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## Regulatory Update

# HM Treasury and FCA Open Consultation to Reform the UK AIFMD

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On 7 April 2025, HM Treasury published a consultation to overhaul the UK Alternative Investment Fund Managers regime. That same day, the Financial Conduct Authority (FCA) published a call for input outlining its intended approach under the revised regime set out by the Treasury.

The welcome news for the UK asset management sector is that the consultation is focussed on areas that could be streamlined within the existing UK AIFM regime.

The Treasury and FCA have been given a mandate by the government to promote the growth of the UK economy by simplifying UK regulations. One of the purposes of the intended reforms is to increase the UK's attractiveness as an asset management hub by making it simpler and cheaper for managers to do business here.

The key areas of focus/proposals in the consultation include:

- **Removing the sub-threshold AIFM thresholds.** Currently set at above €100 million — or €500 million for funds that are unleveraged and without early redemption rights — the thresholds require UK AIFMs to step into the full weight of the UK AIFM regime once these thresholds are breached.
- **Reducing time to fund launch.** The Consultation proposes reducing the current 20-day review period for the FCA to review and approve the marketing of new AIFs.
- **Reducing reporting.** Certain notifications, notably the AIFMD portfolio company notifications (triggered when a fund acquires voting rights in certain portfolio companies) may be removed from the UK regime entirely.
- **Re-examining valuations.** Treasury has recognized that the current UK rules (derived from the EU AIFMD) imposing direct liability on external valuers discourage market participation. This may be addressed by considering a shift to contractual liability. This links to the FCA's recent Review of Valuation Processes for Private Market Assets (summary available [here](#)).

Interestingly, the consultation does not propose any changes to the UK national private placement regimes, which means there will not be any direct changes impacting non-UK sponsors that intend to market a fund in the UK.

The FCA's call for input also outlines a rework of the current regime, doing away with the existing full-scope and sub-threshold AIFM categorisations by introducing three new categories of UK AIFMs, with the regime applying proportionately to each category of AIFM. The intention of this reform is to avoid the cliff-edge situation which exists under the current rules — that is, capital and other regulatory requirements increase significantly when the value of an AIFM's AuM crosses the full-scope threshold. The FCA is now proposing a more nuanced approach with three categorisation tiers. The hope is that this will provide space for smaller firms to grow before more onerous obligations are imposed on them. The suggested new tiers are as follows:

- Large AIFMs (<£5 billion net asset value);
- Mid-sized AIFMs (between £100 million and £5 billion net asset value); and
- Small AIFMs (up to £100 million net asset value).

The FCA proposes to calculate the above thresholds on the basis of net asset value of the funds managed by the AIFM as opposed to the current AUM threshold calculation.

The FCA call for input also opens the door for consultation in other areas, including depositary and custody requirements, reporting burden and AIFM remuneration rules.

A copy of the consultation is available [here](#).

The FCA call for input is available [here](#).

The HM Treasury consultation and the FCA call for input are both open for responses until 9 June 2025. The FCA will not consult on detailed rule changes until the first half of 2026, which will likely coincide with a more detailed implementation timeline.

If you have questions about this development and how it may affect your business, please contact the authors.

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