INREV's comments on The Alternative Investment Fund Managers Regulations 2026 Draft Statutory Instrument

19 October 2026

Response

INREV[1] welcomes that the Government, as part of the Financial Services Growth and Competitiveness Strategy, wish to build on the success of the asset management and wholesale services and as part of that reinforce the UK's status as a world leader for managing private markets assets.

We have reviewed the Policy Notes and draft statutory instrument ('instrument') published by HM Treasury regarding the proposed new UK AIFM Regime. Alongside this we have considered and will be responding to the FCA's consultations on the UK AIFM Regime (CP26/28) and the Fund Reporting for Asset Management Entities (CP26/26). In our response below we provide our feedback on the policy intent set out in the Policy Note and have suggested a change to the AIF definition and also, requested a change to the RIF Tax Regulations.

Transfer of some rulemaking powers to the FCA

We support, under the new UK AIFM Regime, the Government not restating most of the firm facing requirements in the assimilated law relating to the management of AIFs, and the FCA creating rules, where necessary, in their place. We agree this should provide the ability for there to be more agile and tailored rulemaking. We are pleased with the aim to remove unnecessary and overly burdensome requirements and provide a proportionate regime which will address the commonly recognised issues with the existing frameworks.

Definition of an AIF

We understand that the changes to the definition of an AIF are to make it clearer when a firm is managing a fund that is an AIF and therefore must be authorised as an AIFM. However, we believe there are significant practical challenges and risks that will need to be carefully managed if changes to the AIF definition result in the reclassification of certain non-AIF CISs.

First, there remains considerable uncertainty as to which specific categories of arrangements the FCA and HM Treasury consider would be newly brought within the scope of the AIF definition. While the proposed changes appear intended to clarify existing concepts, such as "raising capital" and "defined

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[1] INREV is the European Association for Investors in Non-Listed Real Estate Vehicles. We provide guidance, research and information related to the development and harmonisation of professional standards, reporting guidelines and corporate governance within the non-listed property funds industry across Europe.

INREV currently has over 530 members. Our member base includes institutional investors from around the globe including pension funds, insurance companies and sovereign wealth funds that provide critical income security for more than 172 million people, as well as investment banks, investment managers, fund-of-funds managers and advisors representing all facets of investing in non-listed real estate vehicles in Europe. Our investment manager members manage more than 500 non-listed real estate investment funds, as well as joint ventures, club deals and separate accounts for institutional investors.

investment policy", it is not currently clear which structures are expected to be affected in practice. Greater clarity from the FCA would help firms assess the implications of the reforms and determine whether changes to permissions, governance arrangements or operating models will be required.

Secondly, the boundary between AIFs, non-AIF CISs and arrangements that are neither AIFs nor CISs is complex and has developed over many years through legislation, FCA guidance and case law. Many legitimate commercial structures rely on the current interpretation of these boundaries, including co-investment vehicles, carried interest vehicles, funds-of-one, joint venture arrangements and other real estate investment structures. Any changes that create fresh uncertainty around these distinctions may result in significant legal analysis costs for firms and could discourage the use of UK structures in favour of jurisdictions where the regulatory treatment is perceived to be more certain.

We are also concerned about the potential knock-on effects on related legislation, particularly tax legislation, where the concepts of AIFs and CISs are frequently incorporated directly or by reference. Even where regulatory changes are intended to be clarificatory, firms may be required to revisit the tax analysis of existing structures, creating additional cost and uncertainty. We therefore encourage continued coordination between the FCA, HM Treasury and HMRC to ensure that any regulatory changes do not produce unintended tax consequences.

We encourage HM Treasury and the FCA to proceed cautiously with any changes to the AIF definition. The FCA should, provide greater clarity on the arrangements expected to be affected, and ensure that any transitional arrangements are sufficient to allow firms to adapt in an orderly and proportionate manner.

AIF Opt-in

Our members would like more flexibility by there being the ability to opt-in to the AIF given that the definition of an AIF is open to interpretation. For example, where AIFMs wish to have the ability to provide a managed account service, via a Long Term Asset Fund (LTAF) or Reserved Investor Fund (RIF) for individual DC pension schemes. It may also be beneficial for excluded entities or residual CIS to be able to opt-up to become a residual CIS or AIF with the agreement of all participants. We would like to discuss with HM Treasury and FCA how the AIF definition could be adapted to enable ‘opt-in’.

Depositary requirements for the Reserve Investor Fund (RIF)

As we have mentioned to the FCA in our response to their discussion chapter on Depositaries, smaller AIFM, operating a RIF, face disproportionate depositary requirements compared with an AIFM operating another type of unauthorised AIF. We believe that the policy intention was never intended to create a difference between the RIF and other unauthorised AIFs. The RIF Tax Regulations were (understandably at the time) drafted under an assumption that a depository was part of the structure. If this remains unchanged this would go against the stated policy intention in FCA CP 26/28 paragraph 13.16 to ensure a proportionate regime for small UK AIFMs. We urge HM Treasury and the FCA to liaise on resolving this. There could be a simple solution by inserting the word "any" in the following wording within Regulation 6 of the RIF Tax Regulations 2025:

> "the operator and *any* depositary of the scheme are bodies corporate incorporated in the United Kingdom… and administer the scheme from the United Kingdom".

This would also enable small AIFMs to appoint a RIF depositary, if they so choose, in line with FCA CP26/28 paragraph 13.17.

Registration Regime

We agree with the proposal to remove AIFM registration regime for all AIFMs except those managing Registered Venture Capital Funds (RVECA) and Social Enterprise Funds (SEF).

Size thresholds

The removal of size thresholds from legislation and enabling the FCA to determine AIFM size thresholds within their own rules is sensible. This enables the FCA to set the thresholds at the appropriate levels for their rules and gives them the ability to adjust them, when required over time.

Market Access and Reporting

We agree that only minimum changes were required to the national private placement regime (NPPR) when transposing them to the new instrument.

The streamlined requirement for authorised UK AIFMs to notify the FCA rather than request permission when marketing a UK AIF, is a sensible approach.

We are particularly supportive of the movement of regulatory reporting requirements from legislation to FCA rules. We have been engaging with the FCA on their proposals for a fund reporting by asset managers. We will be responding to the FCA consultation on the Fund Reporting for Asset Management Entities (CP26/26)

Delegation

We are in support of the removal of the requirement for AIFMs to seek FCA approval for the delegation of the risk or portfolio management function. We agree with the instrument maintaining the requirement that AIFMs remain liable to the AIF and its investors when functions have been delegated. We agree with the removal of the majority of the remaining requirements from legislation and enabling the FCA, to replace these with appropriate rules. We will be providing the FCA with our feedback on their approach to delegation in our response to CP26/28.

Depositaries

We agree with reinstating in the new instrument the existing regulations around depositary liability, and maintaining the requirement that a UK AIFM marketing a non-UK AIF in the UK must appoint one or more entities to carry out the depositary functions.

We responded to the FCA's discussion chapter in CP26/28 on depositaries. Most of our feedback relates to FCA rules regarding depositaries. As we mentioned above, one of the concerns we raised is regarding the requirement for the Reserved Investor Fund (RIF), under current legislation, to have a depositary irrespective of the AUM size of the AIFM managing the RIF. We encourage HM Treasury and the FCA, via legislation, to align the depositary requirements for the RIF with other unauthorised AIFs.

External Valuers

We are delighted the unlimited liability for external valuers has not been transposed to the new instrument. We have campaigned for this for many years as it is important that AIFMs, of AIFs investing in real estate, are able to obtain independent valuations from valuers with the appropriate experience in valuing real estate. This gives investors in the fund comfort with the value of the fund itself.

We totally understand that, in the case of most of the legislative and regulatory changes for UK AIFM Regime, it would be wise to have a reasonable transition period. However, for we would encourage HM Treasury and the FCA to enable AIFM to appoint external valuers without the requirement for unlimited liability as soon as possible.

Ongoing engagement

There has been ongoing engagement between INREV and the FCA regarding their consultations on the UK AIFM Regime (CP26/28) and the Fund Reporting for Asset Management Entities (CP26/26). INREV is always willing to meet with HM Treasury, with or without the FCA, to discuss our response above and legislative changes more widely that relate to real estate investments.

To discuss these matters further, please contact Jeff Rupp, jeff.rupp@inrev.org or Ewelina Boraczewska, ewelina.boraczewska@inrev.org