

Real Estate:UK response to FCA CP26/26: Fund Reporting for Asset Management Entities (FRAME)

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Real Estate:UK

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Executive Summary

RE:UK broadly supports the FCA's proposed Fund Reporting for Asset Management Entities (FRAME) framework and its objectives of improving the consistency, quality and usefulness of regulatory data while reducing duplication. We support a proportionate, fund-size-based approach, the proposed reporting frequencies and lag times, and the collection of more granular underlying data where this replaces complex or judgement-based calculations.

However, we believe that the framework could better reflect the characteristics of real estate, infrastructure and private market, and also closed-ended professional-only funds. In particular, the FCA should clarify the definitions of real estate and infrastructure funds, the terminology "predominantly investing", leverage used for investment purposes, loan origination and the treatment of assets held through corporate wrappers or indirect structures. Closed-ended professional-only funds should not be required to provide performance, flow or liquidity information that is not relevant to their structure or necessary for consumer protection. The FCA should also allow flexibility for master-feeder reporting and avoid duplicative submissions where equivalent Annex IV or other regulatory data is already available.

To support accurate and proportionate implementation, we suggest that reporting templates contain free-text fields for methodologies, assumptions and the basis of management and performance fees, together with clearer guidance and examples for direct property holdings and private market classifications. One example of where a free-text field would be useful is in respect of the collection of fees data. This will enable the AIFM's to provide the FCA with the basis of management and performance fees.

We believe that firms should be able to submit both online forms and XML uploads, annual reporting should align with a fund's own year-end, and the rules on nil returns should be made consistent. Given the systems development, data mapping and testing required, RE:UK recommends a 24-month implementation period after publication of the final rules and templates.

We are grateful for the FCA's constructive engagement with RE:UK and our members throughout the consultation period. If the FCA would like to discuss any aspect of this response further; please contact Jacqui Bungay, Investment Policy, RE:UK, (jbungay@realestateuk.org). We also look forward to contributing to the second consultation on reforms to the UK AIFM Regime in due course.

Response to consultation questions

Chapter 3 A New Fund Reporting Framework

Question 1 Is our approach to proportionality appropriate and do the proposals for moving between tiers and opting up allow sufficient flexibility?

We agree with basing the reporting requirements on the size of the funds and have no objections to the proposal of a £500m NAV threshold for when enhanced reporting is required for an AIF.

The 'opt up' and 'time cushion' reporting requirements seem reasonable for funds fluctuating in size around the threshold.

Question 2 Does our approach aligning frequency and lag to liquidity capture the risks sufficiently for different fund types and allow sufficient headroom for submission?

We believe that the proposed frequency of reporting and lag time for reporting under FRAME are appropriate and proportionate. They support effective regulatory oversight by the FCA while minimising

unnecessary burden on firms. There is a practical balance between timely data collection and operational feasibility.

The requirement for managers of unauthorised AIFs, except for ones that are hedge funds, and closed-ended investment companies that are AIFs to submit reporting on an annual basis is proportionate. These types of funds tend to hold assets that are traded infrequently and therefore, annual reporting should provide the FCA with sufficient data to identify and monitor risks.

To reduce the burden of reporting, we ask that the annual report should be at the fund's own year-end rather than at the 31 December every year.

Question 3 Do you agree with our approach of collecting more granular data on the use of leverage, rather than relying upon inaccurate, complex calculations?

We believe the FCA's approach for collecting more granular data on leverage is justified. This reduces the reporting burden as managers will no longer be required to perform complex, judgment-based calculations. Instead, they will provide the underlying data for FCA analysis. This will give the FCA more flexibility in how it assesses leverage risk. Granular data should enable the FCA to identify concentrations of leverage, interconnectedness, and emerging risks that may not be visible through aggregate calculations.

In our response to CP26/28, we have asked for further clarity around the definition of leverage. We ask that this is taken into consideration when considering the data collected on leverage.

We would also request that the FCA refine and give further guidance on the concept of "using leverage for investment purposes", [MH7.1][B7.2] which is a key question that determines the applicability of certain reporting fields in both the essential and enhanced reports. In SUP 16 Annex 63.2R(6)(d), the proposed rules appear to state that "investment purposes" will include any use other than foreign exchange or interest rate hedging. We are therefore unclear whether, for example, the use of temporary borrowing to smooth cash flow would constitute "investment purposes" (although this may also depend on the position the FCA reaches in relation to the broader "leverage" definition). We think

that use of leverage for investment purposes should be limited to circumstances when leverage is genuinely used to amplify a fund's risk exposure or investment returns, as opposed to purposes such as temporary bridging finance or temporarily smoothing cash flows.

Question 4 Do you agree with our approach to calculation methodologies? If not, why?

We support the FCA's balanced approach by allowing firms to use in their FCA reporting the same calculation methodologies as used in their reporting to investors. We would request that the FCA widens the scope of the proposed guidance in SUP 16.36.23G (1) to state that this principle should also apply to calculation methodologies that the fund manager carries out for the purposes of any other regulatory reporting, as this would also reduce the need to carry out multiple sets of calculations due to slightly diverging regulatory reporting rules.

We suggest that the FCA should include a comments/assumptions field, similar to the field which is currently used in Annex IV reporting, to allow firms to reference another data item (or range of data items) and to explain, where appropriate, any methodologies adopted or any assumptions or limitations associated with the relevant data.

Question 5 Do you agree with our proposed design of the framework? If not, what would you change and why?

We agree with the FCA's proposed design of the reporting framework. The proposed approach should improve the consistency, quality and efficiency of regulatory reporting to the FCA while reducing duplication across existing reporting requirements. However, there are specific changes and clarification that we believe will improve the reporting.

Approach to defining the reporting requirements

We suggest that rather than describing the reporting requirements in rules in SUP 16 Annex 62, the FCA adopts the approach that has previously been adopted to reporting requirements in the Handbook, and appends the reporting template itself, with appropriate guidance notes on the relevant fields in an

accompanying guidance document. This would make it much easier for firms to see each individual reporting field and make those fields directly binding requirements. This will also make it easier for professional advisers supporting firms to understand the individual data fields that are applicable. If the FCA were to consult in the future on amending or adding additional data fields, this would also be a much easier format in which to define and describe the relevant individual data field changes.

Defining real estate and infrastructure funds

We would also request that the FCA provide further clarity on the concepts of a "real estate fund" and an "infrastructure fund". There is no proposed definition of these funds in CP26/26 for the purposes of FRAME. Instead, the overarching concept of a "private market fund" is defined as *'a fund that is a loan origination fund or predominantly invests in infrastructure, real estate, private equity or private credit'*. We would also suggest expressly limiting this to unlisted or privately held assets so that a fund holding listed real estate or infrastructure securities, such as listed REITs, is not strictly speaking classed as a private market fund.

Defining 'predominantly investing'

The concept of 'predominantly investing' in a relevant asset class is undefined and firms may therefore need to apply their own reasonable interpretations of this concept. In addition, we assume that this 'predominant investment' test can include indirect holdings in the relevant asset class. For example, a fund could be categorised as a real estate fund where it invests in real estate via investments in other real estate funds, or through holdings in corporate holding vehicles, rather than through direct holdings.

Master-feeder structures

We are concerned about the proposal that a feeder fund is excluded from reporting where the FCA receives reporting on the master fund. Where the feeder is managed by a different AIFM, the master's AIFM would need to obtain data from the feeder's AIFM, which may not be practicable if the managers have no common systems or contractual obligation to share data. We suggest the FCA gives AIFMs the option of reporting on a consolidated basis or separately at each fund level.

Explanatory comments

We suggest that the reporting form includes a free-text box alongside the structured fields so that managers can provide context and avoid selecting a closest-fit but inaccurate answer. This is consistent with our request in response to Question 4 for a comments/assumptions field.

Annex IV reports

Where a firm already files an Annex IV report in the EU, we suggest that the FCA accepts that report for FRAME purposes, supplemented by a short 'top-up' form covering only those FRAME data points not captured by Annex IV (and it would be helpful if the FCA identifies and publishes those fields).

Chapter 4 Essential Reporting Requirements

Question 6 Do you agree with our approach to the essential reporting requirements? If not, what would you change, and why?

Performance and flows

We question the requirement to report performance for closed ended funds and funds with professional investors.

In paragraph 4.13 in CP26/26, the FCA indicates that performance data will primarily be used to understand the costs borne by investors in the fund by comparing gross and net returns. As the FCA is not a price regulator, it appears that the relevance of this data would be to support the FCA's consumer protection objective. However, for funds that admit only professional investors, it is unclear why the FCA considers that it is necessary to monitor costs in this way, as the fees and charges payable by such investors are typically heavily negotiated as part of the fundraising process. Accordingly, we do not think this information is necessary or proportionate in the context of professional-only funds.

Liquidity profiles

The requirement for liquidity reporting is not appropriate for closed-ended funds. This is because such funds do not need to meet investor redemptions during their life and therefore are not subject to the potential liquidity pressures that can apply to open-ended

funds. We ask that the FCA to acknowledge this under SUP 16 Annex 63.10.

Chapter 5 Enhanced Reporting Requirements

Question 7 Do you agree with our proposals to collect client categorisation and investor data information in the enhanced reporting requirements, and if not, why?

We agree with the FCA's proposals to collect client categorisation and investor data in the enhanced reporting. This data will assist the FCA in identifying where retail or less sophisticated investors may be exposed to higher-risk or complex products. It will enable the FCA to understand how risk is distributed across the market and to monitor for systemic vulnerabilities or concentrations among specific investor groups.

We understand that for UK investors, the FCA's proposals would require categorisation of retail, elective professional and per se professional clients according to its proposed new categorisation approach in CP25/36, which removes the distinction in the UK framework between MiFID and non-MiFID classifications. However, if those proposals are not ultimately adopted in that form, the FCA would need to revisit data fields INV004 to INV007 and clarify whether the MiFID or non-MiFID categorisations should be used. We would also request that the FCA clarify whether the classification of non-UK investors should be in accordance with the FCA's classification or the classification applicable under local regulatory or marketing regimes.

As the FCA have acknowledged, not all managers have direct relationships with their end investors (e.g., where distributors are involved). The proposals are practical by requiring firms to take reasonable steps using available information, and the existing PROD rules that already require distributors to share sales data with fund managers.

We note that in SUP 16 Annex 64.4R and SUP 16 Annex 64.5R it states that the Funds Information Report must indicate the percentage of the fund's NAV attributable to investor types and categories respectively. Clarity should be provided on whether 'attributable' means investors actually invested in the fund, or does it

mean the proportion of the fund assigned to particular investor types and categories for marketing purposes.

Question 8 Do you agree with our approach to performance and flow reporting, particularly with respect to frequency? If not, why?

Performance and flow reporting

In relation to information about gross and net returns, please see our earlier comments in response to Question 6 above.

In the enhanced report, the Performance and Flows data fields (PER002 to PER020) also require information on subscriptions and redemptions. This information is irrelevant to closed-ended funds, as they do not generally permit redemption during the life of the fund and subscriptions are no longer possible after the final close of the fund.

As a result of the above observations and those in relation to Question 6, we consider that the FCA should exempt closed-ended professional-only funds from reporting Performance and Flows information.

Question 9 Do you agree that our characterisation of unencumbered highly liquid assets best captures cash and near cash that would be readily available to pay immediate liabilities, such as unexpected redemptions or margin calls?

We agree that the FCA's characterisation of unencumbered highly liquid assets best captures cash and near-cash resources that would be readily available to pay immediate liabilities, such as unexpected redemptions or margin calls.

Question 10 With respect to anti-dilution tools, would asking for data on a firm's back-testing of their use be a more proportionate substitute for the quantitative data on their calibration and trigger levels that we have not included?

We support the FCA's approach to collecting data on the use of anti-dilution tools, as this information is important for the FCA in understanding how funds manage liquidity and protect investors from dilution during periods of stress. However, where a fund uses dual pricing, the application of the anti-dilution mechanism is

inherent in the pricing structure and does not vary from day to day. As a result, the number of dealing days on which dual pricing is applied will always equal the total number of dealing days in the reporting period. Therefore, there is no need for the FCA to ask for the number of dealing days on which the tool was applied for such funds. It may be more efficient for the essential reporting instead to include a simple question asking whether a fund uses dual pricing.

We note the FCA will be consulting on proposals, in relation to liquid management, for NURS predominantly invested in inherently illiquid assets, such as NURS real estate funds. Also, the FCA will be considering the position for other authorised AIFs as part of the follow-up second consultation paper on the regulatory regime for AIFMs.

Question 11 Do you agree with our approach to share class data reporting, including that these requirements will only apply to UK UCITS and NURS, and our focus on size, performance, value and fees? If not, why?

We agree with the FCA's approach to share class data reporting as set out in the consultation paper. The proposed requirements are appropriately targeted, applying only to UK UCITS and NURS. As these are retail-oriented authorised funds we can understand why the FCA wishes to monitor how the differences in share class size, performance, value, and fees may have an impact on investor outcomes.

Question 12 Do you agree with our approach to benchmark data reporting? If not, why?

We agree with the FCA's approach to benchmark data reporting as set out in the consultation paper. The proposed requirements for UK UCITS and NURS to report details of each benchmark they use at the end of the reporting period and provide monthly benchmarking returns appears proportionate.

Question 13 Do you agree that managers and operators should only report holdings for UK UCITS and NURS funds. If not, why?

We agree that holdings reporting should be limited to UK UCITS and NURS. For property funds, extending holdings reporting beyond

these authorised retail fund structures would impose significant additional reporting burdens with limited supervisory benefit. UK UCITS and NURS are the most appropriate to be in scope for this reporting because they are widely distributed to retail investors.

We note that on the FRAME reporting template there are no examples given for how to complete the 'Holdings' field for direct property held by NURs. It would be useful to have one of two examples for direct property holdings.

Question 14 Do you agree that collecting exposure data by asset class and breaking it down by instrument type, and standardising rates and credit exposure, is viable for reporting purposes? If not, what alternatives would you propose?

We agree that collecting exposure data by asset class, with a further breakdown by instrument type, and standardising the reporting of rates and credit exposures is a viable and proportionate approach for regulatory reporting.

For property and infrastructure funds additional clarification would be helpful regarding the application of the sub-asset categories in SUP 16 Annex 64.18R. In particular, it is unclear where infrastructure equity exposures should be reported within the proposed sub-asset types. Clarification is also needed on whether real estate held through corporate wrappers should be reported as real estate assets or unlisted equity. Greater clarity on these classifications would support consistent reporting across firms and improve data quality.

Question 15 Does this approach to sensitivities reporting sufficiently capture where fund managers are running market risks?

We note that the reporting on market risk sensitivities and VaR do not apply to unauthorised AIFs that are private market funds.

Question 16 We propose to collect concentrated position data per entity rather than per individual security, should we consider collecting security level concentrations, particularly with respect to the Gilts market?

We have no response to this question.

Question 17 Do you agree with our approach to counterparty exposures, and in particular, collection of initial amounts (margins) and the use of it in ranking counterparties?

We note that the Counterparty Exposure (Essential) reporting fields (ESC001 to ESC012) would require funds subject to essential reporting to provide a breakdown of financing arrangements grouped by financing type. For funds over the £500m NAV threshold, that are subject to enhanced reporting, they need to report the more detailed information in fields ACP001 to ACP016 (among other data fields). Certain information in fields ACP003 to ACP012 appears to duplicate the information in fields ESC001 to ESC012, but the fields do not have identical references. Where the fields collect the same data, we would request that they have identical data field references in both the essential and enhanced report.

Question 18 We are considering whether to capture data on individual information for the top 15 counterparties, rather than the top 5 as currently required in Annex IV. Aside from the increase in the volume of information, what are the challenges (if any), with providing this additional information?

We have no response to this question.

Question 19 For both financing maturity and counterparty exposures, how should we best capture Total Return Swaps?

We have no response to this question.

Question 20 Do you agree with our proposed approach to event based reporting with a single trigger? If not, why not? If you disagree with the Event-based Reporting Trigger (EBRT) or the data we propose collecting, please suggest alternative EBRT and data requirements.

We have no response to this question.

Chapter 6 Private Market Fund Reporting

Valuations (all private market funds)

Question 21 Do you agree with our approach to collecting data on private market valuation practices? If not, why?

We agree in principle with the FCA's approach to collecting data on private market valuation practices. The information the FCA plans to collect, as set out in SUP 16 Annex 64.33, should not be too onerous for AIFMs to provide.

We welcome the proposed reforms to the UK AIFM Regime to remove the legislative concept of an external valuer and with it the concept of strict liability for the valuation performed.

We note that there will be a requirement to report if a fund uses third party valuers, how often they are used, and whether the entire portfolio has been valued by a third-party valuer. We would like clarity on whether this includes the use of third-party valuers as advisers to the AIFMs.

We would like to point out that there is a duplication of reporting to the FCA here (Question PRM018). The FCA should be aware if a fund is using a third-party valuer. For a new fund it is a requirement to notify the FCA if a third-party valuer is being used (SUP 15 Annex 15.7) and thereafter, the FCA should be notified if there are any changes to the appointment of a third-party valuer (SUP 15 Annex 16.34 R, SUP 15 Annex 16.68 R and SUP 15 Annex 16.69 R).

Loan Origination

Question 22 Do you agree with our approach to defining which funds should complete private markets and loan origination reporting based on whether they originate loans? If not, why, and what alternatives should we consider?

Alignment with AIFMD II

We encourage the FCA to align the definition of a "loan origination fund" more closely with AIFMD II. The current formulation, which refers to an investment strategy "mainly based on the use of originated loans", differs from the AIFMD II concept of a strategy

whose principal objective is "to originate loans". This difference is significant and capable of broadening the scope of who is caught.

We also consider it important to clarify that "originated loans" do not include loans used purely as part of an investment or financing structure, including intra-group and shareholder loans used to fund underlying holding or operating entities. Such arrangements are not credit-originating activities and should not be taken into account when assessing whether a fund pursues a loan origination strategy. It would be helpful if the FCA can confirm this expressly in the rules or guidance.

Question 23 Do you agree with our approach to collecting data on loan quality and stress? If not, why?

We have no response to this question.

Question 24 Do you agree with our approach to focus our requirements on portfolio data? If not, which alternative metrics would you propose?

We have no response to this question.

Private Equity

Question 25 Do you agree with our approach to dominant influences reporting for private equity funds? If not, why?

We have no response to this question.

Question 26 Do you agree with our approach to performance data reporting for private equity funds? If not, why?

We have no response to this question.

Chapter 7 Other Changes to Reporting Requirements

Decommissioning existing reporting/filing obligations

Question 27 Do you agree with our proposals to require an annual report from CIS operators? If not, why?

We are supportive of the proposal to introduce limited annual regulatory reporting for CIS operators. The annual reporting requirement, 120-day submission period and ability to submit a nil return where no CIS are operated strike an appropriate balance between providing the FCA with useful supervisory information and limiting the reporting burden on firms. We believe this reporting to be proportionate to the FCA's aim of building the data it needs to understand this population of firms and the arrangements they operate.

We agree that, in order to prevent the possibility for regulatory arbitrage, this reporting should apply to all CIS that are operated by an FCA-authorized operator (including those offshore unit trusts that qualify as offshore CIS for the purposes of TCGA 1992 Schedule 5AAA.) The FCA and HM Treasury should ensure that the proposed reforms will not make it more advantageous for UK real estate asset and fund managers to be based in the Channel Islands or the Isle of Man rather than the UK. We understand, based on Search Acumen's 2025 Overseas Entities Register data¹ and standard institutional allocation assumptions for fund-structured holdings and UK pension participation, the estimated AUM of offshore property unit trusts with LGPS investors is approximately £30-45 billion and with LGPS and other UK pension scheme investors is approximately £45-65 billion.

Where a CIS holding vehicle is held under an AIF, and the manager is relying on the operating a CIS permission (Article 51ZE of the Regulated Activities Order) to manage the relevant CIS, some or all of the NAV of the CIS would be included in the AIF's NAV reporting. (We understand that in the FCA's proposals, depending on the reporting obligations applicable to the fund, this may result in a direct investment to the CIS being reported as a relevant exposure, assuming that we have correctly interpreted the FCA's rules as not

¹ £87 billion of property in England and Wales is held by entities in Guernsey, Jersey and the Isle of Man

requiring any look through of holding vehicles and/or funds.) We would be grateful if the FCA could confirm that where the manager of the 'main' AIF is also acting as the operator of the relevant CIS, the manager must submit separate reports for the AIF and the underlying CIS and that the reported NAV should not include any element of adjustment for potential double-counting.

Chapter 8 Reporting Functionality & User Experience

Prototype forms, testing, and submission methods

Question 28 Should online form and XML upload submission options be maintained for both the essential and enhanced reporting requirements under the new framework?

We consider that the FCA should provide both online (web) form functionality and XML upload submission in relation to both essential and enhanced reporting (as well as CIS operator reporting and delegated manager reporting). This will support smaller managers, who may only need to submit a single fund report, to submit without more sophisticated IT architecture and may also provide a fall-back solution if firms or the FCA experience any issues with XML upload facilities.

Question 29 Is having XML upload only submission functionality sufficient for the enhanced reporting requirements under the new proposed framework?

Please see our response to Question 28 above. Although enhanced reporting will only begin to apply when a fund exceeds the £500m NAV threshold, under the FCA's proposals in CP26/28, a manager could still be classified as a small AIFM at that point. To ensure proportionality, we consider that the FCA should still allow an online web reporting option, as this may allow firms with a single, successful fund, to report in a simplified and cost-effective way.

When to start reporting

Question 30 Do you agree with our proposed definition of when a fund should start reporting?

In our view, the proposed rules in relation to "nil return fund reports" appear inconsistent and should be further clarified. The proposed Glossary definition of a "nil return fund report" refers to a fund which "does not have investors and which has not made any investments at the end of the relevant reporting period". The Excel reporting templates published by the FCA contain a question in GEN001 which asks the manager whether "the fund has not launched and will submit a 'nil' return". However, SUP 16.36.6R(3) states that a nil return fund report may be submitted where "a fund has been launched but does not have investors and the [fund manager] has not yet made any investments on behalf of the fund at the end of a reporting period".

The above provisions do not appear to be fully consistent with each other, leading to some ambiguity as to when a nil return fund report would be permitted. In particular, it is unclear what is meant by the "launch" of a fund, and where a fund which has launched but has not yet made investors may still submit a nil return report, even if it has legally binding commitments from investors to provide capital. We would request that the FCA review the definitions, rules and data fields relating to nil return reports to ensure that these are fully consistent and are clear on when a nil return is permitted.

Time to implement reporting

Question 31 How much time, in months (e.g. 6, 12, 18, 24) would you require to operationalise the reporting requirements set out in this consultation paper, from the date of a policy statement and final rules being published?

Given the need to implement new data capture systems, which may necessitate new technological builds, we consider that a 24-month implementation period from the publication of the final rules and associated reporting templates would be most appropriate. This would allow sufficient time for firms to test the relevant templates

and ensure that they fully understand the required data points and can build systems to capture and reproduce these.

Chapter 9 Fund Authorisation, Registration and Change Processes

Moving Existing Submission Processes Online

Question 32 Do you have any comments on our proposal to require firms to submit the AIFMD forms and notifications set out above online rather than by post or email?

We have no response to this question and therefore did not submit a response to the question by 31 August, as requested by the FCA.

Legal Entity Identifiers (LEIs)

Question 33 Do you agree with our proposal to require LEIs as set out, and how much time would be required to ensure these entities have LEIs in place from the date we publish our final rules?

We have no comments regarding the proposal to require LEIs.

Stakeholder Engagement

Question 34 What considerations should the FCA prioritise in developing the new fund Authorisation, Registration, and Change platform?

We suggest that the new fund Authorisation, Registration, and Change platform includes easy access to relevant guidance, especially what counts as material changes.

Question 35 Would you like to participate in future engagement about the FCA's fund Authorisation, Registration, and Change service?

RE:UK is willing to participate in future engagement about the FCA's fund Authorisation, Registration, and Change service where it is appropriate.