



The **Alternative Investor**

Performance

News

Trends

Regulatory updates

Is Impact Investing Ready to Go Mainstream?

The focus for the month is impact investing, as alternatives investors look beyond ESG labels and ask what measurable outcomes can deliver alongside institutional-grade returns. **Lendable's Chris Wehbé** argues that impact goes mainstream only when it stops asking allocators to make concessions. **Saison International's Marie Anna Bénard** examines why impact discipline must go beyond capital deployment, showing how accountability, local knowledge and long-term partnerships shape outcomes in emerging markets. **BII's Huma Yusuf** makes the case for DFIs as market architects, using blended finance, guarantees and risk-sharing structures to mobilise private capital where it is needed most. **FLS Group's Charlie Sichel** explores the next phase of climate investing, where carbon removals and nature-based solutions will be judged less by promises and more by measurable performance. Elsewhere, **Prosek Partners' Mark Kollar** looks at blockchain as operational infrastructure for the wealth channel, while **AIMA's Thomas Sharpe** explains why the EU's SFDR overhaul still matters for alternative managers and **CAIA's Georgina Tzanetos** examines AI concentration risk in private credit. **CFM Group and RQC Group** examine regulatory hosting as an institutional infrastructure decision, and **Simon Brewer's Money Maze** conversation with **Cevian Capital's Lars Förberg** explores long-term ownership, European activism and public markets' governance gap.



Hedge Funds Surge as War Fears Ease

Hedge funds gained in May as markets stopped pricing the worst case in the Middle East. The HFRI Fund Weighted Composite Index rose 1.7%, helped by lower volatility. After two months dominated by US-Iran confrontation, investors began to treat diplomacy as the likelier path. Oil gave back much of its war premium and equities rallied.

Equity strategies drove the surge, with the HFRI Equity Hedge Total Index gaining 2.7%. Technology was the standout, up 10.6%, as the AI trade regained momentum and investors returned to higher-beta growth names. Quantitative Directional rose 4.0% and Fundamental Growth gained 3.8%. Energy and Basic Materials lagged, up 0.5%, while Healthcare fell 2.0%.

Event-driven strategies also performed well, with the HFRI Event-Driven Total Index up 2.1%. Activists were the strongest performers, gaining 4.8%, helped by firmer equity markets and a better backdrop for engagement campaigns. Special Situations rose 2.6%.

Macro was only marginally positive. The HFRI Macro Total Index gained 0.2%, with commodities down 1.1%. Systematic strategies struggled as trend conditions became choppy. Systematic Diversified fell 0.5% and Systematic Directional lost 0.4%. Discretionary, Thematic and Directional Macro gained 1.2%.

Relative value was steadier. The HFRI Relative Value Total Index rose 0.6%, with Fixed Income Corporate and Convertible Arbitrage both up 0.8%. Yield Alternatives fell 1.0%.

Regionally, Japan and North America were strongest, up 2.5% and 2.2% respectively. Western and Pan Europe gained 1.0%. China and Latin America were weaker, down 1.8% and 1.4%, as investors stayed selective across emerging markets.

*Data sourced from [HFRI](#)

Upcoming Events

16 June 2026
Global Wealth Conference London 2026

17 June 2026
ALTSNY

22 June 2026
European Single Family Office Symposium 2026

22 June 2026
FundForum International 2026

23 June 2026
Asia Pacific Family Office & Investment Forum

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\$1.6tn

Global impact investment market estimate size 2024

Source: GIIN

\$4tn

Sustainable development financing gap in developing countries 2024

Source: UNCTAD

Blackstone raises \$13.1bn for Asia private equity

Asia's largest buyout platforms are still raising serious capital, even as regional fundraising remains uneven. Blackstone has raised \$13.1 billion for Blackstone Capital Partners Asia III, beating its original \$10 billion target and making the vehicle the firm's largest Asia-focused private equity fund. The fund is more than twice the size of its predecessor and gives Blackstone fresh capital for control and growth deals across the region. Japan and India are likely to remain central to deployment, helped by corporate carve-outs, succession issues, public-to-private activity and domestic growth. Blackstone has invested more than \$7 billion in India and Japan over the past two years and has also been active on exits, including public listings.

Japan and India anchor Bain's next Asia push

It was also another successful Asia raise for Bain Capital, which now has a further \$10.5 billion to deploy across the region. The firm has closed its sixth Asia-focused private equity fund well above its \$7 billion target, with external investors contributing about \$9.1 billion. Bain partners, employees and related entities committed the balance, making the firm's own network the largest investor group in the vehicle. Asia Fund VI will invest across markets including Japan, India, China, Australia and South Korea, extending Bain's regional control and growth strategy. The close comes during a patchy period for global private equity fundraising, but large Asia vehicles are still attracting capital where managers can show local depth and a record of sourcing deals.

Cyber and AI deals lead Eurazeo's new mid-market fund

Cybersecurity and AI services are setting the early tone for Eurazeo's latest European mid-market fund. The Paris-listed private markets firm has raised more than €1 billion at the first close of PME V, with the vehicle already more than 10% deployed across two seed investments. The fund has backed OMMAX, a Munich-based data analytics and AI consultancy acquired by Eurazeo in 2025, which has since bought French tech and data consultancy Singulier. PME V has also agreed to acquire a majority stake in Nextron Systems, a German cybersecurity software provider serving more than 550 customers in over 25 countries.

UPDATES (cont.)

Barings closes \$19bn global lending strategy

Private credit's largest platforms are still separating from the pack. Barings has closed more than \$19 billion for its global direct lending strategy after two years, drawing commitments from institutional, insurance and wealth investors. The firm kept deploying while fundraising, committing more than \$18 billion across 355 transactions globally. This strategy sits within Barings' Global Private Finance platform, which had more than \$67 billion of assets under management at the end of March. Barings lends to middle-market companies across North America, Europe and Asia-Pacific, with sponsor-backed borrowers forming a core part of the business. The close comes as some private credit vehicles face more scrutiny, particularly wealth-focused structures under redemption pressure.

Strategic Capital takes Pemberton to €8.3bn

Pemberton Asset Management has closed the fourth vintage of its Strategic Capital strategy at €3.4 billion, taking total commitments across the platform to €8.3 billion. The firm says the vehicle is the largest opportunistic direct lending fund of its kind in Europe. Investors include pension funds, insurers and family offices globally, backing a strategy designed to provide flexible capital to performing mid-market companies and private equity sponsors. The strategy sits away from straightforward senior lending, targeting situations where companies need bespoke financing for growth, acquisitions, shareholder transitions or balance-sheet management. Pemberton launched Strategic Capital in 2017 and has now deployed more than €8.4 billion across the four vintages.

Power and data demand help Goldman reach fast first close

Infrastructure fundraising is still finding support for power demand, digital infrastructure and energy transition. Goldman Sachs Alternatives has raised more than \$3 billion at the first close of West Street Infrastructure Partners V, reaching about 75% of its \$4 billion target in less than six months. The investor base spans North America, Asia,

Europe and the Middle East, with around 80% of initial commitments coming from investors in earlier vintages. The fund targets mid-market infrastructure companies, with a focus on energy transition, digital infrastructure, transportation and circular economy assets.

Healthcare specialist raises \$1.5bn

Healthcare and life sciences remain one of the few areas of mid-market private equity where specialist credentials still cut through a crowded fundraising market. Ampersand Capital Partners closed Ampersand 2026 at its \$1.5 billion hard cap, completing a single close less than five months after launch. The oversubscribed vehicle is the firm's twelfth primary fund since 1992 and will back healthcare and life sciences companies, continuing Ampersand's long-running sector strategy.

UPDATES (cont.)

Real assets specialist clears hard cap in six months

European real estate fundraising remains difficult, but specialist managers with control-led strategies are still getting deals over the line. Stoneshield Capital closed Stoneshield Opportunity Fund IV at its €1.5 billion hard cap after less than six months in market. The vehicle beat its original €1 billion target and drew more than €2 billion of investor interest, excluding co-investments. The fund pursues control-oriented real assets investments and related corporate platforms, with a focus on energy infrastructure, living, student housing, hospitality and critical infrastructure. It has already made investments linked to Neinor Homes, Meliá Hotels International and Exolum.

Targeting climate's missing middle

The awkward middle of climate investing is where S2G Investments wants to put its new fund to work. The Chicago firm has closed Solutions Fund I at \$1 billion, its first major vehicle backed by multiple external institutional investors since becoming independent from Builders Vision. The fund invests in growth-stage companies across food and agriculture, energy and oceans. S2G is targeting businesses that have moved beyond early venture funding but are not yet natural candidates for large infrastructure or buyout capital. The firm has already deployed about \$300 million across 10 investments, including companies working in infrastructure safety software, seabed mapping, ferry batteries and agricultural technology.

Shamrock gets fresh capital for music, film and sports rights

Media rights remain a niche corner of alternatives, but the pools of capital behind them keep getting larger. Shamrock Capital has closed its fourth content strategy fund at \$813 million, above the original \$700 million target. The LA manager raised the vehicle in just over three months, taking its dedicated content strategy to more than \$3.3 billion and firmwide assets to \$7.4 billion. Content Fund IV will acquire premium, cash-generating intellectual property across music catalogues, film and television rights, sports media and related entertainment assets. The appeal is recurring income from mature catalogues and libraries that do not behave like conventional corporate assets.



AI trade sees new Asia long-short fund

The AI trade is still drawing new hedge fund launches in Asia. Hong Kong-based Kuark Capital has secured at least \$400 million for a fund focused on Asian technology stocks, with artificial intelligence and semiconductors at the centre of the strategy. The firm is led by Taiwanese portfolio manager Kyle Su, who previously managed around \$1 billion in equity assets at Kadensa Capital. Kuark will run a low-net long-short strategy, seeking opportunities on both sides of the

market while keeping overall exposure contained. Taiwan and Japan are expected to be important hunting grounds, reflecting their role in the AI supply chain and Su's regional network. The firm has also hired Hiro Ikeda, formerly of Optimas Capital, Fidelity and T. Rowe Price, as director of research. The launch follows a strong period for Asia equity long-short managers, helped by semiconductor gains and demand for more targeted AI exposure.

UPDATES (cont.)

Blackstone and Ardian acquire C\$4bn CPP fund portfolio

CPP Investments has sold a diversified portfolio of private equity fund interests to Blackstone Strategic Partners and Ardian, generating net proceeds of about C\$4 billion (around US\$2.9 billion) after costs and adjustments. The transaction covers 33 limited partnership interests in North American and European buyout funds, accumulated over roughly 20 years. CPP Investments said the sale would help optimise exposure and support disciplined capital allocation across the wider portfolio.

For large institutions, LP-led secondaries can release capital, reduce older exposures and manage vintage-year concentration without waiting for underlying fund exits. For buyers such as Blackstone Strategic Partners and Ardian, the appeal is access to a seasoned portfolio of buyout fund positions at scale.

The deal shows how secondaries have moved from opportunistic liquidity trades to a standard tool for managing mature private equity books.



DigitalBridge agrees ArcLight deal

The power needs of AI infrastructure are starting to shape alternatives platforms as well as asset-level dealmaking. DigitalBridge has agreed to acquire ArcLight Capital Partners in a transaction with a base purchase price of \$650 million and up to \$400 million of contingent consideration. ArcLight will continue to operate as a distinct business within DigitalBridge Group after completion, including following SoftBank's pending acquisition of DigitalBridge.

The combination brings together DigitalBridge's digital infrastructure platform with ArcLight's power and energy

infrastructure business, creating an alternatives manager with more than \$150 billion of combined assets.

The strategic logic is straightforward. Data centres need power, power assets need capital, and AI demand is making the connection between the two harder to ignore. The deal gives DigitalBridge a direct route into energy infrastructure at a time when electricity supply has become one of the key constraints on digital growth.

AGF increases New Holland Capital ownership

Traditional asset managers are still buying their way deeper into alternatives, but not always through full takeovers. AGF Management is increasing its economic ownership of New Holland Capital to 50% by converting an existing convertible note into equity and making a further \$20 million cash investment. New Holland was founded in 2006 and originally built around Dutch pension mandates. It now invests across hedge fund and private credit strategies, including with capacity-constrained managers. AUM has grown from \$5.4 billion to \$7.8 billion since AGF first invested in 2024. The move gives AGF a larger share of New Holland's economics while leaving the specialist manager's structure intact.

Bank carve-out gives J.C. Flowers French wealth platform

Bank carve-outs are a familiar hunting ground for financial services-focused private equity. J.C. Flowers has finally acquired Monte dei Paschi di Siena's French division, Monte Paschi Banque, after regulatory approvals delayed a deal first agreed in 2025. The French unit holds about €1 billion of assets and had stopped writing new business during the sale process.

J.C. Flowers plans to rebrand the business and reposition it around wealth management, working with independent financial advisers and offering niche products including mortgages, Lombard loans, asset-backed credit and deposits.

In Blockchain We Trust: Operational Infrastructure for Alternatives

Let's take a look at infrastructure, not focused on data centers, toll roads or logistics hubs. Instead, let's look at blockchain as infrastructure or the operational plumbing that may help private markets scale more efficiently into wealth channel for alternatives.

Given: The democratization of alts has dominated if not overwhelmed investment conversations, and took a bit of a turn amid the current issues with some credit funds and whether those issues may dampen the wealth channel's appetite for private-market investments.

It's no surprise that investors are trying to square their interest in alternatives with concerns about illiquidity, opacity and good old-fashioned operational mechanics. Worries remain.

Now enter the blockchain. Rightly or wrongly, the blockchain is often associated with crypto, but it is becoming better known as what I will call the "saving" infrastructure for alternative assets in the form of tokenization, where ownership interests in traditionally illiquid assets are represented digitally.

For wealth managers and for high-net-worth investors, blockchain can improve access to investments with lower minimums through fractional ownership; liquidity through secondary transfers; operational efficiency through faster settlements; and transparency through real-time ownership.

As I previously reported here, Hamilton Lane has been an on-chain pioneer in private markets when it tokenized portions of several flagship private market funds several years ago, reducing minimum investments in one case from \$5 million to \$20,000. Since then, it has added evergreen structures and feeder access to its growing tokenization line-up.

Others have followed like Apollo, BlackRock, KKR, to name a few, adding heavy hitters to the line-up. In particular, Apollo offered its Diversified Credit Securitize Fund as a tokenized private credit vehicle for distribution via the blockchain with

secondary transfer capabilities.

With interest growing steadily, let's look at how it works. Tokenization does not fundamentally alter the legal structure of the underlying investment vehicle. The fund remains governed by the same investment mandate, fee structure and regulatory framework. However, what

changes are the operational layer surrounding ownership, transfer and distribution.

Platforms such as Securitize have emerged to support this infrastructure, providing issuance, administration, transfer-agent services and regulated secondary-trading capabilities for tokenized securities.

For wealth managers, the appeal lies less in the technology itself than in what technology enables: broader access, improved efficiency and potentially smoother client experiences.

But it is still early days. Approximately \$1.4 billion in PE and venture in 22

individual assets are held in tokens, according to recent data provided by [RWA.xyz](https://rwa.xyz), an industry tracker. That remains small compared with the overall industry, but the trajectory is notable with most tokens only three or four years old.

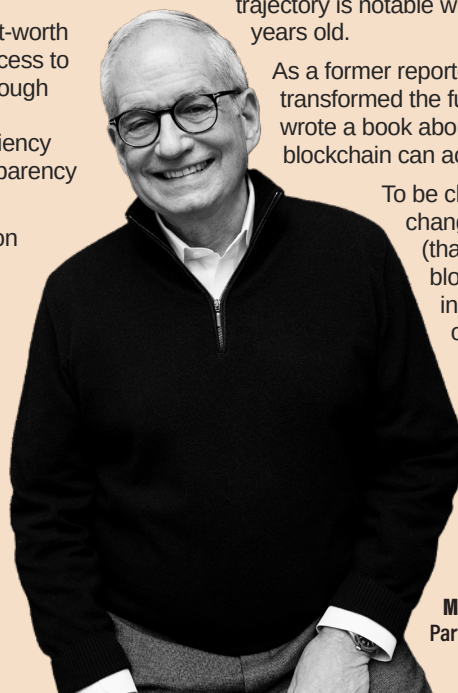
As a former reporter, I covered how electronic trading transformed the futures and options markets (and wrote a book about it) and now see how the use of blockchain can accelerate the democratization of alts.

To be clear, it is not that blockchain is changing the alternatives landscape (that may be a bit obvious). Instead, blockchain is becoming the operational infrastructure to help with coordination, ownership, and transfer issues. In effect, we are seeing blockchain modernize back-office operations to help scale the wealth channel to an even broader base.

The next phase for the democratization of alts may depend less on product innovation and more on operational infrastructure.



Tokenization does not fundamentally alter the legal structure of the underlying investment vehicle... what changes are the operational layer surrounding ownership, transfer and distribution.



Mark Kollar
Partner, Prosek Partners

The “Tourists” May Have Gone but Sustainability Regulation Still Matters

“The tourists have gone home”. That’s how one fund manager recently described the cooling of interest in sustainable finance to me. Remember the heady days of 2021? Back when tens of billions were flowing into sustainable funds and firms could hardly keep up with the onslaught of new sustainable finance regulation?

Interest has now fallen back to more normal levels but a major regulatory upheaval is coming from the EU to which all of industry should now pay close attention: the review of the Sustainable Finance Disclosure Regulation (SFDR).

SFDR is a landmark piece of the EU’s sustainable finance architecture. Since it came into force in 2021, it has required managers to publicly disclose the sustainability features of their funds. This has been a major compliance effort for AIMA members and the EU is now proposing to overhaul the whole regime just five years after it was introduced.

The proposed new regime (known as “SFDR 2.0”) is not so much an evolution of the existing rules as much as a revolution. Instead of pure sustainability disclosures, the EU is now wanting to introduce product categories. These will effectively operate as labels which firms can attach to sustainability-related products.

Under SFDR 2.0, funds will be categorised as either “ESG Basics”, “Transition”, or “Sustainable”, according to the primary focus of the fund. Funds which choose not to (or can’t) use a category will be uncategorised, and will be severely restricted in what they can say about sustainability.

The EU’s rationale for overhauling the SFDR regime is that it is streamlining existing rules (it is true that some of the more onerous aspects of the original SFDR will go) and that the new product categories will help to protect retail investors against greenwashing risks.

At AIMA, we welcome streamlining efforts but our overriding concern is that SFDR 2.0 will still not cater adequately for alternative investment products. SFDR 2.0 as proposed contains no explicit provisions for private assets, for example, let alone short positions, or derivative instruments. This continues a major flaw of the original SFDR, which impeded the compliance efforts of many alternative fund managers by its lack of accommodation for alternative investment strategies.

“**At AIMA, we welcome streamlining efforts but our overriding concern is that SFDR 2.0 will still not cater adequately for alternative investment products.**”

But there is still hope. SFDR 2.0 is not yet set in stone. Although the SFDR 2.0 proposal was published back in November 2025, the Council of the EU (which represents EU member states) and the European Parliament (which represents EU citizens) are both scrutinising the text. The Council for its part is seeking to be more accommodating: it has proposed new provision for private and real assets and has been discussing a potential opt-out from SFDR 2.0 for products marketed exclusively to professional investors – a

change that AIMA supports. The European Parliament has so far been more restrictive, seeking to make the regime more demanding in a bid to force the movement of investor capital to more sustainable projects.

The key focus of AIMA’s advocacy efforts is ensuring that SFDR 2.0 is workable for alternative investment managers. If product categories, for example, become so onerous as to be almost unusable, fund managers may well decide not to use them. This will create the opposite outcome to the one EU legislators are seeking to achieve.

We expect a final SFDR 2.0 text by the end of Q4 2026 at the earliest. In the meantime, we will continue to make the case for a more accommodating approach towards alternative investments. When a regime is being overhauled as significantly as is being proposed, none of us can afford to be mere “tourists”.

Thomas Sharpe

Associate Director, Markets, Governance and Innovation, AIMA



AI Concentration Risk in Private Credit

In a recent piece, we argued that private credit's stress is three separate conversations, redemptions, credit quality, and systemic risk, that media has collapsed into one crisis narrative. That framing holds, but AI concentration risk warrants its own treatment. What is happening at the intersection of private credit and AI is a structural story: a decade of concentrated underwriting around the SaaS loan as the ideal private credit asset, now being stress-tested across an entire market before pricing has caught up.

The thesis was not reckless. SaaS offered predictable recurring revenue, high retention, scalable margins, and low capital intensity, the characteristics a direct lender wants. Outstanding loans to SaaS firms grew from roughly \$8 billion in 2015 to over \$500 billion by end-2025, 19% of all direct loans, with a third of private credit funds carrying exposure. The problem is not that the thesis was wrong in 2019, but that it grew dominant enough through the 2021-2024 inflow cycle that discipline eroded in proportion to competitive pressure. Spreads on US LBOs financed by direct lending contracted 161 basis points between 2022 and 2024, covenants softened, and ARR-based underwriting replaced the EBITDA earnings test that would have served as an early warning.

The resulting concentration is hard to measure. Loans are held at par, borrowers do not disclose earnings, and at least 250 software loans worth over \$9 billion were classified as other industries by one or more BDCs. Deterioration does not surface until a hard event forces recognition, by which point remediation options have narrowed. Software stocks fell

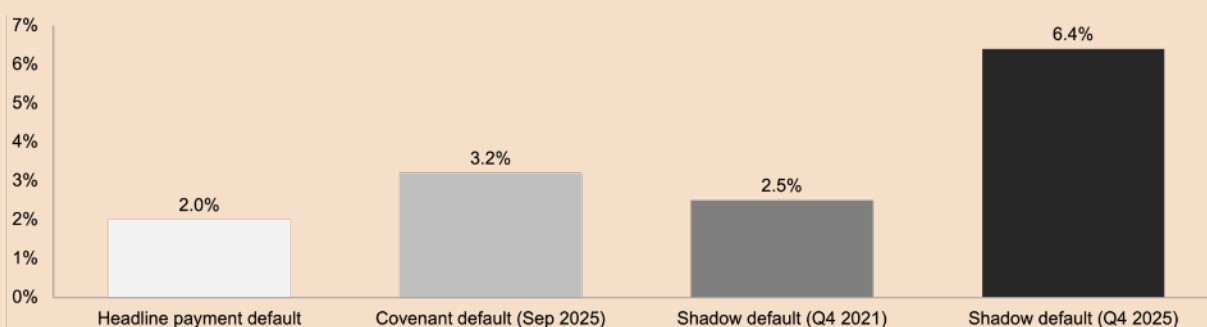
roughly 30% between October 2025 and February 2026; BDCs with above-median SaaS exposure underperformed by about five percentage points, and the public BDC index hit a 17% discount to NAV. Lincoln International's shadow default rate, loans carrying bad PIK, reached 6.4%, against a 2% headline payment default rate. The secondary market is pricing the shadow figures, but stated marks are not.

Disclosure compounds the problem. No major fund breaks out horizontal versus vertical SaaS, application versus infrastructure, or covenant quality, the distinctions that determine displacement risk. When LPs cannot quantify a material, uncertain risk, the rational response is to cut the allocation, which is why redemption pressure tracks the absence of disclosure rather than actual credit quality. Blue Owl's tech vehicles saw redemption requests of 40.7% of shares despite non-accruals of just 0.6%.

A second channel is accumulating in AI infrastructure. The FSB reports AI made up over a third of private credit deals in 2025. Managers now hold both the companies AI disrupts and the buildout enabling it, exposures that do not offset. Morgan Stanley projects default rates could rise from 5.6% to 8%, while 23 of 32 rated BDCs face 2026 maturities totaling \$12.7 billion.

The stress is real, sector-specific, and not yet in stated valuations. It is also not uniform. The disclosure framework that would let LPs tell the difference is not in place, which puts the burden back on GP underwriting diligence.

Georgina Tzanetos
Director of Content, CAIA



Stated marks lag actual distress. The headline payment default rate captures only outright missed payments. Covenant defaults and Lincoln International's shadow default rate (loans carrying bad PIK) point to stress closer to 6% of loans. Sources: Lincoln International, BIS Quarterly Review.

INDUSTRY VIEW

Regulatory Hosting Has Always Been More than Just About Speed

There is a quiet distortion in the regulatory compliance market. Too many hedge fund managers are being encouraged to view regulatory hosting and FCA authorisation as decisions about speed, cost and process. They are not.

The real question is what structure gives the business the highest probability of institutional success over the next three to five years. That is the conversation sophisticated allocators, prime brokerage consulting desks and ODD teams expect serious managers to be having.

At its weakest, hosting is sold as a shortcut. At its best, it is an institutional infrastructure decision, a governance decision, an allocator perception decision and, often, a strategic lifecycle decision.

The authorisation conversation has become too simplified. Managers hear claims about three-month approvals, lighter applications, cheaper upfront fees and better technology workflows. These may sound appealing when a launch is gaining momentum, but they can leave out harder questions.

Can the manager pass investor ODD and meet applicable compliance and regulatory requirements? Is the governance framework mature enough? Are surveillance, market abuse monitoring, e-comms, best execution, regulatory reporting and operational resilience properly embedded into day-to-day operations? Has the manager understood regulatory risks, SMCR accountability and the ongoing burden of being authorised, can they clearly articulate these concepts to an FCA case handler?

Getting an FCA licence is not a quick transaction. It is closer to a marriage. There is permanence, responsibility and cost. Regulatory hosting is more like a long engagement.

It gives a manager structure, a safety net and the space to prove the business before taking on the full weight of direct authorisation.

Sophisticated managers were never choosing hosting simply because it was quicker. Speed is a byproduct. The deeper value is certainty, institutionalisation, access to an ecosystem, allocator credibility, operational maturity and allowing investment managers to focus on alpha generation and capital formation.

A mature hosting platform gives an emerging manager something difficult to replicate at launch. From day one, the manager inherits governance, surveillance, market abuse monitoring, best execution, prudential oversight, regulatory capital support, e-comms surveillance, regulatory reporting and experienced compliance judgement.

Certainty is underappreciated in this debate. Emerging managers often become urgent once capital starts to appear. They may be negotiating term sheets, planning hires or discovering that serious SMA interest has arrived before the commingled fund is ready. Hosting can provide a high probability of being operational within a known timeframe. That is execution certainty.

Allocator perception is the least openly discussed part of the market. Allocators have views on hosting structures. Some prefer hosted firms over newly authorised start-ups. Some maintain pre-approved host lists. Prime brokers also have preferences, particularly for SMA structures, because they care about capital reuse, margin efficiency and reducing operational risk.

When a manager chooses a host, they are not simply choosing a compliance provider. They are choosing part of their institutional access, part of their ODD profile and part of how the market perceives their robustness. A cheaper or less mature host can defeat the purpose of hosting altogether.



Ant Bennett, CFM Group

Continued:

The same logic applies to FCA authorisation. There are firms for whom moving onto their own licence is the right step, but it has to be the right step at the right time. The FCA remains subject to statutory timeframes of up to six months to determine a complete application and up to 12 months for an incomplete application. In practice, however, processing times appear to have reduced this year, and a well-prepared complete application may now be processed in around three to four months. That should not be mistaken for a shortcut. Firms need to be 'ready, willing and organised' with key progress made on hiring, corporate structure, product structure, governance and compliance infrastructure in advance. In our experience, for a start-up, the preparatory work takes at least two months in advance of submitting the application materials. That means that firms following this path must be aware of the upfront investment to achieve the determined "complete application" phase, beyond paying a FCA application fee. Other considerations apply and you should consult with an expert in our team on the true costs involved. A quick time to market is of course very achievable.

However, outsourcing the application work and compliance retainer mandate alone does not remove accountability. Even where tasks are performed by a managed service or compliance consultant, the authorised firm retains the principal regulatory risk. That is why the quality of the partner matters. SMCR training, and the role of outsourced COO's in SMF16 and SMF17 roles will provide partial relief but will not always pass the rigour of the allocator's ODD.

The industry has become too binary. Some firms oversell hosting as price-led rather than value-led. Others oversell authorisation by focusing on how quick, light or cheap it can be. Both approaches risk encouraging managers into structures that do not match their stage of development or operational readiness.

The better question is not which product is cheapest.

It is what gives the manager the highest probability of institutional success. For some, that means

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The best hedge fund founders and COOs are not buying speed. They are buying certainty, maturity, infrastructure, expertise, allocator confidence and the strongest possible foundation for long-term institutional success.

launching through a regulatory host. For others, it means applying for an FCA licence. For many, the answer will change over time.

Regulatory hosting is not fundamentally a shortcut. The best hedge fund founders and COOs are not buying speed. They are buying certainty, maturity, infrastructure, expertise, allocator confidence and the strongest possible foundation for long-term institutional success.

Capricorn Group and the RQC team support this lifecycle with hosting and compliance solutions designed for firms at different stages of development. This includes regulatory hosting platforms for investment managers, investment advisers, deal arrangers and marketers of funds and investment services, enabling firms to operate within an established, institutional-grade framework from day one.

Beyond hosting, RQC provides end-to-end regulatory support, from FCA authorisations through to ongoing compliance oversight, helping firms build and maintain robust governance and control environments. This is complemented by our CPD-certified

e-Learning courses, ensuring that teams remain up to date with evolving regulatory expectations and internal compliance standards.

By combining infrastructure, regulatory expertise and practical implementation, RQC Group enables firms to focus on developing their investment business with confidence, knowing that their operational and compliance framework is aligned with institutional expectations.

If you are evaluating your regulatory options, we would welcome a conversation on how we can support your next stage of growth, with a clear north star of providing you with the highest chance of institutional success.

Please [click here](#) to speak to our team.

Ant Bennett

Group Business Director, Capricorn Fund Managers Group

Matt Raver

Managing Director, RQC Group



Matt Raver, RQC Group

Money Maze Podcast

*Inspiring interviews with leading figures
from the world of business and finance.*

Inside Cevian's Long Game

Adapted from a Money Maze Podcast interview conducted by Simon Brewer
with Lars Förberg, co-Founder and Managing Partner, Cevian Capital

Activism is one of those financial terms that has acquired more baggage than clarity. For some investors it evokes public battles, bruising proxy fights and impatient hedge funds demanding short-term returns. Yet sitting opposite Simon Brewer on the Money Maze Podcast, Lars Förberg presents a very different interpretation of what activism can be. His version is quiet rather than theatrical, long-term rather than opportunistic, and rooted in the belief that public markets are suffering from no longer having enough genuine owners.

Förberg is the co-founder and managing partner of Cevian Capital, the largest dedicated activist investment firm in Europe, and one of the largest in the world. From offices in Stockholm, Zurich and London, Cevian oversees roughly €16bn with a concentrated portfolio of around a dozen companies held over long periods. Modern equity markets, Förberg believes, have created an ownership vacuum. Pension funds, mutual funds and index managers may technically own vast swathes of the corporate world, but most are too diversified, too short-term and too distant from operations to behave like true owners.

That distinction runs through the conversation. Förberg's contention is not merely that markets regularly misprice companies, but that governance itself has weakened. The rise of passive ownership has amplified the problem. When shareholders own hundreds or thousands of companies simultaneously, very few individual holdings truly matter. So long as management teams deliver acceptable quarterly numbers, there is limited scrutiny. Yet when companies drift strategically or operationally, the corrective mechanism often fails.

Cevian's answer is to behave less like a conventional

public-market investor and more like a private equity owner focusing on listed companies. "We saw it as private equity in public companies," Förberg explains.

The origins of that idea stretch back more than three decades. As a student at the Stockholm School of Economics, Förberg spent time at the University of Michigan's Ross School of Business, where he encountered Michael Jensen's seminal paper *The Eclipse of the Public Corporation*. Jensen foresaw the rise of leveraged buyouts and argued that public companies frequently suffered from weak ownership discipline.

Back in Sweden in 1990, Förberg joined a fledgling management buyout firm just as private equity, then still referred to as leveraged or management buyouts, was beginning to emerge as a force in Europe. Later, alongside his long-time partner Christer Gardell, he identified listed companies that private equity firms might acquire outright. The obstacle was obvious: taking companies private required either paying huge control premiums or persuading entrenched owners to sell.

The insight was that full ownership might not be necessary to drive change. Instead of acquiring 100 per cent of a company and paying a big take-out premium, why not buy 5 to 15 per cent at market price and apply the same operational discipline from inside the boardroom?

That remains the essence of the Cevian model today. The firm looks for industries with robust long-term economics, then searches for companies that possess good products, market positions or global franchises but are underperforming their potential from an operational perspective. Often margins lag competitors materially. Typically, organisational structures have become bloated



Money Maze Podcast

Continued:

or strategies unfocused. Because these businesses disappoint the market, they frequently trade at depressed valuations.

Yet identifying underperformance is the easy part. The difficult work lies in understanding why it exists and whether change is realistically achievable.

Before Cevian buys a single share, Förberg says the firm may speak to 100 or 150 industry participants. Competitors, suppliers, former executives, customers and incumbent management are all questioned. In many cases the research process has been running quietly for years before an investment is made.

"We don't want to buy a share in a company before we have done all of our homework," he says. "I want to be able to feel that I know what I would do if I were the chairman of the company."

That depth of preparation explains why Cevian's approach differs so markedly from the stereotype of activism. Förberg has little interest in public grandstanding. Once invested, the firm typically seeks board representation and works from inside the company, engaging through discussion rather than confrontation. Listening, he stresses repeatedly, is more important than issuing demands.

An anecdote from ABB captures the philosophy neatly. After joining the board, Förberg met another director over dinner in Zurich. He asked him to imagine personally owning 20 per cent of the company and acting as chairman. What would he do differently? The director paused before outlining a list of strategic and operational priorities. Then came the revealing caveat: "But Lars, I have a day job. I can't do those things. But I can support you to do them"

Cevian's edge, in Förberg's telling, comes from focus and total commitment. This is designed to provide an analytical advantage, and underlines board work.

Time horizon matters enormously too. Förberg dismisses six-month share price forecasts as largely trying to forecast market sentiment, not fundamentals. "We want to invest in a company with at least a ten-year horizon," he says. Real transformation rarely happens quickly. Improving governance, reshaping operations and changing culture usually takes five to seven years.

That patience also shapes how Cevian thinks about risk. The firm uses no leverage at the fund level, does not short and prefers well-capitalised companies. Förberg wants returns to come primarily from operational

improvement rather than financial engineering. "We want to be strong when others are weak," he says.

His reflections on private equity are particularly striking given his own roots in the industry. Förberg still regards private equity as an effective governance model, but he believes the sector has become intensely crowded and increasingly homogeneous. "Private equity is now an incredibly competitive business," he says. "The actors look the same, talk the same, think the same, and have the same advisors."

By contrast, activism of the type Cevian practises remains relatively rare in Europe. Förberg argues that governance systems across Western and Northern Europe are conducive to active ownership, typically with annual board elections and shareholder voting rights creating room for engaged owners to exert influence. Combined with Europe's valuation discount to the United States, he sees fertile conditions for capturing and creating significant long-term value.

Not every investment works. Förberg is candid about the firm's sole big loss, an investment in ThyssenKrupp in 2013, where excessive persistence ultimately proved costly. Political complications and governance resistance prevented the desired operational changes from materialising quickly enough.

Yet the underlying philosophy has not changed. Markets may evolve, technologies may shift and AI may accelerate research processes, but Förberg remains sceptical that machines can replicate the human dimensions of ownership. Artificial intelligence may identify statistical anomalies or underperformance. It cannot easily diagnose root causes, build trust in boardrooms or navigate the complexities of governance and corporate change.

"AI will help us and help many of our companies, but will not be a competitor of what we're doing."

By the end of the conversation, Förberg's worldview is unmistakable. He does not really view Cevian as an activist fund at all. In his mind, the firm is restoring something public markets have gradually lost: committed ownership. In a world increasingly dominated by passive capital and benchmark-relative thinking, that may prove a more durable edge than any financial engineering or trading strategy.

Click [link](#) to listen to the full interview

“The investors in the public markets are typically very passive, myopic and under-informed. That means that what we can utilise is exactly that.”

GUEST ARTICLES

Beyond ESG: Why Mainstreaming Impact is a Structural Evolution, Not an Ideological One

Chris Wehbé, Chief Executive Officer, Lendable

The debate surrounding ESG is increasingly fatigued. As allocators grapple with shifting regulatory frameworks and the inherent limitations of using ESG merely as a defensive, backward-looking risk overlay, the focus is decisively shifting toward impact investing. However, the question of whether impact is "ready to go mainstream" fundamentally misdiagnoses the hurdle. The bottleneck has rarely been a lack of institutional appetite for real-world outcomes; rather, it has been a lack of structural alignment with the strict plumbing of institutional capital.

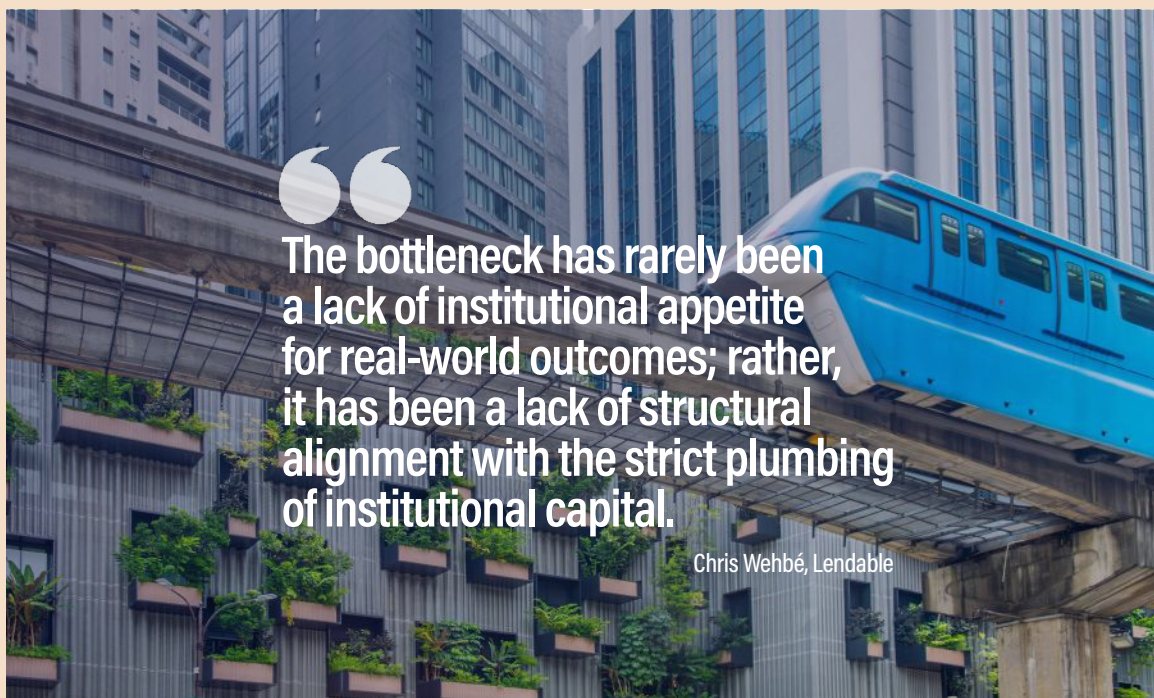
Mainstreaming impact is not an exercise in changing institutional mandates or appealing to ideology. It is an exercise in disciplined capital structuring and uncompromising investment fundamentals.

Historically, impact assets have sat awkwardly outside core allocation buckets, effectively quarantined in specialized CSR or niche alternative sleeves. To unlock the broadest pools

of institutional capital, impact products must reconcile high-conviction origination with fiercely competitive risk-adjusted returns, proving they can clear both uncompromising fiduciary hurdles and strict regulatory frameworks like Solvency II.

At Lendable, we have consistently attracted institutional investors not through impact mandates, but by delivering rigorous commercial returns. Yet, to mobilize the most conservative, highly regulated pools of capital, the industry must offer solutions that map perfectly to their specific structural needs. Our recent milestone of securing an Investment Grade rating for the Senior tranche of our Financial Inclusion fund is a prime example of this. It provided the exact external validation required to move our strategy into a core fixed-income proposition. By utilizing blended finance structures - incorporating subordinated capital to optimize the risk profile of the senior tranches - we attracted significant allocations from two global insurers and a major commercial bank. These





“The bottleneck has rarely been a lack of institutional appetite for real-world outcomes; rather, it has been a lack of structural alignment with the strict plumbing of institutional capital.”

Chris Wehbé, Lendable

entities did not compromise their fiduciary duties; they allocated because the IG-rated, risk-adjusted yield fit precisely within their existing frameworks.

This maturation of impact credit coincides with a critical juncture in the broader private credit market. Institutional allocators are actively de-risking from an era characterized by covenant-lite structures, extreme leverage, and a troubling reliance on payment-in-kind (PIK) income to mask underlying corporate stress. In this macroeconomic environment, impact lending offers a compelling structural antidote.

By avoiding highly correlated, equity-linked corporate buyouts, disciplined impact credit focuses on the granular "real economy." We prioritize asset-backed lending, robust covenant packages, and amortizing, cash-pay structures. Whether financing MSMEs in emerging markets or driving the energy transition in developed economies, the underlying premise is the same: highly granular, uncorrelated pools of risk can offer superior downside protection.



This model is highly scalable. Our recent €40 million debt facility for Ennoo Rental in Germany - financing EV and hybrid fleets for SME ride-hailing operators - demonstrates how this expertise applies globally. The transaction delivers clear impact by accelerating lower-emission mobility, but its institutional appeal lies in the execution: providing asset-backed, cash-flow-visible financing to a fast-growing, real-economy segment overlooked by traditional commercial banks.

Impact investing goes mainstream the moment it stops asking institutional allocators to make concessions. It is no longer a peripheral strategy; it is a structural evolution, offering allocators a refuge from the deteriorating fundamentals in broader private credit while delivering measurable, real-world outcomes wrapped in uncompromising, institutional-grade architecture.

**Chris Wehbé, Chief Executive Officer,
Lendable**

GUEST ARTICLES (cont.)

Impact Has Always Been the Point

Marie Anna Bénard, Head of Impact, Saison International

The most important question in impact investing is not whether capital reaches the underserved - it does. The question is what actually happens next. That question is becoming harder to avoid. As the impact investing market has matured - assets under management in the sector now exceed a trillion dollars globally - the scrutiny on what capital actually achieves has intensified accordingly. That has been Credit Saison's preoccupation since the beginning.

For us, it started with a credit card.

In 1983, Credit Saison, our parent company, did something no Japanese financial institution had done before: it offered a credit card to women. At the time, cards were the preserve of bank customers - typically male, managerial, home-owning. The idea that a woman could hold independent lines of credit and make their own financial decisions was considered unconventional, even risky.

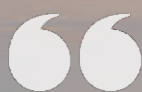
Within two years, major banks followed. What looked radical at the time became commercially obvious in hindsight. The lesson was simple: some of the

greatest opportunities exist precisely where traditional financial systems have failed to look.

Four decades later, that same insight continues to shape impact investing in emerging markets.

Roughly twelve years ago, Credit Saison began expanding beyond Japan into South and Southeast Asia, and more recently into Latin America. The geographies changed, but the underlying logic did not. Emerging economies remain home to some of the world's largest financing gaps, particularly for small businesses and individuals underserved by traditional institutions. These are markets where patient, well-structured capital can generate both financial returns and measurable social value.

But presence in these markets is not, on its own, impact investing. That distinction matters more now than it did a decade ago. As geopolitical fragmentation, economic volatility, and climate pressures intensify, investors are increasingly expected not only to deploy capital, but also to demonstrate discipline, accountability, and a clearer understanding of the risks and outcomes



The most important question in impact investing is not whether capital reaches the underserved. It does. The question is what actually happens next.

Marie Anna Bénard, Saison International

GUEST ARTICLES (cont.)

attached to that capital, and a willingness to build the relationships, the local infrastructure, and have the patience to stay when conditions become complicated. That gap between intent and execution is where the real differentiation in impact investing is being established.

Since 2022, we have worked to formalise practices that were once implicit. We built dedicated ESG and Impact teams across Tokyo, Paris, India, and Brazil, developed and embedded a structured impact framework, aligned with leading sector standards, and subjected our processes to independent verification. None of this was driven by regulation or investor pressure. It was driven by the belief that scrutiny improves practice.

That process can be uncomfortable.

During due diligence on a non-bank financial institution, our team visited one of its underlying borrowers - a manufacturing SME - and identified labour practices that fell short of our standards. Financially, the investment was attractive. Operationally, however, the risks were real. Rather than ignore them, we required the institution to raise its own standards as a condition of investment. That friction was the framework doing its job.

In Brazil, we faced a different challenge with Agroforte, a fintech serving dairy and poultry producers. Animal protein is a sector many impact-focused investors avoid because of its environmental complexity. Instead of stepping away, we chose to provide technical assistance alongside financing to help the company build an environmental and social management system designed to endure beyond the financing itself.

There is a financial logic to this approach. Unmanaged social and operational risks rarely appear immediately in financial statements — but over time they affect performance, resilience,

and long-term value creation. Investors who manage these risks early are not sacrificing returns for principles; they are pricing risk more accurately. This is something the market is beginning to internalise. The ESG controversies and governance failures of the past several years have, in a paradoxical way, made the case for rigorous impact practice more clearly than its proponents ever could: the cost of

ignoring these dimensions is now legible in financial terms.

This discipline also strengthens partnerships. Rigorous impact practice also opens doors to development finance institutions and long-term co-investors. Each partnership raises the bar, and a higher bar creates the conditions to scale responsibly.

Japanese capital carries something genuinely rare in global markets: patience, institutional stability, long-term commitment. In a moment of shrinking political will and tightening development finance, those qualities are precisely what

emerging markets are looking for.

The next chapter shall be built collectively. Sustainable progress will require collaboration between development finance institutions willing to absorb early risk and private investors prepared to scale proven models over time. The opportunity is one of genuine complementarity - each type of capital doing what it does best, in service of outcomes neither can achieve alone.

The invitation to build that future is open.

**Marie Anna Bénard, Head of Impact,
Saison International**



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Unmanaged social and operational risks... over time they affect performance, resilience and long-term value creation. Investors who manage these risks early... are pricing risk more accurately.

GUEST ARTICLES (cont.)

DFIs have a vital role in accelerating the flow of private capital to where it is needed the most

Huma Yusuf, Director, Head of Financial Services Responsible Investing, British International Investment

Developing economies need between \$1.1 trillion and \$1.8 trillion a year in climate finance over the next decade.

But while capital is abundant, it is not flowing at the scale, the price, or at risk levels that work, into the markets where it is most needed. For alternative investors, this is less a values problem than a market design problem: Impact investing has yet to fully translate into something allocators can treat as an investable, repeatable, portfolio-ready asset class.

For most private institutional investors, the barrier is not philosophical alignment but execution friction. Deals are too small, structures too bespoke, and underlying risks too difficult to underwrite within existing mandates. Even after years of growth, blended finance remains a relatively marginal segment: around 1,100 transactions totalling \$213 billion globally – a tidy sum but barely visible relative to global credit or infrastructure markets.

The implication is clear. If impact investing is to absorb meaningful commercial capital, it needs to

look less like project finance and more like securitised exposure: standardised, scalable and priced against transparent risk.

That shift is starting to emerge. Increasingly, the most credible models are those that separate impact from concession using public or catalytic capital not to subsidise outcomes indefinitely, but to reshape the risk curve in a way that makes the senior tranche investable.

The recent launch of the [Allianz Credit Emerging Markets](#) (ACE) fund is a case in point. Structured as a \$1 billion blended fund, the vehicle uses \$150 million of concessional, first-loss capital - contributed by DFIs including BII - to support up to \$850 million of private investment.

For institutional investors, the proposition is straightforward: access diversified emerging market credit exposure, with climate alignment as a feature, but without taking unmitigated frontier risk. The concessional layer is doing precisely what it should - absorbing volatility, smoothing returns, and converting



The private sector does not need convincing that climate and development are investable themes. It needs instruments that behave like assets, not projects.

Huma Yusuf, British International Investment

GUEST ARTICLES (cont.)

what would otherwise be sub-investment-grade exposure into something closer to a pension-fund-compatible profile.

This is not new in concept. But what distinguishes funds like ACE is scale, intent, and replication. These are no longer proof-of-concept structures; they are increasingly being designed with institutional ticket sizes and portfolio construction in mind.

Across the DFI ecosystem, the shift is from direct capital provision to systemic risk transfer. BII and other DFIs will in future be judged not on how much they invest, but on how much private capital they mobilise. Otherwise, we will not begin to address the enormity of the funding gap that remains.

Where the model is evolving fastest is in the use of guarantees and portfolio-level risk sharing - instruments more familiar to credit investors than development practitioners.

Guarantees accounted for around a quarter of all mobilised private climate finance in recent OECD analysis, and in some cases can unlock multiples of private capital relative to direct lending.

Other interesting developments are emerging at the intersection of development finance and structured credit. Institutions such as the EBRD are beginning to experiment with portfolio risk transfer transactions, packaging pools of emerging-market exposure and distributing risk across tranches to institutional investors - a model designed to create repeatable access to what has historically been an illiquid, opaque asset class.

At the same time, DFIs and affiliated platforms such as GuarantCo are working deeper into local markets, using guarantees to unlock domestic institutional capital, particularly in local currency, where foreign investors have traditionally struggled to operate.

The direction is set, but further developments are required.

First, scale must

come from aggregation. Institutional capital will not deploy into fragmented pipelines; it will allocate into platforms and portfolios.

Second, risk has to be priced. Structures need to make risks explicit and redistribute them to those best able to bear them.

Third, DFIs will need to become less visible as financiers and more influential as architects. Their role is not to fill the gap, but to make it investable.

And lastly, DFIs need to demonstrate that their continuing commitment to responsible investing and ESG standards is not at the cost of commercial viability, but is core to risk management, value preservation - and ultimately value creation. This shift is also underway, with DFIs exploring risk-based, proportionate and differentiated approaches to ESG due diligence and requirements,

increasingly drawing on local law and regulation where relevant. For example, BII's new Policy on Responsible Investing prioritises flexibility and partnerships.

The private sector does not need convincing that climate and development are investable themes. It needs instruments that behave like assets, not projects.

That is what BII and other DFIs are moving to deliver. We are among the best placed institutions to deliver private capital mobilisation into those markets that need it the most.

Huma Yusuf, Director, Head of Financial Services Responsible Investing, British International Investment



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DFIs will need to become less visible as financiers and more influential as architects. Their role is not to fill the gap, but to make it investable.

GUEST ARTICLES (cont.)

From Promises to Performance: The Next Phase of Climate Investing

Charlie Sichel, Managing Partner, FLS Group

When Microsoft procures energy or builds a data centre, it does not pay for intentions. It pays for performance.

Carbon removals are increasingly subject to the same standard.

Reports that Microsoft had [paused new carbon removal purchases](#) tell us less about one company's climate strategy than about the evolution of the market itself. As carbon removals move from pilot projects to industrial-scale procurement, buyers are demanding proof, not promises.

Microsoft has been one of the market's most important early buyers. Its procurement activity has helped create demand signals for projects that might otherwise have struggled to secure financing. Earlier this year, the company agreed to purchase [2.85 million](#) soil carbon credits from Indigo, one of the largest transactions of its kind.

Deals at that scale demonstrate that carbon removals are moving beyond experimental sustainability initiatives and into the realm of industrial procurement.

That matters because the world needs carbon removal at scale. A recent report from the [Potsdam Institute for](#)

[Climate Impact Research](#) found that current national climate pledges leave a gap of more than five billion tonnes of annual carbon dioxide removal by 2050 if global warming is to be limited to 1.5°C.

As markets scale, however, the standard of proof changes.

Early adopters may tolerate uncertainty in exchange for innovation. Institutional investors and corporate balance sheets cannot. Once procurement moves into the millions of tonnes, attention inevitably shifts from volume to evidence. How is carbon measured? What baseline is being used? How durable is storage? Who verifies the claim? What happens if the carbon is later released? Who bears the financial consequences if it is not delivered?

This scrutiny is particularly important for nature-based carbon removal. Soil carbon, forestry, and ecosystem restoration can all deliver meaningful climate benefits, but they carry different risk profiles and must be assessed accordingly. Soil carbon is influenced by management practices, climate conditions, and land use. Forest carbon can be measurable and real, but remains exposed to fire, disease, illegal logging, policy change, and other reversal risks. None of this



High-integrity climate investments should combine productive assets, strong governance, independently verifiable data, operational discipline, and a pathway to resilient cash flows.

Charlie Sichel, FLS Group

GUEST ARTICLES (cont.)

“
The first phase of climate
finance was built around
promises. The next phase will
be built around performance.”

Charlie Sichel, FLS Group

invalidates nature-based solutions. It simply means they must be designed, monitored, and governed with greater rigour than voluntary carbon markets have historically demanded.

That is the real lesson from the Microsoft story: this is a market entering a new phase of maturity, where performance matters.

For investors, this means moving beyond ESG labels and focusing on fundamentals. High-integrity climate investments should combine productive assets, strong governance, independently verifiable data, operational discipline, and a pathway to resilient cash flows. Most importantly, they should demonstrate measurable and lasting climate outcomes.

Climate investing should not confuse positive impact with climate efficacy. A project can create jobs, support biodiversity, and generate local economic benefits while failing to deliver meaningful carbon reductions or removals. Equally, a project can deliver measurable climate outcomes even where broader co-benefits are more limited.

Projects linked to productive assets and recurring revenue streams are therefore likely to attract greater attention. Whether in forestry, biochar, renewable energy, or other integrated land-use systems, climate outcomes become more credible when they are tied to real assets, operational discipline, and measurable value creation.

Carbon credits will continue to play a critical role, particularly in addressing residual and historical emissions. But as the market matures, buyers will increasingly evaluate durability, additionality, reversal risk, governance, and verification with the same discipline applied to any other strategic procurement decision.

The industry's challenge may no longer be attracting demand; Microsoft, Frontier, and other early buyers have already demonstrated that demand exists.

The question is whether enough projects can meet the standards buyers increasingly require.

For climate investing to scale, it must become disciplined, measurable, repeatable, and auditable. The first phase of climate finance was built around promises. The next phase will be built around performance.

**Charlie Sichel, Managing
Partner, FLS Group**



REGULATIONPresented by  **RQC GROUP****UK****Regulatory Initiatives Grid: 10th edition**

On 19 May 2026, the Financial Conduct Authority published the 10th edition of its [Regulatory Initiatives Grid](#) (the “**Grid**”).

Published twice yearly, the [Grid](#) sets out planned regulatory initiatives for the next 24 months. It covers multiple sectors including banking, credit and lending, wholesale financial markets, investment management and insurance/reinsurance.

Among other topics, the Grid covers the following items of particular interest to investment firms:

Clients, Markets and Consumer Duty

- An [FCA consultation](#) on proposals for reforming the existing client categorisation rules for designated investment business was published in December 2025. The FCA aims to publish final rules in H2, 2026.
- An HM Treasury-led initiative to streamline the Senior Managers and Certification Regime while maintaining clear senior accountability; the FCA has published a [first phase](#) of rule changes, and plans to consult on further reforms later in 2026, subject to anticipated legislative reforms.

Portfolio and fund management

- [Repeal and replacement of Alternative Investment Fund Managers Directive \(“AIFMD”\)](#). HM Treasury is due to publish a draft statutory instrument, and the FCA a consultation paper including draft rules, around mid-2026.
- As noted in the recent [Regulatory Priorities](#) for the wholesale buy side sector, the FCA is reviewing the operation and effectiveness of its solo remuneration code for alternative fund managers, UCITS management companies and investment firms.
- The [Regulatory Priorities report](#) also mentions transformation of the regulatory data model for asset managers – designing new, proportionate, streamlined regulatory returns. Consultation and draft rules are due Q3, 2026.

Prudential

- Also noted in the [Regulatory Priorities report](#) is a review of the Investment Firms Prudential Regime, in effect since 1 January 2022, to ensure it remains fit for purpose. A Call for Input paper is expected to be published in H2, 2026, followed by a consultation paper in 2027.

Crypto

- Various initiatives including new [Regulated Activity Order activities](#) coming into the FCA's remit, alongside an Admissions and Disclosure and Market Abuse regimes.

Financial crime

- Upcoming updates to the FCA's [Financial Crime Guide](#). The FCA intends to publish a consultation in September/October 2026.

Wholesale financial markets

- Review of the securitisation rules to make the existing framework more proportionate. HM Treasury intends to make a statutory instrument containing the necessary legislative changes before the end of the year to support the implementation of the final requirements.
- Repealing and replacing the assimilated law on short selling with a new regime which is proportionate and appropriate for UK markets. Updates take effect on 13 July 2026 and 30 November 2026.
- FCA and Bank of England review to establish a new, long-term harmonised approach across the transparency regimes set out in the UK Markets in Financial Instruments Regulation (“**MiFIR**”) (transaction reporting; trade reporting), UK European Market Infrastructure Regulation (“**EMIR**”) (OTC derivatives reporting) and UK Securities Financing Transactions Regulation (“**SFTR**”). A cross-authority and industry taskforce is being established.

Commenting on the Grid, the FCA asserts that growth remains its priority while maintaining high standards of regulation and oversight. The Grid features 135 live initiatives as authorities look to streamline regulatory initiatives and minimise duplicative requests for the financial services industry.



Financial Services Sector Strategy: Regulatory environment: Cross-cutting reforms

On 12 May 2026, HM Treasury finally published an [outcome](#) to its July 2025 consultation: Financial Services Sector Strategy: Regulatory Environment – Cross-Cutting Reforms. Subsequently, the UK's [Financial Services and Markets Bill](#) (the “**Bill**”) was introduced on 19 May 2026 in the House of Lords, sponsored by HM Treasury. In the King's Speech [material](#) (13 May 2026) it was trailed under the “Enhancing Financial Services Bill” label and delivers key parts of the Leeds Reforms set out by the Chancellor of the Exchequer in 2025.

The Government's ambition is to ensure that the financial services regulatory environment is effective, proportionate and aligned with the government's ambition on regulation.

Of particular interest to wholesale investment firms and fund managers:

Faster authorisations

The most immediate operational change is a planned reduction in statutory decision deadlines for key regulatory applications. HM Treasury will shorten deadlines for new firm authorisations and variations of permission from six to four months for complete applications, and from twelve to ten months for incomplete applications. Senior Managers & Certification Regime (“**SMCR**”) approvals will reduce from three months to two. The government has gone further than the original consultation by also shortening several related deadlines, including for applications to change regulatory requirements, financial promotion approvals and SMCR variations.

SMCR simplification

A key plank is reform of the SMCR, framed as reducing “red tape” while maintaining accountability. The Bill would remove certain firm-facing obligations from the legislative framework - including removing the Certification Regime, and requirements tied to Conduct Rules and Statements of Responsibilities - giving the regulators, the FCA and the

Prudential Regulation Authority (“**PRA**”), more flexibility to re-cast requirements through their rulebooks.

For asset managers and investment firms, this would follow recent changes to the FCA Handbook.

A tougher perimeter around Appointed Representatives

The Bill introduces a new regulatory gateway, requiring principal firms to seek permission from the FCA before taking on appointed representatives. It also proposes to:

- (i) Extend the compulsory jurisdiction of the Financial Ombudsman Service to appointed representatives, and
- (ii) Bring appointed representatives within scope of the SMCR.

Structural reform

The response also introduces a more strategic planning framework for the regulators. The FCA and PRA will be required to publish long-term strategies at least once every five years, explaining how they will advance their objectives and approach supervision. Those strategies must be revisited if HM Treasury issues new recommendations in remit letters, and the regulators will need to report annually on delivery against them. For firms, that should create a clearer line of sight on supervisory priorities and regulatory direction over a longer horizon.

A significant structural reform concerns the regulators' “have regards”. At present, the FCA and PRA must consider and document various regulatory principles, remit-letter recommendations and related principles when exercising general functions. The government now plans to move that analysis into the long-term strategies instead of requiring it for every day-to-day decision. HM Treasury argues this will reduce duplication and administrative drag without weakening statutory objectives or consumer protection, and maintains that accountability will remain through parliamentary scrutiny, statutory panels, judicial review and other transparency mechanisms.

Tokenisation in UK wholesale markets: A joint vision from the authorities

On 18 May 2026, the Financial Conduct Authority and Bank of England (including the Prudential Regulation Authority) published a [Call for Input](#) setting out a shared vision for the safe adoption of tokenisation in UK wholesale financial markets, with a particular focus on tokenised securities - including bonds, cash equities and fund units.

The authorities position tokenisation - using distributed ledger technology (“**DLT**”) to represent assets and ownership

- as potentially one of the most consequential changes to wholesale markets for decades, citing expected benefits such as operational efficiencies, improved liquidity, risk reduction and enhanced transparency. The Government set out its position in its [Wholesale Financial Markets Digital Strategy](#) (July 2025). In April 2026, the FCA published a [Policy Statement](#) that sets out a framework to move fund tokenisation from experimentation to wider adoption.

REGULATION (cont.)Presented by  **RQC GROUP****“Innovate, but don’t dilute standards”**

The paper is explicit that tokenisation should progress within the UK’s existing regulatory foundations: clean and resilient markets, financial stability, market integrity and appropriate investor protection. The authorities are clear that tokenised and non-tokenised infrastructures are expected to **coexist and interoperate** - tokenisation is not assumed to become universal across markets. This matters for asset managers: near-term operating models should be built for hybrid market structures, not a “big bang” migration.

What the authorities want clarity on

The Call for Input identifies priority areas where firms have asked for clearer direction:

- **Issuance and settlement regime for digital securities:** The authorities will continue to run the Digital Securities Sandbox (“DSS”)¹ and provide a pathway to permanent authorisation for firms operating within it, including for settlement models that may sit alongside (or evolve from) the current UK Central Securities Depositories Regulation (“UK CSDR”) framework.
- **Equivalent prudential and collateral treatment:** Where legal rights and underlying risks are comparable, tokenised assets should generally be treated equivalently to non-tokenised assets, including in relation to prudential and (subject to risk mitigation) the potential acceptance of tokenised collateral - relevant to margining, repo and liquidity management models.

- **Settlement anchored in central bank money:** The Bank of England reiterates that wholesale settlement should remain anchored in central bank money and is progressing work to enable programmable settlement, including a synchronisation service targeted for 2028 and consultation on extending Real-Time Gross Settlement (“RTGS”) and CHAPS settlement hours towards near 24/7 settlement.
- **Market functioning and funds:** The paper links wholesale tokenisation work to the FCA’s recent framework for fund tokenisation, including an optional “direct-to-fund” dealing model intended to reduce cost and operational friction; and confirms that fund managers must retain authority over the fund register regardless of technology used.
- **Custody and safeguarding:** For Specified Investment Cryptoassets (“SICs”), the FCA confirms it is *not* taking forward applying CASS 17 to SIC custody at this stage, and is seeking further input as policy develops—meaning custody operating models may need to adapt over time.

The Call for Input closes on **3 July 2026**. The authorities intend to run workshops, publish a response statement over the summer and deliver a cross-authority roadmap later in 2026, with timelines for likely consultations in 2027.

¹ The DSS is a live, regulated environment where firms can test the issuance, trading and settlement of tokenised securities. 16 firms have already passed the first stage and are working towards going live.

REGULATION (cont.)Presented by  **RQC**
GROUP**US****SEC updates "Qualified Client" thresholds effective June 29, 2026**

On April 28, 2026, the Securities and Exchange Commission ("SEC") issued an [order](#) adjusting for inflation the dollar-amount thresholds used to determine "qualified client" status under Rule 205-3 of the Investment Advisers Act of 1940, as amended (the "Advisers Act"). These thresholds govern when SEC-registered investment advisers may charge performance-based compensation, including performance fees and carried interest.

The order increases both the assets under management and net worth tests applicable under Rule 205-3. Effective June 29, 2026, the SEC has increased the dollar amount tests under Advisers Act Rule 205-3 as follows:

- Assets under management test - A client must have at least \$1.4 million in assets under management with the adviser, up from \$1.1 million.

- Net worth test - A client must have a net worth in excess of \$2.7 million, up from \$2.2 million. In calculating net worth for natural persons, assets held jointly with a spouse may be included, and the value of a primary residence generally is excluded.

These revised thresholds apply only to advisory contracts entered into, renewed or extended on or after the effective date; existing contracts are generally grandfathered.

Advisers should review performance fee arrangements, investor onboarding procedures and related disclosures to confirm compliance with the revised standards and update internal compliance policies.

**Securities and Exchange Commission Enforcement signals "back to basics" approach with focus on high-impact cases**

In [remarks](#) delivered at the Managed Funds Association Legal & Compliance Conference on May 13, 2026, SEC Division of Enforcement Director David Woodcock outlined a clear and pragmatic vision for the agency's enforcement priorities. His message reflects a shift toward a more targeted, principles-based approach, emphasizing meaningful investor protection, high-quality cases and

enhanced engagement with market participants.

Mr Woodcock highlighted that the Division is returning to "basics," focusing squarely on protecting investors and maintaining fair and efficient markets. He reaffirmed that enforcement efforts will prioritize cases involving genuine harm - including offering frauds, financial reporting misconduct, insider trading and market manipulation.

REGULATION (cont.)

Notably, the SEC is reinforcing its preference for quality over quantity, making clear that a decline in case volumes reflects a deliberate strategy rather than reduced vigilance.

The speech underscores continued scrutiny of traditional enforcement areas, including large-scale offering frauds and Ponzi schemes that inflict substantial investor losses. Financial reporting cases will also remain a priority, particularly those involving misstatements, internal accounting control failures, and misleading disclosures. Mr Woodcock's remarks reinforce that these longstanding enforcement pillars remain central to the SEC's mission.

The private funds industry remains firmly in the regulatory spotlight. The Division is closely monitoring risks related to valuations, fees and expenses, conflicts of interest, and liquidity - particularly as private markets expand and retail access increases. Enforcement actions in this space are expected to focus on misappropriation of assets, misleading strategy disclosures and inappropriate valuation practices, among other areas. Importantly, Mr Woodcock also flagged emerging concerns in private credit markets, noting that stress in certain portfolios may prompt further regulatory attention.

Another key theme is the SEC's commitment to strengthening interagency and cross-border cooperation. The Division is working more closely with domestic and international regulators, including the Department of Justice and the Commodity Futures Trading Commission ("CFTC"), to address increasingly complex and globalized misconduct. The SEC's Cross-Border Task Force will continue to

target frauds that exploit jurisdictional gaps, while a newly reinstated Retail Fraud Working Group will center on protecting retail investors through coordinated enforcement efforts.

Mr Woodcock also emphasized a more balanced approach to enforcement interactions. The Division will distinguish between intentional misconduct and honest mistakes that do not harm investors, calibrating remedies accordingly. Firms that self-report, cooperate and remediate issues can expect more favorable treatment than those that conceal or obstruct. The SEC is also encouraging earlier and more constructive dialogue with market participants, signaling a shift away from enforcement actions as the primary communication mechanism.

For regulated firms, these remarks signal a more focused but no less assertive enforcement environment. While the emphasis on quality over quantity may reduce the volume of actions, the cases brought are likely to involve significant investor harm and carry substantial consequences. Clients - particularly those in private funds and cross-border operations - should ensure robust controls around valuation, disclosures, and conflicts of interest. At the same time, firms should take advantage of the SEC's openness to engagement by proactively addressing potential issues, documenting decision-making, and considering self-reporting where appropriate. In today's environment, demonstrating a strong compliance culture and willingness to cooperate may be as important as avoiding misconduct itself.

SEC moves to rescind "no-deny" settlement policy

The [SEC](#) has submitted a [proposed rule](#) to rescind its longstanding policy restricting defendants from denying enforcement allegations in post-settlement communications. The current framework, codified in Rule 202.5(e) and often referred to as the "gag rule", has historically not permitted parties to consent to a judgment or order imposing an SEC sanction while simultaneously denying the SEC's allegations. In these situations, the rule has required settling parties to state explicitly that they neither admit nor deny allegations. Additionally, the rule also limits parties' ability to publicly contradict the SEC's claims.

If finalized, the proposal would mark a significant shift in SEC enforcement practice. The existing rule has created practical challenges for organizations seeking to communicate transparently with investors, clients and other stakeholders following a settlement. Even accurate explanatory statements have risked being interpreted as implicit denials, potentially triggering reopening of investigations.

Rescinding the rule could offer greater flexibility, allowing organizations to better manage post-settlement

communications and, in some cases, defend their reputations more openly. This may also facilitate earlier settlements by reducing uncertainty and reputational risk. However, the change could introduce new complexities in negotiations, with the SEC potentially seeking stronger penalties or undertakings to offset reduced control over communications.

The proposal comes amid ongoing legal scrutiny of the SEC's authority to impose such restrictions, including constitutional challenges related to free speech.

Why this matters: For regulated firms, this development could materially affect how enforcement matters are resolved and communicated. Clients should monitor the rulemaking process closely and be prepared to reassess settlement strategies, disclosure practices, and communication controls in anticipation of a potentially more flexible - but also more uncertain - regulatory landscape.

REGULATION (cont.)

The SEC's latest insider trading case: spotlight on global market integrity

The SEC's latest insider trading case is notable not only for the number of defendants but for what it says about how market abuse risk now travels across firms, relationships and borders. On 6 May 2026, the regulator [charged](#) 21 individuals in an alleged scheme built on material non public information misappropriated from multiple global law firms.

According to the SEC's [complaint](#), a mergers and acquisitions attorney misappropriated material nonpublic information from his firm's clients pertaining to pending corporate transactions. Furthermore, the attorney and his partner tipped that information to other scheme participants who agreed to kick back a portion of their trading profits, or who, in turn, tipped others who traded.

At its core, the case follows a familiar pattern: alleged misuse of material nonpublic information sourced from within trusted advisory environments, disseminated through a network of individuals trading ahead of corporate events.

For the alternative investment industry, the case is a reminder that insider trading risk rarely remains contained. Once confidential information escapes the original control environment, it can spread quickly through personal and professional networks, making detection far more difficult.

The alleged use of code words also underlines the limits of surveillance that relies too heavily on obvious keywords or single-issuer alerts.

The case also highlights the regulatory focus on gatekeepers. Law firms, advisers and other transaction professionals sit close to the most sensitive information in the market. Controls therefore need to go beyond policy documents. Firms should test whether information barriers work in practice, whether access to deal files is appropriately restricted and monitored, and whether surveillance is capable of identifying linked trading behaviour across accounts, securities and time periods.

There is also a clear cross-border message. The SEC said authorities including the UK Financial Conduct Authority assisted the investigation, reinforcing that market abuse enforcement is increasingly international in scope. For firms with US exposure, the lesson is straightforward: insider trading controls must be practical, well-evidenced and consistent across jurisdictions. In a market shaped by data analytics and regulatory co-operation, weak links are more likely to be found.

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Alastair Crabbe**Director**

Brodie Consulting Group

+44 (0) 778 526 8282

acrabbe@brodiecg.com

www.brodiecg.com

www.alternativeinvestorportal.com



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Jonty Campion**Director**

Capricorn Fund Managers

+44 (0) 207 958 9127

jcampion@capricornfundmanagers.com

www.capricornfundmanagers.com



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United Kingdom:

+44 (0) 207 958 9127

contact-uk@rqcgroup.com

United States:

+1 (646) 751 8726

contact-us@rqcgroup.com

www.rqcgroup.com

Capricorn Fund Managers and RQC Group are proud members of



Editorial Board

Alastair Crabbe
acrabbe@brodiecg.com

Darryl Noik
dnoik@capricornfundmanagers.com

Jonty Campion
jcampion@capricornfundmanagers.com

Lynda Stoelker
lstoelker@capricornfundmanagers.com

James Bruce
jbruce@capricornfundmanagers.com

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