WORLD FEDERATION OF EXCHANGES

WFE Response: HM Treasury Consultation on Regulations for Alternative Investment Fund Managers

9 June 2025

Background

Established in 1961, the WFE is the global industry association for exchanges and clearing houses. Headquartered in London, it represents over 250 market infrastructure providers, including standalone CCPs that are not part of exchange groups. Of our members, 37% are in Asia-Pacific, 43% in EMEA and 20% in the Americas. WFE's 87 member CCPs and clearing services collectively ensure that risk takers post some $1.1 trillion (equivalent) of resources to back their positions, in the form of initial margin and default fund requirements. WFE exchanges, together with other exchanges feeding into our database, are home to over 49,054 listed companies, and the market capitalisation of these entities is $116.58 trillion; around $155 trillion (EOB) in trading annually passes through WFE members (at end 2024).

The WFE is the definitive source for exchange-traded statistics and publishes over 350 market data indicators. Its free statistics database stretches back more than 40 years and provides information and insight into developments on global exchanges. The WFE works with standard-setters, policy makers, regulators and government organisations around the world to support and promote the development of fair, transparent, stable and efficient markets. The WFE shares regulatory authorities' goals of ensuring the safety and soundness of the global financial system.

With extensive experience of developing and enforcing high standards of conduct, the WFE and its members support an orderly, secure, fair and transparent environment for investors; for companies that raise capital; and for all who deal with financial risk. We seek outcomes that maximise the common good, consumer confidence and economic growth. And we engage with policy makers and regulators in an open, collaborative way, reflecting the central, public role that exchanges and CCPs play in a globally integrated financial system.

Website: www.world-exchanges.org

X: @TheWFE

If you have any further questions, or wish to follow-up on our contribution, the WFE remains at your disposal. Please contact:

Rona Nairn, Manager, Regulatory Affairs: rnairn@world-exchanges.org

Richard Metcalfe, Head of Regulatory Affairs: rmetcalfe@world-exchanges.org

or

Nandini Sukumar, Chief Executive Officer: nsukumar@world-exchanges.org.

WORLD FEDERATION OF EXCHANGES

General Comments

The WFE supports the Government's efforts to boost growth by simplifying regulation in order to facilitate the flow of capital from investors to growth opportunities. In considering measures to ensure that regulations are appropriate and proportionate for UK markets and asset management, the WFE urges the Government to also consider the impact that any changes could have on public markets and capital markets more broadly.

The balance and dynamics between private and public markets are changing, and this merits attention to ensure that the two can work together optimally. In recent years, private assets have grown rapidly while targeting retail investors and attempting to organise secondary trading. At the same time, the private-credit component has increased its profile, introducing new risks within the private-asset world. This unprecedented growth in private markets may have implications for public markets and for the rest of the capital-raising system, including the private markets that, in practice, rely on public ones in many ways (e.g. providing exit vehicles for investments via IPOs and providing transparent price discovery that helps inform valuations and trades).

Public markets are critical to capital markets because they offer an accessible path to long-term financial security that is grounded in transparency, diversification, and risk mitigation. Public markets also help companies – new and old, big and small – to raise capital, grow and prosper. By issuing shares to the public, public markets grant companies access to substantial pools of capital from a wide range of investors that they are able to benefit from beyond their IPO and during any future fundraising rounds. Public markets also enhance companies' visibility and credibility on the global stage. Additionally, public markets play a vital role in achieving broader societal goals by facilitating direct investment in areas of national and global importance where long-term investment is needed to support development, competitiveness and transformation, both driving innovation and public welfare.

In a crisis, public markets have shown that they are resilient and can support continuity in capital markets during periods of financial stress and uncertainty, such as the Covid pandemic. 2021 was a record-breaking year for IPO activity, with 2,766 global new listings raising $508.9 billion - an 80% increase in value compared to 2020[1]. The relative success of the public markets compared to private markets reflected the ability of public markets to ensure a stable trading environment and robust secondary market prices. Public markets are integral to the system as a whole because they are set up to contain financial stress and prevent localised issues from escalating into broader crises.

Creating and maintaining an environment that incentivises listings is a key element in making sure that public markets continue to function well and play their role in the broader ecosystem, enabling the functioning of other markets. Critical to improving the listings environment and increasing the number of IPOs is a system that identifies and nurtures companies with high-growth potential, and creates a pathway for them to move into public markets. Creating just such a pathway is the key objective of the Government's flagship Private Intermittent Securities and Capital Exchange System (PISCES) initiative.

[1] https://focus.world-exchanges.org/articles/global-ipo-trends

The WFE considers private markets to be an important pipeline to public markets, and to play a vital role in growing and scaling companies. They do, however, operate with less transparency than public markets. For capital markets to prosper, it is important that regulation creates a level playing field for both private and public markets by ensuring adequate disclosure of material information, due diligence and investor protection across the system. How best to balance regulatory burdens and design regulation that supports continued growth and resilience in capital markets is an issue that regulators globally are grappling with[2].

It is with this perspective in mind that we have responded to the consultation questions.

Specific Comments

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?

The WFE supports this proposal. To ensure effective and efficient capital markets, it is important that private companies are subject to requirements around issues including transparency, conflicts of interest, accountability of senior managers and additional consumer protections where appropriate. Pending the outcome of the FCA's consultation on specific requirements, we support this step towards evening the playing field between public and private markets by requiring AIFMs of all sizes to adhere to baseline requirements around transparency, conflicts of interest, accountability and consumer protection.

In designing the specific requirements for AIFMs, we urge the FCA to match the baseline requirements set for public markets wherever possible, thereby mitigating risks posed to retail investors and avoiding any potential disincentives to list in the UK.

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

It is important that consumers are clear about the level of protection they are afforded so that they can effectively compare investments (across private and public markets) and make informed investment decisions. We therefore support the removal of the Small Registered Regime so that AIFMs of all sizes have to seek FCA authorisation and comply with appropriate requirements around transparency and consumer protection.

In designing the specific requirements for AIFMs, we urge the FCA to match the baseline requirements set for public markets wherever possible, enabling retail investors to make informed investment decisions and avoiding any potential disincentives to list in the UK.

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

[2] For example, see: 1) the Australia Securities & Investments Commission's Discussion Paper on the dynamics between public and private markets, 2) France's Autorité des Marchés Financiers study on the performance of unlisted financial-asset funds aimed at non-professional clients, and 3) IOSCO's Emerging Risks in Private Finance Report.

While Venture Capital funds play an important role in channelling funding to high-growth UK companies, it is critical that HM Treasury considers the glidepath of these growth companies to the public markets when reviewing the SEF/RVECA regulations. As outlined in our introduction, public markets are critical to capital markets, including private markets. Any regulatory changes should ensure that private markets continue to complement public markets, without undermining them, by creating a level regulatory playing field. They should also ensure that companies remain incentivised to list so that the UK continues to benefit from the long-term and accessible growth, development and resilience that public markets afford.

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

As above.

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?

We support the proposal to require managers of unauthorised property collective investment schemes and internally managed investment companies to seek FCA authorisation. It is important that private companies are subject to requirements that are comparable to those for public markets around issues including transparency, conflicts of interest, accountability and consumer protection, particularly where investments are made available to retail investors.

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

No comment.

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

The WFE supports efforts to streamline regulations for listed companies, remove duplicative requirements, and develop requirements that are proportionate.

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

No comment.

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?

Depending on what alternative approach is considered, it may be appropriate to treat listed closed-ended investment companies differently from those that are not listed. This is because listed companies are subject to additional requirements, such as the Listing Rules, that hold them to a high standard of accountability, transparency and consumer protection, amongst other things. Were non-listed closed-ended investment companies to be included in any alternative approach, the government would need to ensure that listed closed-ended investment companies are not subjected to duplicative or disproportionate requirements.

Additionally, the government should not limit the scope of any alternative approach to closed-ended investment companies listed on the London Stock Exchange given that there are several other exchanges operating in the UK that could consider listing closed-ended investment companies.

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?

No comment.

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

No comment.

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?

No comment.

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?

No comment.

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?

Due to differences in transparency requirements between public and private companies, data availability on private markets is lacking in comparison to the data that is available and collected on public markets. For that reason, we would caution against removing notification and reporting requirements for private market participants, which would further exacerbate the lack of data availability more generally.

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

No comment.