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Report

New in RegTech:

Shifting Thresholds, Rising Standards: AIFMD II, ECB & EDGAR Next Take Centre Stage

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Revamped AIFMD emerges in UK

A new AIFMD for the UK is beginning to take shape. On April 7th, both the Treasury and the FCA sought feedback on a refurbished regime, with the Treasury's **Consultation** and the FCA's **Call for Input** asking for responsive comments by June 9th.

Back in 2023 the FCA had issued a more general **Discussion Paper**, which addressed possible changes to the regulatory environment for asset management (under the UK's AIFMD, UCITS and MiFID, onshored from the EU). Based in part on the feedback generated, its new Call for Input focuses largely on aspects of AIFMD.

Change in size-of-firm thresholds

With the Treasury's concurrent Consultation proposing to remove the statutory size threshold (that determines which firms are subject to full-scope AIFMD requirements), and leaving the matter to FCA discretion, the FCA's Call for Input duly addresses the issue. In an effort to lighten the requirements for more firms, the FCA proposes to implement the following thresholds that would delineate three different regulatory approaches (and reduce the number of firms subject to full-scope requirements):

Large firm: £5 billion NAV

> ***"The largest firms would be subject to a regime like the current rules for full-scope UK AIFMs. . . In some areas, such as disclosure and reporting to investors, we will remove some detail where prescription is not necessary to achieve the intended outcome."***

Mid-sized firm: £100 million NAV

> ***"Existing full-scope firms that become reclassified as mid-sized under the new rules would be subject to a simpler, more flexible and less onerous regime. A significant number of firms should be reclassified as mid-sized as we increase the thresholds."***

Small firm

> ***"Firms that are currently full-scope UK AIFMs, and who become reclassified as small under the new rules, would see a significant reduction in detailed and prescriptive requirements."***

As the new thresholds would no longer be legislative, but instead set by the FCA, the regulator notes:

> ***"Without legislative thresholds, firms will not need to apply for a variation of permission as they change size category. We could require firms to notify us of their size category, including any opting up. This would be a significant simplification of the requirements that apply when a firm passes a threshold."***

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Tailored treatment for different types of funds

The FCA proposes to streamline the scope of AIFMD requirements for certain types of firms, for example:

High-level requirement	Possible future application
Process for investment due diligence	Only for AIFMs with AIFs investing in illiquid assets
Set risk limits	Only for AIFMs with significant leverage or liquidity mismatch
The risks of each investment must be monitored	Only for larger AIFMs
Rules for funds that use leverage	Only for certain managers and based on size or scale of leverage

For insight on additional high-level requirements, and their contemplated future application, see Annex 1 of the FCA's **Call for Input**.

For specific types of funds, additional regulatory changes are examined. With respect to venture capital and growth funds, including RVECAs (Registered Venture Capital Funds), the Treasury leaves them out of the scope of its Consultation, but will consider changes for them "as part of a future workstream". Meanwhile the FCA considers that a separate, bespoke regulatory regime for them could be beneficial, and solicits respondents' views.

For certain other types of funds, currently, if they are smaller in size (i.e. sub-threshold) and hence part of the UK's "Small Registered Regime", managers need not seek FCA authorization. These consist of Unauthorized Property Collective Investment Schemes (AIFMs managing assets of unauthorized funds mostly holding land) and Internally Managed Companies (investment firms that are not collective investment schemes and do not appoint an external AIFM). In its Consultation, the Treasury proposes requiring that they obtain FCA authorization, in order to mitigate consumer protection risks as well as "simplify the regulatory perimeter" (while acknowledging that this would require increased up-front costs for those managers).

With respect to LCICs (Listed Closed-End Investment Companies), while the Treasury contemplates keeping them in the scope of AIFM regulation, the FCA nevertheless considers whether to treat them differently with respect to transparency, leverage and delegation requirements.

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Additional issues to be reviewed separately

The FCA plans to review additional requirements separately, such as regulatory reporting about which it states, "We want to achieve a more effective reporting regime that is proportionate in its demands on firms, and will consider how to achieve this." The additional obligations to be assessed:

- Simplifying the requirements for managers of authorised AIFs into a single set of rules
- Prudential rules for AIFMs
- Regulatory reporting under AIFMD
- Requirements for AIFMs around disclosure, distribution and marketing to retail investors
- Remuneration requirements for AIFMs
- The AIFM business restriction that applies to an external AIFM that is a full-scope UK AIFM.

Next steps

A more detailed FCA consultation on proposed rules is scheduled for H1 2026 (subject to public feedback received, as well as the Treasury's developing views on the regime). Meanwhile the Treasury states that after absorbing responses to its Consultation, it will publish a draft statutory instrument on the regulatory framework for AIFMs.

Apart from AIFMD and more generally, for a high-level view of what the FCA will focus on in the years ahead, see its recently released **annual work programme 2025/26** as well as **five-year Strategy 2025-2030**.

> ***"Taken together, the proposals across both publications would see a reduction in requirements for the majority of firms, with rules that are better targeted to their size and business models."***

- HM Treasury, "Regulations for Alternative Investment Fund Managers – Consultation"

AIFMD2 standards soon to be released -- if the schedule holds, as EU gears up for broad change

In our **December edition** we studied the EU's plans for sweeping policy and regulatory change to its investment environment, and **last month** we scanned key aspects of EU reporting regimes affecting investment managers (as well as UK and US regimes). In this edition, let's look more closely at the implementation timeline for one such regime -- among the most important for managers -- AIFMD2.

For that, we turn to one of our regtech gurus, Product Manager Anthony Slowey. Here, he outlines some of AIFMD2's key provisions, and when they are set to unfold:

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Liquidity Managed Tools (LMTs)

- **Mandatory Use of LMTs:** Open-ended AIFs must choose at least two appropriate LMT from a specified list in a new Annex to the Directive. These will include quantitative measures and anti-dilution tools. Additionally, for loan-originating AIFs, leverage limits will apply.
- **Policy and Procedure Requirements:** AIFMs must establish detailed policies for activating and deactivating LMTs, which must be communicated to the relevant National Competent Authority (NCA)
- **Draft Guidelines & Technical Standards:**
  - **Date expected:** 16th April 2025
  - **Member State adoption deadline:** 16th April 2026 (12 months)

Loan Origination

This is one of the bigger items related to AIFMD2 as it relates to introducing loan origination activities as part of the investment strategies that can be implemented by the AIFM.

- **Regulatory Restrictions:** Loan-originating AIFs face new restrictions, including leverage limits (175% for open-ended funds and 300% for closed-ended funds), concentration limits, and risk retention requirements.
- **Closed-Ended Funds:** Loan-originating AIFs must generally be closed-ended unless the AIFM can demonstrate compatibility with the fund's liquidity risk management system
- **Draft Guidelines & Technical Standards:**
  - **Date expected:** 16th October 2025 (recently delayed 6 months as per the recent letter to the Commission in March)
  - **Member State adoption deadline:** 16th October 2026 (if follows the standard 12-month adoption)

Finally, keep in mind the **Names Rule Guidance**, which outlines guidelines to specify the circumstances in which a fund name is unfair, unclear, or misleading. Originally these guidelines where due to be publish on the **16th of April 2026**, but have already been delayed **"by at least 12 months"** as per the letter to the Commission in March.

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Reporting & Transparency

- **Extended Reporting Requirements:** AIFMs must provide a more detailed view on the AIFs instruments, markets, and exposures. Also, it will include new questions related to delegation arrangements and units & shares marketed across jurisdictions.
- **Cost and Charges Governance:** Stricter rules apply to cost and charges governance, requiring clearer disclosure to investors
- **Draft Guidelines & Technical Standards:**
  - **Expected Date:** 16th April 2027
  - **Member State adoption deadline:** 16th April 2028 (if follows the standard 12-month adoption)

Finally, keep in mind the **Names Rule Guidance**, which outlines guidelines to specify the circumstances in which a fund name is unfair, unclear, or misleading. Originally these guidelines where due to be publish on the **16th of April 2026**, but have already been delayed **"by at least 12 months"** as per the letter to the Commission in March.

ECB Reporting Changes: What's New and Key Challenges

The European Central Bank (ECB) is introducing significant updates to investment fund reporting starting December 2025, impacting fund administrators across the European Union. These changes introduce more frequent reporting, and enhanced data granularity. Jurisdiction-specific implementation of the new requirements was delegated to the Union's national central banks, and some authorities are taking the opportunity to make additional wide-ranging changes to the submission formats.

Impact on Ireland and Luxembourg

In Ireland, the frequency of the MMIF report will increase from quarterly to monthly for funds that strike a net asset value (NAV) more often than quarterly. Firms will also need to transition to an XML-based reporting format, which is less conducive to manual preparation, requiring upgrades in technology and automation. Additionally, reporting will expand to include highly detailed investor information and additional data points on portfolio holdings, further complicating compliance efforts.

Meanwhile, in Luxembourg, funds that strike a NAV more than quarterly will also shift to submitting the monthly S1.3 report instead the quarterly S2.13 report, and the U1.1 report will be expanded to required more granular information about income, fees, and expenses. Additionally, non-authorized alternative investment funds (AIFs) will face expanded reporting requirements, including a new BCL form S2.20, which is similar to existing CSSF U1.1 reports for CSSF-authorized funds. All of this comes together to significantly increase the volume and complexity of reporting.

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Five Key Challenges Ahead

1. **Data Complexity –** Firms must consolidate and validate richer, more granular data while ensuring compliance.
2. **Increased Reporting Frequency –** Many funds must shift from quarterly to monthly reporting, increasing operational demands.
3. **Greater Need for Validation Tools –** Offline validation mechanisms are being removed, requiring real-time accuracy checks to prevent submission errors.
4. **New Reporting Formats –** The shift to XML reporting necessitates automation and system enhancements to handle increased data volume.

Adapting to these changes requires a strategic approach, with firms investing in automation, scalable technology, and real-time validation frameworks to enable efficiency and compliance. The ECB's new requirements present a challenge, but firms that embrace modernization will strengthen their reporting processes and mitigate operational risks.

Want to learn more and take the complexity out of operational compliance? Contact us today to explore how your firm can more easily transition to the ECB's new reporting standards.

Preparing for EDGAR Next: What Filers Need to Know

The U.S. Securities and Exchange Commission (SEC) is rolling out **EDGAR Next**, a significant update to its Electronic Data Gathering, Analysis, and Retrieval (EDGAR) system. These changes introduce new requirements for filer access and account management, with compliance mandated by **September 15, 2025**.

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What's Changing?

EDGAR Next is an SEC initiative to enhance security, streamline account management, and improve accessibility for EDGAR users. Key changes include:

- Individual Authentication via Login.gov – Historically, EDGAR was accessed using entity-level credentials, e.g. a company's CIK and passphrase. With the implementation of EDGAR Next, any person requiring access to submit filings to EDGAR will need to create their own individual Login.gov account to access the filing site or submit a filing via the EDGAR Next API.
- Mandatory Re-enrollment – All filers, including public companies, investment funds, and third-party filing agents, must enroll in EDGAR Next by the September deadline to continue making submissions to EDGAR after that time.
- Account Roles – On enrollment, filers must designate at least two Account Administrators, who will in turn grant access and permissions to other users. Additionally, if a filer intends to use the new EDGAR Next API, then at least two Technical Administrators must be assigned to manage the filer's API credentials.
- Delegated Permissions – Filers can now delegate permission to their filing agents and service providers (or any other entity with and EDGAR CIK) to make submissions on their behalf.
- EDGAR APIs – While the legacy EDGAR filer site will remain available (behind a newly introduced Login.gov login screen), SEC is making available a new set of APIs to better enable external applications to submit filings, check filing and EDGAR system statuses, and manage user access.

How to Prepare

To ensure a smooth transition, filers should:

- Decide the roles and responsibilities for managing their EDGAR accounts. Who should be the Account/Technical Administrators? How will the provision of access for other individuals be managed?
- Consider delegations; filers and their service providers should coordinate to determine the appropriate assignment of filing permissions across organizations.
- Enroll early in EDGAR Next. Enrollment is available now. All existing means of EDGAR access will remain available until September 15; enrolling in EDGAR Next now will not change a filer's submission process before September 15.

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Need More Information?

Navigating EDGAR Next efficiently requires preparation and the right technology. Contact Confluence today to learn how we are providing a painless transition to EDGAR Next for firms on our platform, and how we can help you.

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