

Key Features – ELTIFs, LTAFs and UCI Part II Vehicles

	UCI Part II	ELTIF	LTAF
What does it stand for?	The term “UCI Part II” is a reference to the underlying legislation, a fund established under Part II of the Luxembourg Law of 17 December on undertakings for collective investment.	European Long-Term Investment Fund.	Long-Term Asset Fund
What is it?	<p>A UCI Part II vehicle is a Luxembourg AIF that is authorised by the Luxembourg regulator (the “CSSF”) under the “UCI Part II” label.</p> <p>As an EU AIF, a UCI Part II vehicle can also qualify as an ELTIF if it meets the associated requirements (set out in the next column).</p>	An ELTIF is an EU AIF (or a compartment / sub-fund of an EU AIF) that is authorised under the “ELTIF” label.	An LTAF is an open-ended authorised fund in the UK (authorised by the Financial Conduct Authority “FCA”) to invest in long-term, illiquid assets.
What form of fund vehicle can qualify?	A UCI Part II vehicle may be constituted as a <i>fonds commun de placement</i> (“FCP”), a <i>société d’investissement à capital variable</i> (“SICAV”) or a <i>société d’investissement à capital fixe</i> (“SICAF”). It can be structured as an umbrella fund.	The AIF vehicle is not limited to a particular form. An EU AIF, for example, a UCI Part II vehicle or an Irish Collective Asset-management Vehicle (“ICAV”), can qualify as an ELTIF and would need to meet the associated requirements under the ELTIF Regulation.	The LTAF is a UK vehicle. It can be established as a unit trust, open ended investment company (“OEIC”) or authorised contractual scheme (“ACS”). It can be structured as an umbrella fund.
Who can manage it?	A UCI Part II vehicle must be managed by an authorised AIFM. Delegation of portfolio management is permitted.	An ELTIF must be managed by an EU authorised AIFM. Delegation of portfolio management is permitted.	An LTAF must be managed by a full-scope UK AIFM with appropriate competence and resources to act as the LTAF manager. The UK AIFM would need permission to manage an authorised AIF.
What assets can be invested?	No investment restrictions (other than the borrowing / diversification requirements below).	An ELTIF must invest at least 55% of its investments in “Eligible Investment Assets” [1].	The FCA expects LTAFs to invest at least 50% of the scheme’s property in assets that are illiquid and need to be held over the

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			<p>longer term (e.g., unlisted securities).</p> <p>LTAfs can feed into non-LTAfs that provide “a prudent spread of risk.”</p>
Are there redemption rights for investors?	No requirement to permit redemptions, although redemption requirements can be set out in the fund documentation (which will be subject to approval from the CSSF).	No requirement to permit redemptions until the “end of the life of the ELTIF,” although early redemptions are possible subject to certain conditions being met (i.e., an adequate liquidity management system, a defined redemption policy, a limited overall amount of redemptions, etc.).	<p>Fully closed-ended LTAfs are not feasible, but LTAfs cannot offer redemptions more frequently than once a month and are subject to a mandatory notice period of at least 90 days for redemptions.</p> <p>At least annual redemption windows are currently expected.</p>
Are there any borrowing restrictions?	Borrowing of up to 25% of NAV is permitted without any restrictions, but this may increase depending on the investment strategy.	<p>Borrowing is limited to up to 50% of NAV (if the ELTIF marketed to retail investors).</p> <p>This limit is increased up to 100% of NAV (if the ELTIF is marketed to professional investors only).</p>	Borrowing is limited to up to 30% of NAV.
What are the main diversification requirements?	A maximum of 20% of a Part II UCI vehicle’s capital may be invested in a single asset or issuer.	<p>An ELTIF that is marketed to retail investors cannot invest more than:</p> <p>20% of its capital in instruments issued by, or loans granted to, any single qualifying portfolio undertaking;</p> <ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> • LTAfs should invest “at least 50%” of the scheme’s property in assets that are illiquid, long-term investments. • LTAfs can invest in “any assets or investments to which it is dedicated,” including those within Art 74-86 and 89 of the RAO (i.e., a wide range of financial instruments). • LTAfs can invest in other funds (“second schemes”), subject to certain criteria and

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		<p>by an EU AIFM; and</p> <p>10% of its capital in assets referred to in the UCITS Directive, where those have been issued by any single body. This limit can rise to 25% where bonds are issued by a credit institution that has its registered office in a member state and is subject by law to special public supervision designed to protect bond-holders.</p>	<p>certain due diligence requirements.</p> <ul style="list-style-type: none"> • The LTAf must aim to provide a “prudent spread of risk” (undefined), and this must be the case from the outset. • The LTAf can invest as a feeder fund into a “qualifying master LTAf” (which does not need to be an LTAf itself but must operate in accordance with certain requirements (including the prudent spread of risk principle). • LTAfs can invest using derivatives, subject to certain prescribed FCA requirements.
Are there any applicable concentration limits?	See above.	<p>Certain concentration limits apply to ELTIFs that are marketed to retail investors.</p> <p>No concentration limits apply in respect of ELTIFs that are only marketed to professional investors.</p>	See above.
Is there any “ramp up” period (time limit for the requirements to be met)?	Yes, the diversification requirements will apply from four years after the date of authorisation.	Yes, the portfolio composition and diversification requirements will apply from the “date specified in the rules or instruments of incorporation of the ELTIF,” which must “take account of the particular features and characteristics of the assets to be invested by	Not specifically, but the FCA considers that the “prudent spread of risk” principle gives LTAf managers a sufficiently broad framework to operate and recognizes that it takes time to build up a portfolio.

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		<p>the ELTIF” and it must be no later than <u>the earlier of:</u></p> <p>(a) five years from the date of the ELTIF’s authorisation; or</p> <p>(b) half the life of the ELTIF.</p> <p>The competent authority may also approve an extension to this time limit by no more than an additional year.</p>	
What is the authorisation process?	<p>The authorisation application is submitted to the CSSF.</p> <p>Various fund documents and information, including the LPA, name of the AIFM and depositary, is required to be submitted to the regulator.</p>	<p>The authorisation application is submitted to the home Member State of the ELTIF itself.</p> <p>Various fund documents and information, including the LPA, name of the AIFM and depositary, is required to be submitted to the regulator. The ELTIF Regulation provides for a two-month assessment period by the relevant competent authority. Although, Member States may have their own indicative timeframes.</p>	<p>The authorisation application is submitted to the FCA and is the same as for other authorised UK funds.</p> <p>The FCA is required to process applications for authorisations of authorised funds (other than UCITS) within 6 months (provided the application is deemed “complete”). The FCA advises that firms should engage with them prior to submitting an LTAf application.</p>
What categories of investor can be marketed to?	<p>A UCI Part II vehicle can be marketed to professional investors under the AIFMD marketing passport or local national private placement regimes (“NPPR”).</p> <p>If permitted under local law, UCI Part II vehicles may also be marketed to certain categories of retail investors in accordance with local private placement rules.</p>	<p>An ELTIF can be marketed to professional investors and retail investors (under the ELTIF marketing passport)</p>	<p>An LTAf can be promoted in the UK to:</p> <p>(a) Professional investors;</p> <p>(b) Certified sophisticated investors;</p> <p>(c) Self-certified sophisticated investors;</p> <p>(d) Certified high net worth investors;</p> <p>(e) Defined contribution (DC) pension schemes; and</p>

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	If marketing to retail investors, a PRIIPs KID would need to be provided.		(f) Self-invested personal pension schemes. LTAfs can only be marketed in EEA member states pursuant to the relevant local private placement regime.
What are the key requirements for marketing the fund vehicle?	See above.	<p>Marketing to professional and retail investors is possible (under the ELTIF marketing passport).</p> <p>A suitability test for retail investors investing in an ELTIF is required. This has been aligned to assessing suitability under MiFID II. The ELTIF II Regulation states that this shall be carried out irrespective whether the investor acquires the interests from the ELTIF manager, distributor or via the secondary market.</p> <p>If marketing to retail investors, a PRIIPs KID would need to be provided.</p>	<p>No marketing passport is available to market to investors in the EEA. As noted above, local private placement rules in the EEA would apply.</p> <p>In the UK, LTAfs are considered “high-risk investments” by the FCA and fall within the definition of RMMI products. Promotion to certain retail investors (as noted above) is permitted.</p> <p>All retail investors can invest up to a total of 10% of their investable assets into LTAfs or other RMMI products subject to going through the appropriate regulatory hurdles (e.g., the delivery of relevant risk warnings and making of an appropriateness assessment). Retail investors who invest based on a personal recommendation or advice would not be subject to this 10% limit.</p>