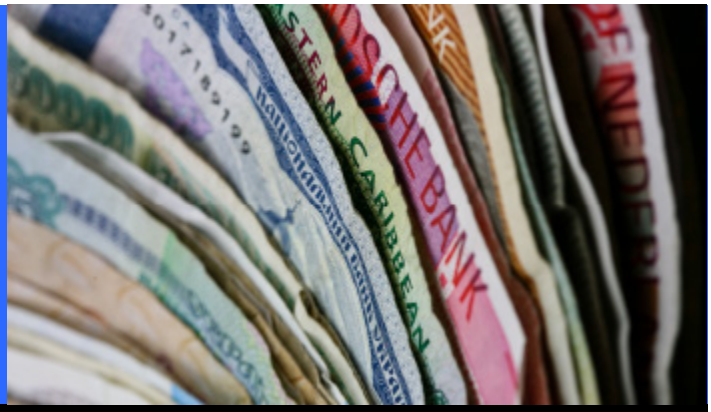
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Financial Regulatory Update November 26, 2026

FCA Conflicts of Interest Expectations for Private Markets

This update considers what steps private markets managers and advisers should take now to ensure that they continue to meet regulatory expectations.

On 23 October 2026 the Financial Conduct Authority (the **FCA**) published the findings of its multi-firm review, *Conflicts of interest and fair customer treatment in private markets* (the **Review**).[1] The FCA looked at managers and advisers in private equity, private credit and real estate, and says that many of its observations may be relevant in other parts of private markets. We consider what steps private markets managers and advisers should take now to ensure that they continue to meet regulatory expectations.

What are the existing regulatory expectations?

The FCA's expectations on conflicts are not new. In November 2012, its predecessor, the Financial Services Authority (the **FSA**), published *Conflicts of interest between asset managers and their customers* (the **2012 Paper**),[2] following a thematic review of asset management firms, including hedge fund managers. The Review refers back to the 2012 Paper in its discussion of gifts and entertainment.

The 2012 Paper started from Principle 8, which requires a firm to manage conflicts of interest fairly, both between itself and its customers and between a customer and another client, and from the requirement in SYSC 10 for an effective framework to identify, control and review conflicts. The FSA expected firms to be able to demonstrate that these requirements were embedded in

the business and were taken into account whenever they considered new products, processes or business models. It also expected boards to review their practices regularly. It found that many firms fell short.

What did the Review involve?

The Review involved a questionnaire followed by visits to a smaller group of firms. The questionnaire went to a sample of private markets firms chosen to cover a range of business models, asset classes, ownership structures and sizes, and the visits tested how firms identified and managed conflicts in practice. Firms were assessed against the conflicts of interest provisions of the FCA Handbook and the rules on inducements and personal account dealing. The FCA looked at perceived conflicts as well as actual and potential ones. It considered personal conflicts, conflicts driven by a firm's business model and ownership, and conflicts arising across the investment lifecycle, from origination and allocation through to valuation and exit.

What did the FCA find?

The FCA's starting point is that conflicts are inherent in private markets, and that how many a firm has, and how serious they are, depends on the choices it has made about its business model, fund structures and ownership. It found that many firms had effective governance and a clear focus on investor outcomes, but that standards varied considerably, and that the firms carrying the most inherent conflict were not always the ones with the strongest controls. It identifies three areas in which the same weaknesses kept recurring.

- **Cross-fund transfers and continuation vehicles.** These are transactions in which the firm is on both sides. Weaker firms put them through their ordinary governance and relied on disclosure or investor consent, with little to show how the interests of one set of investors had been weighed against those of the other. In one case a firm had received outside interest in an asset held by one of its funds, did not pursue it, and sold the asset to another of its own funds at net asset value (**NAV**). The firm did not follow its established governance processes and could not explain to the FCA why it had not pursued the external interest or how it had concluded that the NAV price was in the best interests of the selling fund.
- **Gifts and entertainment.** Every firm had a gifts and entertainment policy, approval thresholds and reporting arrangements, and registers were generally maintained. The FCA's concern was whether firms could show that these arrangements work in practice, including whether anyone looks at the cumulative picture as well as at each event as it arises. It also observed that the hospitality it saw was in some cases of greater value than it typically sees in public markets. In particular, the FCA referenced air travel and high-value sporting events. One firm told the FCA that it had aligned its private markets policy with its public markets approach and considered that it suffered competitively as a result, and the FCA expects further discussions with firms about their practices. The FCA also reminds firms of the inducements rules in COBS 2.3A for MiFID business and, for alternative investment fund managers, Article 24 of Commission Delegated Regulation (EU) No 231/2013 (the AIFMD Level 2 Regulation) as it applies in the UK.
- **Information barriers.** Weaker firms relied on training, informal separation of teams and individual judgement, with limited monitoring. The FCA noted that this was particularly relevant where firms operate multiple strategies across the capital stack.

Two further findings will matter to many sponsors. The first concerns firms whose UK entity acts only as an adviser to an overseas manager. Some had characterised their UK activities as advisory because formal investment decisions are taken by overseas entities, and their UK conflicts frameworks were often narrowly scoped, focusing primarily on personal conflicts or relying heavily on arrangements operated overseas. The FCA accepts that firms may legitimately adopt such models, but expects the conflicts framework to reflect the activities undertaken in the UK, including what UK staff do across the investment lifecycle. The second concerns limited partner advisory committees (**LPACs**). The FCA accepts that informed consent from investor representatives can be a valuable means of handling conflicts, but it says that firms should not rely on consultation with a subset of investors as the primary mechanism for managing material conflicts, given that these committees typically represent only the largest investors and that some newer fund structures do not have one.

The Review also covers origination, allocation, connected-party transactions, alignment of interests, side letters and most-favoured-nation rights, and disclosure. Only 52% of firms in the first phase of the review said that internal audit had a role in reviewing the conflicts framework. The FCA says that it will carry out "targeted follow-up work where appropriate".

What about multi-asset or multi-strategy managers?

The FCA observed that firms operating across multiple asset classes, strategies or fund structures are exposed to a broader range of potentially significant conflicts and need enhanced oversight and control. Drawing on the Review, we see four practical issues for multi-asset and multi-strategy managers:

1. One strategy may hold the equity of a company while another holds its debt. The interests of the two funds diverge as soon as there is an amendment, a waiver or a restructuring to negotiate. The FCA cites as good practice firms that had a dedicated policy for this situation, with clear escalation triggers. In our view, such a policy should provide for separate decision-makers, rules on recusal and an escalation route agreed in advance.

2. Someone has to be able to see across the information barriers. The FCA's examples of good practice include deal-level conflict checks covering existing investments in all asset classes "even where there were information barriers". In our view, that points to a control room function sitting above the barriers, with system-based restrictions below it.

3. Allocation is harder where mandates overlap, for example between opportunistic credit, special situations and private equity funds. The FCA's examples of stronger practice were predefined allocation criteria, pro-rata allocation of oversubscribed opportunities, documented reasons explaining how fairness between investors had been considered, and committee oversight of exceptions to policy.

4. Ownership by a bank or insurer often introduced additional sources of conflict, although those managers frequently had more mature governance and stronger second-line oversight. Some had repurposed group policies that were not tailored to private markets. A manager that has grown by acquisition should not assume that the frameworks it has inherited fit the combined business.

The Review does not break its findings down by asset class, and its scope focused on private equity, private credit and real estate firms, so infrastructure managers are not expressly addressed. The table below is therefore our own reading of where the findings are likely to matter most.

Asset class	Where the findings are likely to matter most
Private equity	Continuation vehicles and GP-led secondaries; transfers between fund vintages; co-investment allocation; staff interests in portfolio companies and their suppliers or customers; hospitality from advisers and lenders
Private credit	Information barriers where lender-side information meets public-side or equity strategies; funds holding different tranches of one borrower; allocation between funds, managed accounts and affiliated balance sheets; evergreen funds with no LPAC. The FCA's review of claims management practices, announced in May 2026, is separately scrutinising how claims firms are funded, including by private credit
Real estate	Sales between affiliated funds at NAV; affiliated property, development and asset management services; reliance on a single external valuation; staff interests in tenants and landlords
Infrastructure	Not a focus of the Review, but infrastructure equity and debt were within the scope of the FCA's March 2025 valuation review.[3] Long-dated assets make fund extensions, end-of-life transfers and continuation vehicles routine; consortium deals among affiliated funds are connected transactions; debt and equity in one project is common

What are the key takeaways for private markets firms?

Several themes run through the Review. The first is that the FCA links the controls it expects directly to the complexity of the business. It describes conflicts management as a "dynamic capability" and warns firms against assuming that arrangements developed for a simpler business will remain effective as it grows.

The second is substance over legal form. In 2012 the FSA's concern was UK boards that deferred to an overseas parent, and the 2026 equivalent is the narrowly scoped UK adviser described above. However, as noted above, the FCA accepts that firms may legitimately take investment decisions through overseas group entities, provided the UK framework reflects the activities carried out in the UK. For non-UK sponsors with a UK advisory affiliate, this is one of the most important findings in the Review.

The third is evidence. The FCA repeatedly distinguishes between firms that have a policy and firms that can show it operating. Investor alignment that is “asserted rather than demonstrated”, approvals supported by generic reasons and fairness discussed only at a high level all count against a firm. The point is not new, since the FSA’s central finding in 2012 was that most of the firms it visited “could not demonstrate” that customers avoided inappropriate costs and had fair access to suitable investment opportunities, but the Review is far more specific about what the evidence should look like.

Disclosure and consent are treated with more scepticism than some firms will expect. The FCA treats disclosure as a supplementary control rather than a substitute for managing a conflict, and describes stronger firms as avoiding conflicts where they can, mitigating and managing them where they cannot, and only then considering disclosure. In our view, disclosure in the fund documents, or consent from an LPAC on which only some investors sit, is unlikely by itself to satisfy SYSC 10.

The FCA also focuses on who provides the challenge. It criticised buy-side and sell-side funds that relied on the same valuation and on largely the same committee “in different sittings”, and it treats as good practice the separation of compliance staff who clear deals from those who monitor them.

Finally, the FCA invites firms to consider whether some conflicts can be reduced or avoided through the design of their business model and structures. That goes further than the 2012 Paper.

What should private markets firms do now?

The FCA has not asked for an attestation but rather, it has said that it will carry out targeted follow-up work where appropriate. On the other hand, in 2012 the FSA backed its paper with an attestation requirement for the firms to which it wrote and, in some cases, skilled person reviews. Firms should be able to show that they considered the Review and what they did about it. We suggest the following steps, each to be applied in proportion to the nature, scale and complexity of the business. The FCA itself accepts that not every finding will be relevant to every firm.

1. **Take the Review to the governing body.** Carry out a gap analysis against the FCA’s findings, allocate each action to a named accountable individual and minute the discussion.
2. **Refresh the conflicts inventory against the business as it is today.** Treat a new product, an acquisition or a change of ownership as a trigger for revisiting it.
3. **Check the scope of the UK framework against what UK staff do.** Non-UK sponsors should map the involvement of their UK advisory staff across the investment lifecycle, extend the UK framework to match and record how UK senior management oversees any group arrangements it relies on.

4. **Put a specific procedure in place for cross-fund and continuation transactions.** It should provide for different decision-makers on the buy side and the sell side, separate valuations, committees that do not share members and a record of any outside interest in the asset and what was done about it.
5. **Tighten gifts and entertainment controls.** Registers should record the business purpose, how the benefit was valued and any offers that were declined. Monitor cumulative exposure by provider and recipient, consider annual value limits, and be ready to explain any travel or sporting hospitality.
6. **Strengthen information barriers.** Informal separation of teams should give way to system permissions, wall-crossing logs and surveillance, overseen by a control room that can run conflict checks across every strategy.
7. **Be able to evidence fairness without relying on disclosure.** Use allocation memoranda, assess the cumulative effect of side letters on other investors, set triggers for disclosure when events happen and, for vehicles with no LPAC, decide who will provide the independent challenge.
8. **Arrange independent assurance.** Bring conflicts within the internal audit plan or commission an external review.

[1]FCA, *Conflicts of interest and fair customer treatment in private markets* (23 October 2026), available at https://www.fca.org.uk/publications/multi-firm-reviews/conflicts-interest-fair-customer-treatment-private-markets.

[2]FSA, *Conflicts of interest between asset managers and their customers: Identifying and mitigating the risks* (November 2012), available here.

[3]FCA, *Private market valuation practices* (5 March 2025), available at https://www.fca.org.uk/publications/multi-firm-reviews/private-market-valuation-practices.

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Gibson Dunn's lawyers are available to assist in addressing any questions you may have regarding these developments. If you wish to discuss any of the matters set out above, please contact the authors or any leader or member of Gibson Dunn's Financial Regulatory practice group:

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