Introduction:

April 2026 reinforced that the asset management industry is entering a higher-complexity growth cycle: ETFs and active ETFs continue to take share from traditional mutual funds; private credit and private-market access are expanding into broader investor channels; regulators in the U.S., EU, and UK are reshaping expectations around liquidity, reporting, market structure, tokenization, sustainable finance, and enforcement; and global macro/geopolitical risks are putting renewed pressure on portfolio liquidity, valuation discipline, derivatives exposure, and client communications. For boards of asset management firms, the central challenge is no longer simply approving product innovation—it is ensuring that governance, compliance, technology, valuation, liquidity management, cybersecurity, and distribution controls are scaling as quickly as the business model is changing.

Market News:

- **Global financial stability risks rise as war, rates, liquidity, and leverage interacted**

  What happened: The IMF's April 2026 Global Financial Stability Report assessed elevated financial-stability risks amid the Middle East war, warning that market turmoil could be amplified through higher bond yields, tighter funding conditions, credit-market stress, emerging-market outflows, carry-trade unwinds, and deleveraging in options and leveraged ETF markets. The FSB Chair's April 13 letter to G20 finance ministers and central-bank governors also warned that the conflict was increasing financial-stability risks.[i]

  Why it is important / impact: Asset managers are directly exposed through portfolios, fund liquidity, collateral, derivatives, securities lending, FX hedging, and client behavior. Higher rate volatility and wider spreads can impair fixed-income funds, target-date funds, balanced funds, liability-driven portfolios, and institutional mandates. The issue is not just performance; it is market functioning and redemption liquidity.

What board directors should do: Ask management to present cross-portfolio stress tests that combine equity drawdowns, Treasury-yield spikes, credit-spread widening, dollar volatility, commodity shocks, EM outflows, and collateral calls. Boards should ensure that stress testing includes funds, separately managed accounts, ETFs, securities-lending programs, derivative overlays, and cash-management products.

What to monitor: Treasury-market liquidity, repo stress, credit spreads, EM fund flows, FX basis, option-market leverage, leveraged ETF trading volumes, collateral haircuts, and whether client behavior changes from performance-driven flows to liquidity-driven redemptions.

- **ETF flows, active ETFs, and fee compression accelerated**

What happened: U.S. ETF growth remains one of the dominant industry stories. Citigroup projects that U.S. ETF AUM could more than double to $25 trillion by 2030, with active ETFs expected to gain share. FactSet's April ETF summary reported that U.S.-listed ETFs ended April with $14.7 trillion in AUM, April inflows of $171.4 billion, and year-to-date inflows of $643.9 billion. Large managers' April earnings narratives reinforced the trend: BlackRock reported stronger profit on iShares ETF and private-markets flows, while Amundi reported strong inflows into ETFs and bond products during volatile markets.[ii]

Why it is important / impact: The ETF wrapper is no longer a product category; it is becoming a dominant operating architecture for distribution, tax efficiency, transparency, pricing, and model-portfolio access. This is positive for scalable managers but intensifies fee pressure, raises product shelf-space competition, and increases the risk that traditional mutual fund franchises lose relevance unless they are modernized.

What board directors should do: Ask management for a three-year product-platform migration plan: mutual fund-to-ETF conversions, active ETF launches, semi-transparent or fully transparent structures, model-portfolio distribution strategy, profitability by wrapper, and fee elasticity by channel. Boards should also review whether current compliance, portfolio-management, capital-markets, and tax teams are sufficiently staffed for ETF operational complexity.

What to monitor: Active ETF market share, mutual fund outflows, ETF share-class regulatory relief, authorized participant concentration, bid/ask spreads in stressed markets, seed-capital governance, and platform economics with custodians, RIAs, retirement platforms, and model providers.

- **Private credit continued to attract capital despite liquidity and valuation concerns**

What happened: April 2026 saw continued investor interest in private credit and private-credit-linked public vehicles even as stress signals increased. Reuters reported that funds and ETFs linked to private credit and alternative asset managers continued attracting money despite concerns around credit quality and market stress. ICI also published April commentary on how regulated funds value private credit, acknowledging that valuation is a central question for regulators and policymakers as access to private markets expands.[iii]

Why it is important / impact: Private credit is becoming a strategic growth engine for large asset managers, but it is also a governance hotspot. The risks are not only credit losses; they include stale marks, redemption pressure, payment-in-kind income recognition, borrower concentration, manager conflicts, liquidity mismatch, and reputational risk when retail or retirement investors hold products they may not fully understand.

What board directors should do: Require a private-markets risk dashboard that separates investment risk, liquidity risk, valuation risk, leverage, conflicts, and distribution risk. Boards should request stress tests showing what happens under rising defaults, widening spreads, delayed exits, redemption gates, NAV write-downs, and correlated stress across private credit, bank lending, and public high yield.

What to monitor: Default and amendment-and-extension rates, payment-in-kind income, valuation dispersion versus secondary-market marks, retail/private-credit product flows, interval fund and BDC liquidity, insurer and bank exposures, and whether regulators move from monitoring to prescriptive liquidity or valuation rules.

- **Sustainable-finance regulation remains fragmented across the EU, UK, and global markets**

What happened: April 2026 brought continued movement in sustainable-finance regulation. EU commentary described SFDR 2.0 as one of the most consequential regulatory developments for asset managers operating in Europe, with the process moving across EU institutions. Other April updates noted proposals to move SFDR away from the current disclosure-based Article 8/9 framework toward product categorization. In the UK, FCA sustainability-label guidance and anti-greenwashing expectations continued to shape fund disclosures, while the FCA also advanced tokenization policy.[iv]

Why it is important / impact: Sustainable investing remains commercially important but operationally difficult. Divergence among EU SFDR, UK SDR, ISSB-related reporting regimes, U.S. disclosure approaches, and APAC frameworks creates product-label, data, marketing, and compliance complexity for global asset managers.

What board directors should do: Require a global sustainable-finance product map showing which funds use ESG, sustainability, transition, impact, climate, or stewardship claims; which regulatory regimes apply; and whether disclosures are consistent with portfolio holdings, engagement records, proxy voting, and investment process documentation.

What to monitor: SFDR 2.0 negotiations, FCA SDR supervision, anti-greenwashing enforcement, ISSB adoption by jurisdiction, data-vendor reliability, fund reclassification risk, and whether investor demand shifts from broad ESG labels toward climate transition, energy security, infrastructure resilience, or measurable impact.

SEC and CFTC Regulations:

- **SEC relief opened the door to broader co-investment by open-end funds**

What happened: On April 27, 2026, the SEC Division of Investment Management issued a no-action letter to J.P. Morgan Investment Management addressing co-investment transactions by mutual funds and ETFs alongside affiliated funds and accounts, subject to conditions tied to an existing co-investment exemptive order. The Mutual Fund Directors Forum characterized the letter as enabling open-end funds to participate in private deals historically unavailable to them.[v]

Why it is important / impact: This is a meaningful development in the "retailization" and "open-end fund access" debate around private markets. For asset managers, it may expand the opportunity set for mutual funds and ETFs, but it also heightens governance issues: allocation conflicts, valuation, liquidity, affiliated transactions, disclosure, and board oversight of private-market exposures inside '40 Act products.

What board directors should do: Require management and counsel to map how co-investment relief could apply to the firm's funds, private vehicles, interval funds, BDCs, and institutional accounts. Boards should insist on explicit allocation policies, conflict-review protocols, valuation committee escalation procedures, liquidity guardrails, and disclosure controls before permitting private-market co-investment in open-end products.

What to monitor: Additional SEC no-action letters or exemptive orders, ICI advocacy for broader relief, examination focus on affiliated transactions, investor suitability standards, and whether fund boards begin to see more private-credit, infrastructure, real estate, or private-equity co-investment proposals.

- **Treasury-market cross-margining advanced, affecting liquidity, collateral, and institutional trading**

What happened: On April 15, 2026, the SEC approved an exemptive order and proposed rule change permitting customer cross-margining in the U.S. Treasury market. The change is designed to allow eligible customer cash Treasury positions and related futures positions to be margined more efficiently. The CFTC issued a related order the same day, allowing certain joint clearing members to support cross-margining across FICC-cleared Treasury securities and CME-cleared Treasury futures.[vi]

Why it is important / impact: Treasury-market structure is foundational to asset management. More efficient margining may reduce collateral friction, improve liquidity, and lower basis-trade or hedging costs for some institutional strategies. But it also creates operational, legal, clearing-broker, and counterparty dependencies that boards must understand, especially as Treasury clearing reforms continue to phase in.

What board directors should do: Require management to assess how Treasury clearing and cross-margining affect fixed-income funds, money-market funds, hedge overlays, futures-based duration management, securities lending, and institutional mandates. Boards should ask whether the firm's clearing relationships, collateral systems, legal documentation, and operational controls are ready.

What to monitor: Treasury central-clearing implementation, clearing-broker capacity, client documentation, margin model changes, collateral eligibility, basis-trade leverage, repo-market stress, and whether smaller managers face competitive disadvantages from clearing and margin infrastructure costs.

- **Options-market growth draws SEC attention; implications for ETFs, retail flows, and market structure**

What happened: The SEC held an April 16, 2026 roundtable on options market structure. Supporting materials noted dramatic growth in listed options trading, including broader participation, more underliers, increased quoting and trading activity, and rising complexity. SEC leadership framed the roundtable around competition, customer experience, and opportunities and challenges from continued growth.[vii]

Why it is important / impact: Options markets increasingly influence ETF trading, volatility products, covered-call strategies, defined-outcome ETFs, single-stock leveraged ETFs, and retail trading behavior. The asset-management industry benefits from product innovation, but market-structure stress can feed back into ETF liquidity, spreads, hedging costs, and reputational risk if investors misunderstand path dependency, leverage, or option-income tradeoffs.

What board directors should do: Review product governance for option-based ETFs and mutual funds: investor profile, distribution controls, disclosure clarity, stress performance, counterparty and clearing arrangements, and whether the board receives metrics on option liquidity and hedging slippage. Boards should also ask whether product naming and marketing appropriately communicate downside risk.

What to monitor: SEC follow-up rulemaking, option-exchange fees, payment-for-order-flow debates, retail participation, single-stock leveraged ETF volumes, zero-day option activity, market-maker concentration, hedging costs, and whether option-based ETF strategies behave as expected in volatile markets.

<u>Liquidity and Tokenization Regulations:</u>

- **EU AIFMD II and UCITS liquidity-management changes became a live implementation issue**

What happened: AIFMD II entered into force in 2024, with key provisions taking effect on April 16, 2026. ESMA guidance highlighted that EU open-ended AIFs and UCITS must specify or include at least two liquidity-management tools in fund rules or instruments. ESMA's work also includes the development of an integrated supervisory reporting system for AIFMD and UCITS data.

Why it is important / impact: For global managers, liquidity management is becoming a core regulatory architecture rather than an after-the-fact crisis tool. Swing pricing, redemption gates, anti-dilution levies, notice periods, and suspension powers affect product design, investor expectations, operations, and cross-border distribution.

What board directors should do: Ask management for a jurisdiction-by-jurisdiction liquidity-management inventory covering UCITS, AIFs, U.S. open-end funds, interval funds, ETFs, and institutional commingled vehicles. Boards should require clear escalation triggers for activating liquidity tools and ensure investors receive plain-English disclosures before stress occurs.

What to monitor: ESMA technical standards, national competent authority implementation, investor reaction to liquidity-tool disclosures, operational readiness for swing pricing or anti-dilution levies, cross-border consistency, and whether U.S. regulators revisit liquidity-risk management for open-end funds.

- **UK fund tokenization moved from concept toward practical implementation**

What happened: On April 30, 2026, the UK Financial Conduct Authority published guidance supporting fund tokenization, stating that asset managers can use distributed ledger technology within the existing rules. The FCA policy statement noted that tokenization and DLT could improve fund-management efficiency, meet changing consumer needs, open new distribution routes, and broaden access to private markets and infrastructure investment.[viii]

Why it is important / impact: Tokenization is moving from crypto-adjacent experimentation to mainstream fund-operating infrastructure. For asset managers, the potential benefits include faster settlement, fractional ownership, improved transfer agency, better transparency, and new distribution channels. The risks include custody, cybersecurity, interoperability, data integrity, smart-contract failure, operational resilience, and investor-protection issues.

What board directors should do: Treat tokenization as a strategic operating-model issue, not merely a technology pilot. Boards should ask management to identify where tokenization could reduce costs or expand distribution, but also require a controlled-risk framework covering custody, transfer agency, vendor risk, cyber controls, business continuity, legal enforceability, and investor disclosures.

What to monitor: FCA implementation, cross-border tokenized fund recognition, institutional adoption, settlement infrastructure, digital custody standards, tokenized money-market funds, private-market tokenization, and whether U.S., EU, Singapore, and Hong Kong regulators converge or fragment.

- **SEC enforcement posture has shifted, but compliance expectations remain high**

What happened: On April 7, 2026, the SEC announced fiscal-year 2025 enforcement results, reporting about $262 million returned to harmed investors, about $60 million awarded to 48 whistleblowers, and a record 53,753 tips, complaints, and referrals, nearly 19% more than the prior year. Reuters described the results as a recalibration toward core investor protection, fraud, market integrity, cooperation, and remediation rather than high-volume enforcement.[ix]

Why it is important / impact: A lower case count does not mean lower risk. For asset managers, the practical enforcement risk remains concentrated around conflicts, valuation, fees and expenses, marketing, disclosure, private funds, retail investor harm, insider trading controls, cybersecurity, and whistleblower processes.

What board directors should do: Ask compliance and legal teams to present an enforcement-risk heat map tied to the firm's product mix. Directors should verify that the firm has credible self-reporting, remediation, whistleblower escalation, advertising review, private-fund fee allocation, valuation, and conflicts-management processes.

What to monitor: SEC exam priorities, whistleblower trends, cases involving investment advisers and funds, private-fund conflicts, marketing-rule enforcement, AI-washing or greenwashing claims, and whether the SEC's recalibrated posture changes settlement incentives.

For board directors, the April 2026 takeaway is clear: growth opportunities in ETFs, active strategies, private credit, tokenization, and institutional solutions must be matched by stronger oversight architecture. Boards should ask management for an integrated dashboard covering ETF economics, mutual fund outflows, private-market valuation risk, liquidity stress testing, Treasury and derivatives exposures, AI and cyber controls, sustainable-finance claims, and cross-border regulatory implementation. Directors should also press for clear escalation triggers: when liquidity tools are activated, when valuation disputes reach the board, when product disclosures need revision, when cybersecurity or vendor incidents become board-reportable, and when product growth creates conflicts or capacity constraints. The highest-performing boards will not slow innovation; they will require management to prove that innovation is supported by resilient controls, transparent disclosures, disciplined risk governance, and a client-first operating model.

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[ii] https://www.reuters.com/business/finance/us-etf-assets-under-management-more-than-double-25-trillion-by-2030-citigroup-2026-04-09 and https://insight.factset.com/u.s.-etf-monthly-summary-april-2026-results

[iii] https://www.ici.org/ici-quarterly-update/april-2026 and https://www.reuters.com/legal/transactional/despite-stresses-private-credit-funds-lure-money-2026-04-21/ (requires subscription)

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[vi] https://www.sec.gov/newsroom/press-releases/2026-36-sec-approves-exemptive-order-proposed-rule-change-permit-customer-cross-margining-us-treasury-market, https://www.cftc.gov/PressRoom/PressReleases/9214-26

[vii] https://www.sec.gov/files/roundtable-options-market-structure.pdf, https://www.sec.gov/newsroom/speeches-statements/atkins-remarks-options-market-structure-roundtable-041626

[viii] https://www.fca.org.uk/news/press-releases/fca-sets-out-guidance-support-innovation-fund-tokenisation and https://www.fca.org.uk/publication/policy/ps26-7.pdf

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