

WEBINAR

ELTIF 2.0 – A Bright Future Ahead



Linklaters
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9 February
2023

TIME: 12.30

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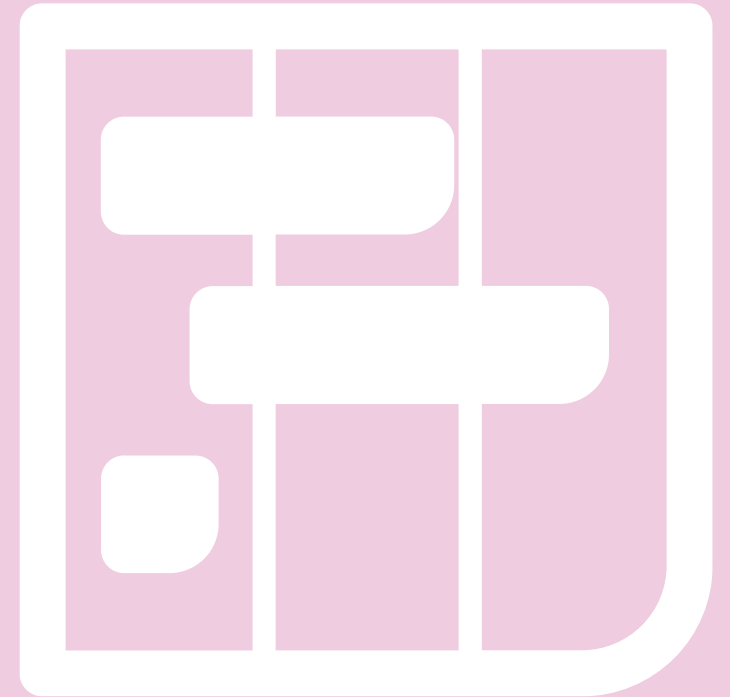
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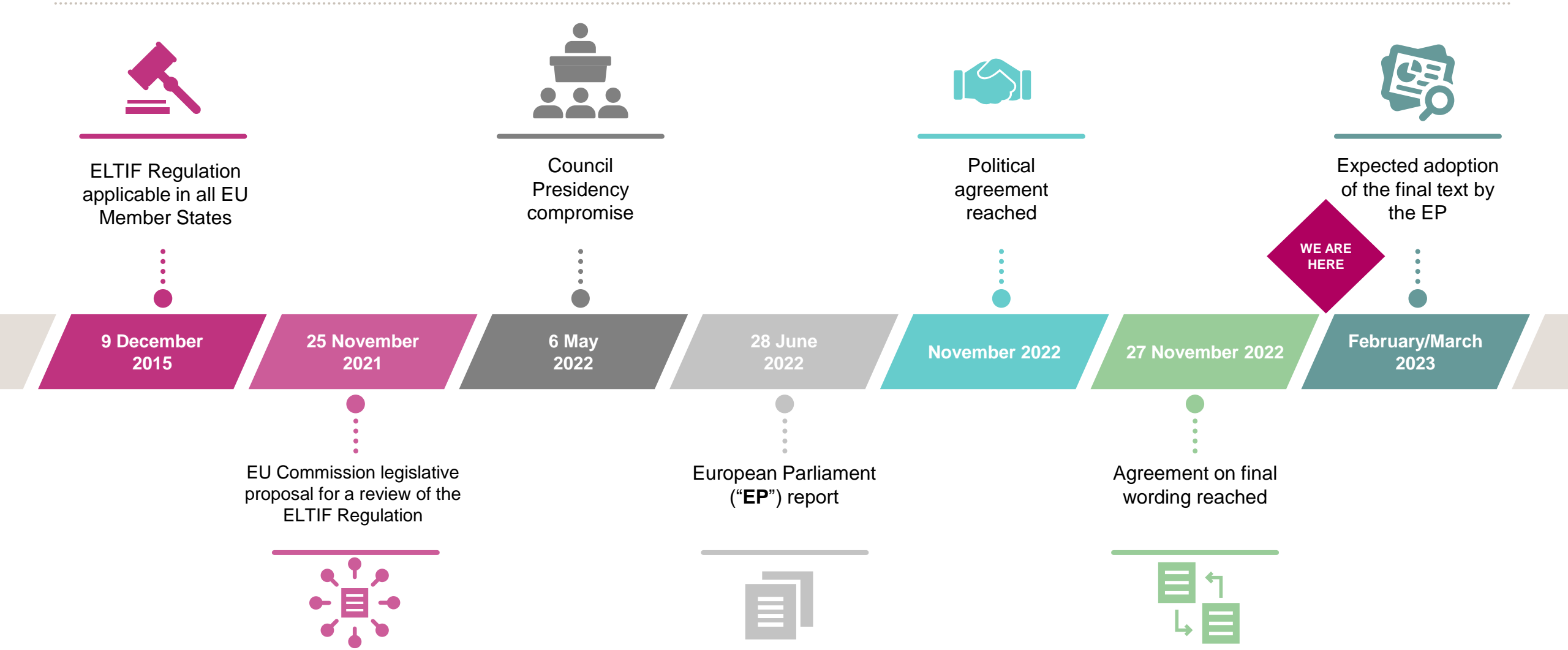


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ELTIF review timeline



ELTIF review timeline



Entry into force



ELTIF Regulation 2.0



- > Date of application: + **nine months**.
- > **Grand-fathering period** of 5 years from the date of entry into application of this amending Regulation for existing ELTIFs (i.e. authorised and complying with the ELTIF Regulation 2015/760 before the entry of application of this amending Regulation).
- > Existing ELTIFs which do not raise additional capital shall be **deemed to comply** with this amending Regulation (i.e. authorised and complying with the provisions of the ELTIF Regulation 2015/760 before the date of entry into application of this amending Regulation).
- > **Early opt-in regime** possible for ELTIFs authorised and complying with the ELTIF Regulation 2015/760 before the date of entry of application of this amending Regulation provided that said ELTIFs notify their competent authority.

Entry into force



ELTIF Regulation 2.0



- > Draft RTS to be submitted by ESMA to the EU Commission under Articles 18 and 19: **9 months** from the date of entry into force.
- > Review of the ELTIF Regulation: **7 years** after the entry into force.
- > Regarding the review of sustainability aspects of ELTIFs: 2 years after the date of application of this amending Regulation, EU Commission to carry out an assessment and to submit a report to the EP and to the Council, accompanied by a legislative proposal (where appropriate) regarding for instance the creation of an optional designation of “green ELTIF” or a general obligation for ELTIFs to comply with the “do no significant harm” principle within the meaning of SFDR.



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ELTIF 1.0 and ELTIF 2.0 compared: selected topics



Selected topics – fireside chat

Asset side:

Risk diversification and look-through
Definitions / clarifications
Third country investments
Borrowing and look-through

Special focus:

FOF / master feeder / co-investments

Investor side:

- Retail versus professional investors and structuring opportunities
- MiFID alignment
- Clarifications on withdrawal right

Structural changes:

- Indirect investments for all asset classes
- Parallel funds
- Manager contributions

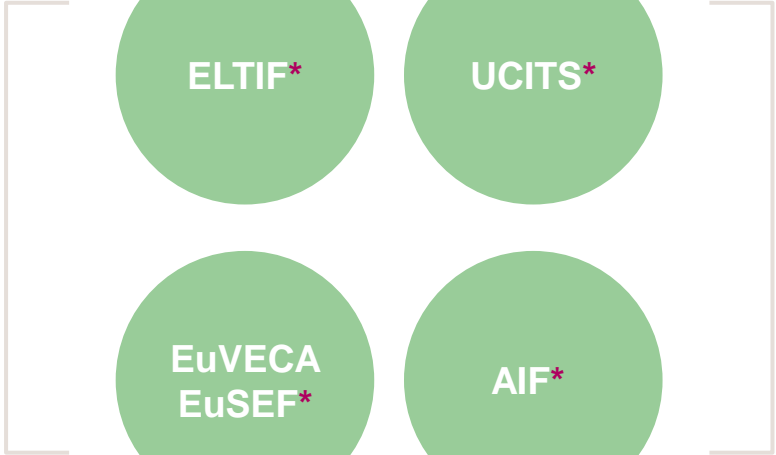
Evergreen ELTIFs

- Finite term
- Liquid ELTIFs
- Redemptions and matching provisions

Target fund investments – ELTIF Regulation 2.0

ELTIF Regulation 2.0

An ELTIF shall invest no more than **20%** of its capital in units or shares of any single ELTIF, EuVECA, EuSEF, UCITS or EU AIF managed by an EU AIFM (does not apply where ELTIFs marketed solely to professional investors).

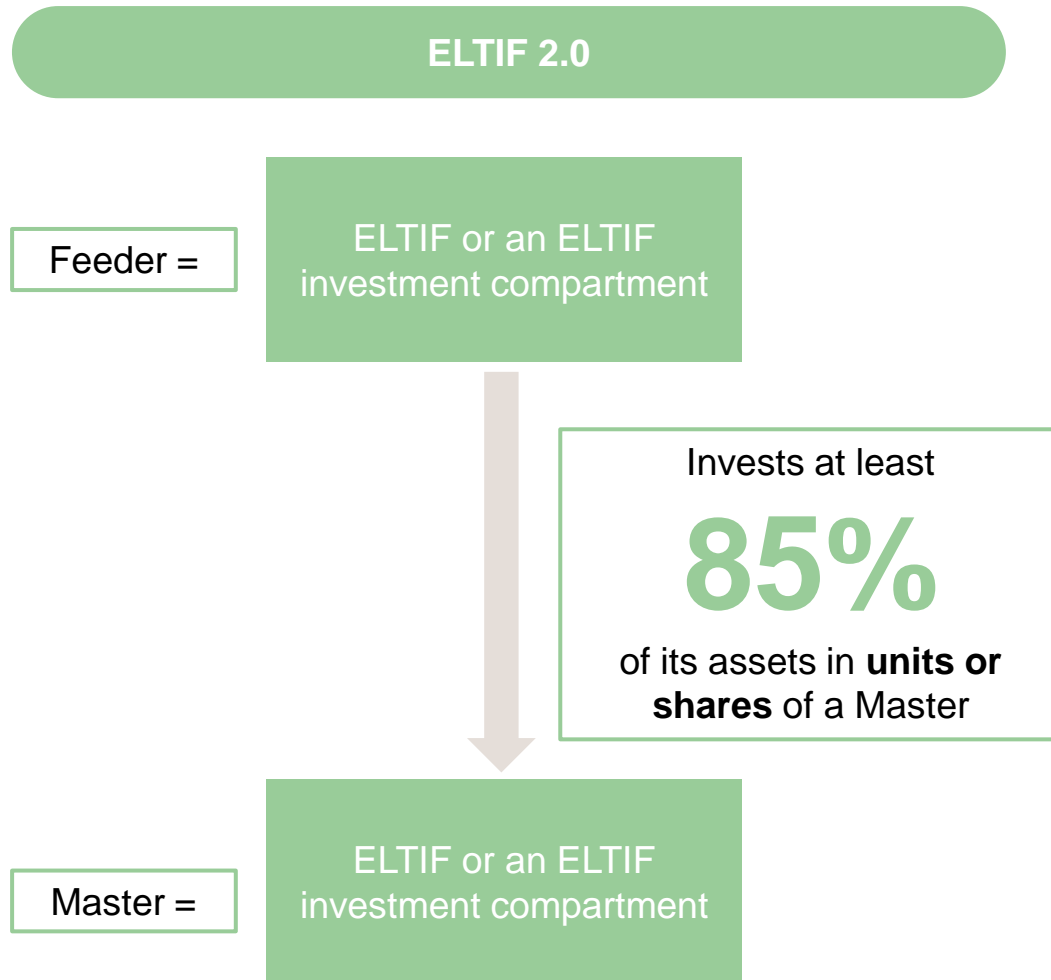


up to 100% of the aggregate value of the capital of the ELTIF can be invested into target funds.

An ELTIF may acquire no more than **30%** of the units or shares of a single ELTIF, EuVECA, EuSEF, UCITS or of an EU AIF managed by an EU AIFM (does not apply where ELTIFs marketed solely to professional investors).

*provided that those ELTIFs, EuVECAs, EuSEFs, UCITS and EU AIFs invest in ELTIF eligible investments **and** have not themselves invested more than **10% of their assets** in any other UCI.



Master-feeder structures – final wording (1/4)



The following conditions applicable to ELTIF funds of funds do not apply to master-feeder structures:

- > Whereas an ELTIF may acquire no more than **30%** of the units or shares of a single ELTIF, EuVECA, EuSEF, UCITS or of an EU AIF managed by an EU AIFM, **that limit is not applicable to master-feeder structures.**
- > Whereas an ELTIF is allowed to invest in units or shares of one or several other ELTIFs, EuVECAs, EuSEFs, UCITS and EU AIFs provided these target funds themselves invest in ELTIF eligible investments and have not themselves invested more than **10%** of their assets in any other UCI, **that limit is not applicable to feeder ELTIFs.**
- > Whereas a **20%** limit is applicable to an ELTIF when investing in units or shares of any single ELTIF, EuSEF, EuVECA, UCITS or EU AIF managed by an EU AIFM, **that limit is not applicable to master-feeder structures.**

Redemptions, “evergreen” ELTIFs (1/2)

ELTIF Regulation 1.0 	ELTIF Regulation 2.0 
<ul style="list-style-type: none">> Possibility to request the winding down of an ELTIF by investors in the event their redemption requests has not been met within one year.	<ul style="list-style-type: none">> This provision has been deleted.
<ul style="list-style-type: none">> Redemptions not granted before the date specified in the rules or instruments of incorporation of the ELTIFs and under specific circumstances.	<ul style="list-style-type: none">> Redemptions not granted before the end of a minimum holding period or before the date specified in the rules or instruments of incorporation of the ELTIFs.<ul style="list-style-type: none">> Clarification that the condition of a minimum holding period does not apply to feeder ELTIFs investing in their master ELTIFs.
<ul style="list-style-type: none">> Cf. Article 18.	<p>Clarification of the provisions in the context of redemption-related rules</p> <ul style="list-style-type: none">> The manager of the ELTIF must demonstrate to the competent authority that:<ul style="list-style-type: none">> an appropriate redemption policy and liquidity management tools for monitoring the liquidity risk of the ELTIF are in place; and> there are effective procedures and conditions for redemptions.> The redemption policy of the ELTIF must ensure that redemptions are limited to a percentage of those assets of the ELTIF which are referred to in point (b) of Article 9(1).

Redemptions, “evergreen” ELTIFs (2/2)

ELTIF Regulation 1.0



- > ESMA to develop draft regulatory standard specifying the circumstances in which the life of an ELTIF is considered sufficient in length to cover the lifecycle of each of the individual assets of the ELTIF.

ELTIF Regulation 2.0



- > The redemption policy of the ELTIF must ensure that investors are treated fairly and redemptions are granted on a pro rata basis if the requests for redemptions exceed the percentage.
- > The life of an ELTIF shall be consistent with the long-term nature of the ELTIF and shall be **compatible with** the life-cycles of each of the individual assets of the ELTIF, measured according to the illiquidity profile and economic life-cycle of the asset and the stated investment objective of the ELTIF.
- > ESMA to develop draft regulatory standards specifying the circumstances in which the life of an ELTIF is considered compatible with the life-cycles of each of the individual assets of the ELTIF and more particularly:
 - > the **criteria** to determine the minimum holding period;
 - > the **minimum information** to be provided to the competent authority of the ELTIF;
 - > the **requirements** to be fulfilled by the ELTIF in relation to its **redemption policy and liquidity management tools**; and
 - > the **criteria** to assess the **percentage** of assets of the ELTIF which may be redeemed (taking into account the ELTIF’s expected cash flows and liabilities).

Liquidity window mechanism (“matching process”),

ELTIF Regulation 1.0



- > The rules or instruments of incorporation of an ELTIF shall not prevent units or shares of the ELTIF from being admitted to trading on a regulated market or on a multilateral trading facility.
- > The rules or instruments of incorporation of an ELTIF shall not prevent investors from freely transferring their units or shares to third parties other than the manager of the ELTIF.

- > This provision did not exist.

ELTIF Regulation 2.0



- > **Clarifications of Article 19(2)**: the rules or instruments of incorporation of an ELTIF shall not prevent investors from freely transferring their units or shares to third parties other than the manager of the ELTIF, **subject to the applicable regulatory requirements and the conditions set out in the prospectus of the ELTIF**.
- > Possibility for **full or partial matching** of transfer of units or shares before the end of the ELTIF’s life (optional liquidity mechanism) provided certain conditions are met:
 - > **Defined policy** for such a mechanism; and
 - > Policy specifying the transfer process for both exiting and subscribing investors, roles of the fund manager/administrator, the applicable time window, the execution price, the conditions for the proration and the applicable fees, costs and charges.
- > ESMA to develop RTS specifying the circumstances in which Article 19(2a) shall be applied, including the information that ELTIFs need to disclose to investors.



Questions?

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