

**Horizon Scan for Private
Investment Funds: Key Recent
Legal and Regulatory
Developments to look out for in
the coming months (February
2026)**

Horizon Scan for Private Investment Funds: Key Recent Legal and Regulatory Developments to look out for in the coming months (February 2026)

This horizon scan sets out the main legal and regulatory developments (not including tax) that European managers should look out for in the coming months. We have categorised topics under headings set out below, discussed each topic and commented on issues we think are especially noteworthy.

The UK and EU's parallel agendas of growth and competitiveness continue to be important, together with their focus on strengthening financial stability and mitigating systemic risk. These three themes from the topics covered in this horizon scan are noteworthy.

- **Operational implementation** and, with it, **increasing regulatory divergence**. There are more of the initiatives under debate that track from policies in development to rollout, execution and practical application. Although many areas of the UK and EU regimes overlap, **specific areas of divergence are coming to the fore**. For instance, the removal of the legal requirement for the UK to implement and continue to ensure compliance with the Alternative Investment Fund Managers Directive (**AIFMD**), a result of the UK leaving the EU, gives HM Treasury and the FCA the freedom to remove provisions required under the AIFMD. Importantly, neither the FCA call for input nor the HM Treasury consultation on UK AIFMD reform issued in April 2025 contemplate or otherwise address changes of the types contained in the updates to the EU AIFMD. In summary, the state of play of AIFMD reforms is as set out below.
 - In the EU, AIFMD2 must be implemented by EU member states by 16 April 2026. EU managers will need to consider their existing funds and set-ups to identify where changes are needed – on internal policies, procedures and processes, investor disclosures, reporting processes and/or fund documentation. However, this is not the end of imminent changes, once the series of measures made under the European Commission (the **Commission**)'s Market Integration Package and its Savings and Investment Union (**SIU**) Strategy and Retail Investment Strategy are finalised, there will be further knock-on impacts on the EU AIFMD. Other initiatives lead to further changes to the AIFM regime, particularly for small and mid-sized AIFMs, such as the Commission's consultation looking at ways to boost Europe's venture and growth capital markets, recognising that there is scope to make the current regime more proportionate and effective.
 - For non-EU managers the impact of AIFMD2 will be reduced compared to their EU counterparts, with the focus being on enhanced investor disclosures and reporting. That said, we would flag that for non-EU managers or non-EU funds established in jurisdictions on the EU anti-money laundering or tax blacklists, consideration will need to be given as to alternative arrangements to market into the EU.
 - In the UK, output following the FCA's April 2025 Call for Input and HM Treasury's consultation is expected, with the FCA's response and proposed rule changes due in H2 2026.
- Theme two is the **growth in number and pace of new initiatives**. This is apparent despite the regulators' commitment to simplifying regulation to achieve proportionality and inter-operability. A couple of examples from each of the UK and the EU are set out below. The EU packages are broad and substantive, with no definitive timelines as yet – so it will be important to monitor progress and anticipate impact.

In the UK:

- The FCA policy statement containing its final rules for the new Consumer Composite Investment (**CCI**) regime that replaces the PRIIPs and UCITS disclosure regimes.

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- The FCA's consultation reforming its client categorisation rules to give wealthy investors more access to investment opportunities and support the growth of capital markets.

In the EU:

- Progress in the EU's Retail Investment Strategy (which contributes to the EU's SIU) and which includes proposed changes to the EU "professional client" definition.
 - A wide-ranging set of legislative proposals in the Market Integration Package (a cornerstone of the EU's SIU).
- Theme three is **sustainable investing**. This continues to be important for how the requirements for ESG-related information on investments is to be treated, in particular as the EU seeks to rationalise SFDR and improve the current regime and the UK pursues an agenda aimed at developing and modernising the UK's sustainability framework. As the market evolves with the dynamics of sustainable finance legislation, managers often face challenges in how best to navigate investor demand and sentiment in this field with their assessments of SFDR classification, disclosures and good governance practices. Alongside this, we are seeing increased attention on the interaction of sustainable investing and the financing of the defence sector. The EU's June 2025 publication of the Defence Readiness Omnibus includes a package of measures designed to clarify and confirm the regulatory treatment of sustainable finance investment "aimed at establishing a defence-readiness mindset across the EU." Although the FCA has confirmed that its sustainability rules do not prevent defence finance or investment, there is currently nothing akin to this EU package on defence investment in the UK.

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Topic	Key developments/what to look out for	Our comments	Jurisdictional Scope
Sustainable Finance (EU and UK)			
<p>Sustainable Finance Disclosure Regulation (SFDR)</p> <p>See our overview guide</p> <p>On ESMA Guidelines on funds names, see our alerts here and here</p>	<p>Unsurprisingly, since the Commission’s publication of SFDR2 (see below), there have been few developments of note relating to SFDR. We would note three, as set out below.</p> <p>On 1 October 2025 the Commission published a letter with an accompanying list of measures that “<i>will not now be implemented before 1 October 2027</i>”. This includes revised regulatory technical standards (RTS) on various SFDR issues which had already been delayed due to the ongoing review of SFDR (e.g., on the DNSH principle and on details of transparency in disclosures and reporting). The press release states: “<i>The Commission’s de-prioritisation of some level 2 measures is a pragmatic approach that can deliver simplification quickly, in line with the savings and investments union objectives and the Commission’s simplification agenda.</i>”</p> <p>On 17 December 2025 ESMA published research assessing the impact of its guidelines for those funds with an ESG or sustainability-related term in their fund name. The findings highlight the positive policy outcomes of the guidelines; finding that two-thirds of the 1000 funds (with AuM of €7.5 trillion) reacting to the guidelines changed their names (half of which adopted alternative terminology) and more than half updated their</p>	<p>Although the current regulatory framework under the SFDR will fall away when SFDR2 applies, many legacy funds with contractual obligations to investors on their sustainability-related investment objectives, including current reporting for Article 8 and Article 9 Funds under the SFDR, will need to continue to comply.</p> <p>In the meantime, pending the outcome and entry into force of SFDR2, the SFDR continues to apply, as do the ESMA guidelines on fund names using sustainability or ESG-related terms.</p> <p>Overall the results of ESMA’s December research indicate improved alignment of fund names with respective investment strategies, noting more pronounced re-naming effects for US funds that have also been impacted by regional sentiment and policies. ESMA notes: “<i>The Guidelines have also enhanced investor protection by reducing greenwashing risks: funds with less ambitious ESG strategies have removed ESG terms from their names, and funds retaining ESG terminology appear to be greening their portfolio relatively faster than other funds.</i>”</p> <p>Interestingly, ESMA’s December 2025 research also found that:</p> <ul style="list-style-type: none"> • funds with higher fossil fuel exposures were more likely to remove ESG terms from their names, underscoring how portfolio composition influences compliance choices; and • since the publication of the guidelines, funds retaining ESG terms in their names have reduced their portfolio share of fossil fuel holdings more than all other funds, suggesting efforts to green their portfolios. <p>ESMA comments that the results highlight the importance of fund names and minimum exclusions in the design of future sustainability-related regulatory requirements for funds and it plans to continue to monitor trends in this area.</p>	

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	<p>investment policy (mostly by introducing fossil fuel exclusions).</p> <p>ESMA’s 14 January 2026 thematic note on clear, fair and not misleading sustainability-related claims sets out four principles to follow (accurate, accessible, substantiated and up to date), examples of divergent market practices regarding ESG integration and exclusions and a practical list of do’s and don’ts and best practice examples for guidance.</p>		
<p>Review of the Sustainable Finance Disclosure Regulation (SFDR2)</p> <p>See our recent client alert here</p> <p>For managers, the SFDR2 is intended to simplify and reduce the sustainability-related administrative and disclosure requirements and enhance the framework’s coherence. For investors, it is intended to improve their ability to understand and compare sustainability-linked products.</p>	<p>On 19 November 2025 the Commission published its draft proposal for an amending regulation of SFDR (SFDR2), open for feedback until 31 March 2026.</p> <p>SFDR2 will apply 18 months after coming into force; subject to the outcome of the European co-legislative process, this could be early/mid 2028 (at the earliest).</p> <p>Open-ended funds that pre-date the SFDR2, as well as closed-ended funds that are still open for marketing, in each case even if marketed exclusively to professional investors, will have to comply. As currently drafted, there are no transitional provisions for legacy funds.</p> <p>A key action for managers in the meantime is to monitor further developments, including the outcome of the current feedback process to the Commission’s SFDR2 proposal and a</p>	<p>There are three main changes under SFDR2 (which include a repeal of the April 2022 Delegated Regulation with the regulatory technical standards that set out the SFDR’s implementing measures):</p> <ul style="list-style-type: none"> • Deleting the requirements for (a) entity-level “principal adverse impact” statements under Article 4 and (b) disclosures on information on remuneration policies under Article 5. • Reducing product-level disclosures, with refocused templates (to follow when the SFDR2 RTS are produced) for categorised products and fewer sustainability indicators. The supplemental pre-contractual disclosures under the EU Taxonomy Regulation are to be deleted, although for funds with an environmental objective, Taxonomy Regulation compliance is one way to fall within the scope of two of the new product categories, so it is still very much a feature of the SFDR2. • Introducing a three-way categorisation of financial products, with the names “ESG basics” (new Article 8), “transition” (new Article 7) and “sustainability” (new Article 9), with ESG features, each applying a 70% threshold/minimum proportion of investments and 	

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	<p>level 2 consultation that is to follow and will include new disclosure and reporting templates.</p>	<p>exclusions that align with ESMA’s guidelines on funds’ names using ESG or sustainability-related terms.</p> <p>Managers will want to start to consider how the strategies of their existing funds and pipelines might fit under SFDR2, whilst noting that we must wait both for the feedback and legislative process to run its course, as well as draft SFDR2 RTS to understand any further detail (including eligibility requirements for each product category and how the phase-in period to meet the 70% threshold will work). For non-categorised funds that consider sustainability factors there are new disclosure and marketing rules that apply.</p>	
<p>Sustainability and financing of the defence sector</p>	<p>Three main European developments:</p> <ul style="list-style-type: none"> Under the Defence Readiness Omnibus, a proposed amendment to the EU climate-related benchmarks regulation would replace reference to “controversial weapons”, with “prohibited weapons” i.e., “anti-personnel mines, cluster munitions, biological and chemical weapons the use, possession, development, transfer, manufacture, and stockpiling of which is expressly prohibited by the international arms conventions to which the majority of member states are parties...” as listed, with a 6 month transition proposed for existing benchmarks. This would impact both the EU climate transition and Paris-aligned benchmarks. 	<p>SFDR does not impose any limitations on financing the defence sector and, as in any sector, undertakings involved in defence-related activities can claim taxonomy-alignment for eligible horizontal investments (e.g., greening buildings, infrastructure, clean transport).</p> <p>The proposed amendment to reference to “controversial weapons” in EU climate-related benchmarks is relevant both to:</p> <ul style="list-style-type: none"> the review of SFDR2, given that “controversial weapons” are on the minimum exclusion list for each of the proposed SFDR2 product categories (ESG Basics, Transition and Sustainable); and ESMA’s guidelines on fund names (that incorporate EU benchmark exclusions). <p>The Commission Notice points financial market participants investing in the defence industry to the relevant PAIs, being PAI 10 (violations of UN Global Compact principles and OECD Guidelines for Multinational Enterprises), PAI 11 (lack of processes and compliance mechanisms) and PAI 14 (exposure to controversial weapons) as well specific paragraphs of the ESRS under CSRD that are likely to need an explanation. With reference to both SFDR and the EU Taxonomy, it highlights the importance of due diligence requirements and measures to comply with national export control legislations. It also notes that defence</p>	

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	<ul style="list-style-type: none"> The Commission Notice dated 30 December 2025 (one of the omnibus measures) on the application of the sustainable finance framework and the Corporate Sustainability Due Diligence Directive (CSDDD) to the defence sector sets out a series of clarifications on SFDR, the EU Taxonomy and the European Sustainability Reporting Standards (ESRS) under the Corporate Sustainability Reporting Directive (CSRD). <p>Although the FCA has confirmed that its sustainability rules do not prevent defence finance or investment, there is currently nothing akin to this EU package on defence investment in the UK.</p>	<p>activities can contribute to a social ‘sustainable’ objective under Article 9 of SFDR, but this cannot be presumed and requires a careful case-specific assessment under Article 2(17) SFDR.</p> <p>It will be useful to see how these proposed confirmations track into the SFDR2 RTS to provide clarity and details for PAI indicators for defence investment along with reporting and due diligence considerations.</p> <p>The proposals are subject to the ordinary legislative procedure; how member states align will also be key.</p> <p>FCA chief executive Nikhil Rathi’s October 2025 speech on ‘Hardwiring finance into national security’ highlights that finance must be at the centre of our defence, stating <i>“Nothing in our regulatory approach will stand in the way of investment in the UK’s security or sovereign capabilities.”</i></p>	
<p>Corporate sustainability reporting and due diligence under the Omnibus I simplification package</p> <p>See our June 2025 horizon scan and recent client alert here for background on the Omnibus I package</p>	<p>On 9 December 2025 the European legislators reached provisional agreement on the proposed substantive changes to the CSRD, the CSDDD and the Taxonomy Regulation. Pending agreement, publication and adoption of the final text, some businesses may now be out of scope and will want to reassess their obligations. Third country firms will need to consider carefully whether or not they are in scope.</p> <p>The CSRD is one of the core pillars of the EU’s sustainable finance framework, alongside the SFDR and the EU</p>	<p>The proposed amendments would reduce the scope (making cuts beyond those originally proposed by the Commission) by increasing thresholds:</p> <ul style="list-style-type: none"> CSRD – entities with 1,000+ employees and €450 million net turnover (for all companies and the same threshold would apply for those in scope of CSRD reporting requirements under Article 8 of the Taxonomy Regulation), with an exemption for financial holding companies. Non-EU groups must exceed turnover of €450 million in the EU. CSDDD – entities with 5,000+ employees and €1.5 billion turnover (non-EU companies must exceed turnover of €1.5 billion in the EU). 	

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<p>See here for the provisional text as at 9 December 2025</p>	<p>Taxonomy. Its purpose is for companies to report on their sustainability risks and impacts, as well as their percentage alignment (current and future revenues) from Taxonomy-aligned activities. This information is then passed on to end users, financial market participants and advisers. Financial market participants will then in turn use reported data under the CSRD to satisfy their own reporting obligations under the SFDR. It came into force in January 2023 and applies on a phased basis.</p> <p>The CSDDD came into force on 25 July 2024, and member states had a two-year implementation period (to 26 July 2026 that was previously postponed to July 2027). The CSDDD introduces new and substantive obligations, distinct from other sustainability reporting requirements, that start to apply from mid-2027 and that will require risk-based due diligence to identify and address environmental and human rights actual and potential adverse impacts, and that necessitate meaningful stakeholder engagement. The thresholds for in-scope companies have changed over the legislative journey, and the number of companies in scope has already been dramatically reduced.</p>	<p>In addition, the following changes are expected:</p> <ul style="list-style-type: none"> • For firms no longer covered by the rules, reporting would be voluntary, in line with Commission guidelines. To prevent large companies from shifting their reporting duties onto their smaller business partners, they would not be allowed to request information beyond the voluntary standards. • Sector-specific reporting would also become voluntary and existing sustainability reporting standards would be further simplified with a focus on quantitative information and on reducing the administrative and financial burden. • Instead of systematically asking for information required for their due diligence assessments from their business partners, MEPs want these companies to adopt a risk-based approach, whereby they only ask for the necessary information where there is a prospect of an adverse impact on their business partners' activities. • Transition plan requirements removed. • Businesses should be liable for damages caused by breaches of due diligence obligations under national law, rather than at the EU level. The maximum fine level for offending companies would be at 3% of their global turnover, and the Commission and EU member states should provide guidance for national authorities on these penalties. • 'Wave one' companies that would be required to comply from FY 2024 can benefit from a transitional exemption if they fall out of scope of the CSRD for 2025 and 2026. • Transposition of CSDDD postponed to 2028, meaning companies will have to comply with the new measures by July 2029. 	

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<p>UK's approach to sustainability reporting and transition planning</p>	<p>The UK government has consulted on draft UK endorsed International Sustainability Standards Board (ISSB) standards, known as UK Sustainability Reporting Standards (UK SRS). The consultation closed on 17 September 2025 and the UK government is currently analysing the feedback received.</p> <p>The FCA and UK government intend to next consult on how listed companies will adopt the UK SRS (potentially being mandated through the Listing Rules). In addition, we should look out for a consultation on the proposed approach to transition plan disclosures, mandatory reporting requirements to be introduced under the Companies Act 2006, with streamlining and enhancements for the asset managers and UK asset owners to follow.</p>	<p>The exposure drafts of the new UK SRS suggested minimal deviations from the one on which they are based, which is aligned with the UK government's desire to only implement necessary changes in order to reduce the reporting burden on companies going forward. Following publication of the final UK SRS, these will apply to UK companies on a voluntary basis and one of the key points to consider will be the scope and applicability of these standards if they become mandatory going forward. The consultation has initiated the dialogue on this point, as it asked for feedback on considerations relating to the cost benefit analysis of UK SRS implementation and reporting, which will be used to inform decisions concerning which entities could come within the scope of the UK SRS.</p> <p>As the future application of UK SRS is assessed, it will be important to continue to evaluate the interoperability of the UK SRS with other international requirements, in particular, the EU's CSRD and the ESRS, and offsetting the application of the UK SRS against the desire to streamline reporting for UK companies in order to maintain UK competitiveness.</p> <p>There has been pushback on some of the transition planning proposals from industry bodies, such as UK Finance, who are supportive of transitional planning reporting requirements but emphasise the need for flexibility for companies in their approach to transition planning in the immediate term. We expect the focus to be on reporting in the near term, alignment with the UK government consultations on UK SRS, the sustainability assurance market and wider review of non-financial reporting and the need to streamline the UK legal framework.</p>	
<p>UK Stewardship Code</p>	<p>Since 1 January 2026, the UK Stewardship Code 2026 (the Code) has replaced the UK Stewardship Code 2020; the aim of the revised Code is to provide a more streamlined reporting structure for the organisations to which</p>	<p>The Code applies to a wide range of organisations, including asset owners, asset managers and the service providers that support them.</p> <p>It does not prescribe a one size fits all approach to stewardship but sets out “apply and explain” principles for asset managers and asset owners, and a separate set of principles for service</p>	

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	<p>the Code applies and reduce the administrative burden for signatories.</p> <p>The Code is voluntary and not legally enforceable but organisations who elect to become a signatory intend to demonstrate their commitment to stewardship and to provide transparent reporting on the activities they undertake on behalf of their clients.</p>	<p>providers. These “apply and explain” principles are underpinned by reporting expectations, which leaves some discretion to signatories as to how to apply the principles in ways that are best tailored to their approach and activities.</p> <p>Signatories will produce a stewardship report which explains how they have applied the principles. The report is submitted to the Financial Reporting Council (FRC) for approval (the organisation can remain a signatory of the Code if the report aligns with the FRC’s expectations).</p>	
<p>UK ESG Sourcebook requirements for asset managers (ESG2) and UK Sustainability Disclosure Requirements (SDR) and labelling requirements (ESG4 and ESG5)</p> <p>See our recent client alert that sets out a comparative table of the ESG Sourcebook requirements and SFDR, as well as earlier briefings here and here</p> <p>For background see here</p>	<p>We would highlight the following developments of note:</p> <ul style="list-style-type: none"> The April 2025 FCA announcement that it is “not the right time” to finalise rules on extending the UK SDR to portfolio management (having previously been anticipated in Q2 2025), noting that “<i>we want to take time to carefully consider the challenges and ensure that portfolio managers are positioned to implement the regime effectively before introducing requirements.</i>” On 15 July 2025, HM Treasury published a response to its consultation on the UK green taxonomy – concluding that work to develop a UK green taxonomy will not proceed. In August 2025, the FCA published its multi-firm review of climate reporting by asset 	<p>In the light of the FCA’s multi-firm review, the FCA is planning to simplify and streamline its regulatory regime on sustainability disclosure requirements. The FCA notes that the current climate reporting rules set out in the ESG Sourcebook have increased firms’ consideration of climate risks and supported their integration into decision-making. The FCA, however, observes the following themes of interest:</p> <ul style="list-style-type: none"> there have been lower levels of retail investor engagement, due to the complexity of disclosures and Task Force on Climate-related Financial Disclosures (TCFD) product reports being difficult to find; the TCFD rules are too granular, and some data requirements are challenging (for instance, quantitative data to support forward-looking disclosures) and could be simplified, streamlined and made more proportionate, particularly as asset managers are required to report under multiple sustainability disclosure regimes; and a request from firms and stakeholders to clarify the future of the FCA’s TCFD rules and consider international consistency. <p>The simplification planning will encompass both the TCFD reporting rules under the FCA policy statement PS21/24 on climate-related disclosures by asset managers/asset owners/others and the rules on the SDR and investment labels under the FCA Policy Statement</p>	

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	<p>managers, life insurers and FCA-regulated pension providers.</p> <ul style="list-style-type: none"> The UK government intends to introduce a voluntary oversight regime and register for entities that offer third party assurance services for sustainability-related disclosures (for the FRC to implement by mid-2026). <p>Otherwise, the FCA continues to support the implementation of the SDR regime. On 19 December 2025 some minor amendments to SDR were implemented as consulted on in CP24/24 “to give proper effect to an existing rule, [relating to index-tracking funds], and to give firms more flexibility in relation to the publication of Part B of a public product-level sustainability report.”</p>	<p>(PS23/16), both as set out the ESG Sourcebook. These workstreams will also be relevant to the UK government’s initiatives on sustainability reporting as a whole (as set out above).</p> <p>In the meantime, phased implementation of SDR is underway, with product-level disclosures for unlisted unauthorised AIFs (subject to the ‘on demand’ regime) starting to apply from 2 December 2025. Sustainability entity reporting also recently started, for firms with AuM ≥£50bn from 2 December 2025 and with AuM ≥£5bn from 2 December 2026.</p>	
Regulatory Priorities (UK)			
<p>The Government’s Roadmap for Growth in Financial Services</p> <p>See our previous client alert</p>	<p>As set out in the FCA’s 9 December 2025 letter to the Prime Minister, “<i>growth is a cornerstone of our strategy to 2030.</i>” It goes on to say: “<i>Rapid technological change means we must focus on outcomes, not prescriptive rules. We will further adapt our supervisory approach, with more tailoring to firms’ size and type, accepting some things will go wrong and prioritising the most egregious harms.</i>”</p> <p>The themes of the Chancellor, Rachel Reeves’ July 2025 Mansion House</p>	<p>The Strategy identifies asset management and wholesale services as one of the five priority growth opportunities, and sets out core objectives of:</p> <ul style="list-style-type: none"> placing portfolio management at the heart of policymaking; making the UK the most attractive place globally for managing investments, emphasising private markets leadership (venture capital, private equity and private debt); staying ahead of innovation impacting the sector; and 	

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	<p>Speech unveiling the Leeds Reforms - a programme for financial services reforms to drive investment and growth in the sector - continue to resonate. Expressed by the Chancellor as the widest reforms to financial services regulation in more than a decade, these series of measures include proposals to reassess the current approach to risk and further reduce the regulatory burden for businesses. In parallel the UK government, including HM Treasury, launched the new Financial Services Growth and Competitiveness Strategy (Strategy), setting out a ten-year vision for kick-starting growth in the financial services sector.</p>	<ul style="list-style-type: none"> building a retail investment culture, noting that the UK currently has the lowest rate of retail investment in the G7 (see below for more on this). <p>The Strategy references various initiatives covered in this horizon scan (including on SM&CR, the consumer duty, increased retail access and continued development of sustainable finance). In addition, the package of announcements includes reducing regulatory statutory deadlines and principles, facilitating greater access for overseas firms and on technology and digitalisation.</p>	
<p>Reform of SM&CR and Non-Financial Misconduct rules</p> <p>See our recent client alert</p>	<p>The FCA published its final guidance, "Policy Statement 25/23: Tackling non-financial misconduct in financial services" (the Final Guidance). The Final Guidance will come into force the same day as the amended rules: 1 September 2026 and is designed to help determine whether specific types of a person's behaviour amount to Non-Financial Misconduct (NFM) and to help determine whether that behaviour amounts to a breach of the Code of Conduct (COCON) and has a bearing on the person's fitness and propriety under rules for staff fitness and propriety assessments (FIT).</p> <p>The changes in the Final Guidance from the consultation paper's draft guidance include:</p>	<p>The Final Guidance affirms the general position that a person's conduct in their private life is outside the scope of the COCON. It qualifies this by saying that conduct in the private or personal life of a member of staff that demonstrates a material risk that the person will breach the standards and requirements of the regulatory system may show that the member of the staff being assessed under FIT is not fit and proper.</p> <p>The Final Guidance identifies dishonesty, a lack of integrity, violence, and sexual misconduct as examples of conduct that would indicate that a person is not fit and proper, even if that conduct occurred in the person's private life.</p> <p>The Final Guidance helps bring legal certainty in an often contested area and should help satisfy that proportionality requirement and reinforce an approach under which the amended rules can be interpreted in a manner that is consistent with the general law. The cost of legal certainty was always going to be additional detail, and the Final Guidance has retained the detail set out in the consultation paper.</p>	

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	<ul style="list-style-type: none"> • “Clearer alignment with employment law” • Clarification that a manager’s “accountability is relative to their knowledge and authority” • “Withdrawing or amending examples and factors that risked imposing disproportionate burdens” • Clarification “that firms are not expected to investigate trivial or implausible allegations or breach privacy law when assessing fitness and propriety” 	<p>Ultimately, the burden may not be that great for less complex firms, such as private fund managers and fintech firms. However, they will need to read and assess the Final Guidance to determine if that is indeed the case.</p>	
<p>UK product information framework for Consumer Composite Investments (CCIs)</p> <p>FCA Policy Statement PS25/20 (Supporting informed decision making: Final rules for Consumer Composite Investments) sets out the final rules establishing the new UK Consumer Composite Investment (CCI) disclosure regime.</p> <p>This creates a modern, flexible framework for retail investment product information, replacing the legacy PRIIPs/UK</p>	<p>Key Changes from the Prior Regime</p> <p><u>New Product Summary Requirement</u></p> <ul style="list-style-type: none"> • Product manufacturers must produce a concise Product Summary containing essential information. • Firms have flexibility in design - it is not a rigid, pre-prescribed template, unlike legacy PRIIPs KIDs. <p><u>Standardised, Comparable Metrics</u></p> <p>The regime requires standardised disclosures of:</p> <ul style="list-style-type: none"> • Costs: headline ongoing charge figure (OCF) shown in both percentage and pounds terms; separate disclosure of one-off and explicit transaction costs. 	<p>The new disclosure document will give firms more flexibility on <u>how</u> firms make the appropriate disclosures, although <u>what</u> they disclose will still be mandated. As will probably be obvious from the key changes we have set out, firms will have to produce two disclosure documents for the UK and the EU - a merged version to satisfy both regimes will probably not work.</p>	

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UCITS disclosure regime.	<ul style="list-style-type: none"> • Risk and return: a risk/return disclosure based on a consistent model; risk scale extended from a 1–7 to a 1–10 scale. • Past performance: consistent graphic presentation (e.g., 10-year performance graph). <p>These standardised metrics ensure like-for-like comparison across products.</p> <p><u>Focus on Consumer Outcomes</u></p> <ul style="list-style-type: none"> • The regime places emphasis on the consumer’s understanding and informed decision making. • Firms can innovate in presentation, but key metrics must be machine-readable for distributors and consistent to aid comparison. <p>Implementation Timeline</p> <ul style="list-style-type: none"> • Legislation commencement: 6 April 2026 (optional transitional application). • Full regime in force: 8 June 2027. <p>During the transition (April 2026 – June 2027), firms may choose between the existing PRIIPs KID regime or the new Product Summary regime.</p>		
FCA private market valuation	We noted the FCA’s publication of a web page containing its findings on managers’ valuation practices for private assets. The FCA updated its website on	As we have noted before, the FCA’s findings set out on its webpage set out examples of good and bad behaviours which are not just useful but necessary to take into account in undertaking private fund asset valuations. This may be updated further	

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<p>review/conflicts of interest</p> <p>See our recent client alert</p>	<p>5 December 2025. The review is ongoing, with the FCA having asked firms to respond to the FCA questionnaires by 2 January 2026.</p>	<p>following further reviews resulting from the questionnaire responses.</p>	
<p>Consumer Duty</p> <p>See our recent client alert</p>	<p>As part of the Leeds Reforms, the FCA set out a plan on 30 September 2025 to address concerns about the application of the Consumer Duty (the Duty) for firms primarily engaged in wholesale activity. These firms are currently subject to the Duty where the distribution chain impacts retail consumers.</p> <p>There are current FCA workstreams that address this, including:</p> <ul style="list-style-type: none"> • Providing more clarity where firms work together to manufacture products, published on 8 December. • Consulting on plans to update the client categorisation framework (as set out below). • A consultation on the application and requirements of the Duty, including through distribution chains, expected in H1 2026. 	<p>The Duty remains an FCA focus area but the FCA appears to acknowledge that a more proportionate approach is required where a firm, such as a private fund manager, does not have a direct relationship with a retail investor and another firm, with that relationship, is responsible for ensuring that the retail investor receives regulatory protection. With changes to the rules for “opting-up” retail clients to professional clients, the compliance cost for managers is moving in a direction that more appropriately aligns with the risk to retail investors. The H1 consultation to follow is also expected to include proposals to remove businesses with non-UK customers from the scope of the Duty.</p> <p>We would make three points:</p> <ul style="list-style-type: none"> • The FCA will still expect a due diligence process connected with client categorisation that prevents investors with a lower risk appetite from gaining access to (high risk) investments that do not match their objectives. • Although the Duty does not apply to non-UK managers, any UK placement agent employed will be subject to the Duty with likely knock-on contractual duties for the non-UK manager. • There are various practical points in how the Duty may apply (and flow from the nature, scale and complexity of the manager’s business). See our client alert for more. 	
<p>Appointed Representatives Regime reforms</p>	<p>HM Treasury has confirmed that the appointed representative (AR) regime will remain in place rather than be abolished, but the focus will be on targeted reforms</p>	<p>It is welcome that the regime will not be abolished as it is an important regime for new start-up adviser/arrangers that do not have the compliance resource to become FCA-authorized</p>	

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	<p>to strengthen oversight and consumer protection.</p> <p>Authorised firms will be required to obtain a new FCA permission specifically to act as a principal firm that appoints ARs. The FCA will assess whether the principal has appropriate resources, expertise and oversight capability before it can appoint ARs. Existing principal firms are intended to be grandfathered onto the new regime and will not need to re-apply for the permission retrospectively.</p> <p>The FCA will be more actively involved in assessing principals' ability to oversee their ARs and ensure compliance with regulatory standards. These reforms respond to concerns identified in the UK government's 2021 Call for Evidence that specifically highlighted poor oversight by some principals.</p> <p>HM Treasury intends to close gaps in consumer redress by extending the Financial Ombudsman Service jurisdiction to cover unresolved complaints involving ARs, even where the principal firm is not directly responsible for the issue in dispute.</p> <p>The statement sets out HM Treasury's policy direction and envisages subsequent detailed consultation on legislative and FCA rule changes. Detailed secondary legislation and FCA rule changes will follow based on consultation outcomes.</p>	<p>themselves. It is likely, though, that ARs will face additional supervisory oversight from their principals.</p> <p>Firms will also have to monitor the obligation to apply for an additional FCA permission to appoint an AR. Will this be limited to professional principals of multiple ARs or will it extend to firms that appoint only one or two ARs from their own corporate group in order to keep down the number of authorisations?</p>	

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Changes to the UK Money Laundering Requirements	<p>In July 2025, HM Treasury issued its consultation response confirming various amendments to improve the UK Money Laundering Regulations 2017 (MLRs). It published draft legislation in September 2025 with the final legislation expected in H1 2026.</p> <p>The changes include relaxation of enhanced customer due diligence for certain higher risk jurisdictions, an updated approach to complex transactions' trigger of enhanced due diligence, and the restatement of monetary thresholds into Sterling.</p>	<p>Although the updates to the MLRs are limited in scope, any changes that reduce some of the burden faced by managers and result in a more proportionate approach are to be welcomed. Anti-money laundering and terrorist finance requirements remain central to any manager's compliance obligations.</p>	
Investment Firms Prudential Regime (IFPR) See our recent client alert	<p>In October 2025, the FCA published a policy statement (PS25/14) setting out the amendments to its rules which define regulatory capital for investment firms. This included changes to the characteristics that shares are required to have in order to be included as common equity tier 1 (CET 1) in an investment firm's regulatory capital.</p>	<p>The changes are a welcome example of a reduction in the number of rules, and the expectation is that the changes, which apply to investment firms who manage assets, will apply to AIFMs. It is also positive for the managers of funds that invest in financial services businesses as an effect of the changes is that the holders of CET1 shares will be able to share the risk of losses in the value of a firm's capital equally with the holders of non-CET1 shares. This should serve as a better incentive for investors because, for example, the non-CET1-eligible performance-related shares awarded to managers will no longer have to rank ahead of the CET1-eligible shares of investors.</p>	
Remuneration Review	<p>The December 2025 Regulatory Initiatives Grid indicates that the FCA is expected to provide an update in Q2, 2026 on its review on the remuneration rules for solo-regulated firms.</p> <p>The FCA raised the prospect of changes to the remuneration requirements for AIFMs in its call for input on the future</p>	<p>The outcomes of the review are not yet clear. However, lobbying efforts are likely to focus on, amongst other items:</p> <ul style="list-style-type: none"> Simplification of the remuneration rules applicable to AIFMs, UCITS managers and investment firms to ensure consistent, if not equal treatment. 	

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	<p>regulation of alternative investment fund managers.</p> <p>A key driver for the review is to achieve a greater alignment between the remuneration regime for PRA-regulated investment firms.</p>	<ul style="list-style-type: none"> Reconsideration of the malus and clawback and other requirements in order to give managers the same rights to apply proportionality principles. The removal of Pillar 3 remuneration disclosure obligations. 	
Regulatory Priorities (EU)			
<p>Proposals for capital market integration (the Market Integration Package), under the Savings and Investment Union (SIU) Strategy</p> <p>The proposed Directive and Regulation are the key pieces of draft legislation in this package for fund managers, published on 15 December 2025, open for feedback until 20 March 2026</p> <p>This initiative falls under the comprehensive set of SIU policy measures that will have an impact on various aspects of the EU's financial system, focussing on market integration and scale and efficient supervision</p>	<p>On 4 December 2025 the Commission adopted legislative proposals for a Directive and two Regulations on the further development of capital market integration and supervision within the EU under its Savings and Investments Union (SIU) package. The package seeks to identify and address barriers to facilitate a more market-driven process for developing and integrating EU capital markets, thereby enhancing financial opportunities and boosting economic competitiveness, noting that private capital will be instrumental in closing the investment gap identified by the Draghi report in the most efficient manner.</p> <p>The preamble to the Directive states: <i>"Simplification is pursued in several ways: moving certain provisions from directives to regulations; narrowing the scope for nationally imposed 'gold-plating' measures; refining Level 2 empowerments; streamlining overlapping, costly and inefficient supervisory arrangements; and more generally removing barriers in EU and</i></p>	<p>Marketing and Pre-Marketing</p> <ul style="list-style-type: none"> The existing rules governing pre-marketing and marketing activities for EU AIFMs (currently set out in AIFMD) and UCITS managers will be consolidated into the Cross-Border Distribution of Funds Regulation (CBDFR), with certain amendments. Notification and de-notification procedures to be streamlined, with expedited timelines. No changes to be made to the national private placement regimes applicable to non-EU AIFMs or EU AIFMs marketing non-EU AIFs. Removal of the existing 36-month restriction preventing an AIFM that has de-notified the marketing of an AIF in a member state from subsequently engaging in pre-marketing of that AIF (or similar investment strategies or ideas) in that member state. Removal of the requirement treating any subscription made within 18 months of pre-marketing as subject to the marketing notification procedure. The Commission will be empowered to specify what constitutes a "marketing communication" under AIFMD (including scope, principles requiring information to be fair, clear and not misleading, general drafting principles, risk and reward descriptions, cost and fee disclosure principles, and past and future performance information) and to 	

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	<p><i>national frameworks for market operators and investors.”</i></p> <p>The Commission’s FAQ published with this package states the AIFMD “<i>rules and procedures relating to marketing notifications, de-notifications, and pre-marketing remain unnecessarily lengthy, complex and divergent. This complexity continues to hinder the seamless cross-border operation of UCITS and AIFs in the Single Market.</i>”</p> <p>Recital (67) to the Master Regulation provides: “<i>it is therefore necessary to streamline marketing notification and denotification procedures, shorten processing times and remove national requirements that create obstacles to the cross-border marketing of investment funds....</i>”</p> <p>Subject to the European legislative process, the expected implementation involves a “start-up” period between mid-2027 and mid-2029, with full-scale operation afterwards.</p> <p>We have set out the key proposals of impact in the Comment column. Implementing measures are awaited.</p> <p>Of related interest is the Third ESMA report on marketing requirements and communications under the CBDFR which identifies that AIFs represent 44% of the total number of notifications include in ESMA’s central databases (56% being UCITS) with Luxembourg accounting for</p>	<p>establish content and format requirements. Member state gold-plating will be prohibited.</p> <p>Authorisation, Delegation and Cross-Border Management</p> <ul style="list-style-type: none"> • Harmonisation of authorisation procedures, including removing diverging national requirements and procedures with ESMA to develop RTS with standardised templates and procedures. • Introduction of the concept of an EU group of management companies or AIFMs; an AIFM can rely on other entities in its EU group to perform its functions or activities without being subject to the detailed AIFMD delegation rules and disclosures (NCA notification will apply). • A distributor performing marketing functions on its own behalf will be responsible for compliance with the requirements on marketing communications (not the AIFM). • Regulators to be subject to expedited processing times for transmitting management passporting documentation for AIFMs and UCITS managers. <p>Depositary passport</p> <ul style="list-style-type: none"> • Introduction of an EU depositary passport to allow AIFMs to appoint a depositary (that can provide cross-border services), that is an EU-authorized credit institution or investment firm, established anywhere in the EU. • Depositary rules (including “depo-lite” arrangements) will be harmonised, removing member state discretion. <p>Supervision and reporting</p> <ul style="list-style-type: none"> • Enhanced ESMA supervisory powers, including ESMA having some powers to intervene and to suspend cross-border marketing where it identifies supervisory deficiencies, following engagement with NCAs. 	

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	<p>the largest share of outbound notifications overall (59%) followed by Ireland (30%).</p>	<ul style="list-style-type: none"> Enhanced ESMA supervision of large EU groups. Elimination of national discretions to ensure harmonised rules of conduct and prudential rules for AIFMs; empowering ESMA to develop guidelines. Simpler disclosure obligations for white label AIFMs (including only providing conflicts information to national competent authorities (NCAs) on request). AIF reporting requirements will be standardised through a fixed list of requirements, with no member state gold-plating permitted; in addition ESMA to review member state fees relating to marketing and may impose fees for passporting and de-notification processes (with a view to reducing diverging national practices). 	
<p>The EU Retail Investment Strategy</p> <p>See our previous client alert here</p>	<p>On 18 December 2025 the EU’s Council and Parliament agreed on an updated retail framework, as first presented in May 2023. The package aims to streamline and modernise investor protection rules in EU laws, including the AIFMD and the Markets in Financial Instruments Directive (MiFID), with the aim of increasing the level of retail investment in the EU.</p> <p>A revised text is awaited with a 2027/2028 implementation, on the basis that member states will have 24 months to transpose the rules, with them applying 30 months following publication (apart from changes to the PRIIPs Regulation that will apply 18 months following publication).</p> <p>Key topics are:</p>	<p>The update includes broadly welcome changes to the proposed amendments to broaden the criteria to qualify as a ‘professional investor’ – by allowing more retail investors to be treated as professional clients when they meet two out of three criteria:</p> <ul style="list-style-type: none"> they carried out 15 significant transactions over the last three years, 30 transactions over the previous year, or 10 transactions over €30,000 in unlisted companies over the last five years (currently this is 10 transactions per quarter over the previous four quarters); the size of their portfolio has exceeded €250,000 on average over the last three years (currently €500,000 at the moment of their request for exemption); they have worked and carried out related activities in the financial sector for at least one year or, in a newly added alternative criterion, can provide proof of education or training in these activities and an ability to evaluate risk (the latter criterion is new). 	

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	<ul style="list-style-type: none"> the introduction in AIFMD of the concept of “undue costs” for AIFs and the introduction of a value-for-money concept with respect to retail investors; changes to the MiFID definition of “professional client” that will expand the categories of person who can invest in an AIF, noting the cross-references from AIFMD to MiFID; and a ban in MiFID on inducements for non-advised sales of retail investment products, which may have an impact on private placement agents and the other distributors of private funds. 	<p>However, the training and education alternative criterion may not be combined with the portfolio criterion to qualify an investor for an exemption.</p> <p>Certain managers, directors and AIFMs employees will also be treated as professional clients.</p> <p>This definition has a knock-on effect as to which clients fall under the changes to the value-for-money concept.</p> <p>The changes differ from the UK proposals (as set out in under Review of client categorisation rules below), in particular retaining the quantitative approach.</p>	
<p>Circular CSSF 25/901 of 19 December 2025 (the Circular): Consolidation, Recalibration and Clarification of Luxembourg’s Framework for certain CSSF-regulated alternative investment funds: specialised investment funds (SIFs), investment companies in risk capital (SICARs) and Part II UCIs (and their compartments when</p>	<p>The Circular provides welcome clarification of several existing rules and introduces a limited number of targeted innovations. In substance, the Circular:</p> <ul style="list-style-type: none"> recalibrates quantitative prudential limits by reference to the investor base targeted rather than by product label alone; codifies established CSSF supervisory practice on ramp-up, wind-down and intermediary vehicles; explicitly recognises commitment-based calculation 	<p>The Circular represents an important consolidation and clarification of the CSSF’s supervisory framework for regulated alternative investment funds reflecting the significant capacity for innovation of SIFs, SICARs and Part II UCIs. While it introduces limited new numerical thresholds, its principal contribution lies in enhancing consistency, transparency and predictability across regimes.</p> <p>We would highlight three points:</p> <ul style="list-style-type: none"> Although the SICAR-related provisions of the Circular (on risk capital and eligible assets) are more concise than those of former Circular 06/241, this reflects a change in regulatory technique rather than a relaxation of the regime. In particular, the Circular replaces detailed narrative guidance with a more structured, criteria-based assessment framework, coupled with heightened documentation and justification expectations vis-à-vis the CSSF. A number of supervisory expectations that were 	

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<p>structured as umbrella funds)</p> <p>The Circular does not apply to ELTIFs, money market funds, EuVECAs, EuSEFs or closed-ended funds or compartments authorised by the CSSF prior to 19 December 2025</p>	<p>methodologies for concentration and leverage metrics; and</p> <ul style="list-style-type: none"> formalises and tightens the analytical framework applicable to the concept of “risk capital” for SICARs. <p>It will be of particular interest to sponsors and managers pursuing their strategies through regulated Luxembourg vehicles, especially those addressing a broad investor base, as it brings increased clarity, consistency and predictability to the regulatory framework.</p> <p>The Circular is supported by a non-binding ‘Compilation’ intended to support the practical application of the Circular by clarifying a shared vocabulary and general concepts relating to investment funds.</p>	<p>previously applied through practice and case-by-case analysis are now formalised and articulated more explicitly.</p> <ul style="list-style-type: none"> The Circular aligns the risk-spreading logic applicable to SIFs and Part II UCIs more closely, with differences driven primarily by investor eligibility rather than by regime classification. For SIFs (which are reserved to well-informed investors) and Part II UCIs not marketed to unsophisticated retail investors, the Circular modernises applicable thresholds and codifies longstanding CSSF supervisory practice. Although reserved alternative investment funds (RAIFs) remain formally out of scope of the Circular, the updated articulation of the concepts of “risk-spreading” and “risk capital” is expected to continue to influence market practice for SIF-like and SICAR-like RAIFs, in line with the long-standing legislative intent that RAIFs mirror the corresponding regulated regimes. <p>The revised framework for retail-facing Part II UCIs is covered below (under ‘Accessing a broader pool of capital’).</p>	
Reform of AIFMD			
<p>EU AIFMD2</p> <p>See our overview client alert here, a guide on loan origination, details on ESMAs proposals for loan fund structures and an update on ESMAs final report. For our client alert on liquidity management, click here.</p>	<p>Three things to note in the lead up to member state implementation (by 16 April 2026):</p> <ul style="list-style-type: none"> AIFMD RTS on liquidity management tools (LMT) were published in November 2025 and are subject to final approval from EU legislators. In parallel, ESMA’s amended guidelines on LMT published in December 2025 will apply. 	<p>Three overview action points:</p> <ul style="list-style-type: none"> EU managers will need to consider their existing funds and set-ups to identify where uplifts are needed – on internal policies, procedures and processes, investor disclosures, reporting processes and/or fund documentation. Transitional provisions apply in respect of funds that originate loans and were constituted before 15 April 2024; their application is complex and will need to be considered on a case-by-case basis. In addition, there is expected to be one year’s grace period (from 16 April 2027) for pre-existing open-ended AIFs (i.e., those constituted before the 	

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	<ul style="list-style-type: none"> AIFMD RTS on the requirements with which a 'loan-originating AIF' must comply in order to maintain an open-ended structure: the consultation closed on 12 March 2025; draft RTS were expected in late 2025 but have now been categorised as "non-essential" by the Commission. They will not be introduced before 1 October 2027, if at all. ESMA has issued its report on costs charged by AIFMs to their investors as part of the wider project of analysing costs across AIFs and UCITS funds. One point to note is that ESMA "<i>considers that a further legislative specification of the notion of 'undue costs' would promote more convergence and offer a stronger legal basis for NCAs to take supervisory and enforcement actions against the relevant market participants in many cases</i>". 	<p>date the RTS apply) to apply the RTS and guidelines on LMT.</p> <ul style="list-style-type: none"> For non-EU managers the impact of AIFMD2 will be reduced compared to their EU counterparts, with the focus being on enhanced investor disclosures and reporting and a consideration of delegation provisions under the expanded Annex I and Article 6(4) services. <p>For open-ended AIFs, the governance and organisational principles that were in the draft RTS on LMT have been removed, along with specific guidance addressed to depositaries and provisions requiring AIFMs to provide appropriate disclosures to investors – on the basis that the AIFMD and its level 2 measures already cover these.</p> <p>AIFMD2 must be transposed by member states into their own national law by 16 April 2026 and member states are at different stages in terms of implementation. Only Denmark and Romania have so far fully implemented, but many including Germany are in process. Germany has indicated that it will implement the directive without any gold plating, Luxembourg's draft law is still in the legislative process, but several other member states, including Italy, Belgium and Spain are yet to publish any draft rules or bills.</p> <p>Regulatory reporting requirements will become effect a year later, from 16 April 2027.</p> <p>As mentioned above, there are other initiatives that will likely have future impact on the EU AIFMD framework.</p>	
<p>UK AIFMD amendments</p> <p>See our client alert here in relation to the proposals to reform the UK AIFM rules</p>	<p>The consultation was published in April 2025 by HM Treasury (as the department responsible for the AIFM Regulation 2013, which is the UK legislation that implemented AIFMD) along with an FCA call for input. The period for comments for each closed on 9 June 2025.</p>	<p>The proposed threshold changes would remove the current arrangements for "small registered" AIFMs that do not require FCA authorisation. This regime covers Social Entrepreneurship Funds (SEF) and Registered Venture Capital Funds (RVECA) (as well as certain property funds and internally managed AIFs) and so these exemptions would fall away. The benefits of SEF and RVECA are considerably less than before the UK's departure from the EU, when they were EuSEF and EuVECA, and were permitted to market</p>	

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	<p>The next steps in the process are for HM Treasury to publish draft legislation and the FCA to publish draft rules, and consultations on both to run alongside each other, <u>probably in April 2026</u>.</p> <p>The full details of the existing proposals from 2025 are set out in our client alert, but the headline point is the intention to remove the current threshold between “small” AIFMs and “full scope” AIFMs (being €500m for unleveraged funds and €100m for leveraged funds). The proposed tiers are set out in the FCA paper and would be based on Net Asset Value (NAV):</p> <ul style="list-style-type: none"> • Large AIFMs: managing greater than £5bn of NAV • Mid-sized AIFMs: managing between £100m and £5bn of NAV • Small AIFMs: managing less than £100m of NAV <p>The result would be that all UK AIFMs would be required to be authorised by the FCA (even existing small registered AIFMs), with different thresholds applying to determine the number and intensity of rules the AIFMs are subject to. It was also suggested that UK AIFMs of UK AIFs may not have to comply with the current marketing notification to market in the UK, but this would remain in place for non-UK AIFs/AIFMs.</p>	<p>across the EU in the same way as full scope AIFMs could market compliant funds.</p> <p>The main impact will be for those UK AIFMs currently in the £100m-€500m bracket that will move from being small to mid-sized with more regulation. Industry feedback to the consultation and call for input included that the proposed lower threshold of £100m is too low, and that the mid-sized threshold should be expanded to avoid disproportionate compliance burdens to reflect a firm’s size and activity. In addition, that the large category includes a full-scope opt-in regime for firms requiring EU equivalence.</p> <p>In addition, the forthcoming ECCTA reforms affecting UKLPs will increase transparency/filings (due to apply in 2026, or perhaps later – see below) and compound any further substantial increases in time and costs to complete the regulatory/compliance processes in the UK. The result being that the light-touch EU regimes will become much more favourable which might prejudice the underlying objectives of this reform.</p> <p>Other questions remain, including how existing firms are to be re-classified or grandfathered (in particular any small AIFMs subject to the registration-only regime). Additional areas to watch as part of the reform include: on depositaries; operation and effectiveness of the remuneration rules; more effective regulatory reporting; leverage risks and expectations; simplification of rules for authorised AIFs; a review of conduct and prudential requirements and how they apply to different-sized firms (to be considered alongside business restriction) and disclosure, distribution and marketing requirements for retail investors.</p>	

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<p>Liquidity risk management in funds</p> <p>See the December 2025 Regulatory Initiatives Grid</p>	<p>The FCA is implementing IOSCO guidance on liquidity risk management for funds that will incorporate residual work on open-ended daily dealt property funds.</p> <p>A further consultation on updated liquidity rules for AIFs is expected in H2 2026, to align with the review of UK AIFMD (see above). Given the current framework for AIFs aligns well with IOSCO recommendations, the FCA plans to propose only small changes.</p>	<p>The 9 December 2025 FCA consultation paper (CP25/38) relates to AIFMs of authorised funds aimed at retail investors, in particular NURS and UCITS. The FCA does not propose to introduce a prescriptive new liquidity classification framework; instead, it notes the authorised fund manager’s responsibility for mitigating the liquidity risks of a fund’s portfolio. Although changes are to be limited in the 2026 AIFMD review liquidity consultation, the following are earmarked:</p> <ul style="list-style-type: none"> • small AIFMs being subject to a baseline of liquidity management rules; • open-ended funds having consistency between redemption policies and portfolio liquidity; and • clearer expectation of risk management by highly leveraged firms. 	
UK Financial Crime			
<p>Failure to prevent fraud (FTPF) offence under the UK Economic Crime and Corporate Transparency Act 2023 (ECCTA)</p> <p>See our client alert which sets out the further background and details, including threshold criteria for being a “large organisation” and for grouping</p> <p>See below (under Transparency reporting and impact on funds) for</p>	<p>From 1 September 2025 ECCTA introduced a new offence of FTPF which sees certain organisations liable where a specified fraud offence (including offences under the Fraud Act and fraudulent trading) is committed by associated persons (including employees, agents, subsidiaries or those otherwise perform services). If convicted, the organisation can receive an unlimited fine.</p> <p>It is a defence for an organisation to demonstrate that, at the time the fraud offence was committed, it had in place prevention procedures as it was reasonable in all the circumstances to have in place OR that it was not</p>	<p>Although the risks and obligations under ECCTA may not represent a material departure from most managers’ practices (and the large organisation thresholds may exclude all but the biggest managers), managers and their advisers will need to consider the FTPF offence and whether and how to update internal compliance and due diligence, monitoring and reporting processes, for new and existing investments. This will include investments in portfolio companies and relationships with service providers, such as placement agents, who play a role in bringing investors into the funds. We would flag three considerations:</p> <ul style="list-style-type: none"> • For managers who may have contractual and regulatory duties to exercise due skill, care and diligence in preventing loss to the assets they manage, FTPF considerations will not be new, but the prospect of criminal liability should sharpen the compliance focus on the offence. 	

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other ECCTA reforms of note	<p>reasonable in all the circumstances to expect it to have any prevention procedures in place.</p> <p>The guidance warns that smaller organisations should be aware that they may be considered associated persons while they provide services for or on behalf of large organisations, and may be subject to contractual or other requirements that the large organisations impose on them to help prevent fraud.</p> <p>The offence also applies to bodies incorporated and partnerships formed outside of the UK but with a UK nexus. A non-UK organisation will be liable when an associated person commits a fraud offence under the law of the UK (i.e., to be liable, all or part of the underlying fraud or the actual - as opposed to just intended - gain or loss that results from the fraud must occur in the UK). Therefore, a non-UK organisation will be guilty of this offence when its UK employee commits a fraud. By contrast, a UK organisation whose non-UK employees commits a fraud abroad that results in no actual gain or loss in the UK will not be guilty of this offence.</p>	<ul style="list-style-type: none"> In the context of fund structures, whether or not a GP/manager of a fund will be guilty of a FTPF where there is a fraud in a portfolio company of the fund will depend on whether (a) the portfolio company is an associated person of the GP/Manager; and (b) the GP/manager (or any person to whom the portfolio company provides services on behalf of the manager) benefits, directly or indirectly. A GP/manager may be deemed to be a parent undertaking of the fund and for the purposes of this analysis grouped with its portfolio companies (assuming the threshold tests are met) where, for example, the fund is a limited partnership and the GP/manager is entrenched and not capable of being removed by the limited partners. Typically, the GP/manager will not be entrenched, but this needs to be checked when considering ECCTA liability for a fund's portfolio companies. The FTPF offence also provides an important measure against greenwashing, i.e., making claims about a fund or other financial products' environmental or social characteristics that cannot be substantiated. The guidance gives an example of an FTPF greenwashing offence in the context of fundraising. 	
Accessing a broader pool of capital			
Targeting the defined contribution (DC) pension scheme and LGPS market	In January 2026 the FCA and Pensions Regulator published a joint consultation (CP26/1 , open for feedback until 8 March 2026) on the Value for Money framework	These commitments and reforms follow on from the May 2025 launch of the Mansion House Accord through which 17 pension providers have pledged to allocate 10% of their workplace portfolios to private assets (such as infrastructure, property and private	

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<p>See our recent client alert and our earlier briefing on Long Term Asset Fund (LTAF) distribution to Mass Market Retail Investors</p> <p>On building a retail investment culture, see our previous client alert</p>	<p>for DC workplace schemes, with regulatory assessments and disclosures on asset allocation starting in 2028 and that will require underperforming funds to improve, consolidate or wind up.</p> <p>Otherwise the measures announced in the Pensions Investment Review Final Report and that form part of the Pension Schemes Bill 2025 remain current:</p> <ul style="list-style-type: none"> • a requirement for DC multiemployer schemes to have at least £25 billion AuM by 2030; • an acceleration of individual local authority schemes transferring assets to the LGPS pools, with a suggested completion deadline of March 2026; and • building a retail investment culture as a core objective for the asset management and wholesale services sector, as set out in the Financial Services Growth and Competitiveness Strategy. 	<p>equity) by 2030; with at least 5% ringfenced for the UK – expected to represent £50 billion in investable assets allocated to the sector (half of which will be in UK projects) by 2030. They also build on other initiatives (for instance the removal of carried interest from the cost cap for DC pensions and the Mansion House Compact).</p> <p>The development of the LTAF remains one to watch. The UK government is keen to build on various initiatives, from moving the LTAF from the Innovative Finance to the Stocks & Shares ISA from April 2026, to broaden access for those seeking long-term investment, to the ability for SIPPS and self-select defined DC pension schemes to invest in LTAFs (up to 10% of their investable assets and subject to certain conditions being met) has been available from 3 July 2023, when LTAF units were re-categorised from Non-Mass Market Investments to Restricted Mass Market Investments.</p> <p>The UK government’s Workplace pensions roadmap sets out its provisional implementation plan of reforms.</p>	
<p>Review of client categorisation rules and conflicts of interest</p> <p>The FCA consultation CP25/36 sets out proposed changes to two</p>	<p>Client Categorisation Reform</p> <p>The FCA proposes to reset how firms categorise clients, particularly around “elective professional clients” (EPCs). In the investment management world, this is especially important in relation to the categorisation of the investors in funds (since the funds themselves will</p>	<p>The client categorisation rule changes will be welcome, since the current MIFID upgrade rules are designed much more clearly with trading activities in mind (10 trades per quarter over four quarters). We would highlight a few points of note:</p> <ul style="list-style-type: none"> • We would encourage the FCA to think again regarding the LGPS current retail designation, in particular given the UK government’s wider policy plans to increase LGPS 	

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<p>key areas of the FCA Handbook:</p> <ul style="list-style-type: none"> Client categorisation rules – how firms classify clients (e.g., retail vs professional) and the rights/protections those clients receive. Conflicts of interest rules – how firms identify, manage and document conflicts in their business. <p>The consultation closed on 2 February 2026 and the FCA intends to publish final rules after considering stakeholder feedback.</p>	<p>automatically meet the professional client requirements).</p> <p>The main changes proposed are:</p> <ul style="list-style-type: none"> The current quantitative test (the numeric trading, portfolio size requirement and financial experience) in COBS 3.5.3R(2) would be removed. Firms would need to carry out a more holistic qualitative assessment of a client’s experience and understanding before categorising them as professional. Clients with £10 million or more in investable assets could be categorised as an EPC if they provide informed, signed opt-out consent — without a full qualitative test. The FCA wants clearer, documented informed consent and to prevent firms from incentivising clients to give up protections. The list-based entity test would be streamlined to focus on authorised/regulated entities and large entities, removing some current net-asset thresholds. <p>Conflicts of Interest Rules</p>	<p>investment in private capital and that it seems odd to treat them differently now that the UK is not subject to MiFID.</p> <ul style="list-style-type: none"> Firms should note that the FCA is looking more closely at firms’ upgrade procedures and especially how they assess clients’ knowledge and experience. The £10 million EPC test seems too high when the equivalent MIFID test is only €500,000. <p>These proposals are to be considered in the context of other regulatory initiatives to increase the ability of funds to offer retail investors access to private markets:</p> <ul style="list-style-type: none"> In the US, the SEC’s widening of the “accredited investor” definition that allows private market access by a broader range of investors, the SEC issued updated guidance in May 2025 that allows semiliquid funds that own more than 15% in private funds to be available to anyone, rather than just accredited investors. In the EU, proposed changes to the MiFID definition of “professional client” in a proposed directive on retail investment protection will also expand the categories of persons who can invest in an AIF as well as a proposed criterion that will allow legal entities to qualify as elective professionals in certain scenarios (see below). 	

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	<p>CP25/36 also proposes to rationalise (simplify and consolidate) conflicts of interest rules in the Handbook:</p> <ul style="list-style-type: none"> The FCA intends to reduce duplication and complexity across the Senior Management Arrangements, Systems and Controls (SYSC) chapters that apply to different firm types (e.g., MiFID, UCITS, AIFM). Substantive duties to identify and manage conflicts remain unchanged, but the structure and wording of the rules would be streamlined to make them easier to interpret and apply. 		
<p>Circular CSSF 25/901 (the Circular, as set out above under Regulatory Priorities (EU)) on the revised supervisory framework relevant to Retail-Facing Part II UCIs</p>	<p>A key development introduced by the Circular relates to a revised framework for retail-facing Part II UCIs, with express recognition of the concept “unsophisticated retail investor,” defined as a retail investor who does not qualify as a “well-informed investor” within the meaning of the Luxembourg fund regimes.</p> <p>This Luxembourg-specific approach provides a pragmatic national adjustment consistent with the political agreement reached at EU level on the retail investment strategy package (see above), which aims to allow more retail investors to opt up to professional client status. Without creating a new product category or extending the EU passport,</p>	<p>As a result, Part II UCIs/compartments marketed to unsophisticated retail investors are subject to enhanced transparency requirements and specific prudential safeguards, including the following:</p> <ul style="list-style-type: none"> New risk-spreading requirements, being a 25% limit per single issuer/entity/asset and 50% limit for single infrastructure investments, subject to a ramp-up period of 4 years (subject to a potential one-year extension). New borrowing limit of up to 70% of the fund assets or commitments. <p>This compares with Part II UCIs/compartments reserved for well-informed or professional investors:</p> <ul style="list-style-type: none"> Risk-spreading: 50% limit per single issuer/entity/asset and a 70% limit for single infrastructure investments. No specified borrowing limit, but mandatory disclosure of a maximum borrowing limit and methodology. 	

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	<p>the Circular refines the application of certain prudential rules by reference to the investor base targeted, rather than by product label alone, while differentiated treatment is introduced for Part II UCIs not marketed to unsophisticated retail investors.</p>		
<p>Other developments in the EU (Commission Q&A on ELTIFs)</p>	<p>The Commission's December 2025 Q&A providing some helpful clarifications on regulatory guidance for EU long-term investment funds (ELTIFs) addressing some technical issues specific to managers of open-ended ELTIFs.</p>	<p>The Commission's new guidance on ELTIFs (more of which is to follow) includes various interpretation points. Of particular interest are three clarificatory updates relating to some of the more detailed regulatory requirements on both structuring and liquidity management:</p> <ul style="list-style-type: none"> • A manager has discretion to put in place the model most appropriate to its ELTIF for calculating a minimum holding period (if relevant). • Intermediary entities such as SPVs/aggregators are not automatically considered as ELTIF investments and can be looked through for the purposes of the portfolio composition and diversification rules. • Similar to the point above but in respect of fund of funds structures, the look-through applies for the overall portfolio composition of EU target funds, such as ELTIFs, EuVECAs, EuSEFs or EU AIFs. 	
<p>Developments in the US</p>	<p>On 7 August 2025, the Trump administration issued a long-awaited executive order (EO) on alternative assets to encourage sponsors of 401(k) and other participant-directed defined contribution plans that are governed by the Employee Retirement Income Security Act (ERISA) of 1974 (collectively, DC plans) to consider offering access to alternative</p>	<p>While the ultimate impact of the executive order depends on both (a) the actions taken by the DOL and SEC in furtherance thereof and (b) the actions taken by DC plan sponsors and fiduciaries, including building out the operational infrastructure and the extent to which such plan sponsors draw sufficient comfort as to subsequent litigation risk, the EO will likely result in increased access to private markets in DC plans. This will likely spur a dramatic increase in target-date products which include exposure to private markets strategies, as well as increases in other funds</p>	

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	<p>investments, such as private equity, private credit, real estate, funds investing in digital assets, commodities, project financing, and lifetime income investments.</p> <p>The executive order directs the Department of Labor (DOL) to, by 3 February 2026, reexamine its guidance on a fiduciary's duties regarding alternative asset investments in DC plans and clarify its position on alternative assets and the appropriate fiduciary process associated with offering asset allocation funds containing investments in alternative assets. Relatedly, it must "prioritize actions that may curb ERISA litigation that constrains fiduciaries' ability to apply their best judgment in offering [...] opportunities to relevant plan participants." The executive order also directs the SEC to facilitate access to alternative assets for participant-directed DC retirement savings plans by revising applicable regulations and guidance.</p>	<p>registered under the Investment Company Act which focus on such strategies.</p> <p>Substantial work will need to be done with respect to DC plan design and operations to facilitate the inclusion of private market vehicles (due to, e.g., their relative illiquidity and, often, less frequent valuation and acceptance of subscriptions) but many major asset managers have announced initiatives to develop products designed for such channels: most recently, Goldman Sachs announced an investment in T. Rowe Price to combine Goldman's private market expertise with T. Rowe's deep roots in DC plans.</p>	
<p>Establishment of the Private Securities Market, a Private Intermittent Securities and Capital Exchange System (PISCES) platform to allow intermittent secondary market trading of shares. PISCES will initially run within the UK's Financial</p>	<p>The aim of PISCES is to allow private companies to periodically access public market liquidity for shareholders through auctions, whilst remaining private. It is open to any company (whether UK-incorporated or overseas companies) whose shares are not already admitted to trading on any public market.</p> <p>Its key features include:</p>	<p>The UK government wants to stimulate economic growth and recognises the importance of supporting high growth companies and keeping them in the UK. PISCES democratises access to high-growth companies that have traditionally only been accessible to venture capitalists and private equity firms.</p> <p>This is an exciting development for private capital to work with public markets to access capital and liquidity.</p> <p>The outcome of the legal and regulatory framework being tested in the sandbox, including the core set of disclosure information that</p>	

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<p>Market Infrastructure Sandbox for a five-year period beginning in late 2025. The regulatory framework governing the initiative is set out in the Financial Services and Markets Act 2023 (Private Intermittent Securities and Capital Exchange System Sandbox) Regulations 2025, which came into force on 5 June 2025.</p> <p>See our recent client alert</p>	<ul style="list-style-type: none"> No primary capital raising Company controls (including intermittent trading windows; trading restrictions; ability for the company to limit the investor universe and to choose the class of securities placed in any auction) Standardised disclosure package Investor participation is limited to approved investors under the UK financial promotion rules Public market settlement infrastructure No public market regulation post-PISCES transactions No UK stamp duty taxes on transfer of shares 	<p>will be required, will be critical for how and if PISCES becomes a permanent regime.</p> <p>PISCES offers investors a platform through which they can access liquidity from investments (including a useful way to incentivise and reward employees in connection with a PISCES transaction) outside an IPO or M&A exit, which can be particularly helpful in an environment where companies are staying private for longer and acquisitions are harder to execute.</p> <p>The first PISCES auction trades are expected to take place first half of 2026.</p>	
Transparency reporting and impact on funds			
<p>UK Economic Crime and Corporate Transparency Act 2023 (ECCTA)</p> <p>ECCTA came into force in October 2023, with the provisions being enacted gradually. The outline transition plan for Companies House</p>	<p>IDV requirements apply, since 18 November 2025, for all UK directors who are individuals. As well as directors, individual LLP members, PSCs of UK companies and LLPs and directors of overseas companies with a UK establishment are also required to have their identity verified from 18 November.</p> <p>In future, IDV requirements will also apply to corporate directors, corporate LLP</p>	<p>We would highlight three overview points of note:</p> <ul style="list-style-type: none"> Corporate reform: ECCTA introduces many corporate reforms in addition to the requirements around IDV. Companies are required to have an “appropriate” registered office and provide an “appropriate” email address to Companies House. They must confirm their “lawful purpose” on incorporation and state their intended future activities are lawful at each confirmation statement. Certain statutory registers are no longer required to be held by companies and the information is instead to be filed at 	

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<p>(updated on 19 January 2026) includes a delay of the identity verification (IDV) rules for those filing on behalf of companies/others.</p> <p>See our recent client alert which includes: (i) an impact table of the corporate changes and new requirements, including timescales and action points on how existing entities are to comply; and (ii) a practical guide on UK limited partnership reform.</p> <p>See above (under UK Financial Crime) for the new failure to prevent fraud offence under ECCTA that came into force on 1 September 2025.</p>	<p>members, nominated officers of RLEs and those who file at Companies House.</p> <p>There are limited exemptions (for national security or for the purposes of preventing serious crime). The intention is to reduce fraud and ensure the accuracy of Companies House records.</p> <p>From ‘no earlier than’ November 2026 (exact date to be confirmed and recently delayed from the originally-planned Spring 2026 start date), individuals filing information at Companies House on behalf of a UK company or LLP will only be able to do so if they are an officer/employee who has had their identity verified, or if they are an authorised corporate service provider (ACSP) or an employee/officer of an ACSP.</p> <p>Verification can be carried out by an individual direct with Companies House (at no cost) or via an ACSP (for a fee) and should only need to be done once.</p> <p>The reforms to UK limited partnerships will take place “<i>by the end of 2026</i>”.</p>	<p>Companies House. The Registrar has greater authority to reject, query and remove information that appears inconsistent. False statement offences have widened in scope and it is an offence to deliver misleading or false statements to the Registrar “without reasonable excuse” (the previous threshold being to do so “knowingly or recklessly”). Accounts filing is moving to software only. Micro-entities will need to file their balance sheet and profit and loss account and small companies will need to file a balance sheet, directors’ report, auditor’s report (unless exempt) and profit and loss account.</p> <ul style="list-style-type: none"> • UKLP reform: GPs/managers should bear in mind that they will need to submit information in relation to every partner in every UKLP in their structures, and although there will be a 6-month transition period, it is worth making sure in advance that there are no current gaps in the information that they hold on their partners. For UKLPs, a general partner which is a legal entity (including LLPs and Scottish limited partnerships) will need to specify an individual managing officer to act as its “registered officer”, and such registered officer must have their identity verified. • Corporate criminal liability for economic crimes: New provisions have broadened the identification doctrine when finding corporate criminal liability for economic crimes. A body corporate or partnership will be liable if its “senior manager” acts within actual or apparent scope of their authority and commits a “relevant offence”. Companies should identify their senior decision-makers and provide training and guidance on what would constitute an offence. 	
<p>ESMA discussion paper on the integrated collection of funds data</p>	<p>ESMA’s 23 June 2025 Discussion Paper (that closed on 21 September 2025) focuses on the integrated collection of funds’ data to streamline and harmonise supervisory and statistical reporting</p>	<p>ESMA identifies key problems under the existing structures, including fragmentation and inconsistencies, overlapping obligations, data gaps and the scale of burden (particularly for those managers engaging in cross-border activities, required to comply</p>	

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	<p>across regimes like AIFMD and the UCITS Directive. ESMA is evaluating options for a more coherent, single EU-wide reporting framework, aiming to reduce compliance burdens and improve efficiency for fund managers.</p> <p>ESMA is expected to report to the Commission in Q2 2026 (and by the date of AIFMD2 implementation, 16 April 2026).</p>	<p>with a significant number of reporting templates, each with its own structure and terminology).</p> <p>ESMA proposes 3 options in its paper, including a centralised reporting system with a core set of harmonised definitions and templates, complemented by specific national modules only where necessary. The industry would welcome a more integrated system, designed around supervisory needs and proportionality; and one that would lower costs, improve EU competitiveness and encourage cross-border investment.</p> <p>The timing of this is particularly important for fund managers, in the context of the upcoming expansion of Article 24 reporting under AIFMD2 in 2027. It needs to be read alongside the Markets Integration Package, as set out above, which includes ESMA becoming a single hub for data reporting.</p>	
<p>EDGAR Next See our client alert here</p>	<p>The SEC has implemented changes to EDGAR, which includes a new process for how fund entities file Form IDs (as well as make Form D notice filings and beneficial ownership filings).</p> <p>The transition period ended on 12 September 2025 for legacy filers (i.e., all relevant fund entities and principals that had valid EDGAR access codes) and after then, the EDGAR Next filing platform is the exclusive means to file or submit any documents to the SEC.</p> <p>Since 19 December 2025 filing access has required completion of all EDGAR Next access requirements, which includes the new Form ID that was adopted as part of the EDGAR Next rules effective 24 March 2025.</p>	<p>The main changes are:</p> <ul style="list-style-type: none"> • The Form ID requires additional information not previously required, including various representations regarding violations of US federal and state securities law and the names and other information for two individuals that will be 'Account Administrators' (one of them may also be the signatory and/or SEC contact). • All communications from EDGAR, including the acknowledgement of filing and acceptance, will be via the fund entity directly. • More time is needed to complete the process to access EDGAR accounts – hence, we encourage those needing to make filings or submissions for a fund entity to start the EDGAR Next enrolment process at the initial stages of a fundraise. <p>Non-US filers will still need to have the Form ID notarised, to be done in the jurisdiction of the entity completing the Form ID (for</p>	

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		<p>instance, in Luxembourg for a signatory of the manager/GP of a Luxembourg fund vehicle). Digital and remote options are available.</p> <p>We encourage private investment fund managers that have not already done so to spend some time getting familiar with EDGAR Next as it has significantly changed how filers interact with the SEC and requires more active involvement from filers.</p>	
<p>US Corporate Transparency Act (CTA)</p> <p>Please see our CTA resources here and here for more information</p>	<p>The CTA has been subject to several challenges and adjustments over the course of 2024 and 2025. FinCEN announced in February 2025 that it will not issue any fines or penalties or take any other enforcement actions for any failure to file or update beneficial owner information. An Interim Final Rule was released at the end of March 2025 and FinCEN invited comments on it, but there has been no movement since then.</p>	<p>The Interim Final Rule states that US (or “domestic”) entities are now exempt from any beneficial ownership information (BOI) reporting. Non-US (“foreign”) entities are still covered but only if they are registered to do business in the US by the filing of a document with the secretary of state, and only need to provide BOI in relation to non-US persons that are beneficial owners.</p> <p>It is worth monitoring any future modification to this exemption and that would require beneficial ownership information not currently subject to this reporting requirement to be provided.</p>	

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