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Governance-by-design for private markets: from funds to platforms

This article was first published in Butterworths Journal of International Banking and Financial Law (June 2026). It is the first in a two-part series examining how governance architectures must evolve as private markets transition from funds to investment platforms.

Key Points

- For the largest private markets managers, platformisation is already the operating reality – even though governance and operating models still vary materially across the industry.
- Platformisation has matured faster than the governance architecture around it. The result is a governance paradox: platforms exercise management authority across legally separate vehicles whose fiduciary obligations they shape at manager level but which authority remains contractually constituted at vehicle level.
- Three widely used mechanisms – loan management extensions, evergreen and semi-liquid structures and General Partner-led continuation vehicles – illustrate how this paradox impacts governance, decision-making, and risk transmission.
- Governance-by-design is the institutional architecture response to this paradox: a principles-based diagnostic framework embedding decision authority, fiduciary alignment and oversight – an increasingly important necessity for platform models as complexity, regulatory scrutiny and heterogeneous capital obligations intensify.

In this article, the authors diagnose a governance paradox in private markets: as operating models shift from fund-by-fund deployment to platform-level management, decision-making authority is centralised while fiduciary obligations remain fragmented across legally separate vehicles. Governance frameworks designed for episodic, vehicle-level decisions are structurally exposed to ad hoc retrofits that may not reliably balance competing investor interests.

I. Introduction

Private markets have undergone a structural transformation at a rapid pace, which shows no sign of abating. What began as a fund-by-fund model – episodic, vertical and asset-centric – has evolved into horizontal platforms across multiple asset classes and investor types. Private markets platforms today offer access to a broad spectrum of investment strategies across private equity, private credit, infrastructure, and (other) real assets. Initially the exclusive domain of institutional capital, platforms are open to global retirement savings and increasingly serve the third pillar of private savings (voluntary personal pension provision). However, retail and wealth investors bring structurally different behavioural characteristics, liquidity expectations, and time horizons to institutional capital. All these factors impact the governance architecture necessary to serve these very different investor constituencies.

Platformisation – the structural shift from fund-by-fund management to platform-level management – is already the operating reality for the largest managers, notwithstanding fundamental differences in governance and operating models.

Whereas in some models centralised decision-making reflects the legal and regulatory powers of a regulated entity such as those binding an Alternative Investment Fund Manager (AIFM) under the Alternative Investment Fund Managers Directive (AIFMD), other platform models represent broad organisational structures without separate legal personality. An example is a platform operating through multiple legal management entities, where platform-level committees exercise decision-making authority for functions such as portfolio or risk management that no single entity holds.

At the centre of this dynamic sits what we describe as the governance paradox: platform-level management centralises decision-making authority while fiduciary obligations remain fragmented across legally separate vehicles. Governance frameworks initially designed for episodic, fund-level decisions are structurally unsuitable for the platform model. For an industry maturing faster than its governance architecture, the risk is that platform complexity outgrows the frameworks meant to control it.

This article advances governance-by-design as an alternative to a transaction- and incident-driven retrofit. Using three widely deployed private markets mechanisms – loan management extensions, evergreen and semi-liquid structures, and General Partner (GP)-led continuation vehicles – as examples of platform complexity, it identifies where the governance paradox has greatest impact and suggests a principles-based institutional governance architecture in response.

II. Hallmarks Of Platformisation

Three distinct hallmarks define the transformational shift of platformisation in private markets.

A. From products to platforms

Large allocators of capital no longer approach private markets managers as providers of discrete fund products. Insurance companies, pension funds, and sovereign wealth funds deploy vast amounts of fiduciary capital across a full spectrum of private markets strategies – private equity, private credit, infrastructure, real assets, and hybrid strategies – delivered through an equally broad ecosystem of legal and contractual structures: closed-ended and evergreen funds, co-investments, separately managed accounts (SMAs), and investment management agreements deploying permanent capital on a discretionary or non-discretionary basis.

When the client relationship extends from a single fund to a platform, the manager's fiduciary obligations expand correspondingly. The scope of the mandate, fair treatment obligations, and conflict exposure are no longer contained within a single vehicle and to a defined investor group but extend across the platform. Platforms are organised around top-level holding entities combining one or multiple management companies. In the European context, this may involve one or multiple regulated AIFMs managing vehicles across jurisdictions, often alongside management entities in offshore jurisdictions subject to separate supervisory authorities. Consequently, in a multi-jurisdictional context, the platform's consolidated governance footprint is visible to individual supervisory authorities only in fragmented form. Coherent governance across multiple jurisdictions is therefore less a function of supervision by a single financial regulatory authority, and more one of intentional organisational governance. The House of Lords Financial Services Regulation Committee, in its report *Private Markets: Unknown Unknowns* (HL Paper 235, 2024-26, published 9 January 2026), identified precisely this gap: supervisory infrastructure lacks the data architecture to detect where risks accumulate, how they transmit, and at what scale they aggregate across the system.

This assessment is corroborated by the Joint Committee of the EU Supervisory Authorities (Joint Committee of the ESAs, JC 2026 06, March 2026 Risk Update), explicitly addressing complex interconnections and the lack of data transparency within private markets, which render an isolated view of individual vehicles increasingly ineffective. For platform governance, this reinforces that supervisory expectations are shifting from the individual vehicle perspective toward the platform's consolidated governance footprint.

B. From episodic to continuous operating models

A traditional fund operates episodically: capital is committed, deployed, managed, and returned during a defined lifecycle, with governance structured around investment committee cycles, capital deployment events, valuation issues and occasional Limited Partner Advisory Committee (LPAC) exchanges. A platform, in contrast, operates continuously. Underwriting, portfolio governance, and risk management run as overarching processes simultaneously across strategies and legally separate vehicles.

What changes in a setting where a platform centralises decision-making authority is that its governance architecture must operate fairly, consistently, and defensibly in a multi-vehicle setting which was not designed as a unified fiduciary system from inception.

C. Heterogeneous capital and the dispersion of funding sources

One of the drivers of platform complexity is the dispersion of funding sources. Platforms manage institutional Limited Partner (LP) capital alongside permanent capital sources such as balance-sheet capital and retirement flows. Reflecting the global opening of Pillar 3 (voluntary personal pension provision) across major jurisdictions, private wealth and retail investors are increasingly accessing private markets through regulated structures – interval funds and tender offer funds in the US, ELTIFs (European Long-Term Investment Funds) in the EU and LTAFs (Long-Term Asset Funds) in the UK. Global regulatory developments have progressively allowed for defined contribution plans for private wealth and retail investors to access private markets. Investment horizons, liquidity expectations, and likely behaviour under stress differ materially across these constituencies – all of which has direct consequences for platform governance design.

The ILPA (Institutional Limited Partners Association), in its 2025 white paper *Retail Capital in Private Markets*, identified the advent of retail capital as a structural change to the industry, introducing unresolved questions around conflicts of interest, economics and incentives, transparency, and governance. It noted that heterogeneous inflows must be matched against equally varied outflows such as distributions, redemptions, maturities, refinancing events, recycling provisions, and secondary liquidity windows. That matching is not merely operational – under stress, it becomes a governance and conflict management challenge for which vehicle-level frameworks were not designed.

The Private Markets Forum (*Infrastructure at the Edge of Scale*, March 2026) – covering 38 senior operators (of which 42% manage $50B or more) – found that 71% have built internal tools because no market solution meets their operational requirements: large platforms are predominantly constrained by architecture never designed to work together.

III. The Governance Paradox As A Challenge To Platformisation

The governance paradox can be illustrated with three mechanisms widely deployed in private markets:

- loan management extensions;
- evergreen and semi-liquid structures; and
- GP-led continuation vehicles.

They all serve an established market purpose, demonstrate the stress points of platform-scale operation in a way that is not visible from an isolated fund-level perspective, and raise common issues: conflicts of interest, information asymmetry, consent and approval mechanics, and independent oversight.

A. Loan management extensions

A loan management extension (an LME, not to be confused with a Liability Management Exercise) is a mechanism used to extend the maturity of a loan beyond its original term, or to restructure commercial aspects of the loan. This may include converting cash interest to PIK or modifying covenants, typically where the borrower cannot refinance or repay, where immediate enforcement risks crystallising an avoidable loss, or where a distressed sale would destroy value that a managed resolution could preserve.

The governance tensions that LMEs produce in a single fund are amplified in a platform setting. The same underlying loan may be held across multiple vehicles, potentially at different valuations or acquisition cost. Different investor groups may have co-invested across the borrower's capital stack. At platform level, the manager must balance avoiding the crystallisation of losses across vehicles against the interests of investors seeking a capital return – interests that do not always align across investor constituencies.

In the European context, AIFMD establishes a coherent fiduciary and governance framework:

- Article 12 enshrines the principle of acting in the best interests of investors;
- Article 14 establishes a conflicts control framework.

While contractual obligations operate on a fund-by-fund basis, the regulatory obligations of an AIFM extend to platform-level conflicts including AIF-to-AIF conflicts. What AIFMD does not provide – and was not designed to provide – is a mechanism for consistent, documented application of those obligations when a single AIFM decision has simultaneous consequences across legally separate vehicles with different investor cohorts. That is a governance architecture – and not just a regulatory – task.

The FCA's 2025 Dear CEO letter (FCA, *Dear CEO Letter: Asset Management of Alternatives – Supervisory Strategy*) identified valuation governance as one of the supervisory priorities, signalling that conflict management is expected to operate as an overarching documented process. Voting mechanics – who has the right to vote, at what threshold, and how conflicts among lenders or investors across vehicles are resolved – require a documented platform-level policy rather than a reactive response as issues arise. While ESMA's supervisory framework on asset valuation emphasises methodological robustness, it does not, for instance, address how independence is maintained when the same AIFM simultaneously manages the borrower relationship for the private credit fund and is responsible for the valuation of the loans across vehicles.

B. Evergreen and semi-liquid structures

Evergreen and semi-liquid structures are core building blocks for platforms of scale to manage permanent capital and retain exposure to performing assets across market cycles. Liquidity management for these structures is a material driver of complexity: capital orchestration between incoming and outgoing investors requires explicit governance-design to ensure overall investor fairness.

In the European context, AIFMD II has introduced mandated liquidity management tools (including gates, notice periods, and side pockets), the choice and operation of which must be documented and disclosed to investors. Because AIFMD operates at manager level, these requirements carry through to the platform: however, a multi-jurisdictional platform operating without a platform-level liquidity coordination framework across its semi-liquid vehicles carries the risk of a structural governance gap, not merely an operational one. Supervisory initiatives reinforce the urgency: the Bank of England's Financial Policy Committee (*Financial Stability Report, 2023*) identified liquidity mismatches between open-ended fund redemption mechanics and underlying asset illiquidity as a source of amplifying risk under stress. The Joint Committee of European supervisory authorities (2026 Joint Committee Update, Spring 2026) has specifically directed insurance companies – among the largest capital allocators to private markets platforms – to exercise proactive due diligence on investment quality, a requirement that will intensify under the Solvency II amendments effective 30 January 2027. ELTIF 2.0, in force from January 2024, introduced partial redemption rights for retail investors in qualifying long-term funds, creating an asymmetry with parallel institutional vehicles managed by the same platform and holding the same or equivalent assets. This is a platform-level allocation and fairness question that the regulation did not resolve.

Unlike closed-ended funds, evergreen structures require ongoing Net Asset Value (NAV) calculations, creating governance challenges around the independence and consistency of valuations across the platform. Boards and advisory committees must oversee whether appropriate liquidity buffers are maintained – a function that requires platform-level visibility (through a developed governance framework) across vehicles and investors rather than vehicle-by-vehicle stress testing in isolation. Where that visibility is absent, the governance architecture has a vulnerability that neither fund documents nor regulatory reporting requirements can expose until conditions tighten.

C. GP-led continuation vehicles

GP-led continuation vehicles allow managers and investors to maintain exposure to selected assets beyond the original fund lifecycle. The mechanism also presents an intrinsic structural conflict of interest, compounded in a platform context: when the manager simultaneously acts on behalf of the selling fund seeking an exit and the continuation vehicle as buyer, there is a direct conflict.

In a fund context, LPACs have long served as the primary contractual governance mechanism for conflicts between a fund and its manager. ILPA's 2023 guidance on continuation funds identified structural weaknesses in LPAC oversight of continuation vehicle transactions including: time pressure which limits meaningful diligence, information asymmetry between the stakeholders in a continuation fund transaction, and a greater need for independent reviews of such transactions. The ILPA's recommendation that LPACs receive independent legal advice at the manager's expense for material GP-led transactions has not been universally adopted in fund documentation. For platform structures, unresolved multi-level conflicts create the potential for litigation exposure and LP dissatisfaction. This is a risk of platformisation that cannot be addressed by the imposition of fiduciary obligations at vehicle level. The governance question is whether LPAC authority defined at vehicle level is adequate for a transaction simultaneously affecting multiple vehicles, and whether a platform-level oversight mechanism should exist where vehicle-level LPACs lack cross-vehicle visibility.

Fairness opinions and independent valuations are amongst the most effective governance practices, though quality and scope vary materially in practice. The SEC's now-reversed private fund adviser rules required registered advisers to obtain a fairness opinion from an independent provider for GP-led secondary transactions; the reversal removes the prescriptive requirement but does not eliminate the underlying fiduciary standard (imposed at vehicle level). In practice, most GPs – including EU and UK managers operating without a prescriptive requirement – continue to obtain these opinions, in addition to and adhering to disclosure of valuation methodologies and documented arm's length negotiations before requesting LPAC approval. From a platform perspective, reliance on vehicle-level approaches exposes gaps that can only be filled by documented platform-level conflict resolution protocols – not as a compliance exercise but as the structural condition for a credible consent process.

IV. A Principles-Based Diagnosis For Governance-By-Design

When platforms scale, the governance paradox does not resolve itself – it compounds.

Given the episodic and transactional nature of the three mechanisms examined above, leaving the governance paradox unaddressed results in ad hoc retrofits that may not reliably balance fiduciary duties in ways that protect the platform and its investors.

Critically, vehicles and their investors may share a platform without having consented – expressly or by implication – to any override of their individual contractual and fiduciary rights and obligations by a platform-level management authority.

Governance-by-design is the institutional architecture response that the paradox requires: a principles-based diagnostic framework that embeds decision authority, fiduciary alignment and oversight as an increasingly important necessity for platform models as complexity, regulatory scrutiny and heterogeneous capital obligations intensify. But how should you calibrate the "right" governance framework to a given platform model? The specific nature of platforms – being a function of jurisdictional linkages, fund and vehicle domiciles, investor types, and distribution models – does not lend itself to a one-size-fits-all approach.

Two diagnostic questions, independent of nature, scale, and specificity of a given platform, are common to the mechanisms examined above. The first question relates to framework scope: does the governance framework address decisions at vehicle level only, or does it extend explicitly to cross-vehicle and platform-level outcomes? The second question relates to decision-making authority: is decision-making authority to act on cross-vehicle issues documented as an overarching mandate at platform level, or inferred from the need for vehicle-level decision-making under pressure?

The governance paradox compounds where governance scope and decision-making authority do not develop in parallel. Governance scope expands as a function of regulatory requirements and investor expectations. Decision-making authority at platform level requires a deliberate architectural choice. Where that choice has not been made, the five principles below will allow any platform to assess where its governance architecture has gaps and where governance-by-design can help to fill those gaps.

1. **Decision mandate:** The first diagnostic question for any platform governance framework is whether the platform assumes principal responsibilities without documented authority – ie making decisions without a mandate because the contractual or regulatory architecture is located at fund or vehicle level. Where that is the case, the platform faces a principal-agent dilemma: acting as principal without authority. In regulatory systems such as AIFMD, manager-level regulation provides overarching authority for certain platform-wide decisions – risk policy, liquidity policy, conflict management frameworks – traceable to a regulatory requirement. Outside the scope of those systems, the second diagnostic question is: is platform-level authority based on documented decision processes that connect the platform-level determination to the standard it must satisfy at fund or vehicle level – fair treatment, best interest, arm's length, transparency? In all other instances, where such authority is neither documented nor traceable to contractual or regulatory standards at vehicle level, the platform carries risk.

2. **Fiduciary mandate:** The second diagnostic question addresses the fiduciary mandate at platform level. When a platform-level decision shapes outcomes across multiple funds or vehicles simultaneously, the diagnostic question is which fiduciary obligation(s) govern(s) each affected vehicle – and whether documented analysis exists showing how each vehicle's investors are adequately protected. In regulatory systems such as AIFMD, this obligation is per-fund and per-AIFM. In other systems – US Business Development Company (BDC) adviser, Cayman GP, SEC-registered manager – the equivalent obligation derives from contract, investment advisory duty, or applicable fiduciary standards. Common across all of these systems is that legal exposure does not reside only in the platform-level decision itself – it resides at least in part in the absence of documented analysis showing how each vehicle's investors were protected.

3. **Consent mandate:** The third diagnostic question is whether the investor consent mechanisms governing each vehicle are adhered to when platform-level decisions are being executed. A common sign of failure is a consent process at vehicle level that satisfies a procedural threshold while failing to deliver genuine optionality for the consent holder because the decisions taken at platform level override that vehicle-level process. This effectively subordinates the specific interests of a single fund to the consolidated interest of the platform. In continuation vehicles, the consent process is only as meaningful as the pricing methodology underlying it.

   In evergreen structures, gate activation criteria are generally documented at fund level and linked to defined thresholds, with the decision to gate being made on the basis of a pre-defined governance framework. Where criteria outside such a framework inform the decision to gate (or not to gate), that decision defaults to management judgement. This distinction becomes more stark where a platform manages evergreen vehicles alongside closed-end funds holding the same underlying assets: a redemption wave in the evergreen vehicle can create disposal pressure that affects valuations and liquidity across the platform, making the gate activation decision a platform-level event rather than a vehicle-level one – regardless of where the formal authority to gate is documented. Consent architecture must be designed for the decisions it governs, not the results it inherits.

4. **Valuation and liquidity coherence:** The fourth diagnostic question is whether a documented framework exists for valuations across multiple vehicles and whether a defined authority exists to resolve divergence when methodologies produce different marks. While regulatory frameworks such as AIFMD require valuations to be applied consistently, differences in marks across vehicles may still occur due to the asset and context such as concentration, investment strategy, timing and holding period. The liquidity dimension carries the equivalent question: does the platform have a documented framework for liquidity decisions that affect multiple vehicles simultaneously, and is the authority to make those decisions clearly documented? The contractual architecture connecting constituent vehicles must address both: not as a regulatory requirement, but as the structural condition for defensible platform-level decision-making.

5. **Supervisory observability:** The fifth and final diagnostic question is a governance-design question: could a regulator, an investor, a court, or a counterparty understand how a platform-level decision was made – and how each vehicle's investors were protected within it – from the documentation that currently exists? The relevant documentation will likely span investment committee minutes, valuation records, conflicts registers, consent communications, and management agreement files across vehicles. Where there is a disconnect, there is a risk of legal exposure regardless of whether any regulatory framework has required the documentation to be compiled. Against this background, observability is less a question of compliance and more one of evidence, thereby protecting platform integrity.

V. Conclusions and Outlook

Private markets platforms are businesses built on institutional trust, which depend, in part, on a governance framework that is adequate for the scale and complexity of the platform as it develops. The practical choice is how to accomplish this: through periodic structured review that anticipates platform development, or through reactive retrofit at the point when conditions demand it and the risk of getting decisions wrong is highest.

Governance-by-design offers a structured review that converts this risk into an asset with inherent value and protects the value of the platform and the interests of its stakeholders. By documenting decision authority, mapping fiduciary obligations, and building robust consent and valuation architectures, platforms do more than mitigate legal exposure. They build the institutional infrastructure that the world's most sophisticated allocators demand as a prerequisite for long-term partnership.

As private markets capture a greater share of global capital infrastructure, the governance architecture question is no longer whether platforms need a principles-based framework – but whether that framework has been built before conditions demand it. Part II of this series (Governance-by-design: From platforms to capital infrastructure) advances this to its structural conclusion: examining how sovereign wealth funds and global pension institutions are moving governance-by-design from an abstract design principle to an operating requirement.

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Part II — From Platforms to Capital Infrastructure

The second part of the series published in Butterworths Journal of International Banking and Financial Law (July 2026) extends Governance-by-Design beyond private markets platforms to the institutional architecture of long-term capital. Building on the diagnosis in Part I, it explores how Governance-by-Design can be operationalised as an institutional framework, enabling organisations to align governance architecture with evolving operating models and increasingly interconnected capital ecosystems.

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