

# AIFMD – Utilising your Investment Management System

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**AIFMD Reporting & Disclosure: Making Your Technology Platform Work For You**

*by Karim Ali*

## CYMBA Technologies



- *Meeting the Disclosure & Reporting requirements of AIFMD*
- *Using your rich source of transactional & historical data for AIFMD Reporting*
- *Best Practice*

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## Introduction

This paper provides a high level overview of the main challenges laid bare to *Alternative Investment Managers* through the introduction of the AIFMD directive. Specifically it focuses on how some of the disclosure and reporting requirements contained within this directive can be met through mining the transactional and positional data that is readily available in most Investment Management Systems (IMS) deployed by Alternative Investment Managers (AIM).

As a vendor providing such software and technology to a large number of AIM's we have been asked for advice by our clients as well as specific examples of what can be produced through ones IMS.

Thus, we have produced an AIFMD readiness pack, which although focused on our Athena and Centurion platforms, is generic enough to be shared in this white paper enabling the reader to apply these principles within their own organisation and based upon their own systems / data repositories.

The paper also attempts to highlight what can be easily extracted and reported and what potentially the AIM would need to seek expert advice on resulting in specialist or custom reporting requirements.



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## AIFMD – An overview

Broadly speaking there are four main towers underpinning the AIFMD directive, each of which can be further subcategorised as follows:

Sub Category	Category			
	Legal	Risk Monitoring	Regulatory	Business Processes
	Remuneration	Transparency	Delegation	Business Conduct
	Valuation	Depository	Capital Requirements	Risk & Liquidity Management
	Delegation		Third Country Provisions	
			Scope & Capital Requirements	

AIFMD: Level 1 & level 2

The heat map associated with the sub categories denotes the strength of data and information that is extractable from typical IMS platforms enabling conformity with some of the AIFMD requirements.

For example, your IMS platform is unlikely to provide you with any data or information you may require with regards to “*Director Remuneration*” or the majority of other directives categorised within the “Legal” bucket.

## AIFMD – Knee Jerk Impact?

It has been commented in, and by, several leading publications and industry experts that one of the instantaneous responses to AIFMD, especially in cases where preparation by AIM’s hasn’t been at the forefront, is the transferring of funds from to UCITS in order to “sidestep” the directives.

This may prove to be short sighted and in fact plain wrong as this rebranding and re-registration only really works if the Strategy of the fund actually fits into the tightly regulated world of a UCITS structure.

Moreover, with the imminent implementation of UCITS **V** & **VI**, this transformation may prove ultimately fruitless as these directives are deemed just as stringent and onerous.

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## How can your IMS help you?

This section details the actual data that can be extracted from ones IMS & technology platform to fulfil some of the disclosure, transparency and reporting requirements.

### Depository

- **Custody** – Extract portfolio positions from your IMS based upon whether they are held with a Custodian and who that Custodian is;
- **Cash-Flow monitoring** – In theory, all trading activity as well as cash adjustments inclusive of subscriptions, redemptions, fees and FX movements will be contained within the IMS;

### Transparency

- **Disclosure to Investors** – The Net Asset Value (NAV) of the Fund is typically calculated and persisted for historical reporting purposes on a daily basis. This data and any comparison to an externally calculated NAV by an Administrator, can be extracted and reported;
- **Total leverage** – A report that enables NAV vs. Notional comparison to compute leverage ratio should be available through the summation of positions both on a daily and historical basis. If historical data is persisted, the average Leverage % can also be computed between two points;
- **Exceptional Leverage** – If historical data is available, any deviation in average Leverage ratio can easily be identified;

### Capital Requirements

- **Calculation of AUM** – Depending on the IMS in question, if there is an Accounting module associated with the solution and all journaling entries / fees are recorded, a true AuM / NAV can be computed as the figures will be both time and money weighted;
- **Internal Vs. External** – Any money within the fund managed externally can also be easily identified and reported if the concept of a Parent / Child portfolio (Manager of Manager) relationship within the portfolio and positions exist.

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## Risk and Liquidity Management

- **Limits on Leverage** – If your IMS has a Compliance Engine embedded within it, pre and post trade checks restricting over leveraging can be coded. Reports against compliance results can then be produced

## Detailed Reporting Requirements

- **Principal markets & instruments traded** – Daily Holdings report grouped by different attributes such as currency, market, sector and country can be produced;
- **Main categories of assets held by each AIM** - Daily Holdings report grouped by different Instrument Type and Subtype can be produced;
- **Principal Exposures & Concentrations** – Daily Holdings report displaying Value, Exposures and other analytics of the portfolio can be produced;

## CYMBA Reports

The following AIFMD centric reports are supplied by the CYMBA Athena IMS

AIFMD Reference	Report Description
Art. 24(1)	<ul style="list-style-type: none"><li>• Principal markets</li><li>• Principal instruments</li><li>• Values of assets under management</li></ul>
Art. 24(3)	<ul style="list-style-type: none"><li>• Detailed list of all funds which the AIM manages</li></ul>
Art. 24(1)	<ul style="list-style-type: none"><li>• Breakdown of investment strategies</li><li>• Principal exposures and most important concentrations (geographical, portfolio concentration, markets, investor, etc.)</li></ul>
Art. 24(2)	<ul style="list-style-type: none"><li>• Instruments traded and individual exposures</li><li>• Risk profiles</li></ul>
Art. 24(4)	<ul style="list-style-type: none"><li>• Borrowing and Exposure Risk</li></ul>

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## About CYMBA Technologies

CYMBA Technologies is a supplier of trading solutions for both the buy-side and sell-side of the investment management community. Its Athena Investment Management Solution provides multi-asset class decision support, order generation, compliance, and real time P&L, order and execution management. The Athena IMS is available as a fully integrated application suite and is deployed on an ASP or Enterprise Model. CYMBA Technologies solutions are used by some of the world's largest investment management firms.

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