



FCA Oversight of Private Market Valuations: Governance, Conflict Management and H1 2026 Expectations

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FCA Spotlight on Private Market Valuations

The UK Financial Conduct Authority (“FCA”) has turned a spotlight on valuation practices in private capital markets, reflecting the sector’s rapid growth and the increasing importance of robust, transparent valuation frameworks for investors and managers alike.

The FCA’s 2025 multi-firm review of private market valuations raised the bar for the sector and brought valuation governance firmly into focus. While the regulator recognised areas of good practice, it also highlighted weaknesses in valuation governance, documentation and oversight, particularly around conflicts of interest. Although many firms had formal valuation frameworks in place, the FCA observed differences in the level of functional independence and gaps in how valuation-related conflicts were identified and addressed.

The message was clear: valuation is not merely a technical exercise. It is a governance function, a risk management control and a core component of investor protection.

What’s Coming in H1 2026?

The next inflection point will arrive in the first half of 2026, when the FCA is expected to consult on detailed proposals as part of the UK’s revised Alternative Investment Fund Manager (“AIFM”) regime. While framed as broader regulatory reform, valuation governance, independence and conflicts management are likely to sit squarely within that consultation. We anticipate three areas to receive particular attention:



1. Governance, Accountability and Process Robustness

Is the firm’s valuation framework demonstrably governed by clear accountability, transparent and effective oversight and a robust, well-documented decision-making process?

- For example, regulators are increasingly focused on whether valuation committees have clearly defined voting rights, documented challenge procedures and formal escalation routes where disagreements arise.



2. Transparency, Methodologies and Controls

Are valuation methodologies consistently applied, technically defensible and supported by a strong control environment with transparent documentation of key judgements?

- This includes evidence of back-testing, consistency of calibration to transaction data and documented rationale where observable market inputs are adjusted or overridden.



3. Conflicts of Interest and Functional Independence

Does the firm ensure appropriate independence and effective management of conflicts within its valuation framework?

- Firms may be required to evidence how their governance framework supports independent valuation decision-making, particularly where valuation functions operate within broader organisational structures.

In practice, firms are likely to face closer scrutiny of how valuation decisions are reached, reviewed and documented, not just the methodologies applied.

The Importance of Independence in Third-Party Valuers

Independent third-party valuers enhance governance but do not remove a fund's responsibility to identify and manage valuation conflicts of interest.

Independent third-party valuation advisers play an important role in enhancing objectivity, strengthening governance and reinforcing investor confidence. When properly structured, external valuations can provide meaningful challenge and independence from investment team performance incentives.

However, the FCA has made clear that the use of a third-party valuer does not remove the need for firms to identify, assess and document valuation-related conflicts of interest. The presence of an external valuer alone is no longer sufficient; funds must be able to evidence that conflicts of interest have been rigorously assessed and appropriately managed.

Using the same valuer across multiple funds or clients can create economic and informational conflicts that may be difficult to mitigate.

A more nuanced valuation conflict may arise when the same expert values the same portfolio company across multiple funds or clients, particularly where shareholder classes, entry prices, exit waterfalls or performance fee structures differ.

In these situations, the issue is not only that valuation outcomes may affect investor groups differently but also that the valuer may receive confidential or price-sensitive information under one mandate that could influence assumptions used in another. This creates both economic and informational tensions, requiring the valuer to balance duties of confidentiality and care to each client while maintaining objective, independent judgement across engagements. Even where methodologies are applied consistently, the structural asymmetry between clients creates an inherent conflict risk that disclosure, committee oversight and information barriers may not fully mitigate.

Robust governance and oversight are necessary to mitigate valuation independence risks.

Funds should therefore carefully evaluate both actual and perceived conflicts of interest and consider appropriate governance safeguards, including appointing additional independent advisers to address potential independence gaps or implementing rotation policies where long-standing valuation mandates may impair objectivity.

Actions for Funds to Take

Firms are increasingly strengthening valuation governance and documentation in anticipation of the revised AIFM regime.

Proactive firms are already:



- Strengthening valuation committee governance and challenge frameworks;



- Enhancing documentation of key assumptions and judgement areas, including rationale for multiple selection, discount rate calibration and sensitivity to recent secondary transactions;



- Stress-testing third-party independence and incorporating rotation policies amongst valuation advisers; and



- Conducting periodic independent reviews of valuation control frameworks, including sample file testing.

With a formal consultation on the revised AIFM regime expected in H1 2026, market participants have an opportunity to assess whether their valuation framework is defensible under heightened scrutiny ahead of updated regulatory guidance.

As private markets broaden their investor base, valuation oversight increasingly becomes a matter of investor protection and conflict management.

In private markets, valuation and net asset value (“NAV”) integrity underpin investor trust. As the asset class increasingly intersects with retail and pension capital, valuation oversight becomes a broader consumer protection consideration rather than solely a bilateral LP-GP matter.

This is particularly relevant in the context of continuation funds and GP-led secondary transactions, where GPs may effectively sit on both sides of a transaction. In such cases, valuation fairness becomes central, which increases the need for independent valuations and fairness opinions to manage conflicts and provide confidence to investors.

Firms that enhance valuation oversight, documentation and conflict management frameworks today will likely be better positioned as regulatory scrutiny continues to evolve.

How Teneo Can Help

As scrutiny of valuation governance increases, funds require independent advisers with both technical depth and practical experience across the full investment lifecycle.

Independence and conflict management are central to Teneo's valuation engagement model.

We do not operate a high-volume, commoditised valuation platform. Instead, we take a selective approach to mandates, with formal conflict assessments conducted prior to acceptance. Where cross-fund or cross-client exposure to the same underlying asset arises, we assess economic, informational and governance considerations before proceeding, and structure our practice to avoid concentrations that could impair objectivity or create perceived independence risk.

This approach is underpinned by four core differentiators: we are independent by design and do not provide audit services (reducing structural conflicts); our work is technically rigorous and aligned to international best practice; engagements are led by senior practitioners drawing on decades of Big Four and large advisory firm experience; and, as part of a global firm, we bring broader sector insight and judgement to complex valuation matters.

Teneo provides independent valuation opinions and governance support to funds across four core areas:



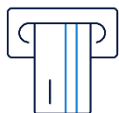
1. Fair Value Reporting

- Independent periodic and mark-to-market valuations of illiquid and alternative assets, delivered in line with International Private Equity and Venture Capital Valuation ("IPEV") guidelines and relevant accounting standards, with clear documentation of key judgements and calibration decisions designed to withstand FCA, auditor and LP scrutiny



2. Event-Driven Valuations

- Valuations in complex situations, including shareholder disputes, restructurings, insolvencies, tax-driven matters and expert witness engagements



3. Transaction Support

- Fairness opinions, inter-fund transfer valuations, continuation vehicle valuations and investor pricing analysis on buy-side and sell-side engagements



4. Fund Governance and Framework Advisory

- Support to boards and fund managers in strengthening valuation policies, frameworks and documentation standards, aligned with IPEV, Alternative Investment Fund Managers Directive ("AIFMD") and developing FCA expectations



If you would like support with your valuation framework or require valuation assistance, we would welcome the opportunity to support you.

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We partner with our clients globally to do great things for a better future.

Drawing upon our global team and expansive network of senior advisors, we provide advisory services across our five business segments on a stand-alone or fully integrated basis to help our clients solve complex business challenges. Our clients include a significant number of the Fortune 100 and FTSE 100, as well as other corporations, financial institutions and organizations.

Our full range of advisory services includes strategic communications, investor relations, financial transactions and restructuring, management consulting, physical and cyber risk, organizational design, board and executive search, geopolitics and government affairs, corporate governance and ESG.

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