

Regulation Directorate
Room 1.91
Department for Business and Trade
Old Admiralty Building
Admiralty Place
London
SW1A 2DY

By email: businessquestionnaire@businessandtrade.gov.uk

16 December 2025

Dear Regulation Directorate

RE: Unlocking business: reform driven by you

With a membership of 600 firms, the BVCA represents UK-based private capital, as well as the wider ecosystem of professional advisers and investors. Private capital consists of private equity and venture capital which makes long-term investments to grow British businesses and build a better economy. Private credit and venture debt also provide active and engaged debt finance to businesses.

The private capital industry backs 13,000 UK businesses, nine in 10 of which are small or medium-sized enterprises. Businesses backed by the industry employ 2.5 million people across the UK and contribute 7% to GDP. 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. These investments are long term, with an average investment period of six years, in contrast to less than a year in public markets. UK-based private capital specialists have raised £190bn of funds, known as dry powder, expected to be invested over the next three to five years.

We welcome the opportunity to respond to this Call for Evidence. The Government has set a clear ambition to reduce unnecessary regulatory burdens and to create an environment that supports growth, productivity and competitiveness. Achieving this requires regulators and frameworks that are proportionate, predictable and efficient. Regulation plays a vital role in protecting consumers, maintaining market integrity and supporting confidence. However, where rules or processes become unnecessarily complex or create delays that do not improve outcomes, they can slow the deployment of capital and reduce the UK's attractiveness as a place to locate a private capital firm and invest.

Through this submission the BVCA seeks to highlight practical reforms that would help ensure that regulation continues to meet its core objectives while better supporting business investment and innovation. Our comments reflect the experiences of our members. The BVCA remains committed to working constructively with Government and regulators to help build a regulatory environment that supports growth, maintains the UK's competitiveness and strengthens the UK's position as a global centre for private capital.

We have only responded to the questions on which we have specific views.

Section One: Identifying Regulatory Burdens to Business Growth and Innovation

Question 1:

(a) Are regulations in your sector imposing unreasonable costs on your business' current activities?

Y.

(b) Are there regulations which are limiting your ability to grow your business further and/or innovate for the future?

Y.

(c) Do you think regulations in your sector are creating more unnecessary problems (costs or restrictions) for certain types of businesses or business activities than others? For example, do they affect small businesses differently from larger ones, or impact certain business models more heavily than others?

Y.

(d) If you answered "yes" to any of the above questions, please give specific examples with evidence below, if possible naming individual regulations, or regulated activities.

The private capital industry's ability to raise and invest capital depends on a regulatory environment that is timely, predictable and proportionate. Across the regimes outlined below, there are key areas where regulation imposes unreasonable costs and creates unnecessary applications, notifications, reporting, administration and process, generating burdens that impede investment into UK businesses. These requirements slow deployment of capital, increase friction in transactions, and reduce the UK's competitiveness as a place to locate private capital firms and invest to grow and scale companies. Taken together, these issues frustrate, limit and deter investment, constrain growth and reduce the effectiveness of the regulatory system in supporting the Government's economic objectives.

Authorisations and approvals that delay investment

- FCA authorisation processes under Part 4A FSMA: the FCA's authorisation framework is a significant source of delay and uncertainty for private capital firms. Firms seeking permissions to advise on investments, manage AIFs or arrange transactions experience long approval timelines. These delays affect time-critical fundraising windows, the structuring of co-investment vehicles, and responses to evolving market opportunities.

The Government's July 2025 [proposals](#) to introduce more ambitious statutory deadlines for authorisations are welcome and strongly supported by the BVCA. However, achieving such deadlines will require the FCA to make substantial operational and structural improvements, including:

- increasing staffing levels and ensuring adequate caseworker capacity
 - appointing more sector-specialist case officers with an understanding of common fund structures and investment strategies,
 - modernising internal systems so that data already held by the FCA can be pre-populated in forms
 - automating routine, low-risk processes through deemed-consent and streamlined decision pathways
- FCA notifications for Alternative Investment Funds (AIFs): We support the Government's April 2025 [proposals](#) to abolish the requirement for UK Alternative Investment Fund Managers to wait 20 working days prior to marketing new AIFs. The ability to bring products to market quickly is an important factor when private capital firms and investors are choosing between jurisdictions and the current UK system creates a disincentive to raise and deploy capital from the UK. We also support the proposal to remove the requirement for firms to submit filings to the FCA in relation to the acquisition of non-listed companies. We understand that this information is not in practice used by the FCA. We therefore recommend that the FCA issue immediate regulatory forbearance in respect of these obligations, so as to deliver early and tangible reduction in burden and costs for firms and to facilitate a reallocation of resource at the regulator.

- Senior Managers and Certification Regime (SMCR): while the ongoing HM Treasury and FCA review of SMCR is welcome, the regime still creates significant friction and uncertainty for private capital firms. Approval processes for Senior Management Function (SMF) roles continue to require extensive supporting documentation, such as skills-gap analyses and detailed organisational charts, even for experienced candidates or standardised roles. These requirements impose costs without clear evidence of proportional regulatory benefit.

Approval timelines also remain inconsistent and can vary by several weeks between applications. This unpredictability complicates succession planning and can hinder firms' ability to recruit senior executives quickly in competitive global labour markets. The UK's system contrasts with major international jurisdictions, including the United States, where senior executives can assume responsibilities without prior regulatory approval, resulting in materially faster appointments.

In addition, the current requirement that absences must be "reasonably unforeseen" for the 12-week rule to apply is artificial and creates avoidable compliance risk. Granting firms broader discretion to use the 12-week rule for any temporary absence would provide greater operational flexibility. Please see our [response](#) to the FCA's review of SMCR for more information.

- Change in control notifications under Part 12 FSMA: private capital firms frequently acquire businesses that hold low-risk regulatory permissions as ancillary activities, including consumer credit licences, insurance intermediation permissions or similar authorisations. Under section 178 FSMA, any acquisition of control in such entities requires prior FCA approval. Proceeding without formal approval is a criminal offence.

While appropriate in higher-risk transactions, the current process applies uniformly regardless of the size and risk profile of the target business. BVCA members report that approvals commonly take more than six weeks, even where the target presents minimal prudential or conduct risk and where the acquiring firm is already a known and supervised entity.

These delays create unnecessary friction in transactions, complicate deal timetables and can deter investment in sectors where low-risk regulatory permissions are common. A more proportionate, risk-based approach is needed, potentially including accelerated review pathways, exemptions for lower-risk regulated activities and clearer guidance on expected timelines.

Regulatory frameworks that are disproportionate for private capital

- Investment Firms Prudential Regime (IFPR): IFPR has introduced significant complexity and cost for private capital firms classified as MiFIDPRU investment firms. These firms do not hold client money or assets, operate closed-ended fund structures with no liquidity risk, and pose negligible systemic risk. Despite this, they are subject to requirements that are more suited to trading or market-intermediating institutions.

Key issues include:

- Disproportionate remuneration rules: BVCA surveys show annual compliance costs of £30,000 to more than £100,000 per firm due solely to IFPR remuneration requirements.
- Duplication with AIFMD: Some firms face overlapping capital regimes under IFPR and AIFMD, creating inefficiency with no corresponding regulatory benefit.
- Scope creep: In scope firms must apply MiFID requirements to their entire operation, even where only a small part of their activity is MiFID-regulated.
- Competitive disadvantage: Key competitor jurisdictions such as Luxembourg, Guernsey and the US do not impose equivalent prudential or remuneration obligations on comparable firms.

To ensure competitiveness, the BVCA recommends targeted reforms including:

- review of IFPR remuneration rules for non-SNI firms
- elimination of duplication with AIFMD capital requirements
- restricting MiFID requirements to relevant business lines
- introducing a cap on IFPR capital requirements
- simplifying or exempting ICARA requirements for SNI firms

Please see our [letter](#) to the FCA on IFPR for more information on our recommendations.

Regulatory reporting

- Annex IV: reporting under UK AIFMD is burdensome and insufficiently adapted to private capital. The AIF002 form is highly manual, requires entry of numerous standing qualitative items that do not change between reporting periods, and offers no roll-forward functionality. Firms must therefore repeat information unnecessarily, increasing time and cost.

The granularity required often exceeds what is relevant or material for private capital funds. While we note the FCA's stated intention to review reporting requirements in the near future, any redesigned regime must be proportionate, stripping out any requests deemed non-essential, avoid duplication and include digital tools that simplify recurring submissions.

Regimes that create uncertainty or deter investment

- National Security and Investment Act (NSIA): The NSI regime remains broader in scope than equivalent systems in other major jurisdictions. Its definitions, particularly relating to sensitive sectors, leave substantial uncertainty for investors, especially in early-stage venture investments. The volume of transactions caught by the regime is significantly higher than those requiring screening in the United States or key European markets

This creates operational and cost burdens, slows deal execution, and risks deterring investment in critical growth sectors, including defence technology, AI, semiconductors and life sciences. The challenge is particularly acute for venture capital investors who make frequent, smaller-scale investments that are often captured unnecessarily.

We encourage the Government to streamline the notification process, provide clearer definitions and reduce the volume of transactions requiring review, ensuring the regime remains effective while supporting investment in strategic sectors.

- UK Sustainability Reporting Standards (SRS): The introduction of UK SRS S1 and S2 will require private capital firms to adjust reporting systems, processes and governance to meet new sustainability disclosure obligations. Challenges include:
 - difficulties obtaining granular sustainability data from portfolio companies, particularly SMEs
 - the broader scope of S1 beyond climate-related issues, requiring firms to assess new categories of sustainability risks and opportunities
 - increased cost and complexity during initial implementation phases
 - disproportionate burden on smaller firms that do not have dedicated in-house sustainability expertise.

Competition regulation and market interventions affecting investment and innovation

- CMA 4Ps and merger remedies framework: we support the CMA's commitment to its "4Ps" framework (pace, predictability, proportionality and process) and welcome improvements in the updated merger remedies guidance, including greater flexibility, outcome-focused assessments and early engagement.

However, further progress is needed. In particular:

- behavioural remedies continue to be viewed as less favourable than structural remedies, despite being effective and proportionate in many circumstances
 - the CMA's approach to divestiture remedies may be overly rigid, even where a carve-out could provide a viable, proportionate solution
 - the wider economic benefits of private capital, such as scaling, professionalisation and productivity improvements, are not always considered in merger assessments
- CMA market studies and investigations: In recent years there has been a notable increase in the number of market studies and investigations, including in social care, energy and food. While these tools have value, their initiation can generate significant uncertainty and may create the perception of systemic market failure. This can deter investment and undermine long-term planning.

Compliance with investigations requires extensive data provision, senior management time and financial resources. For many firms, this represents a material diversion from normal business activity. The CMA should therefore exercise careful judgement when considering new investigations and ensure processes are as streamlined and targeted as possible.

Question 2: How can we cut down on the paperwork and administrative burdens created by regulation and regulators, and with positive effects? You should name specific regulations, regulators, and/or regulatory activities wherever possible.

Much of the administrative burden on private capital firms arises from duplicative and fragmented regulatory processes. Firms are frequently required to provide information that the regulators already hold, or to complete multiple reporting and notification exercises across different systems with inconsistent formats and guidance. Regulatory processes often capture routine or low-risk changes that generate significant workload without improving regulatory outcomes. A more proportionate, outcomes-focused approach would substantially reduce unnecessary administration while maintaining high standards of supervision.

A clear example is the breadth and repetition of FCA reporting and change-notification requirements. Annex IV (AIF002) reporting is heavily manual, requires the resubmission of qualitative information that rarely changes, and lacks basic roll-forward functionality. Similarly, IFPR and SMCR-related notifications often require firms to re-submit data already on file with the FCA, and change in control notifications continue to capture a wide range of benign transactions. These issues could be addressed by enabling regulators to re-use data already provided by firms, modernising digital systems so that forms are pre-populated where possible, and applying clearer materiality thresholds so that firms are not required to notify low-risk or administrative updates. Greater use of automation or deemed consent mechanisms for routine filings would also reduce friction while allowing regulatory attention to be focused on higher-risk areas.

The administrative burden created by the NSIA is driven by similar factors. The regime's broad definitions, expansive scope and limited clarity around how national security risk is assessed lead to a high volume of notifications for transactions that pose no plausible concern, particularly in early-stage venture investment. Narrower, more focused sector definitions and clearer guidance from the Investment Security Unit (including practical examples) would reduce unnecessary filings and increase predictability. Streamlining the process for minority and follow-on investments would further reduce burden without diminishing the regime's effectiveness. Comparable systems in the United States and major EU jurisdictions are less expansive and more clearly defined, and without reform the UK risks deterring investment into precisely the sectors it aims to support.

Implementation of the UK Sustainability Reporting Standards (S1 and S2) will also require careful calibration to avoid disproportionate administrative cost. Many private capital firms face challenges in obtaining reliable

sustainability data from portfolio companies, particularly SMEs, and the market currently lacks sufficient specialist advisors to support widespread adoption. A phased and proportionate introduction of the standards, supported by clear, practical guidance and timelines aligned to data availability, would help ensure that reporting obligations are achievable and cost effective. Without such measures, firms may face substantial resource demands during the initial implementation phase, diverting attention from investment activity.

Reducing these administrative burdens would yield clear positive effects. Streamlined regulation would free firms to devote more resources to investment, portfolio company development and supporting high-growth, innovative businesses across the UK. More predictable and coordinated regulatory processes would reduce compliance friction, improve the efficiency of capital allocation and strengthen the UK's position as a competitive and attractive jurisdiction for private capital firms, fund formation and investment activity. Targeted reforms that eliminate avoidable procedural requirements while preserving strong investor protection would materially improve the functioning of UK capital markets and support the Government's objectives for economic growth and innovation.

Section Two: Direct Costs of Regulation on Business

Question 3:

(a) What information or reporting does your business have to provide to regulators that creates unnecessary burdens? Please be as specific as possible.

Private capital firms are subject to a wide range of reporting and information-submission requirements that create unnecessary administrative burden, often because they duplicate information already held by regulators, require manual processes that add limited supervisory value, or apply uniformly without regard to risk. The key areas are summarised below, with further detail provided in our response to Section One.

FCA reporting obligations, including Annex IV / AIF002 submissions under the AIFMD framework, remain heavily manual and require firms to re-enter data that changes infrequently. The lack of roll-forward capability or pre-population of standing information significantly increases the time required to complete each return. IFPR reporting, including the ICARA, similarly imposes requirements that are disproportionate for private capital firms that pose minimal prudential or systemic risk.

SMCR and authorisation-related information requests often require firms to provide extensive documentation and repeat information already held by the FCA. Skills-gap analyses, detailed organisational charts and multiple competency documents must be resubmitted for each application, even when no substantive change has occurred. This creates administrative effort without a clear link to improved regulatory outcomes.

Change in control notifications under Part 12 FSMA require firms to submit detailed information even where the target entity holds only low-risk regulatory permissions. These notifications often duplicate information provided in other regulatory filings and apply equally to high- and low-risk cases, resulting in disproportionate effort for minimal supervisory benefit.

Under the National Security and Investment Act, investors must provide extensive information for notifications involving routine or low-risk transactions due to broad sector definitions and limited clarity around the regime's scope. As a result, firms submit filings that require significant preparation work but are ultimately cleared without further review.

Finally, emerging UK sustainability reporting requirements (UK SRS S1 and S2) will require firms to gather and report substantial new datasets from portfolio companies, many of which do not yet produce sustainability information in a standardised or accessible format. The administrative burden is likely to be significant during initial implementation phases.

(c) What changes would you make to reduce these burdens?

A detailed explanation of the burdens described above, including examples and recommended reforms, is set out in our response to Section One.

Question 6:

(a) Do you believe the regulators you deal with adequately support economic growth in your sector?

N.

(b) If not, please provide your evidence of how this could be improved if they had a stronger legal duty to promote economic growth alongside their main objectives.

We recognise that regulators have made progress in embedding the secondary growth and international competitiveness objective, and we welcome the positive steps taken by the FCA and CMA to improve proportionality, predictability and engagement. These developments are valuable, but there remains further scope to ensure the growth objective is applied consistently in practice.

As set out in Section One, firms still encounter areas where regulatory processes can slow the deployment of capital and add friction to investment activity. A more streamlined and outcomes-focused approach would help regulators support growth while maintaining high standards.

We also welcome the recent report by the House of Lords Financial Services Regulation Committee on the FCA's secondary growth and competitiveness objective, to which the BVCA provided written and oral evidence. The report's findings on the need for greater clarity, proportionality and cultural alignment closely reflect the experiences of our members.

In our view, further progress can be achieved by:

- embedding a more outward-looking and competitive regulatory mindset, informed by international comparators;
- improving operational efficiency and predictability, particularly around authorisations and routine approvals; and
- strengthening coordination between regulators and policymakers to avoid duplication and ensure the cumulative impact of regulation supports investment.

In addition to the specific issues raised in response to this questionnaire, we would encourage the Government to consider whether there is further scope to embed the FCA and PRA's secondary objective on growth and competitiveness more widely and firmly across the regulatory system. A regular, structured exercise of this kind plays an important role in maintaining focus on reducing regulatory burdens where they are unnecessary or disproportionate, and in reinforcing a culture of proportionality and growth awareness. We therefore welcome this Call for Evidence and would support continued engagement by DBT, HM Treasury and regulators to sustain momentum on this agenda and ensure that growth considerations remain central to regulatory policy and practice.

Section Three: Indirect Costs of Regulation on Business

Question 12: How do you think regulators could make decisions faster and reduce delays? Please suggest specific improvements that would help speed up regulatory processes.

Regulators could make decisions faster and reduce delays by streamlining processes, improving digital systems and applying more proportionate, risk-based approaches. As outlined in earlier answers, delays often arise from duplicative information requests, inconsistent timelines and processes that do not distinguish between high- and low-risk cases.

In particular, FCA authorisations, SMCR approvals and change in control assessments would benefit from clearer materiality thresholds, better use of existing data, pre-populated digital forms and more differentiated pathways for straightforward or low-risk applications. These improvements would reduce avoidable back-and-forth and allow regulators to focus resources on cases that genuinely require detailed scrutiny.

Question 13:

(a) Can you provide examples of where regulators use outdated or unnecessarily complex processes (including where two regulators' processes may overlap)?

Y.

(b) If yes, please provide evidenced examples.

As described in Section One, Annex IV / AIF002 reporting remains highly manual; IFPR requirements for adviser–arranger firms are disproportionate relative to risk; and elements of the NSI regime require detailed submissions for low-risk transactions due to broad sector definitions. In addition, where the responsibilities of different regulators intersect, such as between the FCA and CMA or in certain prudential and reporting regimes, firms often face overlapping or inconsistent requirements.

These examples, already set out in detail in our earlier responses, illustrate how modernisation, clearer guidance and better coordination between regulators would materially reduce administrative burden and support faster, more predictable decision-making.

Question 15: What changes should regulators make to their internal procedures, for example by digitalisation or simplified reporting, to reduce administrative costs on your business?

Regulators could reduce administrative costs by modernising internal processes and applying more proportionate, streamlined approaches to routine regulatory interactions. As outlined in earlier responses, many burdens arise from repetitive information requests, manual reporting systems and processes that do not reflect the low-risk nature of many private capital activities.

Digitalising reporting systems that can pre-populate previously submitted information and avoid manual re-entry would materially reduce time spent on recurring obligations such as Annex IV / AIF002 submissions and IFPR reporting. Clearer materiality thresholds and more flexible pathways for low-risk notifications including change in control approvals and certain SMCR updates, would also minimise unnecessary documentation and reduce back-and-forth with authorisation teams and supervisors.

Regulators could also improve decision-making speed and consistency by adopting standardised templates, clearer guidance on expectations for common application types and more effective use of risk-based triage. Internal coordination across supervisory teams, as well as closer alignment between regulators where responsibilities overlap, would help to avoid duplicative requirements and inconsistent instructions to firms.

These changes, many of which are reflected in our answers to Section One, would free regulatory and industry resources, support more timely capital deployment and contribute to a more efficient and competitive regulatory environment.

Section Five: Closing Questions about Respondents

Question 22: This business questionnaire is targeted primarily at businesses, however we appreciate that other stakeholders may also wish to respond. Therefore please select the most appropriate option that represents you, and respond according to your primary responsibilities.

- ***Regulated entity (i.e. business)***

- **Consumer**
- **Regulator**
- **Academic or think tank**
- **Other**

If you selected other, please specify here:

Trade Association. The BVCA is the industry body and public policy advocate for the UK private capital industry.

Question 23: If you are a business, which regulators do you engage with most frequently?

Not applicable, we are a trade association. However, our members regularly engage with the FCA, CMA, , HM Treasury, HMRC, Companies House, and other regulatory bodies as relevant to private capital activity.

Question 25: Please name the sectors you operate in using SIC classifications.

Our members invest in businesses across all parts of the UK economy.

Question 27: Name of organisation and email address (optional).

British Private Equity & Venture Capital Association (BVCA)

Question 28: Are you happy for your response to be published in full?

Y.

We look forward to continuing to work collaboratively with the Government and regulators as the growth and competitiveness objective becomes more fully embedded in rulemaking, supervision and operational functions.

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,



Sarah Adams

Co-Director of Policy, BVCA