professional investor" – by allowing more retail investors to be treated as professional clients when they meet two out of three criteria: • They carried out 15 significant transactions over the past three years, 30 transactions over the previous year, or 10 transactions over €30,000 in unlisted companies over the last five years (currently this is 10 transactions per quarter over the previous four quarters); • The size of their portfolio has exceeded €250,000 on average over the last three years (currently €500,000 at the moment of their request for exemption);	

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	30 months following publication (apart from changes to the PRIIPs Regulation that will apply 18 months following publication). Key topics are: • The introduction in AIFMD of the concept of "undue costs" for AIFs and the introduction of a value-for-money concept with respect to retail investors • Changes to the MiFID definition of "professional client" which will expand the categories of people who can invest in an AIF, noting the cross-references from AIFMD to MiFID • A ban in MiFID on inducements for non-advised sales of retail investment products, which may have an impact on private placement agents and the other distributors of private funds	• They have worked and carried out related activities in the financial sector for at least one year or, in a newly added alternative criterion, can provide proof of education or training in these activities and an ability to evaluate risk (the latter criterion is new). However, the training and education alternative criterion may not be combined with the portfolio criterion to qualify an investor for an exemption. Certain managers, directors and AIFMs employees will also be treated as professional clients. This definition has a knock-on effect as to which clients fall under the changes to the value-for-money concept. The changes differ from the UK proposals (as set out in under **Review of client categorisation rules** below), in particular retaining the quantitative approach. Recently there has been criticism of some of the RIU proposals (for instance here), in particular that the value-for-money concept results in technical complexity that contradicts its simplification and competitiveness themes; also relating to inessential new compliance on the new proposed inducements rules.	
Circular CSSF 25/901 of 19 December 2025 (the Circular): Consolidation, Recalibration and Clarification of Luxembourg's Framework for certain CSSF-regulated alternative investment funds: specialised investment funds	The Circular provides welcome clarification of several existing rules and introduces a limited number of targeted innovations. In substance, the Circular: • Recalibrates quantitative prudential limits by reference to the investor base targeted rather than by product label alone	The Circular represents an important consolidation and clarification of the CSSF's supervisory framework for regulated alternative investment funds reflecting the significant capacity for innovation of SIFs, SICARs and Part II UCIs. While it introduces limited new numerical thresholds, its principal contribution lies in enhancing consistency, transparency and predictability across regimes. We highlight three points: • Although the SICAR-related provisions of the Circular (on risk capital and eligible assets) are more concise than those of former Circular 06/241, this reflects a change in regulatory	

Topic	Key developments/what to look out for	Our comments	Jurisdictional Scope
(SIFs), investment companies in risk capital (SICARs) and Part II UCIs (and their compartments when structured as umbrella funds) The Circular does not apply to ELTIFs, money market funds, EuVECAs, EuSEFs or closed-ended funds or compartments authorised by the CSSF prior to 19 December 2025 **No updates since our prior edition; focus is on implementation.** See our recent client alert here	• Codifies established CSSF supervisory practice on ramp-up, wind-down and intermediary vehicles • Explicitly recognises commitment-based calculation methodologies for concentration and leverage metrics • Formalises and tightens the analytical framework applicable to the concept of "risk capital" for SICARs It will be of particular interest to sponsors and managers pursuing their strategies through regulated Luxembourg vehicles, especially those addressing a broad investor base, as it brings increased clarity, consistency and predictability to the regulatory framework. The Circular is supported by a non-binding "Compilation" intended to support the practical application of the Circular by clarifying a shared vocabulary and general concepts relating to investment funds.	technique rather than a relaxation of the regime. In particular, the Circular replaces detailed narrative guidance with a more structured, criteria-based assessment framework, coupled with heightened documentation and justification expectations vis-à-vis the CSSF. A number of supervisory expectations that were previously applied through practice and case-by-case analysis are now formalised and articulated more explicitly. • The Circular aligns the risk-spreading logic applicable to SIFs and Part II UCIs more closely, with differences driven primarily by investor eligibility rather than by regime classification. For SIFs (which are reserved to well-informed investors) and Part II UCIs not marketed to unsophisticated retail investors, the Circular modernises applicable thresholds and codifies longstanding CSSF supervisory practice. • Although reserved alternative investment funds (**RAIFs**) remain formally out of scope of the Circular, the updated articulation of the concepts of "risk-spreading" and "risk capital" is expected to continue to influence market practice for SIF-like and SICAR-like RAIFs, in line with the long-standing legislative intent that RAIFs mirror the corresponding regulated regimes. The revised framework for retail-facing Part II UCIs is covered below (under "Accessing a broader pool of capital").	
Reform of AIFMD			
EU AIFMD2 See our recent alert on AIFMD2 implementation as well as our overview client alert here, a guide on loan origination, details on ESMAs proposals for loan fund	The deadline for member state implementation has now passed (16 April 2026) and the focus is on practical execution and monitoring of further developments. A couple of points to note:	The priority areas we are seeing in terms of AIFMD2 are set out below. • For both LOFs and AIFs doing loan origination, consideration of the investment restrictions and requirements as well as additional accompanying disclosures and reporting. • There are some transitional provisions for funds that originate loans, including LOFs, that were set up before 15 April 2024.	

Topic	Key developments/what to look out for	Our comments	Jurisdictional Scope
structures and an update on ESMAs final report. For our client alert on liquidity management, click here. **The deadline of member state implementation has now passed and attention has shifted to practical compliance considerations.**	• AIFMD level 2 RTS and Guidelines on liquidity management tools (**LMT**) for open-ended AIFs have now been finalised and will need to be considered and applied for each tool selected. However, for preexisting open-ended AIFs (i.e., those constituted before 16 April 2026), there is a one-year grace period to apply these, meaning compliance with these level 2 measures will be required from 16 April 2027. That said, level 1 compliance, in particular, selecting at least two LMTs and including them in the fund's constitutional documents, was still required by 16 April 2026, although practical implementation in this area remains an evolving area that is NCA-dependent. • In practice, downstream structuring, where an AIF provides debt finance to its SPV/holdcos, will, on a literal reading of AIFMD2, qualify as loan origination. Indeed, where originated loans' notional value represents at least 50% of the AIF's NAV, the AIF will be a 'loan-originating AIF' (**LOF**). There has been no regulatory guidance on the effect of these provisions and we are seeing divergence in interpretation, but a purposive interpretation suggests that, where there is internal financing with no underlying risks or third-party commercial lending activities (the	The application of these provisions is complex and needs to be considered on a case-by-case basis. In broad summary: (i) LOFs that continued to raise capital after 15 April 2024 have transitional relief up to 16 April 2029 (including on the LOF-specific requirements and the 20% financial sector entity concentration limit, subject to a standstill obligation); whereas (ii) LOFs that have not raised further capital benefit from more favourable and, in some cases, indefinite grandfathering. Regarding the AIFMD RTS on the requirements with which a LOF must comply in order to maintain an open-ended structure: the consultation closed on 12 March 2025 and ESMA published its final report with revised draft RTS in October 2025. However, these measures were subsequently categorised as "non-essential" by the Commission and will not be introduced before 1 October 2027, if at all. • For open-ended AIFs, selecting at least two of the prescribed LMTs and including them in their constitutional documents; along with consideration of disclosing risks relating to the potential regulatory power (by either an NCA or ESMA) of mandatory suspension of redemptions. • New disclosures include those that are pre-contractual, ongoing (to be disclosed in an AIF's annual report), and regulatory (these will apply from April 2027, and we await the RTS/new template on this). All funds will also want to consider the impact of the extended delegation net and accompanying disclosures. As mentioned above, once the series of measures expected to be introduced under the Commission's MISP, SIU and Retail Investment Strategy are finalised, there will be further knock-on impacts on the EU AIFMD, including on cross-border distribution; marketing communications; supervisory architecture and ESMA's role and authorisation; the depositary regime and delegation; and group structures. Other initiatives could also lead to further changes to the AIFM regime, particularly for small and midsize managers — for instance, the Commission's consultation looking at ways to	

Topic	Key developments/what to look out for	Our comments	Jurisdictional Scope
	activities that the restrictions seek to address), the LOF/loan origination requirements should not apply.	boost Europe's venture and growth capital markets, recognising that there is scope to make the current regime more proportionate and effective.	
Luxembourg implementation of EU AIFMD2 **This is a new topic.**	On 9 March 2026, the Law of 3 March 2026 transposing Directive (EU) 2024/927 (AIFMD II and UCITS VI) was published in the Luxembourg Official Journal (Mémorial A 115). On 18 March 2026, the CSSF published a communication to the investment fund industry setting out additional liquidity management requirements introduced by the Law of 3 March 2026, which transposes Directive (EU) 2024/927 (AIFMD II / UCITS VI) into Luxembourg law. The communication explains that UCITS and authorised AIFMs managing open-ended AIFs must select at least two LMTs, incorporate those selections into their fund or AIF documentation, and implement detailed policies and procedures for their activation and deactivation. The CSSF also announced the launch of a dedicated eDesk procedure for communicating LMT selections and future activations/deactivations to the CSSF, with the first module launched on 23 March 2026 and applicable reporting obligations from 16 April 2026.	The new law generally entered into force on 16 April 2026 while certain reporting requirements are deferred until 16 April 2027. Although Luxembourg has largely implemented AIFMD2 without exceeding the directive's requirements and without gold-plating (including relating to the LMT provisions), Luxembourg has made a targeted and pragmatic use of national options allowed under the directive, notably by prohibiting AIFs to grant loans to consumers in Luxembourg. The CSSF have already taken steps in implementing a practical framework to ensure compliance by fund managers with the new rules being introduced by the directive. Not all member states have moved at the same pace in making the changes to their laws yet in the areas that AIFMD2 addresses.	
UK AIFMD amendments See our client alert here in relation to the	The consultation was published in April 2025 by HM Treasury (as the department responsible for the AIFM Regulation 2013, which is the UK legislation that	The proposed threshold changes would remove the current arrangements for "small registered" AIFMs that do not require FCA authorisation. This regime covers Social Entrepreneurship Funds (**SEF**) and Registered Venture Capital Funds (**RVECA**) (as well as	

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proposals to reform the UK AIFM rules **No updates since our prior edition. We expect a consultation from the FCA and HM Treasury in July 2026.**	implemented AIFMD) along with an FCA call for input. The period for comments for each closed on 9 June 2025. The next steps in the process are for HM Treasury to publish draft legislation and the FCA to publish draft rules, and consultations on both to run alongside each other, expected in July 2026. The full details of the existing proposals from 2025 are set out in our client alert, but the headline point is the intention to remove the current threshold between "small" AIFMs and "full scope" AIFMs (€500 million for unleveraged funds and €100 million for leveraged funds). The proposed tiers are set out in the FCA paper and would be based on Net Asset Value (**NAV**): • Large AIFMs: managing more than £5 billion of NAV • Mid-size AIFMs: managing between £100 million and £5 billion of NAV • Small AIFMs: managing less than £100 million of NAV The result would be that all UK AIFMs would be required to be authorised by the FCA (even existing small registered AIFMs), with different thresholds applying to determine the number and intensity of rules the AIFMs are subject to. It was also suggested that UK AIFMs of UK AIFs may not have to comply with the current marketing notification to market in the UK,	certain property funds and internally managed AIFs), so these exemptions would fall away. The benefits of SEF and RVECA are considerably less than before the UK's departure from the EU, when they were EuSEF and EuVECA, and were permitted to market across the EU in the same way as full scope AIFMs could market compliant funds. The main impact will be for UK AIFMs currently in the £100 million-€500 million bracket that will move from small to mid-sized with more regulation. Industry feedback to the consultation and call for input included that the proposed lower threshold of £100 million is too low, and that the mid-sized threshold should be expanded to avoid disproportionate compliance burdens to reflect a firm's size and activity. Industry feedback also suggested that the large category includes a full-scope opt-in regime for firms requiring EU equivalence. We understand that the FCA is revisiting these thresholds with input from industry, including looking at a potential "start-up" regime for emerging managers. The forthcoming ECCTA reforms affecting UKLPs will also increase transparency/filings (due to apply in 2026, or perhaps later; see below) and compound any further substantial increases in time and costs to complete the regulatory/compliance processes in the UK. As a result, light-touch EU regimes will become much more favourable which might prejudice the underlying objectives of this reform. Other questions remain, including how existing firms are to be re-classified or grandfathered (in particular any small AIFMs subject to the registration-only regime). Additional areas to watch as part of the reform include: on depositaries; operation and effectiveness of the remuneration rules; more effective regulatory reporting; leverage risks and expectations; simplification of rules for authorised AIFs; a review of conduct and prudential requirements and how they apply to different-sized firms (to be considered alongside business restriction) and disclosure, distribution and marketing requirements for retail investors.	

Topic	Key developments/what to look out for	Our comments	Jurisdictional Scope
	but this would remain in place for non-UK AIFs/AIFMs.		
Liquidity risk management in funds See the December 2025 Regulatory Initiatives Grid **The consultation closed on 23 February 2026 and we await the FCA's feedback.**	The FCA is implementing IOSCO guidance on liquidity risk management for funds that will incorporate residual work on open-ended daily dealt property funds. A further consultation on updated liquidity rules for AIFs is expected in the second half of 2026, to align with the review of UK AIFMD (see above). Given that the current framework for AIFs aligns well with IOSCO recommendations, the FCA plans to propose only small changes.	The 9 December 2025 FCA consultation paper (CP25/38) relates to AIFMs of authorised funds aimed at retail investors, in particular non-UCITS retail schemes (**NURS**) and UCITS. The FCA does not propose to introduce a prescriptive new liquidity classification framework; instead, it notes the authorised fund manager's responsibility for mitigating the liquidity risks of a fund's portfolio. Although changes are to be limited in the 2026 AIFMD review liquidity consultation, the following are earmarked: • Small AIFMs being subject to a baseline of liquidity management rules • Open-ended funds having consistency between redemption policies and portfolio liquidity • Clearer expectation of risk management by highly leveraged firms	
UK Financial Crime			
Failure to prevent fraud (FTPF) offence under the UK Economic Crime and Corporate Transparency Act 2023 (ECCTA) See our client alert which sets out further background and details, including threshold criteria for being a "large organisation" and for grouping.	On 1 September 2025 the offence of FTPF under ECCTA came into effect, which sees certain organisations liable where a specified fraud offence (including offences under the Fraud Act and fraudulent trading) is committed by associated persons (including employees, agents, subsidiaries or those who otherwise perform services). If convicted, the organisation can receive an unlimited fine. It is a defence for an organisation to demonstrate that, at the time the fraud offence was committed, it had in place	Although the risks and obligations under ECCTA may not represent a material departure from most managers' practices (and the large organisation thresholds may exclude all but the biggest managers), managers and their advisers will need to consider the FTPF offence and whether and how to update internal compliance and due diligence, monitoring and reporting processes, for new and existing investments. This will include investments in portfolio companies and relationships with service providers, such as placement agents, who play a role in bringing investors into the funds. We would flag three considerations: • For managers who may have contractual and regulatory duties to exercise due skill, care and diligence in preventing loss to the assets they manage, FTPF considerations will not be new,	

Topic	Key developments/what to look out for	Our comments	Jurisdictional Scope
See below (under Transparency reporting and impact on funds) for other ECCTA reforms of note. **On 29 April 2026 the Crime and Policing Bill received Royal Assent, becoming the Crime and Policing Act 2026. This widens the range of offences for which companies can be held liable by reference to the conduct of senior managers.**	prevention procedures as it was reasonable in all the circumstances to have in place OR that it was not reasonable in all the circumstances to expect it to have any prevention procedures in place. The guidance warns that smaller organisations should be aware that they may be considered associated persons while they provide services for or on behalf of large organisations, and may be subject to contractual or other requirements that the large organisations impose on them to help prevent fraud. The offence also applies to bodies incorporated and partnerships formed outside of the UK but with a UK nexus. A non-UK organisation will be liable when an associated person commits a fraud offence under UK law (i.e., to be liable for all or part of the underlying fraud or the actual - as opposed to just intended - gain or loss that results from the fraud must occur in the UK). Therefore, a non-UK organisation will be guilty of this offence when its UK employee commits a fraud. By contrast, a UK organisation whose non-UK employees commit a fraud abroad that results in no actual gain or loss in the UK will not be guilty of this offence. The extended corporate liability regime (replacing s.196 to 198 ECCTA and applying across all criminal offences) will apply to offences committed on or after	but the prospect of criminal liability should sharpen the compliance focus on the offence. • In the context of fund structures, whether or not a GP/manager of a fund will be guilty of a FTPF where there is a fraud in a portfolio company of the fund will depend on whether (a) the portfolio company is an associated person of the GP/Manager; and (b) the GP/manager (or any person to whom the portfolio company provides services on behalf of the manager) benefits, directly or indirectly. A GP/manager may be deemed to be a parent undertaking of the fund and for the purposes of this analysis grouped with its portfolio companies (assuming the threshold tests are met) where, for example, the fund is a limited partnership and the GP/manager is entrenched and not capable of being removed by the limited partners. Typically, the GP/manager will not be entrenched, but this needs to be checked when considering ECCTA liability for a fund's portfolio companies. • The FTPF offence also provides an important measure against greenwashing, i.e., making claims about a fund or other financial products' environmental or social characteristics that cannot be substantiated. The guidance gives an example of an FTPF greenwashing offence in the context of fundraising. The reforms under the Crime and Policing Act sit alongside the FTPF offences. This new legislation replaces provisions in ECCTA (which significantly reformed the identification doctrine to provide for the statutory attribution of criminal liability to companies in the context of specified economic crimes committed by senior managers). Under the new offence (s250 of the Crime and Policing Act) there is no similar reasonable/adequate procedures defence for corporates to these wider offences.	

Topic	Key developments/what to look out for	Our comments	Jurisdictional Scope
	29 June 2026. See below (under Transparency reporting and impact on funds) for more.		
Accessing a broader pool of capital			
Targeting the defined contribution (DC) pension scheme and Local Government Pension Scheme (LGPS) market See our recent client alert and our earlier briefing on Long Term Asset Fund (**LTAF**) distribution to mass market retail investors On building a retail investment culture, see our previous client alert **The Pension Schemes Bill received Royal Assent on 29 April 2026 to become the Pension Schemes Act 2026.**	The Pension Schemes Bill completed the parliamentary process and received Royal Assent on 29 April 2026. It introduces measures announced in the Pensions Investment Review Final Report, including: • A requirement for DC multiemployer schemes to have at least £25 billion AuM by 2030; • An acceleration of individual local authority schemes transferring assets to the LGPS pools; and • A value for money framework for DC workplace schemes, with regulatory assessments and disclosures on asset allocation starting in 2028 and that will require underperforming funds to improve, consolidate or wind up The aim is to reduce fragmentation in pensions landscape in order to build a retail investment culture as a core objective for the asset management and wholesale services sector, as set out in the Financial Services Growth and Competitiveness Strategy.	These commitments and reforms follow on from the May 2025 launch of the Mansion House Accord through which 17 pension providers have pledged to allocate 10% of their workplace portfolios to private assets (such as infrastructure, property and private equity) by 2030; with at least 5% ringfenced for the UK – expected to represent £50 billion in investable assets allocated to the sector (half of which will be in UK projects) by 2030. They also build on other initiatives (such as the removal of carried interest from the cost cap for DC pensions and the Mansion House Compact). The Act includes a much-debated reserve power that allows the government from 1 January 2028 to 2032 to direct where DC pension schemes invest in accordance with the Mansion House accord targets, albeit with protections in place to limit the government's use of this power. The UK government's Workplace pensions roadmap sets out its provisional implementation plan of reforms. The Pensions Regulator has recently published an update on DC scheme consolidation, noting: *"[the] continuing trend reflects a shift towards fewer, larger schemes that can deliver stronger investment performance, higher governance standards and an improved member experience."* The development of the LTAF remains one to watch. The UK government is keen to build on various initiatives, from moving the LTAF from the Innovative Finance to the stocks & shares individual savings accounts in April 2026, to broaden access for those seeking long-term investment, to the ability for self-invested personal pension and self-select defined DC pension schemes to invest in LTAFs (up to 10% of their investable assets and subject to certain conditions being met) has been available from 3 July 2023, when	

Topic	Key developments/what to look out for	Our comments	Jurisdictional Scope
		LTAF units were re-categorised from non-mass market investments to restricted mass market investments.	
Review of client categorisation rules and conflicts of interest The FCA consultation CP25/36 sets out proposed changes to two key areas of the FCA Handbook: • Client categorisation rules – how firms classify clients (e.g., retail vs professional) and the rights or protections those clients receive. • Conflicts of interest rules – how firms identify, manage and document conflicts in their business. The consultation closed on 2 February 2026 and the FCA intends to publish final rules after considering stakeholder feedback. **No updates since our prior edition.**	**Client Categorisation Reform** The FCA proposes to reset how firms categorise clients, particularly around "elective professional clients" (**EPCs**). In the investment management world, this is especially important in relation to the categorisation of the investors in funds (since the funds themselves will automatically meet the professional client requirements). The main changes proposed are: • The current quantitative test (the numeric trading, portfolio size requirement and financial experience) in COBS 3.5.3R(2) would be removed. • Firms would need to carry out a more holistic qualitative assessment of a client's experience and understanding before categorising them as professional. • Clients with £10 million or more in investable assets could be categorised as an EPC if they provide informed, signed opt-out consent — without a full qualitative test. • The FCA wants clearer, documented informed consent and wants to	The client categorisation rule changes will be welcome, since the current MIFID upgrade rules are designed much more clearly with trading activities in mind (10 trades per quarter over four quarters). We would highlight a few points of note: • We would encourage the FCA to think again regarding the LGPS current retail designation, in particular given the UK government's wider policy plans to increase LGPS investment in private capital and that it seems odd to treat them differently now that the UK is not subject to MiFID. • Firms should note that the FCA is looking more closely at firms' upgrade procedures and especially how they assess clients' knowledge and experience. • The £10 million EPC test seems too high when the equivalent MIFID test is only €500,000. These proposals are to be considered in the context of other regulatory initiatives to increase the ability of funds to offer retail investors access to private markets: • In the US, the SEC's widened the "accredited investor" definition, allowing private market access by a broader range of investors. The SEC issued updated guidance in May 2025 that allows semiliquid funds that own more than 15% in private funds to be available to anyone, not just accredited investors. • In the EU, proposed changes to the MiFID definition of "professional client" in a proposed directive on retail investment protection will also expand the categories of persons who can invest in an AIF as well as a proposed criterion that will allow legal entities to qualify as elective professionals in certain scenarios (see below).	 

Topic	Key developments/what to look out for	Our comments	Jurisdictional Scope
	prevent firms from incentivising clients to give up protections. • The list-based entity test would be streamlined to focus on authorised/regulated entities and large entities, removing some current net-asset thresholds. **Conflicts of Interest Rules** CP25/36 also proposes to rationalise (simplify and consolidate) conflicts of interest rules in the Handbook: • The FCA intends to reduce duplication and complexity across the Senior Management Arrangements, Systems and Controls (SYSC) chapters that apply to different firm types (e.g., MiFID, UCITS, AIFM). • Substantive duties to identify and manage conflicts remain unchanged, but the structure and wording of the rules would be streamlined to make them easier to interpret and apply.		
Circular CSSF 25/901 (the Circular, as set out above under Regulatory Priorities (EU)) on the revised supervisory framework relevant to **Retail-Facing Part II UCIs**	A key development introduced by the Circular relates to a revised framework for retail-facing Part II UCIs, with express recognition of the concept of the "unsophisticated retail investor," defined as a retail investor who does not qualify as a "well-informed investor" within the Luxembourg fund regimes. This Luxembourg-specific approach provides a pragmatic national adjustment	As a result, Part II UCIs/compartments marketed to unsophisticated retail investors are subject to enhanced transparency requirements and specific prudential safeguards, including the following: • New risk-spreading requirements, being a 25% limit per single issuer/entity/asset and 50% limit for single infrastructure investments, subject to a ramp-up period of four years (subject to a potential one-year extension).	

Topic	Key developments/what to look out for	Our comments	Jurisdictional Scope
No updates since our prior edition; focus is on implementation. See our recent client alert here	consistent with the political agreement reached at the EU level on the retail investment strategy package (see above), which aims to allow more retail investors to opt up to professional client status. Without creating a new product category or extending the EU passport, the Circular refines the application of certain prudential rules by reference to the investor base targeted, rather than by product label alone, while differentiated treatment is introduced for Part II UCIs not marketed to unsophisticated retail investors.	• New borrowing limit of up to 70% of the fund assets or commitments. This compares with Part II UCIs/compartments reserved for well-informed or professional investors: • Risk-spreading: a 50% limit per single issuer/entity/asset and a 70% limit for single infrastructure investments. • No specified borrowing limit, but mandatory disclosure of a maximum borrowing limit and methodology.	
Other developments in the EU (Commission Q&A on ELTIFs) **No material updates since our prior edition.**	The Commission's December 2025 Q&A provided some helpful clarifications on regulatory guidance for EU long-term investment funds (**ELTIFs**) addressing some technical issues specific to managers of open-ended ELTIFs. In addition, we'd note that the revised Solvency II regime, which came into force in January 2026, makes ELTIFs and other low-risk AIFMs more attractive for insurance companies because it reduces the capital charge (from 39% to 22%) for long-term equity investments.	The Commission's new guidance on ELTIFs (more of which is to follow) includes various interpretation points. Of particular interest are three clarificatory updates relating to some of the more detailed regulatory requirements on both structuring and liquidity management: • A manager has discretion to put in place the model most appropriate to its ELTIF for calculating a minimum holding period (if relevant). • Intermediary entities such as SPVs/aggregators are not automatically considered as ELTIF investments and can be looked through for the purposes of the portfolio composition and diversification rules. • Similar to the point above but in respect to fund of funds structures, the look-through applies for the overall portfolio composition of EU target funds, such as ELTIFs, EuVECAs, EuSEFs or EU AIFs.	

Topic	Key developments/what to look out for	Our comments	Jurisdictional Scope
Developments in the US **There is material update since our prior edition, following the publication of the US Department of Labor guidance.**	On 30 March 2026, the US Department of Labor (**DOL**) formally proposed detailed guidance under the Employee Retirement Income Security Act of 1974 (**ERISA**), as amended, on the prudential selection of designated investment alternatives (**DIAs**) for 401(k) and other participant-directed individual account plans (collectively, DC plans). This guidance was precipitated by the Trump administration's executive order on alternative assets to encourage sponsors of DC plans to consider offering access to alternative investments, such as private equity, private credit, real estate, funds investing in digital assets, commodities, project financing, and lifetime income investments. Central to the proposal is a process-based safe harbor to help protect plan fiduciaries from liability in connection with their DIA selections. Under the proposal, ERISA fiduciaries will be entitled to "a presumption of prudence" when they "objectively, thoroughly, and analytically consider" six factors in selecting DIAs for a participant-directed individual account plan. These factors are not exclusive, however. Other factors may be relevant and may be raised in challenging any presumption. To preserve the presumption, the proposal expressly contemplates that fiduciaries will document their compliance with each	The proposal's safe harbor seeks to establish a legal presumption that fiduciaries meeting certain conditions have acted prudently in their DIA selections. This presumption, if upheld by the courts, should lower the risk profile of compliant selections, including defence, settlement, and insurance costs. Lower risks and costs may encourage fiduciaries to incorporate alternatives and other less traditional investments into their DIAs, either as standalone options or, we think more likely, as components of professionally managed target-date or other pooled fund options. Meeting the safe harbor conditions should be relatively straightforward with traditional investments. But we suspect meeting those conditions, especially the liquidity and valuation conditions, will be more challenging with alternatives, many of which are illiquid and less transparent. We also expect that the proposed guidance, once finalised, is likely to be the subject of litigation which will, among other things, test the strength of the proposal's safe harbor. It is unclear whether courts will afford the safe harbor legal weight, especially following a recent US Supreme Court decision holding that agency interpretations, even in formal regulations, are not entitled to deference in the absence of congressional direction. In ERISA, no such direction exists. In addition, by its terms the safe harbor applies only to DIA selection, not the attendant fiduciary's duty to monitor selections on an ongoing basis. While the DOL states that it will address monitoring separately in the future, and any such guidance is expected to track the principles laid out in the proposal, the omission of monitoring from the safe harbor will leave all but the most recent DIA selections open to challenge under the existing legal framework. While the ultimate impact of the DOL guidance depends on both the results of subsequent litigation thereof and the actions taken by DC plan sponsors and fiduciaries, including building out the operational infrastructure and the extent to which such plan sponsors draw sufficient comfort as to subsequent litigation risk, we continue to see parties proceeding on the assumption that the guidance will likely	

Topic	Key developments/what to look out for	Our comments	Jurisdictional Scope
	factor in connection with each DIA selection. The six factors are: performance, fees, liquidity, valuation, benchmarking and complexity.	result in increased access to private markets in DC plans. The number of funds registered under the Investment Company Act which focus on private market strategies continues to increase – including funds offering private credit strategies, despite the increase in redemption requests such funds are experiencing (and the media attention paid to the upswing in such requests). Moreover, we still expect an increase in target-date products which include exposure to private markets strategies designed to fit into DC plans. Substantial work will need to be done with respect to DC plan design and operations to facilitate the inclusion of private market vehicles (due to, e.g., their relative illiquidity and, often, less frequent valuation and acceptance of subscriptions) but many major asset managers have announced initiatives to develop products designed for such channels. Most recently, Goldman Sachs announced an investment in T. Rowe Price to combine Goldman's private market expertise with T. Rowe's deep roots in DC plans. While the executive order also directed the SEC to facilitate access to alternative assets for participant-directed DC retirement savings plans by revising applicable regulations and guidance, there are no indications that the SEC currently intends to make any such revisions.	
Establishment of the Private Securities Market, a Private Intermittent Securities and Capital Exchange System (PISCES) platform to allow intermittent secondary market trading of shares. PISCES will initially run within the UK's Financial Market Infrastructure Sandbox for a five-year	The aim of PISCES is to allow private companies to periodically access public market liquidity for shareholders though auctions, whilst remaining private. It is open to any company (whether UK-incorporated or overseas) whose shares are not already admitted to trading on any public market. Its key features include: • No primary capital raising	The UK government wants to stimulate economic growth and recognises the importance of supporting high growth companies and keeping them in the UK. PISCES democratises access to high-growth companies that have traditionally been accessible only to venture capitalists and private equity firms. This is an exciting development for private capital to work with public markets to access capital and liquidity. The outcome of the legal and regulatory framework being tested in the sandbox, including the core set of disclosure information that will be required, will be critical for how and if PISCES becomes a permanent regime.	

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period beginning in late 2025. The regulatory framework governing the initiative is set out in the Financial Services and Markets Act 2023 (Private Intermittent Securities and Capital Exchange System Sandbox) Regulations 2025, which came into force on 5 June 2025. See our recent client alert **No material updates since our prior edition.**	• Company controls (including intermittent trading windows; trading restrictions and the ability for the company to limit the investor universe and to choose the class of securities placed in any auction) • A standardised disclosure package • Investor participation is limited to approved investors under the UK financial promotion rules • Public market settlement infrastructure • No public market regulation post-PISCES transactions • No UK stamp duty taxes on transfer of shares	PISCES offers investors a platform through which they can access liquidity from investments (including a useful way to incentivise and reward employees in connection with a PISCES transaction) outside an IPO or M&A exit, which can be particularly helpful in an environment where companies are staying private for longer and acquisitions are harder to execute. The first PISCES auction trades took place in March 2026, including the London Stock Exchange's first permissioned auction on its Private Securities Market on 25 March 2026.	
Transparency reporting and impact on funds			
UK Economic Crime and Corporate Transparency Act 2023 (ECCTA) ECCTA came into force in October 2023, with the provisions being enacted gradually. The outline transition plan for Companies House (updated on 19 January 2026) includes a delay of the identity verification (**IDV**) rules for those filing	IDV requirements apply, since 18 November 2025, for all UK directors who are individuals. As well as directors, individual limited liability partnership (**LLP**) members, PSCs of UK companies and LLPs and directors of overseas companies with a UK establishment are also required to have their identity verified from 18 November. In future, IDV requirements will also apply to corporate directors, corporate LLP members, nominated officers of relevant legal entities and those who file at Companies House.	We would highlight three overview points of note: • **Corporate reform**: ECCTA introduces many corporate reforms in addition to the requirements around IDV. Companies are required to have an "appropriate" registered office and provide an "appropriate" email address to Companies House. They must confirm their "lawful purpose" on incorporation and state their intended future activities are lawful at each confirmation statement. Certain statutory registers are no longer required to be held by companies and the information is instead to be filed at Companies House. The Registrar has greater authority to reject, query and remove information that appears inconsistent. False statement offences have widened in scope and it is an offence to deliver misleading or false statements to the Registrar "without reasonable excuse" (the	

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on behalf of companies/others. See our recent client alert which includes: (i) an impact table of the corporate changes and new requirements, including timescales and action points on how existing entities are to comply; and (ii) a practical guide on UK limited partnership reform. See above (under UK Financial Crime) for the new failure to prevent fraud offence under ECCTA that came into force on 1 September 2025. **Update to reflect the Crime and Policing Act 2026 regarding corporate criminal liability. Otherwise, no material change since our prior edition to ECCTA compliance obligations or implementation dates.**	There are limited exemptions (for national security or for the purposes of preventing serious crime). The intention is to reduce fraud and ensure the accuracy of Companies House records. From "no earlier than" November 2026 (exact date to be confirmed and recently delayed from the originally-planned spring 2026 start date), individuals filing information at Companies House on behalf of a UK company or LLP will be able to do so only if they are an officer/employee who has had their identity verified, an authorised corporate service provider (**ACSP**) or an employee/officer of an ACSP. Verification can be carried out by an individual directly with Companies House (at no cost) or via an ACSP (for a fee) and should need to be done only once. The reforms to UK limited partnerships will take place *"by the end of 2026".* In parallel to these developments, draft regulations published, if approved, will increase public access to certain information held on the UK register of overseas entities and via the UK's Trust Registration Service.	previous threshold was to do so "knowingly or recklessly"). Accounts filing is moving to software only. Micro-entities will need to file their balance sheet and profit and loss account and small companies will need to file a balance sheet, directors' report, auditor's report (unless exempt) and profit and loss account. • **UKLP reform**: GPs/managers should bear in mind that they will need to submit information in relation to every partner in every UKLP in their structures, and although there will be a 6-month transition period, it is worth making sure in advance that there are no current gaps in the information that they have for their partners. For UKLPs, a general partner which is a legal entity (including LLPs and Scottish limited partnerships) will need to specify an individual managing officer to act as its "registered officer", and such registered officer must have their identity verified. • **Corporate criminal liability for all crimes (not just economic crimes)**: Significantly, with effect from 29 June 2026, the statutory attribution rules will apply to all offences, not just the economic crimes set out in ECCTA. Therefore, a body corporate or partnership will be liable if its "senior manager" acts within actual or apparent scope of their authority and commits any offence under the laws of England and Wales, Scotland and Northern Ireland (not restricted to a "relevant offence" as was the case), subject to the limits of extra-territorial jurisdiction. Companies should identify their senior decision-makers and provide training and guidance on what would constitute an offence. See also above on the FTPF offence.	
Tax adviser registration with HMRC	New rules requiring the mandatory registration of tax advisers who deal with	Given the wide scope of the definition of tax adviser, many fund managers' in-house tax teams (including fund managers not in the UK) may fall within it. For example, assisting investors with their UK	

Topic	Key developments/what to look out for	Our comments	Jurisdictional Scope
This is a new topic See our recent client alert	HMRC for clients are being introduced by the Finance (No. 2) Bill 2026. In-scope businesses (whether UK-based or otherwise) are required to register with HMRC as a "tax adviser" in order to interact with HMRC in any way, and there are financial and regulatory penalties for noncompliance. The aim of these measures is to enhance the security of tax adviser services and deter unscrupulous actors. Implementation begins in May 2026 but there is a transition period extending to 31 March 2027 for some sectors, including the financial services industry. This deferral is designed to allow time to agree a more permanent carve out from the rules, which we hope will secure the position that private fund management businesses do not need to register. Managers should monitor the outcome of these discussions to ascertain whether their business will be within scope come 1 April 2027 implementation.	tax positions, or helping with tax matters relevant to UK investments or qualifying asset holding companies, could bring a business within scope. There is a helpful exemption where such assistance is provided only to corporate group undertakings, but this does not cover nongroup entities (such as minority fund investments). If unregistered, such tax advisers, regardless of jurisdiction, are prohibited from interacting or attempting to interact with HMRC in any way (including through phone calls, emails, HMRC's website, or submitting filings) in relation to the tax affairs of a client. For this purpose, a "client" is anyone the tax adviser assists with their tax affairs in the course of its business. HMRC have helpfully clarified that they do not consider this to cover assistance provided by a fund manager to its executives, as this would not be provided 'in the course of its business'. In the run-up to the April 2027 implementation date for financial services, we continue to work with industry bodies to engage with HMRC and HM Treasury regarding the application of these rules to fund managers.	
ESMA's final report on the integrated collection of funds' data **Following ESMA's 23 June 2025 Discussion Paper (that closed on 21 September 2025) on 4 May 2026 ESMA**	The Final Report sets out ESMA's view on what a feasible and proportionate integrated reporting system for investment funds could look like, outlining key design principles, preferred options and an implementation approach, whilst identifying immediate next steps to be taken through the development of RTS and implementing technical standards (**ITS**).	The Final Report mirrors many respondents' diagnosis as set out in the original discussion paper: that the current reporting landscape is highly fragmented, characterised by duplication, inconsistencies and limited data reuse (particularly for those managers engaging in cross-border activities, required to comply with a significant number of reporting templates, each with its own structure and terminology). The ESMA Final Report is welcome in several important respects:	

Topic	Key developments/what to look out for	Our comments	Jurisdictional Scope
published its final report.	ESMA proposes to pursue a centralised reporting system with a core set of harmonised definitions and templates (Option 2 in its discussion paper), completed by additional, targeted modules to reflect individual fund attributes and regime-specific supervisory needs and themes (such as AIF use of leverage and liquidity). This would mean national collection of data with subsequent transmission to a centralised EU-level hub. Implementation of Option 3 (fully centralised reporting) in the longer term is not precluded. There would be a two-phase implementation strategy. Phase 1 consolidates AIFMD and UCITS supervisory reporting requirements and develops the underlying technical infrastructure. Phase 2 extends integration to MMFR, statistical reporting requirements, and potentially other applicable obligations. ESMA aims to draft RTS and ITS by April 2027. A consultation paper will be published later in 2026. Subject to funding, IT system development is expected to launch in 2027, with go-live of reporting expected in H1 2029 at the earliest.	• Promoting transition from a multi-submission, multi-validation framework to a streamlined "report once, use many times" architecture; and • The commitment to integration, proportionality, a common data dictionary, semantic alignment, standard identifiers, a dedicated real estate module within the integrated framework and phased implementation. There may be some concerns around reporting flow architecture (ESMA retaining NCAs as collection intermediaries rather than allowing direct submission) and therefore the residual risk of parallel NCA requests, which ESMA permits in justified cases and based on existing data fields, subject to appropriate governance arrangements to ensure consistency, proportionality and transparency. The detailed calibration of reporting frequency and granularity for illiquid fund types is largely deferred to the Level 2 RTS/ITS process, meaning the industry will need to engage actively at that stage to ensure illiquid strategies are adequately protected. The timing of this report is particularly important for fund managers, in the context of the upcoming expansion of Article 24 reporting under AIFMD2 in 2027. It also needs to be read alongside the MISP, as set out above, which includes ESMA becoming a single hub for data reporting.	
EDGAR Next See our client alert here	The SEC has implemented changes to EDGAR, which includes a new process for how fund entities file Form IDs (as well	The main changes are: • The Form ID requires additional information not previously required, including various representations regarding violations of US federal and state securities law and the names and other	

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No updates since our prior edition.	as make Form D notice filings and beneficial ownership filings). The transition period ended on 12 September 2025 for legacy filers (i.e., all relevant fund entities and principals that had valid EDGAR access codes) and after that, the EDGAR Next filing platform is the exclusive means to file or submit any documents to the SEC. Since 19 December 2025 filing access has required completion of all EDGAR Next access requirements, which includes the new Form ID that was adopted as part of the EDGAR Next rules effective 24 March 2025.	information for two individuals that will be "account administrators" (one of them may also be the signatory and/or SEC contact). • All communications from EDGAR, including the acknowledgement of filing and acceptance, will be via the fund entity directly. • More time is needed to complete the process to access EDGAR accounts – hence, we encourage those needing to make filings or submissions for a fund entity to start the EDGAR Next enrolment process at the initial stages of a fundraise. Non-US filers will still need to have the Form ID notarised, to be done in the jurisdiction of the entity completing the Form ID (for instance, in Luxembourg for a signatory of the manager/GP of a Luxembourg fund vehicle). Digital and remote options are available. We encourage private investment fund managers that have not already done so to spend some time getting familiar with EDGAR Next as it has significantly changed how filers interact with the SEC and requires more active involvement from filers.	
US Corporate Transparency Act (CTA) Please see our CTA resources here and here for more information **No updates since our prior edition.**	The CTA has been subject to several challenges and adjustments over the course of 2024 and 2025. FinCEN announced in February 2025 that it will not issue any fines or penalties or take any other enforcement actions for any failure to file or update beneficial owner information. An Interim Final Rule was released at the end of March 2025 and FinCEN invited comments on it, but there has been no movement since then.	The Interim Final Rule states that US (or "domestic") entities are now exempt from any beneficial ownership information (**BOI**) reporting. Non-US ("foreign") entities are still covered but only if they are registered to do business in the US by the filing of a document with the secretary of state, and they need only to provide BOI in relation to non-US persons that are beneficial owners. It is worth monitoring any future modification to this exemption and that would require beneficial ownership information not currently subject to this reporting requirement to be provided.	

Horizon Scan for Private Investment Funds: recent developments and what to look out for (May 2026)

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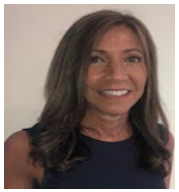

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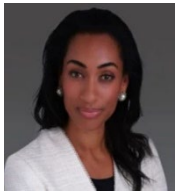

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