

DERIVATIVES LAWS AND REGULATIONS FOR ALTERNATIVE ASSET MANAGERS

SINGLE-SIDED REPORTING: AIMA'S CALL FOR REFORM



Overview

1. Introduction	3
2. The Close-Out Process	5
3. The Central Role of Properly Served Notices	6
4. New ISDA Tools and Operational Supports	8
5. Mechanics of Close-Out: Steps, Documentation, and Delivery	10
6. Calculating the Close-Out Amount	12
7. Disputes and Enforcement: Lessons from the GFC and COVID-19	14
8. Practical Recommendations and Internal Controls	16
9. Conclusion	18
10. Author Biography	19
11. Firm Biography	20

Introduction

Over the past decade, regulatory reform in the UK and EU has reshaped the landscape of financial markets with the intention of enhancing transparency, reducing systemic risk, and improving data quality for supervisors. This has led to the creation of robust reporting frameworks such as the European Market Infrastructure Regulation (EMIR) and the Markets in Financial Instruments Regulation (MiFIR). However, while these initiatives have achieved significant improvements in data capture and oversight, they have also imposed considerable burdens on investment firms, particularly on the buy-side. These firms, which often lack the operational scale and data infrastructure of their sell-side counterparts, have found themselves increasingly overburdened by the sheer volume and complexity of compliance obligations.

A key issue lies in the prevailing use of dual-sided reporting. Under this model, both parties to a transaction are required to submit individual reports to regulators, even when the same data is being captured. In theory, this redundancy was designed to improve accuracy and verification. In practice, it has introduced duplicated efforts, inconsistencies, and a reliance on reconciliation mechanisms that are not always effective. Buy-side firms must not only ensure that their reports match those of their sell-side trading partners but also maintain the systems and processes to manage discrepancies when they occur. These requirements are further complicated when firms outsource reporting responsibilities to third-party providers but retain legal liability for the results.

The unintended outcome of these reforms is a skewed distribution of responsibility. While sell-side institutions are typically equipped with sophisticated reporting tools and dedicated compliance teams, many buy-side entities do not have access to the same level of operational resources. Despite this disparity, both sides are treated equally under the current regulatory framework, resulting in an uneven playing field. This dynamic has tangible consequences—not only in terms of compliance costs but also in how firms structure their trades, choose counterparties, and determine whether to enter certain markets at all. Regulatory reporting, once a back-office formality, now plays a central role in strategic decision-making across investment firms.

It is in this context that AIMA, the Alternative Investment Management Association, has emerged as a vocal advocate for reform. AIMA's position is clear: to preserve the

competitiveness of European financial markets, regulators must rethink how reporting obligations are assigned. A move towards single-sided reporting—where one counterparty, typically the sell-side firm, is solely responsible for submitting regulatory reports—would reduce duplication, improve data quality, and alleviate the disproportionate burden currently placed on buy-side firms. This paper seeks to outline the practical, operational, and policy-based reasons for this transition, drawing on insights from recent reforms, member experiences, and AIMA’s broader engagement with regulators and policymakers.

Capitalised terms not otherwise defined in this article have the meanings given to them in the 1992 or 2002 ISDA Master Agreement, as published by the International Swaps and Derivatives Association, Inc (ISDA®).

The Close-Out Process under the ISDA Master Agreement

The close-out process in trade and transaction reporting represents the final phase of a firm's reporting obligation. It involves validating trade data, reconciling discrepancies with counterparties, ensuring that submitted reports match the correct regulatory schema, and confirming successful transmission to the relevant authorities. Under the dual-sided reporting model mandated by EMIR and MiFIR, this process becomes especially intricate. Each party to a transaction must submit a separate report, and any misalignment—no matter how small—can trigger a compliance breach. As reporting obligations have grown more complex, the difficulty of achieving accurate, timely close-out has intensified, particularly for buy-side firms.

Under the UK EMIR REFIT, which introduces significant updates effective from 30 September 2024, the reporting burden has escalated further. The number of reportable fields has increased from 129 to 204, dramatically expanding the volume of data that must be collected, validated, and reconciled. While the stated goal of these changes is to improve regulatory oversight, the reality for many buy-side firms is a compliance process that has become unmanageable. Delegated reporting, whereby the sell-side or a third-party reports on behalf of the buy-side, may seem to offer relief. However, it creates a false sense of security. These arrangements rarely offer complete visibility into what has been reported, and when errors occur, the legal responsibility still lies with the buy-side firm.

This lack of transparency in delegated models creates a dangerous gap. Buy-side firms often receive incomplete, delayed, or improperly formatted data from their reporting agents, which makes timely and effective reconciliation almost impossible. Without clear access to the full reporting dataset, firms cannot perform meaningful assurance checks or reconcile their internal records against what has been submitted to regulators. This operational disconnect not only increases the likelihood of non-compliance but also erodes confidence in the integrity of reported data. Moreover, the volume of manual effort required to oversee and verify delegated reports negates many of the supposed efficiency gains of outsourcing.

A shift to single-sided reporting would dramatically simplify the close-out process. By centralizing responsibility with the sell-side counterparty—who typically originates the trade data and already submits comprehensive reports for internal and regulatory purposes—the buy-side could focus on verifying that accurate reports have been filed on their behalf. With proper data delivery protocols in place, buy-side firms could receive confirmation of submission and the underlying data for recordkeeping and assurance. This model would create a more efficient and reliable reporting ecosystem, allowing all parties to meet their regulatory obligations with greater confidence and fewer operational obstacles.

The Central Role of Properly Served Notices

The foundation of any compliant and operationally sound reporting regime lies in clarity—clarity of roles, responsibilities, timelines, and data ownership. In the context of regulatory reporting, this clarity is often achieved through what are known as properly served notices: structured, standardized communications between counterparties that confirm who is responsible for reporting, what data is being reported, and when the submission occurs. In dual-sided frameworks, the absence of such notices contributes to widespread confusion and error. Without formal acknowledgments of submission, firms are left guessing whether their trades have been reported accurately and in full, and by whom. This uncertainty can lead to missed deadlines, inconsistent data submissions, and, ultimately, regulatory penalties.

For buy-side firms operating under delegated reporting arrangements, this lack of formal notification is especially problematic. While they are legally accountable for the reports, they may receive only limited insight into the data submitted on their behalf. In many cases, the reports are sent to regulators without any accompanying confirmation or opportunity for the buy-side to review the contents beforehand. This creates a scenario in which firms are expected to take ownership of data they may not have seen, much less approved. Without a robust mechanism for serving notices—such as confirmation receipts, data submission summaries, and real-time reporting dashboards—buy-side firms remain in the dark, forced to operate under assumptions rather than evidence.

The introduction of properly served notices within a single-sided reporting framework would transform this dynamic. If the sell-side counterparty is designated as the sole reporting party, then part of their obligation would include issuing timely, standardized confirmations to their buy-side clients. These confirmations would serve as verifiable proof that a report was submitted, including key trade identifiers, timestamps, and the full data payload. Such transparency would empower buy-side firms to conduct independent checks, reconcile the data with internal records, and maintain a defensible audit trail. This practice would not only improve accountability but also reduce the risk of disputes and facilitate smoother regulatory inspections.

Moreover, the use of properly served notices aligns with broader trends in digitalization and automation within financial markets. Through the use of APIs, data portals, and electronic

validation tools, it is entirely feasible to build systems that automatically generate and transmit confirmation notices in real-time. In fact, several service providers and market infrastructures are already developing such capabilities. By institutionalizing the role of properly served notices within the regulatory framework, policymakers could ensure that accountability flows in tandem with control, and that every party to a trade has the visibility it needs to fulfill its compliance obligations confidently and efficiently.

New ISDA Tools and Operational Supports

As regulatory reporting frameworks become more complex, the need for consistent, scalable operational tools has never been more urgent. In this regard, the industry is looking increasingly to models pioneered by ISDA, which has long provided standard documentation and risk management tools that promote efficiency and legal certainty in derivatives markets. While ISDA's core expertise historically lay in contractual documentation such as the ISDA Master Agreement and close-out netting provisions, its influence has extended to operational and data standards. In the context of EMIR and MiFIR reforms, ISDA's approach to standardization is now being mirrored in emerging tools designed to simplify and systematize regulatory reporting—particularly in a world that is moving toward single-sided models.

One of the most important developments in this space is the creation of standardized data templates that mirror the expanded field requirements introduced by the UK EMIR REFIT. These templates, which can be implemented across multiple systems and counterparties, reduce the likelihood of inconsistencies between what is reported and what is internally recorded. They also support interoperability between systems, enabling sell-side firms to populate data fields that are otherwise inaccessible to buy-side entities. The benefits of these tools are amplified when used alongside application programming interfaces (APIs) that allow buy-side systems to receive structured data feeds from sell-side reporters. This infrastructure can bridge the current communication gap and give buy-side firms real-time access to their own reporting data, without requiring them to build redundant systems of their own.

Equally important are the operational dashboards and compliance portals now being developed by technology providers, often in partnership with industry bodies like AIMA. These platforms serve as centralized repositories where buy-side firms can log in, view the trade data that has been reported on their behalf, and perform their own validation checks. Features include pre-submission review tools, audit logs, real-time alerts for mismatches, and documentation export functions for regulatory inspections. In a dual-sided world, these platforms offer some control back to the buy-side. But in a single-sided framework, their value is multiplied—they become not only assurance tools but essential infrastructure for a cleaner, more collaborative reporting ecosystem.

Importantly, these tools are not theoretical. Pilot programs and early implementations are already underway, driven by increasing demand for efficiency and transparency. AIMA has worked closely with its members to identify and recommend vendors, coordinate workshops, and provide feedback to regulators on the effectiveness of these technologies in practice. The industry recognizes that the shift toward single-sided reporting must be accompanied by operational readiness. By adopting tools inspired by ISDA's tradition of standardization, firms can ensure they are not only compliant but also resilient. These innovations demonstrate that regulatory efficiency and operational simplicity are not mutually exclusive goals—and that the right technological supports can help achieve both.

Mechanics of Close-Out: Steps, Documentation, and Delivery

To understand the operational advantages of single-sided reporting, it is essential to explore the detailed mechanics of how close-out functions today—and how it could be improved. Under the dual-sided model, each counterparty to a transaction is responsible for submitting its own version of the trade report. Even where delegated reporting is allowed, the process involves multiple layers of communication, manual oversight, and data reconciliation. Firms must ensure that their report aligns precisely with their counterparty's, often relying on post-submission matching processes conducted by trade repositories. Any mismatch, however minor, can trigger error flags, delay regulatory submission acknowledgments, or result in enforcement inquiries.

This process is particularly cumbersome under the expanded reporting framework introduced by the UK EMIR REFIT. The increase from 129 to 204 reportable fields means that even routine trades now carry a high operational load. Fields covering valuation data, collateral arrangements, life-cycle events, and other complex attributes must be completed and reconciled with high accuracy. The delivery of these reports is often managed through a combination of in-house systems, third-party service providers, and bilateral file exchanges. At each step, there is the potential for error, delay, or miscommunication. The documentation required to support this process—including validation logs, communication records, and exception reports—adds further weight to the close-out process.

By contrast, in a single-sided model, the mechanics of close-out become significantly more streamlined. The sell-side counterparty, typically the originator of the trade, compiles the full report using its own systems, which are already optimized for speed, accuracy, and completeness. The report is submitted to the appropriate regulatory body or trade repository, and the buy-side counterparty receives a detailed confirmation or reporting receipt. This document serves not only as proof of submission but also provides the underlying data for the buy-side's own compliance files and internal reconciliation processes. The need for bilateral report matching disappears, replaced by a linear flow of information from data owner to data user.

The documentation that supports this improved workflow also evolves. Instead of a scattered array of internal logs and bilateral emails, firms maintain a coherent record of

submission notices, trade identifiers, and timestamped confirmations. These materials form the basis of an audit trail that is easier to maintain and far more regulator-friendly. Moreover, in the event of a dispute or inquiry, firms can quickly retrieve the relevant data without having to reconstruct complex reporting chains. This level of transparency and simplicity not only reduces operational risk but also improves response times in supervisory or enforcement contexts. It is a model that aligns operational responsibility with reporting capability—and it holds the potential to transform how the industry approaches regulatory compliance.

Calculating the Close-Out Amount

The “close-out amount” in a regulatory context does not refer to a single financial figure, but rather a composite measure of the time, cost, and risk absorbed by firms in fulfilling their reporting obligations. For buy-side firms operating under EMIR and MiFIR, these costs are substantial. AIMA estimates that the total annual cost of transaction reporting for UK investment firms exceeds £500 million. This figure reflects not just initial system builds and ongoing technology costs but also the salaries of compliance professionals, the fees paid to third-party service providers, and the considerable resources required to monitor, reconcile, and amend submissions on an ongoing basis. These expenses have become a defining feature of the modern compliance function—and they continue to grow with each regulatory reform.

Importantly, these costs are not spread evenly across the market. Larger sell-side firms, which already have the infrastructure and personnel to handle reporting at scale, can manage these obligations with relative efficiency. Buy-side firms, particularly those managing smaller or more specialized portfolios, face a different reality. Many must build reporting systems from scratch or rely on external vendors whose services, while helpful, do not eliminate the need for internal oversight. Moreover, the legal liability for inaccurate reporting remains with the buy-side firm, even when the reporting itself is outsourced. This liability creates an additional layer of risk management, often requiring firms to dedicate staff solely to monitoring their reporting agents—an exercise that duplicates effort without improving data quality.

Beyond direct financial costs, there are also strategic and opportunity costs. Some firms may avoid trading certain instruments or working with certain counterparties if the reporting requirements are deemed too burdensome. Others may choose not to enter new markets or pursue innovative strategies because of the compliance overhead involved. This distortion of business activity, driven by regulatory mechanics rather than investment logic, ultimately hampers competition and innovation. In some cases, firms authorized under MiFID suffer competitive disadvantages compared to AIFMD or UCITS firms, who are not subject to the same reporting burdens. The market impact of this misalignment is profound—and it cannot be ignored by policymakers.

A shift to single-sided reporting would rebalance this equation. By assigning the reporting obligation to the sell-side firm—where trade data originates, and where infrastructure

already exists—compliance costs can be reduced at a systemic level. Buy-side firms would still have an important role in verifying data accuracy and maintaining records, but they would no longer bear the brunt of the operational lift. This redistribution of responsibility would not only lower the “close-out amount” for individual firms but would also lead to broader efficiencies in the market. Resources currently spent on redundant compliance activities could be redirected toward innovation, investment, and client service—outcomes that benefit the entire financial ecosystem.

Disputes and Enforcement: Lessons from the GFC and COVID-19

For over a decade, AIMA has maintained a clear and consistent position in favor of single-sided reporting, driven by a belief that regulatory compliance should be aligned with where data originates and where reporting infrastructure already exists. This belief is rooted not only in practical efficiency but in regulatory logic: reporting responsibilities should fall to the party best equipped to meet them. In the majority of derivatives transactions, this is indisputably the sell-side counterparty. These firms initiate the trade, manage collateral flows, and maintain comprehensive trading systems designed specifically to support regulatory submission. Imposing identical obligations on buy-side firms, particularly those with lean operational models or niche portfolios, has created avoidable inefficiencies across the market.

AIMA's position has been articulated in multiple consultation responses, position papers, and industry roundtables over the years. Each time a new wave of regulatory reform has emerged—from EMIR's original implementation to its REFIT iterations—AIMA has reiterated the same principle: reporting regimes should reflect operational realities. When ESMA consulted on EMIR REFIT in 2018, AIMA advocated for a model that either allowed for genuine delegation or shifted the burden entirely to one side of the transaction. This was not a request to reduce regulatory transparency but rather a call for smarter regulatory architecture—one that delivers the same oversight with less duplication and lower risk of misreporting.

The strength of AIMA's position lies not just in its consistency, but in its practical grounding. The association draws on feedback from a wide cross-section of members—hedge funds, asset managers, and service providers—who collectively report thousands of transactions daily across dozens of jurisdictions. These members have provided detailed accounts of the operational challenges they face under dual-sided models: systems misalignment, trade mismatches, costly exception handling, and difficulties in reconciling data across multiple repositories. The case for reform is not theoretical; it is built on the lived experience of compliance officers, risk managers, and operations teams whose insights have shaped AIMA's policy advocacy.

Moreover, AIMA's support for single-sided reporting is aligned with broader regulatory goals. Simpler, cleaner reporting structures reduce the noise in regulatory datasets and

Increase the likelihood that authorities receive accurate, timely information. By relieving buy-side firms of duplicative obligations, single-sided models enhance data quality while also preserving accountability. This alignment of interest—between industry and regulator, between efficiency and oversight—has been at the heart of AIMA’s policy recommendations. The consistency of this position, upheld across changing regulatory landscapes, underscores its relevance and credibility as the debate around reporting reform continues.

Practical Recommendations and Internal Controls

As global regulatory frameworks evolve, jurisdictional differences in reporting obligations have become increasingly pronounced. The European Union, under EMIR, continues to require dual-sided reporting for over-the-counter (OTC) derivatives, placing equal reporting burdens on both counterparties. This structure, while aiming to enhance validation through data matching, often results in inefficiencies and inconsistencies, particularly where one counterparty lacks the infrastructure or expertise to report with precision. By contrast, the UK, following its departure from the EU, has indicated a willingness to reconsider the structure of its reporting regime, including exploring the merits of single-sided models. This divergence offers a unique opportunity for comparative analysis and potential regulatory leadership by the UK.

In the United States, the Commodity Futures Trading Commission (CFTC) already employs a single-sided reporting model. Under this approach, one counterparty—typically the swap dealer or the entity designated as the reporting party by rule—submits the transaction details. This model has proven both scalable and reliable, particularly in a jurisdiction known for its high trading volumes and complex instrument structures. The success of this framework challenges the notion that dual-sided reporting is essential for regulatory oversight. On the contrary, the CFTC has demonstrated that well-designed single-sided reporting, when combined with effective data validation protocols, can yield robust supervisory outcomes without overburdening market participants.

Singapore offers another compelling example. There, the Monetary Authority of Singapore (MAS) allows single-sided reporting where one party is already obligated to report under MAS rules. This pragmatic approach reduces duplication and promotes a clear division of responsibilities, especially in cross-border trades. Similarly, in Australia, the Australian Securities and Investments Commission (ASIC) permits single-sided reporting for trades where at least one counterparty is a licensed reporting entity. In both jurisdictions, regulators have recognized that assigning reporting duties based on operational capacity leads to cleaner data and greater compliance, especially among smaller or less resourced firms.

These examples present a clear pattern: single-sided reporting is not only feasible, but often preferred where the goal is to reduce noise in regulatory data and enhance system-wide

efficiency. The UK, as a leading global financial center with a strong regulatory tradition, has the opportunity to set a new benchmark by formally adopting a single-sided model. Doing so would not only align it with global best practices but also send a clear signal that regulatory policy can evolve in response to real-world challenges. AIMA continues to engage with UK policymakers on this front, emphasizing the benefits observed in other jurisdictions and the strategic advantage of regulatory differentiation in a post-Brexit environment.

Conclusion

The case for moving to single-sided reporting is not just compelling—it is urgent. As this paper has shown, dual-sided models introduce operational complexity, inflate compliance costs, and generate large volumes of mismatched or redundant data. These issues are not isolated inconveniences; they undermine the very purpose of regulatory reporting, which is to provide supervisors with clear, accurate, and timely insights into market behavior. When the burden of reporting is split between counterparties with unequal infrastructure and capabilities, the quality of data suffers, and the risk of regulatory non-compliance increases. In a financial system already strained by multiple layers of oversight, simplifying one of its most burdensome components is both logical and necessary.

This is especially true for buy-side firms, which often lack the internal resources to maintain full-scale reporting operations. These firms are not avoiding their responsibilities; they are asking for a system that recognizes where data originates and who is best placed to report it. The sell-side—already equipped with sophisticated infrastructure and regulatory reporting teams—is the natural locus of this responsibility. Shifting the obligation accordingly would not reduce transparency; it would improve it by ensuring that the most capable party provides the data, while the other maintains access to it and can verify its accuracy as needed.

The examples provided by other jurisdictions further support this transition. The United States, Singapore, and Australia have already shown that single-sided reporting can function effectively, without sacrificing regulatory insight. Their experiences offer blueprints for the UK and EU to follow, should they choose to evolve their frameworks. By learning from these models and tailoring them to local market structures, UK regulators have the chance to reduce the compliance burden on their firms, increase the accuracy of their data, and reinforce their position as pragmatic, forward-thinking supervisors. This is not just about being business-friendly; it is about building a smarter regulatory ecosystem.

AIMA remains committed to this goal. Through continued dialogue with policymakers, detailed engagement with members, and collaboration with industry partners, the association will advocate for a transition that is both technically sound and operationally effective. The time for reform is now. The infrastructure exists, the policy rationale is strong, and the benefits—to firms, to regulators, and to the broader market—are substantial. A move to single-sided reporting represents not a retreat from oversight, but a bold step toward better regulation.

Author Biography



Aniqah Rao

AIMA

Aniqah Rao is an Associate Director in AIMA's Markets, Governance and Innovation team, focusing on UK and EU capital markets policy. Aniqah leads on areas including the Markets in Financial Instruments Regulation (MiFIR), such as reform of transaction reporting and supporting the development of consolidated tapes for market data; short selling; and the transition to 'T+1' securities settlement.

Firm Biography



AIMA

AIMA is the world's largest membership association for alternative investment managers. Its membership has more firms, managing more assets than any other industry body, and through our 10 offices located around the world, we serve over 2,000 members in 60 different countries.

AIMA's mission, which includes that of its private credit affiliate, the Alternative Credit Council (ACC), is to ensure that our industry of hedge funds, private market funds and digital asset funds is always best positioned for success. Success in our industry is defined by its contribution to capital formation, economic growth, and positive outcomes for investors while being able to operate efficiently within appropriate and proportionate regulatory frameworks.

AIMA's many peer groups, events, educational sessions, publications and practical tools like its Due Diligence Questionnaires and industry sound practice guidance available exclusively to members, enable firms to actively refine their business practices, policies, and processes to secure their place in that success.