Paperjam: Angel Ramón discusses the operational challenge of AIFMD II

Aztec Group has been featured in Paperjam, with Angel Ramon Martinez Bastida, Head of Regulatory Compliance at Aztec Group, sharing his views on the practical implications of AIFMD II for alternative fund managers. The interview focuses on how the revised Directive is strengthening requirements around governance, delegation, reporting and liquidity management, while maintaining Europe's attractiveness as a destination for private capital.

In the article, Angel explains why the most significant impact of AIFMD II is likely to be operational rather than regulatory. While the new rules do not fundamentally alter the alternative funds landscape, they require managers to improve data collection, reporting capabilities and governance oversight as implementation progresses. He also discusses Luxembourg's approach to transposition, highlighting the jurisdiction's decision not to introduce additional national requirements beyond those mandated at the European level.

Delegation, reporting, liquidity: the operational challenge of AIFMD II

Three months after the AIFMD II came into force, fund managers are continuing to bring their operations into compliance. Whilst the reform does not radically disrupt the sector, it does tighten requirements in the areas of governance, reporting and liquidity management. We take a look at the situation with Angel Ramón Martinez Bastida, head of regulatory compliance at Aztec Group.

It all began with the 2008 financial crisis. In the wake of this, the G20 called for tighter regulation of the sector. It was against this backdrop that the AIFMD (Alternative Investment Fund Managers Directive) was adopted by the European Union in 2011, before being transposed into Luxembourg law by the Act of 12 July 2013.

"Thanks in particular to its regulatory framework and its access to the European market, Luxembourg has become a prime location for international asset managers. Whilst US firms account for around a quarter of the net assets of funds domiciled in the Grand Duchy, the centre also attracts players from Asia, the Channel Islands, the United Kingdom – whose numbers have been growing since Brexit – and now the Middle East," explains Angel Ramón Martinez Bastida, head of regulatory compliance at Aztec Group, before continuing: "One of the major advantages of the AIFMD, in both its first and second versions, is that it offers a European marketing passport. In practice, when an alternative fund is launched in Luxembourg, it can be distributed to nearly 500 million potential investors across the European Union."

Now it is time for its revised version: AIFMD II. For Angel Ramón Martinez Bastida, this reform is primarily a pragmatic response rather than a radical overhaul: "The European authorities have identified several shortcomings that they wish to rectify and improve." In his view, this directive has played a major role in making Europe an integrated market for alternative funds and has strengthened Luxembourg's position as Europe's leading domicile centre.

The text introduces three changes: the harmonisation of liquidity management tools, the establishment of a common framework for loan-originating funds – an area in which Luxembourg already had a robust framework in place, unlike other Member States – and a strengthening of the substantive, delegation and reporting obligations of management companies.

The aim? To better protect investors and strengthen financial stability, under more consistent supervision across the EU. This reform forms part of a wider trend towards the supervision of the non-banking financial sector. Whilst several international institutions are warning of the risks associated with its growth, the IMF highlights in particular the lack of transparency in private credit – a concern that has, in part, fuelled the developments under AIFMD II. For the expert, the issue is not so much the transfer of risk away from banks as the regulation of a sector with unique characteristics, requiring tailored governance and transparency requirements.

The Grand Duchy has, once again, opted for a minimalist regulatory approach. "Luxembourg has been a 'first mover'. It has not engaged in 'gold plating', that is to say, it has not imposed any additional national obligations beyond the European requirements. Initial market reactions have been very positive."

According to him, this strategy has played no small part in the success of the financial centre. The Grand Duchy thus intends to remain attractive in the face of competition from Dublin, Paris and Frankfurt. Whilst AIFMD II aims to further harmonise the rules applicable to alternative investment funds, Member States retain a certain degree of flexibility in its transposition, which means that differences in competitiveness between the main European financial centres remain.

An operational challenge

When asked about the main changes required by AIFMD II, Angel Ramón Martinez Bastida first highlights the oversight of delegation. “Delegating certain functions does not mean delegating responsibility. Managers must put robust governance in place and document the controls they exercise over service providers,” he says. Reporting is also evolving. “For managers, the main challenge will be less regulatory than operational: they will need to be able to collect, structure and ensure the reliability of more data. In today’s world, data is gold,” notes the head of regulatory compliance.

With April 2027 fast approaching, and as the final formats of the reports are not yet known, managers must ensure, as of now, that the necessary information is accessible and usable before adapting their systems. “We know that they will require more information on delegations, liquidity and leverage. However, we do not yet know the details of the new reporting requirements,” explains the specialist. On the subject of liquidity, the legislation is also tightening the rules. “Alternative investment funds are also becoming more attractive to a wider range of investors, including retail investors. This is the ‘retailisation’ of private funds. However, this transformation means being able to meet investors’ redemption requests, even though these strategies are traditionally based on long-term investment horizons. The CSSF requires open-ended funds to select at least two liquidity management tools,” explains Angel Ramón Martinez Bastida.

With regard to transposition, AIFMD II provides for a period of nearly two years between its publication and its entry into force in national law. The head of regulatory oversight regards this timeframe as an advantage, as “it allows the strongest compliance teams to plan the measures to be put in place well in advance of the deadline”. However, this timeframe does not remove all uncertainty. In October 2025, the European Commission announced that it was postponing, until at least October 2027, the adoption of several ‘Level 2’ technical measures intended to clarify certain obligations under AIFMD II, citing compliance costs and regulatory complexity. According to the law firm Skadden, this decision eases short-term operational pressure but prolongs uncertainty for the sector and raises the risk of divergent interpretations between Member States, in the absence of harmonised guidelines.

For Angel Ramón Martinez Bastida, AIFMD II has struck the right balance between attractiveness and regulatory requirements: “These are not unreasonable requirements. In return, the benefits are substantial. The problem with some regulations is that they become too ambitious and unnecessarily complicate operations. In this case, I think they have struck the right balance in terms of governance.” However, not all industry observers share this positive view.

The specialist publication, Funds Europe, highlights the other side of the coin: the extension of transparency obligations, such as Article 23 of AIFMD II, which now covers all fees, charges and expenses incurred by the AIFM in connection with the fund, could place a disproportionate burden on smaller managers. In response to this observation, Angel Ramón Martinez Bastida offers a more nuanced view: he urges people not to attribute everything to the directive. In his view, the consolidation of the sector is a structural trend, observed well beyond Luxembourg, and not a direct consequence of AIFMD II. “I don’t think the directive entails huge compliance costs. The main challenges will mainly concern reporting and data management.”

Beyond compliance: a changing market

In reality, the reform reflects a shift in the market that is already underway. Private equity, private debt and infrastructure are no longer the exclusive preserve of institutional investors: driven by new investment vehicles such as ELTIFs and certain semi-liquid funds, these strategies are gradually opening up to retail investors. “Historically, these were mainly closed off and reserved for institutional investors. Today, they are becoming much more accessible!” says Angel Ramón Martinez Bastida.

Beyond AIFMD II, Angel Ramón Martinez Bastida can already see other regulatory challenges on the horizon for the Luxembourg financial centre, notably artificial intelligence, as well as anti-money laundering regulations: “The new European anti-money laundering package, spearheaded in particular by AMLA, will present a significant challenge for asset managers, particularly in terms of due diligence,” he says.

“This introduces stronger governance, with many benefits in return. The new requirements remain reasonable, whilst the benefits for the European market are considerable,” summarises Angel Ramón Martinez Bastida. The coming years – and in particular the implementation of the new reporting requirements in 2027 – will show whether this delicate balance has truly been achieved.

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