MillTech



MEASURED EXPANSION

Mapping the risks that come with cross-border capital flows

PRIVATE EQUITY WIRE®

KEY TAKEAWAYS

Cross-border capital flows pose a high risk

Globalising funds bring governance inconsistencies

FX advisors and technology are in high demand

New liquidity channels, diversified investor bases and a spectrum of innovative measures have helped private markets tide over a widely acknowledged period of condensed returns. Relatively fresh as they are, these trends bring with them a gamut of financial, operational and compliance considerations that are yet to be fully understood.

In October 2025, Private Equity Wire quizzed its audience of C-suite private markets leaders on the state of risk in the industry. Managers were asked to select trends that most threaten their firms and portfolios – they cited the onslaught of digital disruption and regulatory scrutiny as the top two (see Figure 1).

The remainder of the most pressing risks relate to the above wave of innovation – examples being fund financing and liquidity; investor diversification by type through wealth and retail channels; and cross-border capital flows that come with an increasingly globalised dealmaking and fundraising landscape.

THE GLOBALISED FUND

For private market firms, diversifying beyond the conventional stronghold regions of North America and Europe means creating new currency sleeves in their funds – exposing them to the regulatory inconsistencies from one jurisdiction to the next as well as FX and currency risks. These were some of the top challenges cited by our audience with respect to cross-border capital flows (see Figure 2).

Appealing to a broader base of investors has also led to the proliferation of semi-liquid and evergreen fund structures, bringing operational complexity in the process – a challenge cited by a third of firms. And managing these funds, particularly when looking to raise and deploy capital at speed worldwide, requires flexible credit lines – constraints to which create extra risk.

There are some interesting variations by region. Half of all North American funds, for instance, cited hidden FX costs as a top concern, while fund structure complexity made it into the top-three mainly for European funds – cited by 42% of respondents headquartered on the continent.

Still, these hurdles are all superseded by the internal challenge – cited by a decisive two-thirds (67%) of fund managers – of building a consistent governance framework to manage cross-border capital flows. The findings reflect an 'act first, plan later' scenario, driven by pressing capital needs in recent years – creating technical debt for firms to work off in due course through a joined-up process that spans onboarding, compliance and financing.

JOINING UP

Most firms, however, shy away from building such a governance framework internally (see Figure 3). Only 11% of our respondents say they plan to review their internal FX governance and oversight – explained in large part by the fact that a quarter of firms cite a lack of internal expertise as a key barrier to managing the operational aspects of cross-border capital flows.

The vast majority – 70% of our respondents – plan to engage a specialist advisor or consultant to help with the above suite of challenges. Nearly half (48%) are investing in new technology to streamline these functions, while 46% plan to reassess their current counterparty setup.

Figure 1 Private markets trends that pose the highest firm and portfolio risks

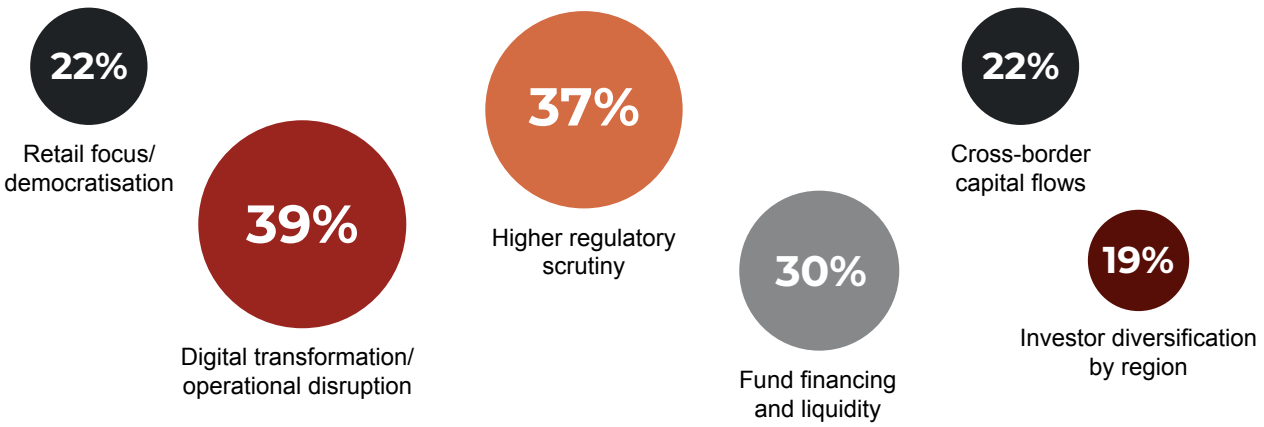
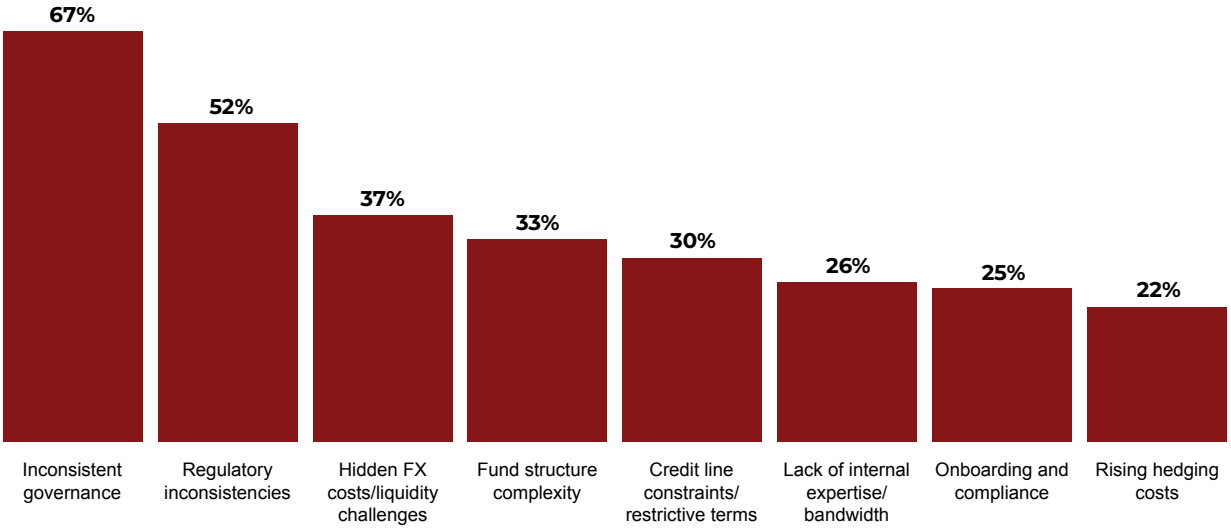


Figure 2 Top challenges with cross-border capital flows



Joe McKenna, Head of Fund Solutions at MillTech, says: "With funds raising and deploying capital across multiple currencies, treasury teams are under pressure to keep up—not just with execution, but with strategy.

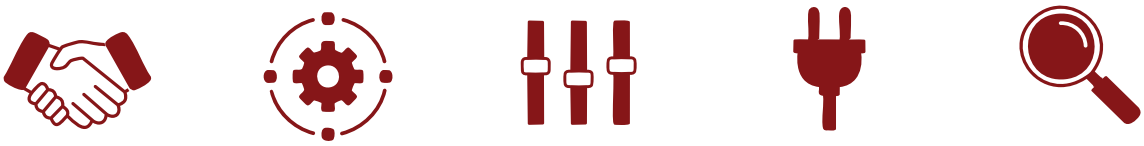
"This includes knowing when and how to hedge, what the impact might be on fund performance, and how to avoid unintended consequences as market conditions change. What's new is that many of these questions now fall to teams that haven't historically owned this responsibility. The skillset required has expanded, and internal resources are often stretched thin.

"Globalising funds need a modern and transparent approach to FX risk management. By accessing pricing from multiple leading banks, for instance, firms can see live, competitive quotes on every trade and choose the best rate available. This often leads to better pricing and a clearer view of true execution costs, which is essential for governance and investor reporting.

"It's also critical to diversify across multiple banking counterparties, giving managers more flexibility and reducing concentration risk. And finally, firms need to assess the impact of different hedging strategies before they're put into action. This includes scenario analysis, market data, and rule-based automation that allows firms to define their own approach and stick to it.

"At MillTech, we support firms with executing all of the above, cutting the time involved from months through traditional channels to weeks. It's not just about removing manual work, it's about giving treasury teams the information they need to make smarter decisions, faster. As the complexity of FX increases, we believe this combination of access, transparency, and strategic support will be essential."

Figure 3 Popular strategies to counter cross-border risks



70%
Engaging a specialist adviser

48%
Investing in new tech/automation

46%
Reassessing the current counterparty setup

22%
Exploring outsourcing/ managed FX solutions

11%
Reviewing internal FX governance

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