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18 September 2026

Asset Management & Funds Policy Team
Financial Conduct Authority
12 Endeavour Square
London E20 1JN

By email: cp26-28@fca.org.uk

Dear Sir or Madam,

Re: CP26/28, The UK AIFM Regime

State Street Trustees Limited ("SSTL") welcomes the opportunity to respond to the Financial Conduct Authority's Consultation Paper CP26/28, *The UK AIFM Regime*.

SSTL is one of the UK's largest depositaries and provides depositary and trustee services to authorised and alternative investment funds across the UK market. SSTL has operated in the UK depositary sector for more than 25 years and currently acts as depositary to over 450 funds with aggregate assets under depositary of approximately £442 billion. Our client base includes UCITS as well as regulated and unregulated AIF structures investing across a broad range of asset-types.

SSTL is generally supportive of the response submitted by the UK Depositary Association ("UKDA"), which represents a spectrum of perspectives from depositary businesses operating across the UK market. We do, however, wish to highlight our own views on some specific elements of the FCA's proposals where, we believe, further consideration or development would be helpful.

We welcome the FCA's efforts to make the AIFMD more proportionate and effective and acknowledge that CP26/28 represents a first step in the regulator's consideration of a number of potential reforms to the UK AIFM regime. We support the FCA's intention to publish a second consultation containing draft rules on areas addressed through the discussion chapters and would welcome continued engagement before the operating model and associated rules are settled.

Split depositary and safekeeping arrangements

SSTL has some concerns regarding the potential operational and legal consequences of permitting different depositary functions to be performed by multiple entities. The existing depositary model provides a clear point of accountability and enables a depositary to maintain an integrated view of a fund's assets, cash flows and key operational processes. Fragmenting that model has the potential to result in gaps or duplication in oversight, reduced transparency, fragmented information flows with associated data challenges, and uncertainty regarding responsibility, escalation and liability.

An oversight depositary required to rely on records, reconciliations or confirmations produced by other depositaries, custodians, prime brokers, collateral agents or service providers would need to establish additional due diligence, monitoring, reconciliation, governance, contractual, information-sharing and control arrangements. This could introduce complexity and cost for depositaries and AIFMs, with the risk that those costs would ultimately be borne by investors.

SSTL's practical experience is that the involvement of multiple custodians, prime brokers and collateral agents already creates material information-sharing, data integration and governance demands.

While acknowledging that there may be potential benefits of a split model, SSTL is not currently persuaded that they would outweigh the risks that could be introduced. The intended operating model remains insufficiently developed to determine whether an oversight depositary could maintain a complete and reliable view of the AIF while relying on the activities, systems, controls and information of multiple parties outside its direct control. It is also unclear how responsibility and liability would operate where information supplied by a third party was incomplete, inaccurate or delayed, or where different providers reached conflicting conclusions on certain matters.

We therefore suggest the FCA considers the fact that a split model may not be fully workable through contractual arrangements between firms. Contracts cannot, by themselves, remove the practical limitations of fragmented information, address all potential gaps in regulatory accountability or ensure that an oversight depositary can obtain the information necessary to discharge its obligations. Nor should an oversight depositary be exposed to regulatory, operational or reputational consequences arising from matters outside its reasonable control.

Any ongoing assessment of the proposed model should take full account of the additional due diligence, reconciliation, data integration, governance, contractual and ongoing monitoring requirements that would arise, together with the implications for liability, operational resilience and depositaries' risk appetite.

Cash monitoring

SSTL agrees that the performance of genuinely duplicative operational work by the depositary may be unnecessary, i.e. where a cash reconciliation has already been performed effectively by an AIFM or its service provider. However, we would note that timely visibility of cash accounts and movements supports the depositary's wider oversight and believe that further clarity around the FCA's proposals is required.

In particular, we ask the FCA to confirm that any revised regime will continue to:

- preserve the depositary's ability to receive timely, complete and reliable information concerning all relevant fund cash accounts and cash movements;
- preserve access to appropriate source information, including relevant bank statements or equivalent records;
- require the AIFM and relevant service providers to provide the information necessary for the depositary to perform all aspects of its wider monitoring and oversight responsibilities;
- ensure depositaries can apply enhanced monitoring, verification or independent re-performance where justified by the nature, scale, complexity or risk profile of an AIF or its AIFM; and
- provide a clear and proportionate allocation of responsibility and liability where the depositary has reasonably relied on information supplied by another party.

UK and EU regulatory divergence

SSTL recognises the opportunity to design a regime tailored to the UK market. However, the potential benefits of divergence should be assessed against the practical consequences for firms and funds operating across the UK and the European Union.

Cross-border structures may involve UK and EU AIFMs, depositaries, custodians, funds of funds, delegated arrangements and look-through requirements. Materially different requirements concerning depositary appointment, safekeeping, ownership records, cash monitoring or reliance on third parties may result in overlapping or inconsistent obligations, additional reconciliations, duplicated controls and more complex disclosures. Such differences also have the potential to undermine appropriate scalability of cross-European depositary operating models for firms such as State Street. These issues could reduce efficiencies, hamper technology simplification and increase costs for funds and investors.

We would therefore welcome a fuller explanation in the next consultation of:

- the policy benefits expected to result from divergence from the EU AIFMD model;

- how the proposed UK requirements would interact with EU depositary obligations in cross-border structures;
- the implications for look-through, information exchange, ownership records and cash monitoring;
- how conflicting or overlapping regulatory requirements should be managed; and
- the steps the FCA proposes to take to preserve interoperability and avoid unnecessary operational duplication.

Conclusion

SSTL supports the FCA's objective of creating a more proportionate and effective UK AIFM regime. We also recognise that CP26/28 is an initial stage in the development of the future framework and encourage the FCA, in developing its next consultation, to:

1. demonstrate that any split safekeeping or depositary model is operationally workable, commercially viable and capable of preserving clear accountability;
2. further clarify its proposals in respect of cash monitoring while safeguarding the information flows and independent visibility necessary for such effective cash monitoring and wider depositary oversight;
3. assess and explain the consequences of divergence from the EU AIFMD framework for cross-border funds and service models.

SSTL looks forward to continued engagement with the FCA and UKDA as the proposals and draft rules are developed.

Yours faithfully,



Louise Burns
Chief Executive Officer
State Street Trustees Limited