Invested in a better future

Asset Management Unit
HM Treasury
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9 June 2025

Dear Asset Management Team,

RE: Alternative Investment Fund Managers Regulations consultation

The British Private Equity and Venture Capital Association (BVCA) is the industry body and public policy advocate for the private capital industry in the UK. With a membership of over 600 firms, we represent UK-based venture capital, private equity and private credit firms, as well as their professional advisers and investors. There are almost 13,000 UK companies backed by private capital which currently employ over 2.5 million people in the UK. In 2024, £29.4bn was invested by private capital into UK businesses in sectors across the UK economy, ranging from consumer products to emerging technology. This increased investment has fuelled the growth of businesses across the UK, with six in ten (58%) of the businesses backed in 2024 located outside of the capital.

We welcome the opportunity to respond to HM Treasury's consultation on the Alternative Investment Fund Managers Regulations. The government has rightly identified economic growth as its central mission, and the private capital industry is a vital partner in delivering that ambition.

In the post-Brexit environment, it is essential that the UK remains internationally competitive and attractive to private capital firms and investors. The loss of access to the EU marketing passport has underscored the importance of enhancing the UK's regulatory regime to maintain and strengthen its position as a global hub for private capital.

Private capital plays a unique and growing role in supporting UK economic growth, providing long-term, patient capital to companies at every stage, from seed to scale up and beyond. It drives innovation, improves productivity, and supports job creation across all sectors of the UK economy. Private capital firms, and the highly skilled jobs they create, are a critical part of this growth story. Alongside direct investment into UK businesses, private capital firms drive significant demand for legal, accounting, advisory, and other professional services, supporting a vibrant investment ecosystem. To continue attracting private capital firms and investors, the UK must offer a regulatory environment that is proportionate, predictable, and internationally competitive.

We applaud the government for taking forward this important review and for recognising the need to create a simpler, more proportionate regime for UK AIFMs. We were particularly grateful to the Economic Secretary to the Treasury, Emma Reynolds, for announcing at the BVCA's Private Capital Dinner in March that the government would be consulting on these vital reforms.

This consultation presents a critical opportunity to modernise the Alternative Investment Fund Managers Regulations in line with these objectives. We strongly support HM Treasury's ambition to deliver a more flexible and risk based regulatory framework through the FSMA model and the Smarter Regulatory Framework (SRF). Empowering the FCA to set proportionate and activity specific requirements through the Handbook, rather than rigid legislation, is a welcome shift that provides a platform for more effective and responsive policymaking.

However, we are extremely concerned by the FCA's proposals for tiering and new thresholds, as outlined in its Call for Input (CfI). As we set out in our CfI response, these proposals risk replicating the very cliff edge effects and disproportionate burdens the government is seeking to avoid. Instead of fostering growth and innovation, the proposed thresholds could introduce new regulatory barriers for many firms, undermining the UK's competitiveness and attractiveness as a destination for private capital. This is particularly dangerous at a time when the European Commission is itself asking industry for feedback on how to improve the competitiveness of its own AIFMD regime. If the UK fails to get this right, there is a real risk that firms and investors could shift activity to more attractive regulatory jurisdictions, directly undermining the government's growth ambitions. We urge HM Treasury to work closely with the FCA to ensure that any new framework is carefully calibrated, proportionate, and aligned with the government's growth and competitiveness objectives.

As we set out in our response to the FCA's CfI, reforms to the AIFM regime must prioritise improvements in proportionality, competitiveness, and clarity. This includes reducing duplication, addressing unnecessary cliff edge effects, and ensuring that the UK remains an attractive jurisdiction for fund managers of all sizes and strategies, from early-stage venture capital to global buyout funds.

Our response addresses each of HM Treasury's questions in turn. We focus on the reforms needed to reduce regulatory friction, preserve investor confidence, and strengthen the UK's position as a global hub for private capital.

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

We support the government's proposal to remove legislative thresholds from the AIFM Regulations. This aligns with the objectives of the SRF to replace retained EU law with a more flexible FSMA based model. Delegating the design of regulatory thresholds and requirements to the FCA, subject to its statutory objectives and consultation, should allow for a more agile and responsive policy framework. This will reduce reliance on legislation and enable rules to evolve in line with market developments, reducing both legislative bottlenecks and compliance uncertainty for firms.

The current thresholds, established in 2013, are outdated and inflexible. They do not account for inflation or market developments, leading to disproportionate regulatory burdens for firms that marginally exceed these limits. This can discourage growth and innovation within the sector and risk deterring investment. By removing these thresholds, the FCA would have the flexibility to set rules that are truly proportionate to the size and complexity of firms, fostering a more dynamic and competitive private capital and alternative investment fund management industry in the UK.

However, while we support the removal of legislative thresholds, we are very concerned about the FCA's proposals outlined in its CfI. The suggested three-tiered system and proposed thresholds risk replicating and, in some cases, intensifying the very cliff edge effects this reform is intended to address.

- **Lower threshold concerns:** The proposed lower threshold of £100m NAV is too low and would significantly increase the regulatory burden for many firms currently subject to more proportionate requirements as sub-threshold authorised AIFMs (less than €500m AUM unleveraged). The FCA's proposed changes would move them into a more complex and burdensome regime with no clear risk-based justification. This would introduce new regulatory obligations and costs, reinforcing the kind of cliff edge risk the government and FCA have both acknowledged is problematic.

Crucially, this would place UK based private capital firms at a significant competitive disadvantage relative to their EU counterparts, who would remain within a more flexible and proportionate framework for sub-threshold AIFMs under EU AIFMD. This is particularly concerning given the loss of the EU marketing passport, which has already created challenges for UK private capital firms. The FCA's proposed approach could therefore further undermine the UK's attractiveness as a destination for private capital and discourage firms from locating and investing here, an outcome that would directly contradict the government's growth mission and stated objective of making the UK a more competitive jurisdiction.

Instead, we strongly recommend a lower threshold of £1bn NAV. Under the existing UK and EU AIFMD frameworks, the relevant threshold for full-scope AIFMs managing unleveraged funds without redemption rights was set at €500m AUM. That figure has not been adjusted since AIFMD came into force in 2013. When adjusted for inflation, the equivalent threshold in today's terms is approximately £652m. To preserve proportionality and avoid creating barriers to entry or scale, a £1bn NAV threshold would better align with market realities, support UK competitiveness by providing a longer growth runway for private capital firms investing in UK SMEs, and would be a more appropriate level at which the scale and complexity of a firm are more likely to justify enhanced regulatory requirements.

- **Upper threshold concerns:** The FCA proposes to apply something close to the current full-scope UK AIFM regime to firms managing assets over £5bn. We recommend that the top tier of the proposed three tier framework should be structured as an opt in category rather than a mandatory regime triggered by crossing a specific NAV threshold.

An opt-in model, first proposed in our response to the FCA's Discussion Paper DP23/2 on updating and improving the UK fund regime for asset management, reflects post Brexit market conditions and would be available to those firms needing to meet EU equivalence, investor expectations, or broader cross border compliance objectives.

Our recommendations would help to ensure that the future UK regime delivers on its objectives of being growth friendly, internationally competitive, and risk calibrated. We urge the government and the FCA to design thresholds carefully to avoid inadvertently undermining the UK's position as a global hub for private capital. Please see our response to the FCA's CfI for more detail on this proposal.

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

We recognise the government's concerns about the complexity and limitations of the Small Registered Regime with respect to regulatory coherence and the potential for investor misunderstanding. However, any proposal to remove the regime must be carefully assessed in light of its broader impacts, both on the firms currently operating within it and on the UK's overall competitiveness. It is important to remember that the regime was originally designed to reflect the minimum regulatory requirements under EU AIFMD and was intended to offer a proportionate path for lower risk, sub-threshold firms.

Removing the regime would significantly expand the number of firms required to seek FCA authorisation for the first time. While this may simplify the regulatory perimeter in legal terms, it would also introduce new compliance burdens for affected firms. This proposal could disproportionately affect venture capital and Venture Capital Trust (VCT) managers. These firms play a vital role in supporting the earliest stages of UK businesses, providing essential capital and expertise to help innovative companies grow. Removing the Small Registered Regime without adequate transitional arrangements or a grandfathering mechanism could risk disrupting this crucial part of the UK investment ecosystem.

Given that competitor jurisdictions continue to offer registration regimes under the EU AIFMD framework, there is a real risk that these firms could relocate and deploy their investment capital and expertise elsewhere if faced with higher regulatory costs and burdens in the UK. This would undermine the UK's competitiveness as a global hub for early-stage investment and growth capital.

We therefore urge the government to proceed with caution and to conduct further analysis of the potential market impacts of this change. If the government proceeds with the proposal, we strongly recommend the introduction of a well-designed grandfathering mechanism for existing Small Registered AIFMs. This would allow affected firms to continue operating under their current arrangements for a defined period, potentially tied to the life of their funds or through a reasonable transitional window, before authorisation requirements are applied. Without such an approach, firms may be forced to exit or restructure with little notice, leading to disruption for investors and the market more broadly.

We urge the government to give this issue careful consideration, in consultation with relevant stakeholders, to ensure that the UK does not lose these important sources of early-stage investment.

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

We welcome the government's intention to review the SEF and RVECA frameworks. We agree that there is merit in exploring a tailored regulatory regime for venture and growth capital firms, given their distinct characteristics and their role in supporting early-stage businesses, innovation, growth, and productivity across the UK economy.

However, as we noted in our response to the FCA's CfI, feedback from our members indicates that the current sub-threshold AIFM regime is, in general, working well for firms operating in this part of the market. The primary concern is not with the regime itself, but with the cliff edge effect that arises when a firm crosses the full-scope threshold, triggering a sharp and disproportionate increase in regulatory burden. We believe the most effective way to address this issue, and to better support UK venture and growth capital firms, is to raise the lower threshold proposed by the FCA to £1bn NAV. This would preserve the benefits of the sub-threshold regime for a broader group of firms, reduce the risk of abrupt regulatory transitions that disincentivise growth, and provide a longer runway for smaller and early-stage managers.

While we welcome consideration of RVECA as a complementary regulatory option, it is vital to recognise that the FCA's current proposal for a £100m NAV lower threshold risks undermining the benefits of the sub-threshold regime by forcing some firms into a higher regulatory category with significantly increased costs and burdens. If RVECA were to become the only viable option for UK based venture capital firms seeking proportionate regulation, this could impose significant administrative and operational costs on managers with existing funds that would need to re-register under RVECA. In combination, this could have the unintended consequence of increasing regulatory complexity and cost, rather than reducing it, and could disincentivise smaller or early-stage managers from continuing to operate in the UK.

As noted in response to Question 2, competitor jurisdictions continue to offer sub-threshold registration regimes under AIFMD and EUVECA frameworks (which provide EU marketing passports), there is a real risk that these firms could choose to locate or relocate outside the UK. This would undermine the government's objective of making the UK the best place to set up and grow a fund management business, and would be a loss to the UK's innovation ecosystem.

We therefore urge the government to ensure that any changes to the sub-threshold regime or RVECA framework avoid introducing unintended barriers to entry or growth. In particular, it is essential that the FCA's proposed thresholds are carefully calibrated to avoid undermining the UK's competitiveness. A £1bn NAV lower threshold, providing a longer runway for growth, would be a more effective way to preserve the benefits of proportionality for UK venture capital firms.

More specifically on the RVECA regime, we have previously called for improvements to make it a more viable and attractive option for UK based venture capital firms. These include:

- Broadening the definition of eligible investments to better reflect market practice, particularly by enabling greater use of debt instruments and allowing investment into seed and incubator vehicles.
- Reducing the 70% qualifying asset threshold to 60%, or potentially lower (for example, the 55% threshold adopted for comparable EU fund types such as ELTIF).
- Amending the definition of qualifying portfolio undertakings to avoid unintentionally excluding fintech firms, incubators, or investments into related vehicles such as carried interest or co investment structures.

- Aligning RVECA regulatory capital and compliance obligations with those currently applicable to small authorised AIFMs, as the current requirements can act as a deterrent, particularly for smaller or emerging managers.
- Reviewing marketing restrictions and investor qualification rules to better reflect UK financial promotion reforms and the nature of UK venture capital investors.
- Streamlining disclosures under Article 13 of the RVECA regulations and aligning these with AIFMD Article 23 requirements to reduce duplication and regulatory friction for managers marketing in both the UK and the EU.

To date, take up of the RVECA regime has been extremely limited. This reflects not only its rigidity and misalignment with UK market practice, but also the fact that, unlike the EUVECA regime on which it was based, RVECA does not confer a pan EU marketing passport. Without a meaningful commercial advantage or additional flexibility over the sub-threshold AIFM model, it is unsurprising that most UK firms have chosen not to use it.

We therefore strongly support the government's commitment to revisit the regime. With targeted, practical reforms, including enhanced flexibility, reduced compliance burdens, and clear transitional arrangements, the RVECA framework could be repositioned as a flexible and proportionate option for UK venture capital firms, and could offer a more compelling alternative within the future AIFM regulatory framework. An improved RVECA regime could attract new funds and firms, increasing the deployment of capital into early-stage UK businesses. However, the most critical concern at this stage remains the FCA's proposed lower threshold and tiering structure, which, if not properly calibrated, risks undermining the UK's attractiveness to private capital firms of all sizes.

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

The most effective way for the government (and the FCA) to approach the regulation of venture capital firms in future is to ensure that the broader regulatory framework for UK AIFMs remains proportionate, supportive of growth-focused investment strategies, and internationally competitive. As we noted in our response to the FCA's CfI and in our response to Question 3, feedback from our members indicates that the current sub-threshold AIFM regime is, in general, working well for firms operating in this part of the market. It provides a sensible level of oversight while allowing firms to focus on investing in early-stage, innovative businesses.

The principal concern is not with the regime itself, but with the sharp and often disproportionate increase in regulatory burden that occurs when a firm crosses the full-scope threshold. This cliff edge effect creates a significant disincentive to growth. The transition into the full-scope AIFM regime often requires costly operational and structural changes that are not commensurate with the incremental increase in risk or scale.

To better support UK venture capital firms, we strongly recommend raising the lower threshold proposed by the FCA to £1bn NAV. This would allow more firms to remain within the sub-threshold regime as they scale, avoiding premature regulatory escalation while continuing to uphold appropriate standards. Raising the threshold in this way would extend the benefits of proportionality to a wider set of firms investing in the UK's economy and would ensure that regulation does not act as a barrier to the very growth the government seeks to encourage.

In parallel, it is important that the government and the FCA carefully consider the interaction between the sub-threshold regime and any proposals for an improved RVECA framework. While RVECA has the potential to offer a tailored and proportionate regime for new funds, its current structure does not provide a clear commercial advantage over the sub-threshold model and has seen limited adoption. If the FCA's lower threshold proposals push some firms out of the sub-threshold regime, and RVECA becomes the only viable option for proportionate regulation, there is a risk that firms with existing funds would face significant administrative costs and operational burdens in re registering under RVECA. This could undermine the UK's competitiveness, particularly given that EU jurisdictions continue to offer sub-threshold registration regimes and EUVECA frameworks that also provide an EU marketing passport.

We therefore urge the government to avoid layering additional complexity onto the regulatory framework. Instead, it should focus on improving flexibility and proportionality, ensuring that firms can grow within a regime that is efficient, risk calibrated, and internationally competitive. Getting the calibration of thresholds and the structure of the sub-threshold regime right is more critical at this stage than creating additional regulatory options and complexity.

We continue to support the government's intention to revisit and reform the RVECA regime. However, any changes should be focused on enhancing flexibility, reducing unnecessary capital and compliance burdens, and aligning the framework with the investment practices and investor base of UK venture capital firms (see our response to Question 3).

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

As noted in our response to Question 2, we understand the government's interest in simplifying the regulatory perimeter by phasing out the Small Registered Regime. However, we urge caution in extending authorisation requirements to firms that have historically operated outside the perimeter. Any move to bring these firms into the authorisation regime must be carefully calibrated to avoid imposing disproportionate costs and operational burdens that could discourage investment activity and innovation.

It is also essential to consider the competitive implications of this proposal. Without adequate transitional arrangements, there is a risk that some firms may relocate or choose not to launch new vehicles in the UK, particularly given that competitor jurisdictions often offer lighter touch registration regimes that are more supportive of smaller or specialist funds.

We therefore strongly recommend that any extension of the perimeter be accompanied by a clear transition period, proportionate requirements tailored to the scale and risk profile of the affected firms, and comprehensive guidance to ensure a smooth transition. This approach would help preserve investor confidence, maintain the UK's attractiveness as a fund domicile, and avoid unintended disruption to the broader investment ecosystem.

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

Requiring these firms to seek FCA authorisation would mark a significant change and could introduce substantial operational and cost burdens. In the absence of tailored rules or transitional support, some firms may reconsider their presence in the UK market or choose to restructure their operations.

There is a clear risk that new fund launches by firms that would have previously used the Small Registered Regime may be redirected to EU jurisdictions that continue to offer lighter touch sub-threshold regimes. This could undermine the UK's position as a competitive and attractive jurisdiction for fund managers and investors, and reduce the flow of private capital into UK businesses—particularly at the early-stages of growth and innovation.

To mitigate these impacts, any move to bring these firms into the authorisation regime should be accompanied by a clear transition period, comprehensive guidance, and a proportionate regulatory framework tailored to the risk profile of the affected firms. It is particularly important that the FCA delivers a proportionate regulatory regime for smaller firms (i.e. those managing less than £1bn NAV) that is no more onerous than the current sub-threshold regime that will continue to be available in the EU. A well-designed grandfathering approach for existing firms would also help reduce disruption, preserve continuity for investors, and ensure that the UK remains an attractive destination for private capital investment.

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

We support the continued inclusion of LCICs within the scope of AIFM Regulation, provided that the regime is applied proportionately and flexibly to reflect their distinct structure and regulatory context. LCICs operate under a well-established governance and disclosure framework that includes the UK Listing Rules, the UK Corporate Governance Code, company law, and other transparency obligations. These frameworks provide a robust baseline of investor protection and market integrity, reducing the need for duplicative regulatory requirements under the AIFM framework.

We therefore welcome the government's proposal to retain LCICs in scope but stress that this must be accompanied by FCA reforms to streamline and disapply duplicative AIFM requirements, particularly those relating to risk management, investor disclosures, and liquidity. These areas are already comprehensively addressed through other regulatory obligations applicable to LCICs and their boards.

We also urge the FCA and the government to review the depositary requirement in particular, as highlighted in our response to the FCA's CfI. The requirement for depositaries adds limited value in the LCIC context given the strength of existing governance frameworks, the role of the board, and the oversight requirements already in place. It also introduces unnecessary costs for investors and complexity for LCICs. We therefore recommend that the FCA and the government consider removing the depositary.

The FCA's CfI proposals on tailoring rules for LCICs are a welcome step, and we encourage the government to support this direction to ensure the regime remains coherent, proportionate, and internationally competitive.

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

Given the strong governance, disclosure, and regulatory obligations already applying to LCICs, any application of AIFM Regulation should be proportionate and avoid duplicating existing requirements. Where AIFMD-derived rules overlap with listing and corporate frameworks, they should be streamlined or disapplied to avoid unnecessary regulatory complexity.

The risk does not lie in the inclusion of LCICs per se but rather in layering multiple frameworks that lead to inefficiencies, increased costs, and regulatory burdens without delivering additional investor protection or regulatory outcomes. Ensuring a risk-based, proportionate approach is essential to maintaining the UK's competitiveness and supporting LCICs as an important part of the UK's investment ecosystem.

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

We do not have a specific view on this question. As outlined in our response to Question 7, we support LCICs remaining in scope of AIFM Regulation, provided that the FCA's proposed reforms to streamline and tailor requirements are implemented in practice.

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

Yes. We have responded to the FCA's CfI to support the planned approach to treat LCICs and their managers differently under the new regime, and we encourage a proportionate calibration that reflects their unique hybrid structure (combining elements of both listed companies and collective investment schemes) while avoiding unnecessary duplication.

We support the FCA's proposed disapplication of certain requirements, including AIFMD-derived transparency and liquidity rules, where equivalent protections already exist through listing and reporting frameworks. These reforms would enhance proportionality and streamline compliance for LCIC managers.

We also believe further changes are warranted, particularly in relation to the depositary requirement. The value of a depositary in the LCIC context is limited, given the strong governance, disclosure, and audit standards already in place. The requirement adds unnecessary costs for investors and complexity for LCICs. We therefore recommend that the FCA consider removing the depositary requirement.

Additionally, the interaction between the AIFM regime and the corporate governance framework for LCICs creates areas of ambiguity and potential friction. As a point of principle, we have recommended to the FCA that where the LCIC board is legally responsible for a function (for example, valuation oversight), the AIFM should not be expected to duplicate or mirror those legal obligations. Doing so risks creating conflicting accountabilities and undermining the clarity of board responsibilities. To avoid this, we have suggested that the FCA clarify that, in respect of LCICs, AIFMs are not required to duplicate board-level oversight that is already governed by company law and the UK Listing Rules, particularly where the board's oversight role is explicit and legally binding. This would help to avoid regulatory duplication and reduce uncertainty in these circumstances.

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

Yes. Consolidating key definitions underpinning the regulatory perimeter into the Regulated Activities Order would provide a firmer legal foundation and improve clarity for firms and investors. However, it is important that this transition does not inadvertently alter the scope of regulation in practice, particularly for firms relying on consistent interpretation across frameworks. We support the government's intention to maintain the current perimeter in substance and welcome further consultation on the drafting to ensure clarity and consistency are preserved.

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

We agree with the proposal to maintain the National Private Placement Regime (NPPR). It plays a vital role in facilitating cross-border capital flows and ensuring the UK remains accessible to global investors and fund managers. We are not aware of any material concerns regarding its operation among our members. It is a proportionate and efficient framework for professional investor marketing, and we support its continuation.

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

Yes, we strongly support removing the 20-day prior notification requirement. It introduces unnecessary delays for UK AIFMs marketing to professional investors, without delivering a clear supervisory benefit. Professional investors are well equipped to assess fund offerings, and removing this requirement would improve time-to-market for new products and enhance the competitiveness of the UK regime, particularly relative to other jurisdictions that do not impose such delays.

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

We strongly support the removal of the notification requirements relating to the acquisition or disposal of major holdings and control of non-listed companies. These notifications provide limited, if any, value to the regulator or to investors in the context of private capital, and instead impose an unnecessary regulatory reporting burden on firms.

More broadly, the associated asset stripping rules are unnecessary in a UK legal and regulatory environment where robust protections already exist through company law, insolvency frameworks, and fiduciary duties owed by directors. Importantly, private capital firms are incentivised to enhance long-term value creation rather than extract it. Through structures such as carried interest, there is a strong alignment of interests between private capital firms and their investors. This means that fund managers succeed when their portfolio companies grow and thrive over the long term.

In practice, the current rules restrict normal commercial activity, such as share redemptions or other distributions within the first two years of investment, and create friction in the structuring of transactions into portfolio companies. These constraints impose additional costs and complexity without a clear policy benefit and are out of step with the broader aim of making the UK a competitive and efficient place for private capital investment.

Removing these requirements would support a more proportionate and streamlined regulatory environment without compromising investor protection or market integrity. We therefore encourage the government to proceed with removing these requirements as part of its commitment to delivering a modern, internationally competitive AIFM regime.

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

We support reviewing the current liability framework for external valuers. The existing rules have a negative impact on the availability and affordability of external valuation services, particularly for certain asset classes such as real estate. Removing the statutory liability of the valuer, while retaining contractual accountability to the AIFM, is a sensible way to facilitate greater participation in the market and reduce friction for both fund managers and investors.

Under such an approach, the AIFM would retain ultimate responsibility to the fund and its investors, ensuring that appropriate oversight and accountability remain in place. We do not believe additional safeguards are needed beyond robust contractual terms and due diligence by AIFMs.

If you have any questions or there are points it would be helpful to discuss further, please contact Nick Chipperfield (nchipperfield@bvca.co.uk) and Tom Taylor (ttaylor@bvca.co.uk).

Yours faithfully,

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Chair, BVCA Regulatory Committee

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