FOR FUND MANAGERS & PARTNERS

SAPPHIRE

Regulatory Update

June 2026

A plain-English round-up of the regulatory developments that matter most to UK venture capital fund managers, and what they mean in practice.

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Sapphire

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In this update

A note for the reader. This update summarises recent regulatory developments in plain English and explains why they matter to a venture capital fund manager. It is general information only, not legal, regulatory, tax or financial advice, and it is not a financial promotion.

A WORD FROM OUR CHAIRMAN

Faster, more open, and expecting more in return

We read a great deal of regulatory material so that you do not have to. This update pulls out the developments that genuinely affect a venture capital fund manager, and sets them out in plain English with a note on what each one means in practice.

The clearest theme this quarter is a regulator trying to be quicker and more accessible, while raising the bar on how firms run themselves. Authorisations are getting faster, the FCA is more openly pro-growth, and the regime that governs managers like us is being reshaped to be more proportionate. At the same time, financial promotions, financial crime and the rules for appointed representatives remain firmly in its sights, with enforcement stepping up.

For our fund managers and partners, the practical message is reassuring. As the authorised manager behind the funds we operate, Sapphire already carries much of this regulatory weight on your behalf. The pages that follow explain what is changing and where it touches your fund.

Boyd Carson FCA

CHAIRMAN, SAPPHIRE CAPITAL PARTNERS LLP

01 · THE FCA'S DIRECTION

Financial promotions in the spotlight

Financial promotions remain the single most scrutinised area for firms like Sapphire. The FCA recently arrested three people in an investigation into suspected unlawful promotions, working alongside law enforcement. It is a sharp reminder that weak controls over marketing can move quickly from a compliance issue to a criminal one.

The rule in plain terms

Any message that invites or encourages someone to invest is a financial promotion. It can only be issued or approved by an FCA-authorised firm, and it must be fair, clear and not misleading. EIS and SEIS funds may only be promoted to certain categories of investor, such as high net worth or sophisticated investors, who must be properly assessed first.

Why the FCA is watching

Promotions are the front door to an investment, so the regulator treats them as a gateway risk, especially where unauthorised firms target ordinary investors. Enforcement is escalating, now including criminal investigation and arrests where serious breaches are suspected.

Tighten controls

Make sure investor materials are drafted, reviewed and signed off properly before they go out.

Watch distribution

The route a promotion takes matters as much as the wording. Mind social media, third parties and onward sharing.

Escalate quickly

If something looks off, raise it early. Senior people need a clear line of sight over promotion risk.

WHAT THIS MEANS FOR YOU

As the authorised manager, Sapphire approves the promotions for the funds it operates and for its appointed representatives, taking responsibility for ensuring they meet the rules before they reach a single investor. If you are preparing investor-facing materials, the simplest safeguard is to send them to us early.

02 · THE FCA'S DIRECTION

A faster, growth-focused FCA

The FCA is working hard to present itself as an enabler of growth, not just a watchdog, and has set out a short list of priorities centred on growth and innovation, good consumer outcomes, high standards in private markets, and operational resilience. Faster authorisations, more published data on turnaround times, and more support for fast-growing firms all point the same way.

What is changing

Quicker decisions, clearer ways to engage with the regulator, and greater transparency about turnaround times. The FCA is also working with the Treasury on a lighter regime for start-up fund managers, recognising that the cost of launching a fund has become a real barrier to entry, and a wider review of venture capital is expected over the coming year.

What it asks of you

The flip side is higher expectations. Applications need to be decision-ready, with governance, controls and resilience that stand up to a more judgement-led approach. Speed from the regulator is matched by a demand for discipline from firms.

IN PLAIN TERMS

A useful way to picture it: the regulator is a busy airport adding runways and faster check-in. It can get you to market more quickly, but it still expects you to arrive with your paperwork in order. Launching under an established authorised manager is one way to be decision-ready from day one.

Move faster

Understand how the reforms reshape approvals so you can reduce friction in your plans.

Be decision-ready

Strong governance and complete submissions are what unlock the faster timelines.

Plan with confidence

Clearer direction lets you set realistic dates and resource around them.

03 · THE FCA'S DIRECTION

The AIFMD regime is changing

The framework that governs how alternative fund managers like Sapphire are regulated, known as the AIFMD regime, is being reshaped. The direction of travel is towards a more proportionate system, and a consultation is expected shortly.

A more graduated system

Today a manager steps almost straight from a light-touch "small" regime to the full set of rules once it passes a fairly low size threshold. The reform is expected to introduce a clearer small, medium and large structure with much higher thresholds, so a growing fund faces a gentle step up rather than a cliff edge. Some managers on the full regime today could move into a lighter middle tier.

Tailored, and lighter in places

The rules are expected to be tailored to the type of fund, with closed-ended vehicles treated differently from open-ended ones, some reporting that no longer earns its place removed, and routine threshold crossings handled by a simple notification rather than a formal change of permission.

WHAT THIS MEANS FOR YOU

For Sapphire and the managers we support, this is encouraging. A more proportionate regime with higher thresholds gives growing funds more headroom before the heavier rules apply, and transitional arrangements are being considered so firms are not caught out while the changes take effect. We will respond to the consultation and flag what matters to your fund.

Watch the consultation

The detail, including the exact thresholds, comes with the consultation. Engaging early is how the sector shapes it.

Map your position

Work out which tier you are likely to sit in, and what would actually change for you.

Plan with headroom

Higher thresholds should mean more room to grow before the heavier rules apply.

04 · THE FCA'S DIRECTION

The Appointed Representative gateway

The Appointed Representative model, where a firm operates under the regulatory umbrella of an authorised principal such as Sapphire, remains under close regulatory attention, and a new approval gateway for principals is expected.

What is changing

The regulator has been steadily tightening the AR regime, with more scrutiny of how principals oversee their representatives. The expected gateway would add a clearer approval step before a firm can act as a principal, alongside continuing expectations around oversight, information and control. Interest in the model is broad, reaching well beyond fund management.

Why it matters to you

For our appointed representatives, this is reassuring rather than alarming. It raises the bar for principals, and Sapphire already invests heavily in oversight. For anyone weighing up the AR route, choosing an established, well-run principal becomes more important than ever.

What a recent court decision adds

The recent Supreme Court decision in *Kession*, on the principal and appointed representative relationship, confirmed that a principal is responsible only for the business it has accepted in writing. In other words, the appointed representative agreement, and the limits set out in it, carry real weight: what the principal stands behind can be defined and narrowed, but how that business is conducted cannot be signed away. For an appointed representative, acting outside the agreed scope is not a mere paperwork slip; it can amount to a criminal breach of the regulatory perimeter, so those limits deserve real care.

AT SAPPHIRE

Sapphire takes its responsibilities as a principal seriously, with active oversight of every appointed representative it is responsible for. As the regime tightens, that diligence is exactly what the regulator wants to see, and it is already built into how we work with you.

Tighten the agreement

Make sure the AR agreement clearly sets out the scope the principal accepts and the limits that apply.

Mind the limits

For appointed representatives, going beyond the agreed scope is a serious matter, not a technicality.

Record board oversight

Document that the board has considered the implications and reviewed AR agreements, supervision and communication, as part of its annual self-assessment.

05 · THE FCA'S DIRECTION

Consumer Duty and vulnerable customers

The Consumer Duty asks firms to deliver good outcomes for customers, and the FCA's focus is shifting from policies on paper to whether support actually works when people need it most.

Where the focus sits

The current focus areas cover whether products offer fair value, whether communications are clear, and whether support works from start to finish. A new review looks specifically at how firms treat bereaved customers, one of the clearest tests of whether a service is built around people rather than process.

How the FCA checks

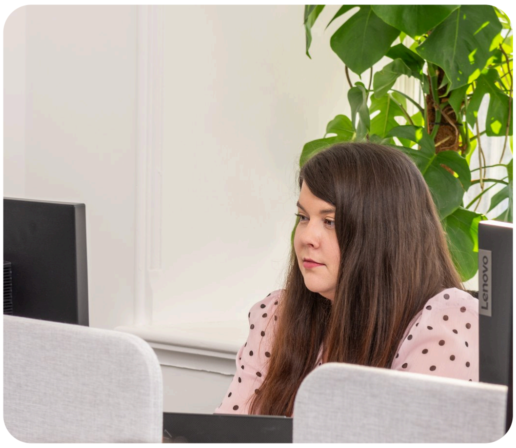
Complaints data, published every six months, is increasingly used as a window into how well firms are really treating customers. Rising complaints, low resolution rates or poor record-keeping can quickly draw supervisory attention.

WHAT IS CHANGING

The Duty is being refined to ease the burden on firms that deal only with professional investors. A new standard investor disclosure, the Consumer Composite Information document, is replacing the old key information document and becomes mandatory from 27 June 2027. There is also a live debate about whether friction such as cooling-off periods genuinely protects investors or simply deters them, with EIS and SEIS arguably different from a straight high-risk bet given their tax and loss reliefs.

WHAT THIS MEANS FOR YOU

For Sapphire, this matters most around how investors are categorised, how clearly the risks of a fund are explained, and how we support investors whose circumstances change. Vulnerability is not only about age or illness; it can be temporary, such as bereavement or sudden financial stress, and good practice means being ready for it.



06 · THE FCA'S DIRECTION

Financial crime and money laundering

The FCA's chief executive has framed financial crime as a system-wide threat, urging firms to share intelligence, use technology, and focus their effort where the risk is greatest. Firms are described as a critical line of defence.

A joined-up effort

The message is collaboration rather than working in isolation: sharing information with peers, regulators and law enforcement, and putting compliance resource where the threat, exposure and impact are greatest.

New sharing powers

The FCA's Market Watch 85 sets out how firms can use information-sharing powers under the Economic Crime and Corporate Transparency Act 2023, under defined conditions and with legal protection. These sit alongside, not instead of, the usual suspicious-activity reporting.

Sharpen risk work

Make sure your risk assessment reflects where money laundering and market abuse could actually arise.

Strengthen monitoring

Transaction and account oversight should be strong enough to spot suspicious flows early.

Escalate early

When red flags appear, move quickly: escalate, report where required, and keep the evidence.

AT SAPPHIRE

Boyd Carson is Sapphire's Money Laundering Reporting Officer, so financial-crime controls sit at the centre of how we operate. For the funds we manage, that oversight is part of the service rather than something each fund manager has to build alone.

07 · THE FCA'S DIRECTION

Private markets: valuation and due diligence

Private markets are a growing focus for the regulator, which wants consistent, high standards across the firms operating in them. Two themes stand out for fund managers: how investments are valued, and how thoroughly firms carry out due diligence.

Valuation discipline

Following its review of private market valuations, the FCA expects a clear, well-governed valuation policy, genuine independence in the process where it can be achieved, good documentation, and honest handling of conflicts. It accepts that judgement and a range of methods are part of private markets; holding at cost until an event, for example, is fine, provided the policy is sound and applied consistently.

Due diligence under the lens

The regulator has signalled that due diligence will be a focus of its coming work, because weak due diligence is a recurring thread in cases that go wrong. That applies both to the companies a fund backs and to the partners and distributors it relies on to reach investors.

AT SAPPHIRE

This sits at the heart of how Sapphire works. Our investor reports follow the IPEV valuation guidelines, and we encourage every investment committee to interrogate the valuation model rather than take it on trust. Disciplined valuation and thorough due diligence are not box-ticking; they are how trust in private markets is earned.

Write it down

A clear, consistently applied valuation policy is the foundation the regulator looks for.

Evidence the work

Be able to show the due diligence behind both your investments and your partners.

Interrogate the model

At each committee, challenge the valuation rather than accept it at face value.

08 · TECHNOLOGY AND MARKETS

AI in financial services

Artificial intelligence is moving from experiment to everyday use across financial services. The consistent message from regulators and industry bodies is that the firms that win will be those that adopt it responsibly.

What good looks like

Expectations are forming around AI that is fair and explainable, designed with vulnerable customers in mind and free of bias, backed by strong governance and clear accountability, and overseen by people who understand it. Successful adoption is expected to line up with Consumer Duty outcomes.

Why it is a board issue

AI is no longer just a technology project. It touches conduct, data quality, cyber resilience and fair treatment, so it belongs on the board's agenda, with the workforce equipped to oversee increasingly automated processes.

WHAT THIS MEANS FOR YOU

Think of AI as a very fast, very confident junior analyst. The speed is genuinely valuable, but you still need to check the work, understand how it reached its answer, and stay accountable for it. Sapphire uses data and AI to support investment judgement, never to replace it: structured analysis combined with experienced human decision-making.

Design responsibly

Judge each use of AI on both commercial and customer outcomes.

Govern tightly

Match strong ambition with equally strong oversight of bias, data and security.

Build capability

Equip people and processes so you can adopt AI with confidence.

Agentic AI and cyber security

The National Cyber Security Centre has urged caution on “agentic” AI, meaning systems that can act and make decisions on their own rather than simply answering questions. The guidance is to treat adoption as a risk decision first.

Why caution

Agentic systems are given broader access and behave less predictably, which widens the ways things can go wrong. The advice is to start with low-risk, tightly defined tasks and expand slowly, rather than rolling out quickly.

Keep people in charge

Existing cyber basics still matter and must be adapted, not abandoned. Clear human ownership, oversight and the ability to step in remain essential, and AI must not be allowed to replace good cyber hygiene such as keeping software patched.

IN PLAIN TERMS

Giving an agentic AI broad access is a bit like handing a brand-new employee a master key on their first day. It might be useful, but you would want clear limits, supervision, and the ability to take the key back.

Start small

Begin with low-risk, well-defined tasks before scaling anything up.

Keep oversight

Maintain clear human ownership and the ability to intervene.

Report fast, own the risk

Tell the regulator about a cyber incident as soon as it happens, not once it is resolved, and remember that outsourcing a service does not outsource the responsibility for it.

10 · TECHNOLOGY AND MARKETS

Fund tokenisation and digital markets

Tokenisation, which means recording fund holdings on a secure digital ledger, is moving from idea to early practice. The FCA and the Bank of England have set out a shared vision, and the FCA's framework now gives fund managers a clearer path to use the technology within existing rules.

From idea to scale

The question is shifting from “can it work” to “can it work at scale”, which puts governance, custody, settlement and investor protection in the spotlight. For most managers this is still a watch-and-prepare topic rather than an immediate change.

Why it touches Sapphire

Sapphire's partnership with JP Jenkins to provide PISCES secondary-market access for portfolio companies sits in this same direction of travel: making private holdings easier to record, value and trade. PISCES is the new regulated framework for trading shares in private companies.

Watch the roadmap

Follow the consultations and signals so you can plan rather than guess.

Check the model

Ask whether your current processes and providers are built for a more digital world.

Protect investors

Custody, record-keeping and oversight must work in practice, not just on paper.

11 · HORIZON AND ENFORCEMENT

The Regulatory Initiatives Grid

The Regulatory Initiatives Grid, now in its tenth edition, sets out the regulatory changes expected over the next 24 months. It is a planning tool, not a rulebook, designed to help firms see what is coming and when.

01

Scan early

Use the Grid to spot the initiatives that affect you well before they reach implementation, so nothing arrives as a surprise.

02

Prioritise smartly

Not everything matters equally. Focus on where the operational impact and timing pressure are greatest for a fund manager.

03

Stay flexible

It is a forecast, not a fixed timetable. Use it to shape planning while staying ready to adjust as final rules emerge.

IN PLAIN TERMS

Think of the Grid as the regulator's published weather forecast. It does not change the weather, but it lets you decide when to take an umbrella. Horizon-scanning like this is part of what Sapphire does on behalf of the funds it manages.

Enforcement in focus

A recent case is a sharp reminder that financial-crime failings are judged not just on whether risks are spotted, but on whether firms and individuals can be held to account, even years later.

The case

A convicted money launderer, Richard Faithfull, received an additional prison sentence of 499 days in May 2026 after failing to comply fully with a confiscation order. His original 2021 conviction related to laundering around £2.5 million linked to multiple overseas investment frauds.

Why it matters

It shows the regulator's willingness to keep pursuing offenders after conviction and to recover criminal proceeds. The wider lesson is that strong anti-money-laundering controls are judged on whether a firm can evidence credible prevention, escalation and follow-through, not simply whether risks were noticed.

What the FCA is seeing

Across the sector the regulator is finding more crystallised consumer harm than a few years ago, often linked to unregulated introducers, weak distribution models and outright fraud. Such harm can take years to surface, which is why smaller managers are being actively surveyed and why clean distribution matters.

Follow the money

Make sure monitoring and record-keeping can spot suspicious flows and support an investigation.

Govern visibly

Senior management should have a clear view of financial-crime exposure and how well controls work.

£2.5m

Laundered, linked to overseas investment frauds

499

Extra days added to the sentence in 2026

2021

Year of the original conviction

The FCA continues to pursue offenders and recover proceeds long after the original case closes.

13 · FOR SAPPHIRE AND ITS PARTNERS

What this means for you

One thread runs through everything in this update. The FCA is becoming faster and more open, but it expects firms to match that pace with discipline, strong controls and clear evidence. Promotions and financial crime stay firmly in focus, and technology brings both opportunity and new responsibility.

> As the authorised manager behind the funds we operate, Sapphire carries much of this regulatory weight so that our fund managers can focus on investing. Approving promotions, financial-crime oversight, Consumer Duty, reporting and horizon-scanning are part of our daily work, not an afterthought.
>
> BOYD CARSON FCA · CHAIRMAN

If you run a fund with us

You do not need to track all of this alone. We will flag what affects your fund, from the AIFMD reforms to the tighter rules for appointed representatives, and handle the regulatory side. When in doubt about an investor communication, send it to us before it goes out.

If you are thinking of launching

A faster regulator and a more proportionate regime, with a lighter touch planned for start-up managers, make this a good moment to plan. Launching under an established authorised manager is the quickest way to be decision-ready and in the market.

ABOUT SAPPHIRE

What we do, and how we do it

What we actually do is straightforward, even if the execution isn't: we take experienced operators, sector specialists and recognised experts who want to deploy capital in their field, and we build the fund around them. FCA-compliant. Properly structured. Ready to raise.

We are also a Certified B Corporation, which means we hold ourselves to standards beyond return. That matters to us, and increasingly to the people we work with.

BOYD CARSON FCA · CHAIRMAN

A BUSINESS MEASURED, NOT JUST STATED

Certified B Corporation

93.1
OUR B IMPACT SCORE

50.9
MEDIAN FOR ORDINARY BUSINESSES

Independently verified by B Lab across how we treat our people, serve our clients, govern ourselves and contribute to our community. Not self-reported, not aspirational. First certified in 2022 and recertified with an improved score in 2025, we are among fewer than 2,700 UK B Corps and one of only a handful of FCA-authorised investment managers.

CASE STUDY

Sustainable Ventures

How the regulatory framework works in practice, so a specialist team can focus on investing rather than compliance.

AT A GLANCE

Two funds
SEIS + EIS Impact, launched together

March 2025
Appointed Representative of Sapphire

7 deals
Completed in the first year

Sustainable Ventures is a UK climate-tech firm that has spent more than ten years supporting sustainability-focused start-ups, working with over 1,000 companies. In 2024 it set out to launch two funds at once, a SEIS Impact Fund and an EIS Impact Fund, across clean energy, energy efficiency and transport.

Running two funds in parallel needs an FCA-authorised manager to carry the regulatory responsibility. Sustainable Ventures became an Appointed Representative of Sapphire in March 2025, with Sapphire taking on compliance oversight across both funds, including the financial promotions that go with raising money. That freed the team to focus on sourcing deals, and seven investments were completed in the first year.

> “They enabled the simultaneous launch of both our SEIS and EIS funds and managed the entire process with regulatory expertise, clarity, and ease.”
>
> STUART FERGUSON · INVESTMENT PARTNER, SUSTAINABLE VENTURES

Sapphire

Sapphire Capital Partners LLP

A multi-award-winning venture capital firm with offices in London and Belfast, helping fund managers and founders across the UK build and run their funds.

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