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LUXEMBOURG LAW FIRM

ELTIFs (European Long-Term Investment Funds) and Luxembourg ELTIF structures

MARCH 2023

INVESTMENT FUNDS



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INTRODUCTION

On 19 May 2015, the EU published Regulation (EU) 2015/760 on European long-term investment funds to encourage and develop long-term finance, which is vital for boosting growth, employment, innovation and competitiveness. On 15 February 2023, the European Parliament passed the ELTIF 2 Regulation (the “**ELTIF 2 Regulation**” or “[ELTIF 2 Regulation](#)”) to revive ELTIFs and facilitate funds flowing towards the real economy, including green and digital priority areas. The ELTIF 2 Regulation has been published in the Official Journal of the EU on 20 March 2023. The amendments provide for significant changes which favour the fund market participants, fund financing, investors, and, in particular, the process of retailization. The below references to the ELTIF Regulation shall be understood as references to the original ELTIF 1 Regulation as amended by the ELTIF 2 Regulation.

This publication presents ELTIFs and Luxembourg ELTIF structures. Indeed, Luxembourg is a competitive and efficient business location due to its flexibility, diversity and a broad range of services, skills, investors, and managers. The tools that have facilitated the exponential growth of the UCITSs in Luxembourg will also benefit the structuring of Luxembourg ELTIFs. This publication has been drafted in accordance with the ELTIF 2 Regulation.

The ELTIF 1 Regulation provides a product marketing passport to European Long Term Investment Funds (ELTIFs). This means that EU alternative investment funds (AIFs) that

fulfil the requirements of the ELTIF Regulation can use the ELTIF label, an EU-regulated label, for marketing purposes. As a result, ELTIFs can attract capital through marketing to institutional and retail investors in the EEA.

The ELTIF 2 Regulation shall apply as of 10 January 2024. As the authorization of an ELTIF is a thorough administrative process, we recommend preparing and setting up the AIF for an authorization pursuant to the ELTIF 2 Regulation. ELTIFs authorized and compliant with the ELTIF 1 Regulation before the 10th of January 2024 are deemed to comply with the ELTIF 2 Regulation until 11 January 2029. Also, such ELTIFs which do not raise additional capital are deemed to be compliant with the ELTIF 2 Regulation. ELTIFs authorized according to the ELTIF 1 Regulation may opt to apply the provisions of the ELTIF 2 Regulation before its effective date.

This publication is kept up-to-date and continuously reviewed. For clarity, see the List of abbreviations at the end.



KEY FEATURES

- Use of the 'ELTIF' and 'European long-term investment fund' labels
- Marketing to both professional and retail investors across the EEA, facilitating retail investments in alternative assets
- EU alternative investment fund (AIF) managed by an EU-authorized AIFM
- Marketing to retail investors in several Member States without having to set up specific facilities in such Member States
- Investments in real assets, qualifying portfolio undertaking (located in the EEA or certain third countries), UCITS liquid assets, certain STS securitisations, and EU Green Bonds
- Appointment of a depositary and an auditor
- Particular portfolio composition, concentration, diversification, and borrowing limits
- Several structuring options are available in Luxembourg, including funds-of-funds, master-feeder structures, co-investments, secondary market with matching requests for open-ended ELTIFs (subject to certain conditions), and internal or external management.

In general, it is important to note that the ELTIF regime allows an EU AIF managed by an authorized AIFM to use the ELTIF label for marketing and capital-raising purposes. The ELTIF Regulation is therefore a regulation overlayer and the AIFM and the relevant AIF must comply with the provisions of the ELTIF Regulation, the relevant implementing AIFM laws and regulations and any other product-level requirements. ELTIFs and their managers must comply at all times with the ELTIF Regulation and the AIFMD. The ELTIF manager is responsible and liable for compliance with the ELTIF Regulation and the AIFMD as implemented in the relevant Member State(s).

- The ELTIF is a directly regulated product,

and its AIFM must also be regulated, meaning authorized according to the AIFMD. The authorization granted to an EU AIF to be an ELTIF is valid for all Member States. ESMA keeps an up-to-date central public register of ELTIFs. Only an EU-authorized AIFM may apply for approval to manage an ELTIF. If the AIF is internally managed, such an AIF shall apply simultaneously for the ELTIF label and authorization as an AIFM. The approval of the EU AIFM is also subject to the fact it is duly authorized by its competent authority to manage EU AIFs that follow investment strategies covered by the ELTIF Regulation. An application rejected by the CSSF according to the ELTIF Regulation may not be resubmitted to any competent authorities of other Member States, and vice versa.

WHAT CHANGES DOES THE ELTIF REGULATION BRING TO FUND STRUCTURING OPTIONS?

ELTIF marks a significant development in long-term EU finance, as it provides the first EU marketing passport for long-term AIFs to retail investors. The ELTIF 2 Regulation offers new structuring options, such as master-feeder structures, funds-of-funds, and co-investments. It also allows compliant ELTIFs to invest in a broader scope of assets, including certain STS securitisations, EU Green Bonds, Fintechs, and real assets. Additionally, the ELTIF 2 Regulation provides more flexibility and liquidity for long-term AIFs labelled as ELTIF, with relaxed



portfolio composition, diversification, concentration and leverage limits. This change is beneficial to retail investors. The ELTIF label, thanks to the ELTIF 2 Regulation, eases the redemption mechanism, as the ELTIF may be structured as open-ended with the lock-up of investors differentiated from the ramp-up period. Indeed, there are now two possibilities: i) the end of the lock-up period is the same date as the end of the ramp-up period or ii) the end of the lock-up period is another date, being the “end of a minimum holding period”. ESMA shall draft RTS specifying the criteria to determine such minimum holding period and submit them to the Commission by 10 January 2024. Therefore, the determination of the end of such a period is currently uncertain, which poses ambiguity. Closed-ended ELTIFs also benefit from the ELTIF 2 Regulation, with the possibility of full or partial matching of transfer requests of its units or shares by exiting ELTIF investors with transfer requests by potential investors, during the life of the ELTIF. These changes offer more options and greater flexibility for fund structuring in Luxembourg under the ELTIF regime.

WHAT REGULATORY OVERSIGHT IS AN ELTIF SUBJECT TO?

ELTIFs are EU-regulated AIFs managed by an authorised EU AIFM in compliance with the AIFMD and the ELTIF Regulation. Luxembourg ELTIFs are subject to supervision and oversight by the CSSF, as well as the managers of Luxembourg ELTIFs. To ensure the compliance of ELTIFs with the harmonised rules governing their activities, the harmonised authorisation and supervision procedures for AIFMs have been supplemented with a special authorisation procedure for ELTIFs.

To obtain authorisation as an ELTIF, an AIF must be managed by an authorised EU AIFM and comply with all the requirements outlined in the ELTIF Regulation. The application process differs depending on whether the applicant is already constituted, authorised as a regulated Luxembourg AIF, internally managed or externally managed, and whether it intends to submit a SIF, SICAR or Part II UCI application to the CSSF. If it is intended that the applicant will market the ELTIF to retail investors, the relevant PRIIP-KID(s) should be enclosed with the application. The AML/CFT Market Entry Form should also be filed with the CSSF on Edesk. If the applicant is not a SIF, SICAR or Part II UCI, the fund rules or instruments of incorporation, the identity of the depositary and the prospectus should be included in the application. The applicant must also undertake to send the prospectus, any

amendment thereto, and annual reports in due time to the CSSF.

Furthermore, the applicant must disclose information regarding the AIFM identity and the potential investors to the CSSF. The information to be disclosed by the applicant AIFM depends on whether the AIFM is based in Luxembourg or another Member State. A Luxembourg AIFM that is not already authorised by the CSSF or did not submit a request to the CSSF shall complete the application questionnaire for authorisation as AIFM. The applicant AIFM shall either refer to or submit the agreement with the depositary, information on delegation arrangements regarding portfolio and risk management and administration regarding the ELTIF, and information about the investment strategies, the risk profile, and other characteristics of the relevant AIFs. For clarity purposes, attention should be drawn to the fact that for AIFM authorised as such in another Member State than Luxembourg, the CSSF is competent to grant the authorisation to manage the relevant ELTIF. The competent authority for the AIFM authorisation of the potential manager of the ELTIF is the competent authority of its home Member State.

Luxembourg AIFMs marketing ELTIFs in Luxembourg or another Member State in accordance with the ELTIF Regulation must submit a notification to the CSSF. The practicalities of the notification procedure are described in CSSF Circular 22/810.

WHAT MARKETING RULES APPLY TO ELTIFs?

The marketing passport is the heart of the ELTIF Regulation. In fact, the main aim of the ELTIF Regulation is to enable alternative investment funds labelled as ELTIFs to be marketed to retail investors provided these funds meet the conditions of the ELTIF Regulation.

The manager of an ELTIF must be able to market the units or shares of that ELTIF to professional and retail investors in its home Member State and other states upon notification, in accordance with the relevant provisions of the AIFMD. The manager of an ELTIF shall, in respect of each ELTIF that it manages, specify to competent authorities whether it intends to market the ELTIF to retail investors and provide them with the relevant prospectus, as well as the PRIIP-KID(s) if the ELTIF is marketed to retail investors.

An internal assessment process is required for shares or units of ELTIFs marketed to retail investors. The manager of the ELTIF shall be subject to some MIFID2 requirements in relation to the general principles and information to clients, as well as organizational requirements to ensure investor protection. The manager must ensure that the shares or units of the ELTIF marketed to retail investors are designed to meet the needs of an identified target market of end clients within the relevant category of clients. The strategy for the distribution of the financial instruments must be compatible with the identified target market, and the manager



of the ELTIF must take reasonable steps to ensure that the shares or units of the ELTIF are distributed to the identified target market. Additionally, the manager of the ELTIF must operate and review a process for the approval of each ELTIF shares or units, as well as significant adaptations of existing ELTIF shares or units before they are marketed or distributed to clients. The product approval process must specify an identified target market of end clients within the relevant category of clients for each shares or units and ensure that all relevant risks to such an identified target market are assessed and that the intended distribution strategy is consistent with the identified target market. The manager of the ELTIF must also regularly review the shares or units of ELTIF it offers or markets, taking into account any event that could materially affect the potential risk to the identified target market, to assess whether they remain consistent with the needs of the identified target market and whether the intended distribution strategy remains appropriate. The manager of ELTIF must make, all appropriate information on the shares or units and the product approval process, including the identified target market of the financial instrument, available to any distributor. These policies, processes and arrangements shall be without prejudice to all other requirements under MiFID 2 and MIFIR, including those relating to disclosure, suitability or appropriateness, identification, and management of conflicts of interest, and inducements.

Marketing to retail investors involves additional requirements, particularly in relation to the depositary. The depositary of an ELTIF

marketed to retail investors must be a UCITS depositary, as defined in the UCITS Directive. Such a depositary is not able to discharge itself of liability in the event of a loss of financial instruments held in custody by a third party. The depositary's liability regarding its loss, or loss by a third party to whom the custody of financial instruments held in custody has been delegated, cannot be excluded or limited by agreement when the ELTIF is marketed to retail investors. The assets held in custody by the depositary of an ELTIF shall not be reused by the depositary, or by any third party to whom the custody function has been delegated, for their own account, but they may be reused on the ELTIF's own account under certain conditions. There are also additional requirements concerning the distribution and marketing of ELTIFs to retail investors. The units or shares of an ELTIF can only be marketed to a retail investor after an assessment of suitability has been carried out, and a statement on suitability has been communicated to the retail investor, in accordance with MiFID 2. The suitability assessment must be conducted regardless of whether the shares or units of ELTIFs are acquired by retail investors from an ELTIF manager, distributor or via the secondary market. Explicit consent from the retail investor, indicating that he or she understands the risks of investing in an ELTIF, is required where all following conditions are met: (i) the suitability assessment is not provided in the context of investment advice, (ii) the ELTIF is deemed unsuitable based on the suitability assessment, and (iii) the retail investor wishes to proceed with the transaction despite unsuitability of the ELTIF. A record, including the documents

agreed upon with the investors that outlines the rights and obligations of the parties must be established by either the distributor or the ELTIF manager.

The distributor or the manager of the ELTIF must issue a clear, written alert to the retail investor concerning the following: (a) if the life of an ELTIF that is offered or placed to retail investors exceeds 10 years, the ELTIF may not be suitable for retail investors who cannot sustain such a long-term and illiquid commitment; (b) if the rules or instruments of incorporation of an ELTIF provide for the possibility of matching of units or shares of the ELTIF, as explained below, such matching possibility does not guarantee or entitle the retail investor to exit or redeem its units or shares of the ELTIF concerned.

Furthermore, during the subscription period and a period of two weeks after the signature of the initial commitment or subscription agreement of the units or shares of the ELTIF, retail investors should be able to cancel their subscription and have their money returned without penalty. The manager of an ELTIF marketed to retail investors must establish appropriate procedures and arrangements to handle retail investor complaints.

MAY A MASTER-FEEDER STRUCTURE BE USED WITH ELTIFS?

Yes, a Master-Feeder structure may be used by ELTIFs in Luxembourg. In the case of a master-feeder structure, the master ELTIF must provide the feeder ELTIF with all necessary documents and information for the latter to comply with the requirements laid down in the ELTIF Regulation. To this end, the feeder ELTIF must enter into an agreement with the master ELTIF. This agreement must be made available, free of charge, to all unit- or shareholders upon request. If both the master and feeder ELTIFs are managed by the same management company, the agreement may be replaced by internal rules on the conduct of business. If the master and feeder ELTIFs have different depositaries, these depositaries must enter into an information-sharing agreement to ensure that both depositaries fulfil their duties. The feeder ELTIF shall not invest in units or shares of the master ELTIF until such agreement has become effective. A feeder ELTIF must disclose in any marketing communications that it permanently invests 85% or more of its assets in units or shares of the master ELTIF. When an ELTIF is marketed to retail investors, its manager must include a statement in the annual report of the feeder ELTIF on the aggregate charges of the feeder ELTIF and the master ELTIF. The annual report of the feeder ELTIF must indicate how the annual report or reports of the master ELTIF can be obtained.



COULD ELTIFS OFFER PREFERENTIAL TREATMENT TO SHARE CLASSES AIMED AT RETAIL INVESTORS?

No. The rules or instruments of incorporation of an ELTIF marketed to retail investors in the relevant class of units or shares shall provide that all investors benefit from equal treatment and that no preferential treatment or specific economic benefits are granted to individual investors or groups of investors within the relevant class or classes. It is important to note that this prohibition against preferential treatment only applies to share classes aimed at retail investors.

CAN ELTIFS SECURE FINANCING FROM THE EUROPEAN INVESTMENT BANK?

The European Investment Bank (EIB) is the European Union's bank and is owned by its member states. The EIB provides financing for projects that support EU policies, such as promoting sustainable growth, creating jobs, and improving infrastructure. The EIB can provide financing to private sector companies, public authorities, and financial intermediaries. It is possible for Luxembourg ELTIFs to obtain

financing from the EIB, as long as they meet the eligibility criteria, and the financing aligns with the EIB's objectives. ELTIFs are a relatively new investment vehicle, and it is not clear how many ELTIFs have received financing from the EIB to date.

The European Commission aims to prioritize and streamline its application processes for ELTIFs seeking financing from the EIB.

WHAT INVESTMENTS MAY AN ELTIF UNDERTAKE?

To be authorized as an ELTIF, an EU AIF must invest only in eligible investment assets (as further described below) and assets commonly referred to as UCITS liquid assets in accordance with the ELTIF Regulation.

Eligible investment assets for ELTIFs are the following:

- Equity or quasi-equity instruments which have been issued by a qualifying portfolio undertaking (as further developed below) and acquired by the ELTIF under certain conditions.
- Debt instruments issued by a qualifying portfolio undertaking.
- Loans granted by the ELTIF to a qualifying portfolio undertaking with a maturity that does not exceed the life of the ELTIF.
- Units or shares of one or several other ELTIFs, [EuVECA](#)s, [EuSEF](#)s, UCITS and EU AIFs managed by EU AIFM provided that those ELTIFs, [EuVECA](#)s, [EuSEF](#)s, UCITS and EU AIFs invest in eligible investments have not themselves invested more than 10% of their

assets in any other UCIs.

- Real assets, meaning assets having intrinsic value due to their substance and properties.
- [STS securitisations](#) with certain underlying exposures.
- Bonds issued, under Union legislation on environmentally sustainable bonds, by a qualifying portfolio undertaking.

However, ELTIFs shall not invest in an eligible investment asset in which the manager of the ELTIF has or takes a direct or indirect interest, other than by holding units or shares of the ELTIFs, EuSEFs, EuVECAs, UCITS or EU AIFs that it manages.

Co-investments are also permitted under certain conditions. The EU AIFM managing an ELTIF and undertakings that belong to the same group as an EU AIFM managing an ELTIF, and their staff may co-invest in that ELTIF and co-invest with the ELTIF in the same asset.

The following undertakings that fulfil, at the time of the initial investment, the following requirements are qualifying portfolio undertakings:

- An undertaking that is not a financial undertaking, unless it is one which is neither a financial holding company nor a mixed-activity holding company, and it has been authorized or registered more recently than 5 years before the date of the initial investment (Fintechs).
- An undertaking that is not admitted to trading on a regulated market or on an MTF or is admitted to trading on a regulated market or on an MTF and has a market capitalization of no more than EUR 1,500,000,000.
- The undertaking shall be established in a Member State or in a third country that is not identified as a high-risk third country

and is not mentioned in Annex I to the Council conclusions on the revised EU list of non-cooperative jurisdictions for tax purposes.

ELTIFs may be structured as funds-of-funds. A financial undertaking that exclusively finances qualifying portfolio undertakings as explained above or real assets (as defined above) may be itself a qualifying portfolio undertaking.

ELTIFs shall not perform any of the following activities:

- Short selling of assets.
- Taking direct or indirect exposure to commodities, including via financial derivative instruments, certificates representing them, indices based on them or any other means or instrument that would give exposure to them.
- Entering into securities lending, securities borrowing, repurchase transactions, or any other agreement which has an equivalent economic effect and poses similar risks, if thereby more than 10 % of the assets of the ELTIF are affected.
- Using financial derivative instruments, except where the use of such instruments solely serves the purpose of hedging the risks inherent to other investments of the ELTIF.



WHAT ARE THE PORTFOLIO COMPOSITION, DIVERSIFICATION, CONCENTRATION, AND LEVERAGE RESTRICTIONS APPLICABLE TO ELTIFs?

ELTIFs must invest a minimum of 55 % of their capital in eligible investment assets. However, no more than 20 % of the capital may be invested in instruments issued by, or loans granted to, any single qualifying portfolio undertaking. Additionally, no more than 20 % of the capital may be invested in a single real asset. The limit is also 20 % for units or shares of any single ELTIF, EuVECA, EuSEF, UCITS or EU AIF managed by an EU AIFM and 10 % in UCITS liquid assets issued by any single body. Additionally, the aggregate value of STS securitisations shall not exceed 20 % of the value of the capital of the ELTIF, and the aggregate risk exposure of the ELTIF to a counterparty stemming from OTC derivative transactions, repurchase agreements, or reverse repurchase agreements shall not exceed 10 % of the value of the capital of the ELTIF.

Certain of the above limits may be increased under certain conditions. Companies included in the same group for the purposes of consolidated accounts shall be considered as a single qualifying portfolio undertaking or a

single body for the purpose of calculating such limits. This should be considered when making investments in third countries.

The above limits do not apply where ELTIFs are marketed solely to professional investors. Therefore, a practical solution may be to launch the ELTIF being first marketed to professional investors, in particular considering a ramp-up period, and then complying with such limits when requesting the marketing of the ELTIF to retail investors. The limit of 20 % of the capital in units or shares of any single ELTIF, EuVECA, EuSEF, UCITS or EU AIF managed by an EU AIFM does not apply to feeder ELTIF.

The above-mentioned portfolio composition and diversification requirements shall:

- apply by the date specified in the rules or instruments of incorporation of the ELTIF taking into account the particular features of the assets to be invested by the ELTIF, and shall be no later than the earlier between five years after the date of the authorisation as an ELTIF, and half the life of the ELTIF (one additional year may be granted by the competent authority of the ELTIF);
- cease to apply once the ELTIF starts to sell assets in order to redeem investors' units or shares after the end of the life of the ELTIF; and
- be temporarily suspended where the ELTIF raises additional capital or reduces its existing capital, so long as such a suspension lasts no longer than 12 months.

When the issuing qualifying portfolio undertaking in which the ELTIF has invested does not meet certain conditions of the definition of qualifying portfolio undertaking anymore, the long-term assets issued by

such an undertaking and owned by the ELTIF continue to be counted for the 55 % limit for a maximum of three years.

The concentration and leverage in the form of cash borrowing are also restricted. 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. The concentration limit does not apply to a feeder ELTIF investing in its master ELTIF. Regarding the UCITS liquid assets, an ELTIF may acquire no more than i) 10 % of the non-voting shares of a single issuing body, ii) 10 % of the debt securities of a single issuing body, iii) 25 % of the units of a single UCITS, v) 10 % of the money market instruments of a single issuing body. These limits over the UCITS liquid assets may be disregarded at the time of acquisition if at that time the gross amount of the debt securities or of the money market instruments, or the net amount of the securities in issue, cannot be calculated.

The fact that these two concentration limits do not apply to ELTIFs marketed solely to professional investors increases the usefulness of the above-mentioned structure option: first launching the ELTIF marketed solely to professional investors, in particular considering a ramp-up period, and then complying with the limits to market the ELTIF to retail investors.

The limits applying to the borrowing of cash are the following:

- (a) it represents no more than 50 % of the NAV of the ELTIF that can be marketed to retail investors, and no more than 100 % of the NAV of the ELTIF marketed solely to professional investors;
- (b) it serves the purpose of making

investments or providing liquidity, including to pay costs and expenses provided that the holdings in cash or cash equivalents of the ELTIF are not sufficient in this respect;

- (c) it is contracted in the same currency as the assets to be acquired with the borrowed cash, or in another currency where currency exposure has been appropriately hedged; and
- (d) it has a maturity no longer than the life of the ELTIF.

The ELTIF may encumber assets to borrow cash. However, borrowing arrangements that are fully covered by investors' capital commitments shall not be considered to constitute borrowing for leverage purposes. The borrowing limits to be inserted in the prospectus of the ELTIF shall only apply from the date specified in the rules or instruments of incorporation of the ELTIF, and the date shall not be later than three years after the start of the marketing of the fund. The above-mentioned borrowing limit in point a) shall be temporarily suspended where the ELTIF raises additional capital or reduces its existing capital. Such suspension is limited to the period that is strictly necessary, taking due account of the interests of the investors and, in any case, shall not last longer than 12 months.



WHAT DOCUMENTATIONS AND REPORTING REQUIREMENTS MUST AN ELTIF COMPLY WITH?

ELTIFs in Luxembourg must publish a prospectus prior to marketing their units or shares in the Union. If the ELTIF is marketed to retail investors in the Union, a PRIIP-KID must be published before such marketing.

The prospectus of the ELTIF shall contain at least the following:

- (a) a statement setting out how the ELTIF's investment objectives and strategy for achieving these objectives qualify the fund as long-term in nature;
- (b) information to be disclosed by collective investment undertakings of the closed-end type in accordance with the Prospectus Regulation;
- (c) disclosures to investors required under Article 23 of the AIFMD;
- (d) a prominent indication of the categories of assets in which the ELTIF is authorized to invest;
- (e) a prominent indication of the jurisdictions in which the ELTIF is allowed to invest;
- (f) any other information considered by the competent authorities to be relevant to enable investors to make an informed assessment regarding the investment proposed to them and, in particular, the risks attached thereto;
- (g) whether or not the ELTIF intend to

borrow cash for its investment strategy and the borrowing limits.

Further requirements apply to the prospectus of a feeder ELTIF.

Regarding the information to investors about the illiquid nature of the ELTIF, the prospectus and any other marketing documents shall clearly:

- (a) inform investors about the long-term nature of ELTIF's investments;
- (b) inform investors about the end of the life of the ELTIF as well as the option to extend the life of the ELTIF, where this is provided for, and the conditions thereof;
- (c) state whether the ELTIF is intended to be marketed to retail investors;
- (d) explain the rights of investors to redeem their investment;
- (e) state the frequency and the timing of distributions of proceeds, if any, to investors during the life of the ELTIF;
- (f) advise investors that only a small proportion of their overall investment portfolio should be invested in an ELTIF;
- (g) describe the hedging policy of the ELTIF, including a prominent indication that financial derivative instruments may be used only for the purpose of hedging risks inherent to other investments of the ELTIF, and an indication of the possible impact of the use of financial derivative instruments on the risk profile of the ELTIF;
- (h) inform investors about the risks related to investing in real assets, including infrastructure;
- (i) inform investors regularly, at least once a year, of the jurisdictions in which the ELTIF has invested.

The prospectus shall prominently inform investors of the level of the different costs borne directly or indirectly by the investors. The different costs shall be disclosed according to the following headings:

- (a) setting up costs;
- (b) assets acquisition costs;
- (c) management and performance-related fees;
- (d) distribution costs;
- (e) other costs, including administrative, regulatory, depositary, custodial, professional service and audit costs.

The prospectus shall also disclose the overall cost ratio of the ELTIF.

The annual report of the ELTIFs must contain disclosures required under the AIFMD, as well as a cash flow statement, information on any participation in instruments involving Union budgetary funds, the value of the individual qualifying portfolio undertakings, and other assets in which the ELTIF has invested, including financial derivative instruments, and the jurisdictions in which the assets of the ELTIF are located.

A retail investor may request additional information from the manager of the ELTIF relating to the risk management quantitative limits, methods chosen for that end, and the recent evolution of the main risks and yields of the relevant categories of assets.

The prospectus and any amendments thereto, as well as the annual report, must be sent to the CSSF. The competent authority of the manager of the ELTIF may request to receive such documentation as well when such authority is not the CSSF. It should be noted that a Luxembourg ELTIF may be managed by an AIFM in another Member State.

WHAT ARE THE RULES APPLYING TO ELTIFS REGARDING REDEMPTION, TRADING AND THE ISSUE OF THEIR UNITS OR SHARES?

Investors in an ELTIF may not request the redemption of their units or shares prior to the end of the ELTIF's life, except in certain circumstances outlined below. The rules or instruments of incorporation of the ELTIF must specify a specific date for the end of the life of the ELTIF and may provide for the right to extend temporarily the life of the ELTIF and the conditions for exercising such a right. The procedures for redemption of units or shares and the disposal of assets must be clearly specified in the rules or instruments of incorporation, with disclosures to investors clearly stating that redemptions will begin on the day following the end of the ELTIF's life.

Under certain conditions, investors may request redemptions during the ELTIF's life. In particular, the manager of the ELTIF must demonstrate to the CSSF that the ELTIF has an appropriate redemption policy and LMTs which are compatible with its long-term investment strategy. Redemptions may not be granted before the end of a minimum holding period or the date specified in the rules or instruments of incorporation relating to portfolio composition and diversification requirements. The condition of a minimum holding period does not apply to a feeder ELTIF investing in its master ELTIF.



In any case, the life of an ELTIF shall be consistent with its long-term nature and shall be compatible with its stated investment objective, the life-cycle of each of its individual assets measured according to the illiquidity profile and the economic life-cycle of the asset. Regarding the secondary market of shares or units of ELTIF, such shares or units may be admitted to trading on a regulated market or on an MTF. 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, according to the applicable regulatory requirements and the conditions set out in its prospectus.

The rules or instruments of incorporation may provide for the possibility of full or partial matching, during their life, of transfer requests by exiting investors with transfer requests by potential investors. In this regard, the manager of the ELTIF shall set out a policy and procedures, such policy and procedures ensuring that investors are treated fairly and that matching is carried out on a pro-rata basis where there is a mismatch between exiting and potential investors. In addition to such requirements, the matching of requests shall allow the manager of the ELTIF to monitor the liquidity risk and be compatible with the long-term investment strategy of the ELTIF.

The market value of listed ELTIF units or shares must be published along with the NAV per unit or share in periodical reports. Material changes in the value of assets must also be disclosed to investors.

New issuances of ELTIF units or shares must be offered in accordance with its rules or

instruments of incorporation. If new shares or units are issued at a price below their NAV, existing investors in the ELTIF shall benefit from a prior offering of such units or shares.

An ELTIF shall inform the CSSF of the orderly disposal of its assets in order to redeem investors' units or shares after the end of its life, at the latest one year before the date of the end of its life. The CSSF may require submitting an itemised schedule for the orderly disposal of its assets. The schedule shall include: i) an assessment of the market for potential buyers, ii) an assessment and comparison of potential sales prices, iii) a valuation of the assets to be divested, and iv) a timeframe for the disposal schedule.

WHAT ARE THE DISTRIBUTION RULES APPLYING TO ELTIFs?

Investors in an ELTIF have the option to be repaid in cash at all times. Repayment in kind from the assets of an ELTIF is only possible when the following conditions are met:

- the ELTIF's rules or instruments of incorporation allow this possibility, provided that all investors are treated fairly;
- the investor submits a written request for such repayment;
- there are no specific restrictions on the transfer of those assets (e.g. civil or contractual rules).

ELTIFs may regularly distribute to investors the proceeds generated by the assets held in their portfolio. These proceeds consist of proceeds regularly produced by the assets and capital

appreciation realised after the disposal of an asset. However, distribution of the proceeds shall not take place when they are required for future commitments. In the event of disposal of an asset during the ELTIF's life, the ELTIF may reduce its capital on a pro-rata basis, provided that such disposal is deemed to be in the investors' interests. The ELTIF's rules or instruments of incorporation must specify the distribution policy that the ELTIF will apply during its life.

WHAT LEGAL FORMS AND REGIMES MAY AN ELTIF ADOPT?

All vehicles that meet the criteria of AIFs under the AIFM Law and vehicles regulated by Part II of the UCI Law are eligible to be used as ELTIFs in Luxembourg. Therefore, Luxembourg provides a favourable environment to establish ELTIFs due to its flexible and diverse structuring options.

The legal forms available in Luxembourg for AIFs include, but are not limited to:

- Companies (such as SICAV or SICAF in various legal forms, and Soparfis);
- Mutual funds (FCP);
- Partnerships (SCS, SCSp, and SCA).

If an ELTIF is marketed to retail investors, its legal form must not result in any further liability for the retail investor or require any additional commitments on behalf of the investor, apart from the initial capital commitment.

An AIF that is not regulated by any Luxembourg fund-product laws may also apply for authorisation as ELTIF provided that it complies

with all the requirements specified in the ELTIF Regulation.

Therefore, a Part II UCI, a SIF, a SICAR, or an unregulated structure, such as SCS or SCSp, can be established as an ELTIF.

A securitization vehicle that is also an AIF under the AIFM law can be an ELTIF, provided it complies with the provisions of the ELTIF Regulation.

Regarding the creation of the ELTIF, if any fund-level regulation applies to the AIF, the AIF is structured according to its national special regime. The provisions of the ELTIF Regulation must also be considered during the setup process.

MAY ELTIFS HAVE MULTIPLE COMPARTMENTS AND SHARE CLASSES?

ELTIFs are allowed to have compartments and share classes as long as they are in accordance with the articles of incorporation and the regulatory framework applicable to the AIF. Additionally, the ELTIF designation can apply to one or more compartments of an umbrella fund without requiring the entire fund to comply with the ELTIF Regulation. If an ELTIF has multiple compartments, each compliant with the ELTIF Regulation, then each compartment should be treated as a separate ELTIF. In case where only one or some of the compartments of an umbrella AIF are authorised as ELTIFs, the authorisation applies strictly to those specific compartment(s).



WHO MAY INVEST IN AN ELTIF?

Retail investors, institutional investors, and professional investors in the EEA, as well as investors in third countries, are eligible to invest in Luxembourg ELTIFs. Professional investors are investors considered to be professional clients, or may, on request, be treated as professional clients in accordance with Annex II of MiFID II. The retail investor notion is negatively defined, as retail investors are non-professional investors. Marketing to retail investors requires a suitability test, the issuance of a suitability statement and compliance with the product governance requirements of the ELTIF 2 Regulation in line with MiFID II. It is important to note that retail investors may cancel their subscription and have their money returned without penalty during the subscription period and for two weeks after the initial commitment or subscription agreement for the units or shares of the ELTIF has been signed. The AML/CFT process must be carried out in accordance with the AML/CFT Law.

WHAT TAXATION IS AN ELTIF SUBJECT TO?

ELTIF is an EU marketing label without any direct tax implications as the ELTIF Regulation does not provide for any tax rules. The tax treatment of an ELTIF depends on the legal form of the ELTIF and the rules related to the AIF. For example, the Luxembourg subscription

tax rate applicable to an ELTIF Part II UCI may be reduced based on the proportion of the portfolio invested in certain Taxonomy-aligned investments but not in accordance with the ELTIF Regulation. The ELTIF may benefit from double-tax treaties, depending on the regulatory regime applicable to the AIF.

Luxembourg may consider the implementation of a special national ELTIF tax regime to further promote the development of the ELTIF market in Luxembourg.

WHAT IS THE PRACTICAL USE OF AN ELTIF?

The ELTIF label provides an avenue for long-term investment AIFs to attract funding for the real economy and promote the AIF to both professional and retail investors, subject to relevant requirements. The use of ELTIFs promotes diversification for both retail and institutional investors. Additionally, the ELTIF label may facilitate access to private financings, such as from the EIB, and enable the combination of private and public investments in eligible long-term assets.



COMPARISON TABLE OF LUXEMBOURG ALTERNATIVE INVESTMENT FUNDS (AIF)

	Regulated Investment Vehicles				Unregulated Investment Vehicles	
	Part II UCI	SIF	SICAR	ELTIF	RAIF	Unregulated SCS / SCSp
Applicable legislation	Law of 17 December 2010 - Part II ("UCI Law")	Law of 13 February 2007 ("SIF Law")	Law of 15 June 2004 ("SICAR Law")	Regulation (EU) 2015/760 of 29 April 2015 on European long-term investment funds ("ELTIF Regulation"). The ELTIF Regulation has been amended on 15 March 2023 with significant changes which favour the fund market participants, fund financing and investors, in particular, the process of retailization and the amendments will apply from 10 January 2024. The ELTIF column has been drafted according to the amended ELTIF Regulation ("ELTIF 2 Regulation").	Law of 23 July 2016 ("RAIF Law")	Law of 10 August 1915 ("Company Law")
Authorisation and supervision by the CSSF	Yes.	Yes.	Yes.	Yes.	No.	No.
Qualification as an AIF	Always an AIF.	Yes, unless exempt. It is exempt if it does not raise capital from a number of investors, with a view to investing it in accordance with a defined investment policy for the benefit of those investors.	Yes, unless exempt. It is exempt if it does not raise capital from a number of investors, with a view to investing it in accordance with a defined investment policy for the benefit of those investors.	Always an EU AIF.	Always an AIF.	Non-AIF, unless activities fall within the scope of article 1 (39) of the AIFM Law.
Exemption from AIFMD full regime under lighter regime (AIFMD registration regime)	Possible.	Possible.	Possible.	No.	No.	Possible.
External authorised AIFM requirement	Required in case the entity is an AIF that is not self-managed and above the AIFMD threshold.	Required in case the entity is an AIF that is not self-managed and above the AIFMD threshold.	Required in case the entity is an AIF that is not self-managed and above the AIFMD threshold.	Required in case the entity is an AIF that is not self-managed. Always an authorized EU AIFM.	Always required.	Required in case the entity is an AIF that is not self-managed and above the AIFMD threshold.
Eligible investors	Unrestricted.	Well-informed investors.	Well-informed investors.	Unrestricted.	Well-informed investors.	Unrestricted.



	Regulated Investment Vehicles				Unregulated Investment Vehicles	
	Part II UCI	SIF	SICAR	ELTIF	RAIF	Unregulated SCS / SCSp
Eligible assets				<p>- units or shares of one or several other ELTIFs, EuVECAs, EuSEFs, UCITS and EU AIFs managed by EU AIFM provided that those ELTIFs, EuVECAs, EuSEFs, UCITS and EU AIFs invest in eligible investments (this wording) and have not themselves invested more than 10% of their assets in any other UCI;</p> <p>- real assets;</p> <p>- certain STS securitisations (where the underlying exposures are residential mortgage-backed securities, commercial loans backed by mortgages on commercial immovable property, credit facilities, trade receivables and other underlying exposures; provided that, for the two last ones, the proceeds from the securitisation bonds are used for financing or refinancing long-term investments),</p> <p>- EU Green Bonds issued by a qualifying portfolio, and UCITS eligible assets.</p> <p>Qualifying portfolio undertaking is an undertaking that fulfils, at the time of the initial investment, the following requirements:</p> <p>undertaking undertaking, unless it is a financial undertaking, other than a financial holding company or a mixed-activity holding company, that has been authorized or registered more recently than 5 years before the date of the</p>		



	Regulated Investment Vehicles				Unregulated Investment Vehicles	
	Part II UCI	SIF	SICAR	ELTIF	RAIF	Unregulated SCS / SCSp
Eligible assets				<ul style="list-style-type: none"> - it is not a financial undertaking, unless it is a financial undertaking, other than a financial holding company or a mixed-activity holding company, that has been authorized or registered more recently than 5 years before the date of the investment (fintechs); - is not admitted to trading on a regulated market or on a multilateral trading facility; or is admitted to trading on a regulated market or on a multilateral trading facility and has a market capitalisation of no more than EUR 1 500 000 000; - it is established in a Member State, or in a third country provided that the third country is not identified as high-risk third and is not mentioned in the EU list of non-cooperative jurisdictions for tax purposes. <p>ELTIFs are not allowed to:</p> <ul style="list-style-type: none"> - short sell - take direct or indirect exposure to commodities; - enter into securities lending, securities borrowing, repurchase transactions, or any other agreement which has an equivalent economic effect and poses similar risks, if more than 10 % of the assets of the ELTIF are affected; - use financial derivative instruments, except where the use of such instruments solely serves the purpose of hedging the risks inherent to other investments of the ELTIF. 		



	Regulated Investment Vehicles				Unregulated Investment Vehicles	
	Part II UCI	SIF	SICAR	ELTIF	RAIF	Unregulated SCS / SCSp
Risk diversification requirements	<p>Risk diversification requirements are defined by IML Circular 91/75 (as amended by CSSF Circular n° 05/177). Such requirements are less stringent than the ones applicable to UCITS. In particular, a UCI is not allowed to invest more than 20% of its net assets in securities issued by any one issuer. Specific restrictions concerning funds adopting an alternative investment strategy are contained in CSSF Circular n° 02/80.</p>	<p>Risk diversification requirements are defined by CSSF Circular n° 07/309. Such requirements are less stringent than the ones applicable to UCITS and UCI. In particular, a SIF is not allowed to invest more than 30% of its net assets in securities of the same type issued by the same issuer.</p>	No risk	<p>Risk diversification requirements are provided by articles 13 and 17 of the ELTIF Regulation (not exhaustive):</p> <p>ELTIFs marketed to retail investors shall not invest more than:</p> <ul style="list-style-type: none"> - 20 % of its capital in instruments issued by, or loans granted to, any single qualifying portfolio undertaking; - 20 % of its capital in a single real asset; - 20 % of its capital in units or shares of any single ELTIF, EuVECA, EuSEF, UCITS, or EU AIF managed by an EU AIFM; - 10 % of its capital in UCITS (liquid) assets where those assets have been issued by any single body; or 25 % where bonds are issued by a credit institution which has its registered office in a Member State and is subject by law to special public supervision designed to protect bond-holders; - The aggregate value of STS Securitisations in an ELTIF portfolio shall not exceed 20% of the value of the capital of the ELTIF; - The aggregate risk exposure to a counterparty of the ELTIF stemming from OTC derivative transactions, repurchase agreements, or reverse repurchase agreements shall not exceed 10 % of the value of the capital of the ELTIF. 	<p>Risk diversification requirements are aligned with those applicable to SIFs, unless the RAIF chooses to invest in risk capital only and such choice is mentioned in its constitutive documents.</p>	No risk diversification requirements.

	Regulated Investment Vehicles				Unregulated Investment Vehicles	
	Part II UCI	SIF	SICAR	ELTIF	RAIF	Unregulated SCS / SCSp
Legal Form	<ul style="list-style-type: none"> FCP SICAV (SA) SICAF (SA, Sàrl, SCA, SCS, SCSp) <p>The entities may be open-ended or closed-ended.</p>	<ul style="list-style-type: none"> FCP SICAV (SA, Sàrl, SCA, SCoSA, SCS, SCSp) SICAF (SA, Sàrl, SCA, SCoSA, SCS, SCSp) <p>The entities may be open-ended or closed-ended.</p>	<ul style="list-style-type: none"> SA Sàrl SCA SCS SCSp SCoSA <p>The entities may be open-ended or closed-ended.</p>	<p>FCP, SICAV and SICAF in various legal forms, Soparfis, SCS, SCSp, SCA and future forms entitling an AIF to be authorized as an ELTIF.</p> <p>In principle closed-ended, but may be open-ended provided certain safeguards are set up, inter alia:</p> <ul style="list-style-type: none"> - redemptions are not granted before the end of a minimum holding period or before the date specified in the rules or instruments of incorporation - at the time of authorisation and throughout the life of the ELTIF, the manager is able to demonstrate that the ELTIF has an appropriate redemption policy and LMTs compatible with the long-term strategy of the ELTIF. 	<ul style="list-style-type: none"> FCP SICAV (SA, Sàrl, SCA, SCoSA, SCS, SCSp) SICAF (SA, Sàrl, SCA, SCoSA, SCS, SCSp) <p>The entities may be open-ended or closed-ended.</p>	<ul style="list-style-type: none"> SCS SCSp
Umbrella structure	Yes.	Yes.	Yes.	Yes. Application for authorisation as ELTIF of one or more compartments may be submitted	Yes.	No.
Capital requirements	<ul style="list-style-type: none"> FCP: EUR 1,250,000 to be reached no later than 6 months following the authorisation by the CSSF. Self managed SICAV / SICAF: EUR 300,000 at the date of authorisation and EUR 1,250,000 within 6 months following its authorisation. 	EUR 1,250,000 to be reached no later than 12 months following the authorisation by the CSSF.	EUR 1,000,000 to be reached no later than 12 months following the authorisation by the CSSF.	As ELTIF is an EU label, the capital requirements applicable to an ELTIF are the capital requirements applicable to fund, in particular due to the national product law.	<ul style="list-style-type: none"> FCP: EUR 1,250,000 to be reached within 12 months from the entry into force of the management regulations. SICAV: EUR 1,250,000 to be reached within 12 months from the incorporation of the SICAV. 	No minimum capital requirement.

	Regulated Investment Vehicles				Unregulated Investment Vehicles	
	Part II UCI	SIF	SICAR	ELTIF	RAIF	Unregulated SCS / SCSp
Required service providers	<ul style="list-style-type: none"> • Management company in case of an FCP. • Depository institution. • Administrative agent. • Registrar and Transfer Agent. • Approved statutory auditor. 	<ul style="list-style-type: none"> • Management company in case of an FCP. • Depository bank or professional of the financial sector providing depository services, subject to conditions. • Administrative agent. • Registrar and Transfer Agent. • Approved statutory auditor. 	<ul style="list-style-type: none"> • Depository bank or professional of the financial sector providing depository services, subject to conditions. • Administrative agent. • Registrar and Transfer Agent. • Approved statutory auditor. 	<ul style="list-style-type: none"> • As ELTIF is an EU label, the required service providers for an ELTIF depend on the applicable national product law. • Management company in case of an FCP. • Depository bank or professional of the financial sector providing depository services, subject to conditions. However, if the ELTIF is marketed to retail investors, the Depository shall comply with the UCITS depository requirements and be a Depository institution • Administrative agent. • Registrar and Transfer Agent. • Other service providers required by the relevant product rules. 	<ul style="list-style-type: none"> • Management company in case of an FCP. • Depository bank or professional of the financial sector providing depository services, subject to conditions. • Administrative agent. • Registrar and Transfer Agent. • Approved statutory auditor. 	<p>For SCS:</p> <ul style="list-style-type: none"> • Alternative Investment Fund Manager (if the SCS qualifies as an AIF). • No requirement to appoint a depository (except if the SCS qualifies as an AIF and is managed by a duly authorised AIFM). <p>For SCSp:</p> <ul style="list-style-type: none"> • Alternative Investment Fund Manager (if the SCSp qualifies as an AIF). • No requirement to appoint a depository (except if the SCSp qualifies as an AIF and is managed by a duly authorised AIFM).
Possibility of listing	Yes.	Yes.	Yes, but difficult in practice.	Yes.	Yes.	In principle, no. The SCS/ SCSp may however issue debt securities that are eligible to be listed on the stock exchange.
European passport	No, unless it falls under the scope of the full AIFMD regime.	No, unless it falls under the scope of the full AIFMD regime.	No, unless it falls under the scope of the full AIFMD regime.	Yes.	Yes.	No, unless it falls under the scope of the full AIFMD regime.



	Regulated Investment Vehicles				Unregulated Investment Vehicles	
	Part II UCI	SIF	SICAR	ELTIF	RAIF	Unregulated SCS / SCSp
Net asset value (NAV) calculation and redemption frequency	The UCIs must make public the issue, sale and repurchase price of their units each time they issue, sell and repurchase their units, and at least once a month.	At least once a year for reporting purposes.	Not required.	As ELTIF is an EU label, the NAV computation and redemption frequency depend on applicable national product law and the AIFM law. At least once a year for reporting purposes. Redemption frequency: In principle closed-ended, but may be open-ended provided certain safeguards are set up, inter alia: - redemptions are not granted before the end of a minimum holding period or before the date specified in the rules or instruments of incorporation - at the time of authorisation and throughout the life of the ELTIF, the manager is able to demonstrate that the ELTIF has an appropriate redemption policy and LMTs compatible with the long-term strategy of the ELTIF; - redemptions are limited to a percentage of the UCITS (liquid) assets of the ELTIF. An ELTIF may offer, under certain conditions, early redemption rights to its investors according to the ELTIF's investment strategy.	At least once a year for reporting purposes.	Not required.
Overall income tax (corporate income tax and municipal business tax)	No income tax.	No income tax.	<ul style="list-style-type: none"> General aggregate rate: 24.94%. In certain cases, reduced corporate income tax rates may apply. Income derived from transferable securities (e.g. dividends received and capital gains realised on the sale of shares) is exempt. Income on cash held for the purpose of a future investment is also exempt (for one year).	As ELTIF is an EU label the tax treatment depends on the national product rules applicable to the AIF.	No income tax, unless investing only in risk capital, then SICAR tax regime applicable.	No corporate income tax applicable. Municipal business tax of 6.75% applicable in very limited circumstances, namely in case the SCS/SCSp (i) carries out a commercial activity or (ii) is deemed to carry out a commercial activity. A SCS/ SCSp is deemed to carry out a commercial activity if its general partner is a Luxembourg public or private limited liability company holding at least 5% of the partnership interests. With a proper structuring of the GPs partnership interest it should be possible to avoid the deemed commercial characterisation of the SCS/SCSp.



	Regulated Investment Vehicles				Unregulated Investment Vehicles	
	Part II UCI	SIF	SICAR	ELTIF	RAIF	Unregulated SCS / SCSp
Subscription tax (NAV: net asset value)	<ul style="list-style-type: none"> Rate: 0.05% of the NAV annually. Reduction: 0.01% of the NAV annually in certain specific cases. Tax exemptions: special institutional money market cash funds, special pension funds (including pension pooling vehicles) and funds investing in other funds which are already subject to subscription tax. 	<ul style="list-style-type: none"> Rate: 0.01% of the NAV annually. Tax exemptions: certain money market and pension funds or SIFs investing in other funds which are already subject to subscription tax. 	No subscription tax.	As ELTIF is an EU label the tax treatment depends on the national product rules applicable to the AIF.	<ul style="list-style-type: none"> Rate: 0.01% of the NAV annually. Exemptions apply. 	No subscription tax.
Wealth tax	No wealth tax.	No wealth tax.	No wealth tax.	As ELTIF is an EU label the tax treatment depends on the national product rules applicable to the AIF.	No wealth tax.	No wealth tax.
Withholding tax on dividends	Not subject to withholding tax.	Not subject to withholding tax.	Not subject to withholding tax.	As ELTIF is an EU label the tax treatment depends on the national product rules applicable to the AIF.	Not subject to withholding tax.	Not subject to withholding tax.
Benefit from Double Tax Treaty network	<ul style="list-style-type: none"> SICAV/SICAF: Limited to certain double tax treaties (see circular L.G. -A n°61 of the tax administration of 8 December 2017). FCP: see circular L.G.-A n°61 of the tax administration of 8 December 2017. 	<ul style="list-style-type: none"> SICAV/SICAF: Limited to certain double tax treaties (see circular L.G. -A n°61 of the tax administration of 8 December 2017). FCP: see circular L.G.-A n°61 of the tax administration of 8 December 2017. 	Yes in case the SICAR is set-up as a corporate entity (except if set-up under the form of a SCS/SCSp).	As ELTIF is an EU label the tax treatment depends on the national product rules applicable to the AIF.	<ul style="list-style-type: none"> RAIFs investing in a portfolio of risk capital (such as a SICAR). Access if set-up as a corporate entity (except if set-up under the form of a SCS/SCSp). RAIFs not investing in a portfolio of risk capital (such as a SICAR), but set-up as: SICAV / SICAF: Limited to certain double tax treaties (see circular L.G. -A n°61 of the tax administration of 8 December 2017). FCP: see circular L.G.-A n°61 of the tax administration of 8 December 2017. 	No.
Benefit from the EU Parent Subsidiary Directive	No.	No.	In principle yes, but certain jurisdictions where the target companies are located may challenge the application of the directive.	As ELTIF is an EU label the tax treatment depends on the national product rules applicable to the AIF.	No, unless RAIF that invests in a portfolio of risk capital (such as a SICAR).	No.
Thin capitalization rules (debt-to-equity ratio)	Borrowings of up to 25% of net assets without any restrictions are allowed.	No debt-to-equity ratio.	No debt-to-equity ratio.	As ELTIF is an EU label, the debt-to-equity ratio depends on the national product rules applicable to the AIF. Borrowings of cash of up to 50% of the NAV of the ELTIF marketed to retail investors and up to 100% for the ELTIF marketed solely to professional investors.	No debt-to-equity ratio.	No debt-to-equity ratio.

GLOSSARY OF TERMS

Amending regulation or [ELTIF 2 Regulation](#):

Regulation (EU) 2023/606 of the European Parliament and of the Council of 15 March 2023 amending ELTIF 1 Regulation. It shall apply as of 10 January 2024.

AIF: Alternative Investment Fund as defined by article 1 (39) of the AIFM Law, namely collective investment undertakings, including investment compartments thereof, which (a) raise capital from a number of investors, with a view to investing it in accordance with a defined investment policy for the benefit of those investors; and (b) do not require authorization pursuant to article 5 of Directive 2009/65/EC (i.e. UCITS).

[AIFMD](#): Directive 2011/61/EU on alternative investment fund managers.

AIFMD registration regime: An AIFM that wishes to make use of the registration regime must have assets under management of less than EUR 100 million, or EUR 500 million if it manages only funds closed for at least 5 years not using leverage.

AIFM: A legal person whose regular business is managing one or more AIFs.

[AIFM Law](#): Luxembourg law of 12 July 2013 on alternative investment fund managers (transposing the AIFM directive into Luxembourg law).

CSSF: The Luxembourg Supervisory Authority of the Financial Sector (*Commission de Surveillance du Secteur Financier*).

Company Law: The Luxembourg law of 10th August 1915 on commercial companies, as amended from time to time.

EEA: European Economic Area

EIB: European Investment Bank

ELTIF: European Long Term Investment Fund

[ELTIF 1 Regulation](#) or [ELTIF Regulation](#):

Regulation (EU) 2015/760 of the European Parliament and of the Council of 29 April 2015 on European long-term investment funds.

FCP: Common fund (*fonds commun de placement*).

[MIFID II](#): Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU.

[MIFIR](#): Regulation (EU) No 600/2014 of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments as amended from time to time.

Multilateral trading facility (MTF): Multilateral system, operated by an investment firm or a market operator, which brings together multiple third-party buying and selling interests in financial instruments – in the system and in accordance with non-discretionary rules – in a way that results in a contract.

Part II UCI: Undertaking for collective investment established under Part II of the Luxembourg law of 17 December 2010.

[PRIIP Regulation](#): Regulation (EU) No 1286/2014 of the European Parliament and of the Council of 26 November 2014 on key information documents for packaged retail and insurance-based investment products (PRIIPs) as amended from time to time.

PRIIP-KID: Key investor document according to the PRIIP Regulation.

[Prospectus Regulation](#): Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated

market, and repealing Directive 2003/71/EC.

RAIF: Reserved alternative investment fund (*fonds d'investissement alternatif réservé*).

RAIF Law: Law of 23 July 2016 on reserved alternative investment funds as amended from time to time.

S.A.: Public limited liability company (*société anonyme*).

S.à r.l.: Private limited liability company (*société à responsabilité limitée*).

SAS: Simplified stock company (*société par actions simplifiée*).

S.C.A.: Corporate partnership limited by shares (*société en commandite par actions*).

SCoSA: Cooperative company organised as a public limited company (*société cooperative organisée comme une société anonyme*).

SCS: Common limited partnership (*société en commandite simple*).

SCSp : Special limited partnership (*société en commandite spéciale*).

SICAF: Investment company with fixed capital (*société d'investissement à capital fixe*).

SICAR: Investment company in risk capital (*société d'investissement en capital à risqué*).

SICAV: Investment company with variable capital (*société d'investissement à capital variable*).

SIF: Specialised investment fund (*fonds d'investissement spécialisé*).

UCI Law: Law of 17 December 2010 relating to undertakings for collective investment as amended from time to time.

Well-informed investors: A well-informed investor is an institutional investor, a professional investor or any other investor who has stated in writing that s/he adheres to the status of well-informed investor and invests a minimum of 125,000 Euro in the SIF/SICAR/

RAIF, as applicable, or has been subject of an assessment made by a credit institution, by an investment firm or by a management company certifying his/her expertise, his/her experience and his/her knowledge to adequately appraise an investment in the SIF/SICAR/RAIF, as applicable.

HOW CAN WE ASSIST YOU?

Our investment management team:

- Supports you in finding the suitable investment vehicle to meet your requirements and your goals from a marketing, regulatory, legal and tax perspective.
- Introduces you to the suitable service providers to meet your requirements (i.e., custodian bank, AIFM, administrative agent, registrar and transfer agent and auditor).
- Provides assistance with the establishment of the fund (i.e., drafting of the PPM, assistance with the incorporation of the fund and its general partner and regulatory filings with the CSSF).
- Provides assistance with respect to the migration of offshore funds into Luxembourg funds.
- Provides corporate support services throughout the lifetime of your fund (i.e., amendment of fund documents, restructuring, launching or closing sub-funds, etc.).
- Provides assistance with changing of service providers including custodian bank, fund administrator, auditor or registrar and transfer agent).
- Provides assistance with the listing of the units of the fund on the Luxembourg Stock Exchange's regulated or EURO MTF markets.
- Provides support in the registration of the fund in other jurisdictions (in cooperation with local service providers).

- Provides advice on AIFMD-related issues.
- Provides advice to fund promoters on local private placement rules for marketing their funds in Luxembourg.
- Keeps you up to date on new legal and regulatory developments.



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CHEVALIER & SCIALES
LUXEMBOURG LAW FIRM

Chevalier & Sciales is a Luxembourg law firm established in 2005 with specialist expertise in investment management, litigation, arbitration and dispute resolution, tax, banking, finance and capital markets, private wealth management and corporate transactions. Our dynamic litigation and transaction teams have an international reputation for bringing together excellence and intellectual rigour with a practical and business-minded approach in serving our clients.

Our aim is to offer a one-stop-shop service to our clients and to provide tailored solutions to meet their needs, responsively and cost-effectively. Our practice areas are structured to ensure a comprehensive understanding of our clients' business and markets. We work with recognised service providers to provide you with the assistance and services you require through every aspect of your transactions and business.

Chevalier & Sciales is highly recommended for its expertise in investment funds, litigation, arbitration and dispute resolution.



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