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Investment Funds & Private Capital

AIFMD Refresher: Regulatory Reporting under Article 24

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The AIFMD contains numerous ongoing obligations that apply to sponsors and funds long after fundraising has completed. As part of our AIFMD refresher series, this article summarises one of the key AIFMD ongoing requirements that both EU and non-EU alternative investment fund managers must comply with for each fund marketed in the European Union and the United Kingdom. As most sponsors are aware, the AIFMD includes ongoing compliance requirements, including ongoing reporting to regulators and investors, post-deal notifications to EU and UK regulators and ongoing ESG investor reporting – this article focusses on regulatory reporting under Article 24 of the AIFMD.

Key Takeaways:

1. Sponsors should ensure that periodic “Annex IV” reporting to regulators is up to date, particularly in advance of filing a marketing application for a new fund, or risk delays in obtaining marketing approvals.

Article:

Both EU and non-EU fund managers marketing an alternative investment fund in the EU or the UK (either under an EU marketing passport or the relevant national placement regimes (collectively referred to herein as “AIFMs”)) are required to submit periodic regulatory reports to either their home member state regulator or the regulators in each jurisdiction where the fund is registered for marketing (together, the “Regulators”).

Article 24 of the AIFMD outlines the reporting obligations AIFMs must comply with on an ongoing periodic basis, in accordance with the pro-forma reporting template set out in Annex IV of the AIFMD – hence, periodic reporting to regulators is commonly referred to as “Annex IV” reporting. The following information is required to be included in each Annex IV report:

- the percentage of the fund’s assets subject to special arrangements arising from their illiquid nature;
- new arrangements for managing the liquidity of the fund;
- the risk profile of the fund and risk management systems employed;

- the main categories of assets in which the fund is invested; and
- the results of stress tests required by AIFMD in respect of investment risk and liquidity risk.

The frequency of a fund's Annex IV reporting is either annual, semi-annual or quarterly, depending on the size of assets under management and the leverage position of the fund as follows:

- AUM of more than €1bn, or more than €500m for a leveraged fund – **quarterly** reporting frequency;
- AUM below €1bn (unleveraged) or €500m (leveraged), but above €500m (unleveraged) or €100m (leveraged) – **semi-annual** reporting frequency; or
- Unleveraged fund which invests in non-listed companies and issuers to acquire control – **annual** reporting frequency.

Generally, the first Annex IV report will be due to each Regulator for the first full reporting period (being a year, a half-year or a quarter, as applicable) following registration of the fund for marketing with the relevant Regulator, and reporting will be required throughout the life of the fund.

Failure to keep up to date with Annex IV reporting can impact an AIFM's ability to register subsequent funds for marketing in certain EU jurisdictions, and therefore sponsors should ensure Annex IV reporting is up to date.

Changes under AIFMD II will expand the scope of reporting under Annex IV to include the entirety of the fund's portfolio (as opposed to the current scope of reporting which is limited to the top five positions), with the changes expected to come into force in Q1 2027.

Article 110 and Article 111 of the AIFMD Level 2 Regulations set out further detail regarding the Annex IV reporting requirements.

For non-EU managers, which have registered a fund for marketing multiple EU jurisdictions and the UK, this reporting obligation is amplified across multiple regulators, often requiring reporting similar data sets to be submitted via separate reporting platforms (creating an increase in administrative burden for non-EU fund managers with multiple marketing registrations in place for various funds).

Key takeaways for sponsors are (i) ensure a fund's reporting frequency is determined and accurately notified to EU/UK regulators, to ensure regulatory reports aren't inadvertently missed, and (ii) ensure Annex IV reports are up to date to avoid issues with subsequent marketing registrations.

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If you have any questions concerning these developing issues, please do not hesitate to contact the following Paul Hastings lawyer:

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