CASE STUDY

Exposing structural fragility in Annex IV reporting for a global AIFM

AQMETRICS

The challenge

As this global AIFM expanded distribution via National Private Placement Regimes (NPPR), Annex IV reporting became a significant operational burden. Process fragmentation across regional teams and providers led to inconsistent interpretations of ESMA guidance and a lack of central oversight. The firm relied on heavy manual effort to convert internal data into the mandatory regulatory XML formats, creating significant delivery risk.

What AQMetrics discovered

During the diagnostic onboarding phase, AQMetrics identified several critical discrepancies:

- **Leverage calculation errors:** Gross/Commitment methods misalignment, specifically regarding hedging and netting rules.
- **Threshold miscalculation:** failure to track AUM against varying jurisdictional triggers for reporting frequency.
- **Static liquidity profiles:** Liquidity bucketing based on "rule of thumb" rather than dynamic ESMA definitions.
- **Asset categorisation errors:** Misclassification of instruments against specific ESMA asset type codes.
- **Data lineage gaps:** inability to trace XML data points back to original source accounting records.

The AQMetrics approach

AQMetrics delivered a unified, technology-led remediation:

- **Standardised regulatory logic:** uniform methodology ensuring "gold standard" compliance with ESMA technical standards.
- **Automated XML generation:** automated transformation of raw data into regulator-ready XML schemas.
- **Rule-based validation:** automated checks to flag inconsistencies before submission.
- **Multi-jurisdictional gateway:** centralised filing for multiple authorities via a single dashboard.

The outcome: regulatory uniformity

- **Regulatory uniformity:** consistent, defensible methodology across all entities.
- **Zero XML rejections:** elimination of technical filing errors and late-submission risks.
- **Full data lineage:** auditable "paper trail" from raw data to final regulatory output.
- **Operational efficiency:** internal resource time for Annex IV preparation reduced by 60%
- **Senior management assurance:** transparent, verified data for confident sign-off.

Why it matters for AIFM firms

For AIFMs, Annex IV is a primary tool for systemic risk monitoring. Errors in leverage or liquidity are immediate red flags. AQMetrics helps firms move beyond manual guesswork to ensure their regulatory data is technically unimpeachable.

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