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ELTIF 2.0 – just one month to go…

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Regulation (EU) 2023/606 ("**ELTIF 2 Regulation**"), which will amend Regulation (EU) 2015/760 ("**ELTIF Regulation**"), will come into force on 10 January 2024.

The original ELTIF Regulation was aimed at boosting European long-term investments in the real economy, but did not gain a lot of traction, with very few ELTIFs having been authorised. The purpose of the ELTIF 2 Regulation is to enhance and reshape the ELTIF Regulation so that it can remain attractive to professional investors and also align private market strategies to a wider, retail investor base.

We have set out, in this alert, some of the key features of ELTIFs and some of the changes that will be introduced under the ELTIF 2 Regulation.

What is an ELTIF?

ELTIFs are closed-ended alternative investment funds ("**AIFs**") managed by an authorised alternative investment fund manager ("**AIFM**") with a long-term ELTIF label – they cannot be managed by sub-threshold AIFMs.

AIFs which use the ELTIF designation are able to benefit from a marketing passport to both professional and retail investors in the European Union ("**EU**") – the ability to market the product to retail investors across the EU is a key advantage of an ELTIF, compared to other AIFs.

Under the current ELTIF Regulation there are significant limitations in terms of the types of assets in which ELTIFs are able to invest and the relevant diversification limits that are required to be applied. It is for this reason that ELTIFs, to date, have not been heavily taken up across the EU.

The ELTIF 2 Regulation will seek to amend and, in some cases, "relax" some requirements applicable to ELTIFs in order to make them more attractive products, while still retaining the necessary features to ensure investors are adequately protected.

What are the key changes proposed?

We have summarised in the table below a few of the key features that will take effect under the ELTIF 2 Regulation.

What happens next?

It is expected that the European Securities and Markets Authority ("**ESMA**") will publish its final regulatory technical standards in respect of the ELTIF 2 Regulation in the coming weeks.

The ELTIF 2 Regulation will apply from 10 January 2024 onwards, with a five-year transitional period for ELTIFs that are already authorised under the ELTIF Regulation and are still raising capital, though they may choose to opt-in to the ELTIF 2 Regulation from the date of its application.

If you have any questions on the ELTIF 2 Regulation, please do not hesitate to reach out to the Proskauer London Regulatory team at UKRegulatory@proskauer.com.

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