

ELTIFR reform

Be prepared for the revival of the ELTIF

ELTIFR: key features of the reform

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	Current ELTIF regime	ELTIFR reform
Investment rules		
Master-feeder structure	Not permitted	Allowed as long as the master remains an ELTIF
Fund-of-funds strategy	Maximum limit on investments in funds other than ELTIFs and UCITS of 20%	Maximum limit of 100%, allowing fund-of-funds strategies
Real assets	“real asset” means an asset that has value due to its substance and properties and may provide returns, including infrastructure and other assets that give rise to economic or social benefit, such as education, counselling, research and development, and including commercial property or housing only where they are integral to, or an ancillary element of, a long-term investment project that contributes to the Union objective of smart, sustainable and inclusive growth	“real asset” means an asset that has an intrinsic value due to its substance and properties
Minimum threshold of eligible assets	70% Individual diversification limit of 10%	55% Individual diversification limit of 20%
Minimum value of real assets	EUR 10,000,000	No longer applicable
Qualifying portfolio undertaking	No financial undertaking	Enabling of investments in any financial undertakings younger than 5 years
Maximum capitalisation threshold	EUR 500,000,000	EUR 1,500,000,000
Green bonds	Not permitted	Green bonds are eligible investments
Minority co-investment opportunities	Only via majority-owned subsidiaries	Possibility to conduct minority co-investment opportunities
Simple, transparent, and standardised securitisations (STS)	Not permitted	Possibility to invest in STS where the underlying assets consist of long-term exposures
Investment in third countries	Requirement to have a cooperative agreement between the home MS and such country ensuring the effective exchange of information in tax matters	Such requirement has been removed
Concentration rules	ELTIF may not acquire more than 25% of the units/shares of a single ELTIF, EuVECA or EuSEF	ELTIF may not acquire more than 30% of the units/shares of a single ELTIF, EuVECA, EuSEF, UCITS or AIF managed by an EU AIFM Does not apply if ELTIF is marketed solely to professional investors

Current ELTIF regime

ELTIFR reform

Liquidity & redemptions

Open-ended structure	Only close-ended ELTIFs	Possibility to have redemptions during the life of the ELTIF under specific conditions (e.g. minimum holding period, detailed redemption policy)
Liquidity management tools	Not available	Possibility to use liquidity management tools to avoid liquidity mismatches
Borrowing of cash / Leverage	An ELTIF may borrow cash if it represents no more than 30% of the value of the capital of the ELTIF	An ELTIF may borrow cash if it represents: no more than 50% of the NAV of the ELTIF marketed to retail investors OR no more than 100% of the NAV of the ELTIF if solely marketed to professional investors
Secondary trading	Not permitted	Early exit should be possible if the ELTIF manager has put in place a policy for matching potential investors and exit requests

Marketing to professional and retail investors

Suitability test	Suitability test in accordance with Art. 28(1) ELTIFR	Suitability test in accordance with Art. 25 Directive 2014/65/EU (MiFID II) Explicit consent of the concerned retail investor to be obtained if negative result before proceeding with the transaction Only a single written alert to retail investors that the product might not be suitable for those who are unable to sustain a long-term and illiquid commitment if the life of ELTIF exceeds 10 years
Eligible retail investors	If the financial instrument portfolio of a retail investor does not exceed EUR 500,000, the ELTIF manager/distributor shall ensure that he/she does not invest more than 10% of its portfolio and that the initial amount investment in one or more ELTIF(s) is EUR 10,000	No minimum financial portfolio No minimum investment amount
Local facilities	Obligation to set up local facilities in each MS where they intend to market ELTIFs	No longer applicable
PRIIPS	Obligation to publish a key information document (KID) where the ELTIF is marketed to retail investors	Obligation to publish a key information document (KID) where the ELTIF is marketed to retail investors

	Current ELTIF regime	ELTIFR reform
Transparency		
Prospectus	Obligation to publish a prospectus with minimum content requirements	Obligation to publish a prospectus with minimum content requirements
Public register	ESMA shall keep a central public register identifying each ELTIF authorised under the ELTIFR	Precise list of information to be included on each ELTIF in the central public register
Miscellaneous		
Capital/NAV	“capital” means aggregate capital contributions and uncalled committed capital, calculated on the basis of amounts investible after deduction of all fees, charges and expenses that are directly or indirectly borne by investors	“net asset value” means the net value of the assets of an ELTIF calculated as the total value of its assets minus the total value of its liabilities
Authorisation	Authorisation as an ELTIF and approval of ELTIF managers (ELTIF top-up)	Authorisation as an ELTIF
Luxembourg vehicles eligible for ELTIF label	Well-informed investors only: SIF, SICAR, RAIF All investors: SCSp/SCS, Part II UCI	Well-informed investors only: SIF, SICAR, RAIF All investors: SCSp/SCS, Part II UCI
Entry into force & grandfathering provisions		
Application	The revised ELTIFR shall start applying as from 10 January 2024	
Grandfathering period	ELTIFs authorised in accordance and complying with the provisions of the ELTIFR applicable before the date of application of the revised version shall be deemed to comply with the ELTIFR until 5 years after the date of application of the revised version Already authorised ELTIFs who do not raise additional capital shall be deemed to comply	
Opt-in regime	ELTIFs authorised before the date of application may choose to be subject to the new regime, provided that the competent authority of the ELTIF is notified thereof	

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