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ADVANCED TOPICS IN

**HEDGE FUND PRACTICES**

**CONFERENCE**

MANAGER AND INVESTOR PERSPECTIVES

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# UK/EU and Asia Updates

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# UK Trends

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# UK Growth Agenda

- The UK government growth agenda includes a direction to the FCA to support the growth mission by:
  - Ensuring regulation is proportionate and effective, encouraging competition;
  - Reviewing its rules and streamlining regulation; and
  - Considering how informed and responsible risk-taking by authorized firms and customers can be enabled to facilitate innovation and ensure customers can benefit from economic growth.
- The FCA has made clear its commitment to support the growth agenda.
- The FCA annual work program 2025/26 includes commitments to:
  - Streamline regulatory requirements on the asset management sector
  - Enable better use of technology, including tokenization of funds
- Financial Services Growth and Competitiveness Strategy due for publication in Spring 2025.



# Specific Initiatives/ Proposals Relevant to Fund Managers



Reform of UK retail disclosure (PRIIPS) rules

Rationalization/improvement of MiFID II-derived conduct and organizational rules

Asset management sector reform: UK AIFMD

Investment research payment optionality for fund managers

New UK regulatory framework for cryptoassets and fund tokenization

# UK PRIIPS Reform

- UK PRIIPS reform/Consumer Composite Investments disclosure framework proposals would:

Significantly  
change  
requirements for  
the disclosure of  
product  
information to  
retail investors

Less prescriptive;  
simpler and more  
flexible

Product summary  
replaces PRIIPS  
KID

Minimum  
investment  
denomination for  
products to be 'out  
of scope' would be  
reduced to  
£50,000

# MiFID II Conduct and Organisational Rules

## MiFID II proposals would:

Change boundaries to  
**retail/professional**  
client categories

May update '**quantitative criterion**' for opt-up to professional client status by adding **additional/alternative** criteria or adjusting asset threshold

Alternatively, may remove '**quantitative criterion**' with increased emphasis on knowledge-based '**qualitative criterion**' to permit greater flexibility

# UK AIFMD Reform

- UK AIFMD proposals would:
  - Remove distinction between sub-threshold (registered) and full-scope (authorized) AIFMs
  - Impose graduated rules for AIFMs with NAV under management within specific thresholds:
    - Full AIFMD rules would only apply to AIFMs managing NAV > £5 billion
    - With detailed requirements of AIFMD Level 2 requirements replaced by 'outcomes-focused' approach for AIFMs managing NAV > £100 million but < £5 billion, promoting flexibility in approach for AIFMs
    - Small AIFMs managing NAV < £100 million will be subject to essential baseline standards
  - Remove 20 working days FCA vetting period for marketing notifications by UK AIFMs, so marketing could commence immediately on notice of being filed
  - Retain UK national private placement regime
- Second phase of proposals due later in 2025 will address disclosure, distribution and marketing to retail investors, remuneration requirements, and business activity restrictions on AIFMs

# Additional Relevant Proposals



## **Investment research reform for fund managers' proposals would:**

remove the prohibition for fund managers on bundling payments for research and execution, subject to certain 'guard rails'.

### **Fund Tokenization:**

The government's Asset Management Taskforce is considering the implementation of fund tokenization in the UK

The FCA has addressed fund tokenization in its discussion paper on improving the UK asset management regime

The UK government and the FCA are currently working on developing the proposed new UK's regulatory framework for cryptoassets that is now intended to take effect in 2026



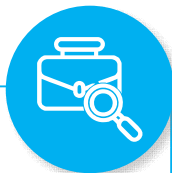
# EU Updates

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# Push for EU Deregulation

- The EU is pushing for deregulation, particularly in France, in order to keep attractiveness in comparison with the US and other markets.

## Research



The EU removes the prohibition on bundling payments for execution services and research—specifically, the regulation only requires that the [methodology for remuneration](#).

- Must ensure that the payment for research within the bundle is not substantially higher than the cost of a separate payment; and
- This does not negatively impact the requirement to comply with the best execution requirements.

## UCITS VI



- Streamlines rules on portfolio composition and risk management.
- Aligns governance and reporting frameworks with AIFMD for consistency.
- Simplifies the UCITS framework to enhance cross-border fund distribution and reduce compliance burdens.

# Push for EU Deregulation

- **Retail Investment Strategy (RIS) – Upcoming simplifications?**
  - Will the upcoming trilogue in June 2025 bring simplifications to the RIS package?
  - The future of inducements: what direction is the EU taking?
  - What's next for the "Value for Money" test?
  - Revisions to the suitability and appropriateness assessments
- **Fractional shares in the EU: Recent developments**
- **"Savings and Investment Union" Initiative**

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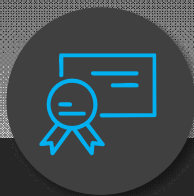


# Asia Updates

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# Japan Trends to Deregulation: Simplified Type 1 Instruments Business Operator (FIBO) Registration

- Reduction in registration requirements by introducing a new Simplified Type 1 registration which will sit alongside the traditional Type 1 registration.



Traditional Type 1 registration is the license that securities broker-dealers hold in Japan to act as brokers for listed securities.

- For most fund groups looking to fundraise for their own funds, the regulatory burdens of registering are disproportionately and prohibitively high for their anticipated activities.

- While several foreign fund groups do have the Type 2 FIBO, a very limited number hold the Type 1 FIBO, as the Type 1 FIBO has been relatively cumbersome to obtain.

- The new simplified Type 1 FIBO is available for the marketing of unlisted securities to professional investors.

Lower capital requirements and waiver of capital ratio requirements

Lower personnel requirements

Intended to encourage the offering of foreign fund interests in Japan



# Japan Trends to Deregulation: Continued Expansion of the Financial Market Entry Office (FMEO)



FMEO was created in 2021 to help assist foreign asset manager groups to set up in Japan.



Initially was only available for the asset management-side registrations, but has now expanded to the securities broker-dealer-type-registrations to allow for fundraising and distribution activities.



The Prime Minister has recognized that Japan has unique business practices and language requirements that act as barriers to entry into Japan.

# Japan Trends to Deregulation: New Amendments for Middle- and Back-Office Operations

New amendments have been passed to allow the entrustment of middle- and back-office operations to service providers who are registered to provide such services.

The registration of the service providers is voluntary, so it is unclear what the requirements or supervision of such service providers are.

Indicative of trend to deregulation to encourage growth of asset management business in Japan.

# Singapore: New Proposal to Allow Retail Investors to Access Private Market Funds

- MAS has two proposed structures:

## Direct Fund

A Singapore-constituted fund that makes direct private market investments; or

## Long-Term Investment Fund

A Singapore-constituted long-term investment fund-of-funds that invests primarily in private market investment funds.

# Singapore: New Proposal to Allow Retail Investors to Access Private Market Funds

## Manager-Level Requirements Include:

- (i) Both structures require a Singapore-licenced manager
- (ii) Both have a minimum AUM requirement

## Fund-Level Requirements Include:

- (i) Must be incorporated in Singapore
- (ii) Has restrictions and limitations around fund investments

## Disclosure-Level Requirements Include:

- (i) Product Warning
- (ii) Periodic Reports