

European Commission Responses to ESMA on ELTIF 2.0 – Key Regulatory Clarifications for Fund Managers

5 December 2025

On 5 December 2025, the European Securities and Markets Authority (ESMA) published a sequence of questions and answers that incorporate authoritative interpretations from the European Commission on the revised European Long-Term Investment Funds Regulation (ELTIF 2.0) and Commission Delegated Regulation (EU) 2024/2759. These clarifications are of immediate relevance to managers who structure or operate ELTIFs, particularly those managing open-ended, evergreen and semi-liquid strategies. They offer important guidance on the permissible scope of national discretions, liquidity-management expectations, eligible-asset frameworks, fund-of-funds rules and the broader structuring flexibility available under the new regime. This briefing summarises the Commission's responses as reflected in the ESMA Q&A and analyses the practical implications for fund managers.

Eligible Assets and Fund-of-Funds Structures

Single Asset Can Serve Eligibility and Liquidity Assessments

The Commission confirms in ESMA_QA_2470 that assets may be treated simultaneously as eligible investment assets under Article 9(1)(a) and as UCITS-eligible assets under Article 9(1)(b). An ELTIF manager is not required to categorise such assets exclusively into one of these two classifications. Instead, a single asset may be used for both eligibility and liquidity assessments, which offers meaningful operational flexibility and simplifies certain portfolio-construction analyses.

Intermediary Entities Do Not Automatically Qualify as Investment Funds

In ESMA_QA_2468, the Commission explains the role of SPVs, holding companies and other intermediary entities in ELTIF structuring. It confirms that these vehicles are not considered ELTIF investments in their own right. Rather, they serve as conduits through which the ELTIF holds its underlying positions. Accordingly, the portfolio-composition and diversification rules apply only on a look-through basis to the underlying assets held by these vehicles. The Commission also clarifies that intermediary entities do not automatically qualify as alternative investment funds and

are not required to meet the qualifying-portfolio-undertaking requirements. This interpretation provides essential comfort to private equity, infrastructure, real-assets and private-credit managers who commonly employ multi-layered holding structures and aggregator vehicles in their ELTIF strategies.

Clarifications with Respect to Investments in Non-EU AIFs

In ESMA_QA_2470, the Commission addresses the ability of ELTIFs to invest in non-EU AIFs. It confirms that an ELTIF may invest directly in a non-EU AIF only if that fund meets the eligibility requirements of UCITS Article 50(1)(e). In practice, UCITS-eligible non-EU funds are exceptionally rare and are typically limited to highly regulated non-EU retail mutual funds. Most non-EU AIFs, including private equity, private credit, real assets and secondaries funds, do not offer UCITS-equivalent investor protections and therefore fall outside this category.

The Commission re-confirms that an ELTIF may invest in EU target funds – such as ELTIFs, EuVECAs, EuSEFs, UCITS or EU AIFs – provided these funds themselves invest in Article 9-eligible assets and comply with the 10% fund-of-funds limitation. However, it clarifies that the look-through analysis applies only for purposes of portfolio composition and borrowing-limit compliance and not to the question of asset eligibility. We understand this to mean that an ELTIF can invest in a target fund even if that fund holds assets that the ELTIF could not buy directly as long as on an overall basis the ELTIF still meets the diversification and leverage limits (including those assets for purposes of this calculation).

Application of Composition and Borrowing Limits

Temporary Suspensions for Closed and Open Ended Funds

In ESMA_QA_2471, the Commission confirms that Articles 16(4) and 17(1)(c) apply to all ELTIFs, irrespective of whether they adopt an open-ended or closed-ended structure. This means that whenever an ELTIF raises new capital or experiences redemptions, it may temporarily exceed certain regulatory limits. The mechanism for temporary suspension operates identically for both fund types.

Requirements To Be Read in Spirit of Closed or Open Ended Character

The Commission further emphasises that certain conditions in the Regulation are meaningful only in the context of closed-ended funds. For example, the rule that borrowing maturity may not exceed the life of the ELTIF is relevant only where the fund has a fixed life. An open-ended ELTIF does not operate with a predetermined termination date, and therefore this provision has no practical application to such

vehicles. The Commission's clarification confirms that these closed-ended-specific rules are irrelevant for open-ended structures.

Temporary Suspensions of Portfolio Compositions and Diversification

The Commission also explains that subscriptions or redemptions may trigger temporary suspensions of the portfolio-composition and diversification requirements for up to twelve months. During any such suspension, managers must avoid increasing concentration or leverage and must take appropriate steps to restore the ELTIF to full regulatory compliance within the permissible timeframe.

National Discretions and Cross-Border Framework

Perpetual ELTIF Structures Are Permitted

ESMA_QA_2481 confirms that Member States may not impose additional restrictions on the duration or life cycle of an ELTIF. National rules that introduce maximum fund lives, mandate specific life-cycle structures or otherwise alter the harmonised requirements contained in the ELTIF Regulation would contravene Article 1(3) and are therefore prohibited. The Commission expressly recognises that evergreen and perpetual ELTIF structures are permitted, provided the fund continues to comply with the Regulation's long-term-investment objectives.

MS May Not Impose Requirements on Domicile of ELTIF or Its AIFM

In ESMA_QA_2481, the Commission addresses restrictions related to master-feeder arrangements and insurance or pension-wrapper distribution. It confirms that Member States may not impose requirements based on the domicile of either the master or feeder ELTIF, nor may they impose conditions relating to the nationality, location or domicile of the ELTIF or its AIFM when the ELTIF is marketed through insurance-based or pension-based products. Once authorised, an ELTIF benefits from full EU passporting and may be marketed cross-border without additional national constraints that would undermine this principle. That is a welcoming clarification with respect to French insurance and pension wrappers.

Liquidity Requirements and Redemption Framework

Falling Below the Required Minimum Level of Liquid Assets in Limited Circumstances

In ESMA_QA_2475, the Commission explains that ELTIFs using Annex II of the Delegated Regulation may, under strict conditions, fall below the required minimum level of liquid assets. Such breaches may occur as a result of market volatility or redemption activity. Where this happens, managers are required to take the necessary measures to restore compliance, which may include retaining income, retaining subscription proceeds, drawing down investor commitments or disposing of assets. These measures must be taken within an appropriate timeframe, typically before the next redemption date, and the ELTIF may continue to accept redemptions while implementing them.

Clarifications on Secondary Market Matching Mechanism: no Anti-Dilution Levies, Transfer Related Fees Permitted

ESMA_QA_2479 clarifies how the secondary-market matching mechanism under Article 19(2a) operates. A matched transaction involves only the transfer of existing units and does not result in the creation or cancellation of shares. Because no dilution arises, anti-dilution levies cannot be incorporated into the matching price. Anti-dilution measures may be used only for primary subscriptions or redemptions that occur on the same date. Transfer-related fees that are not intended for anti-dilution purposes remain permissible.

Minimum Holding Period Can Be Calculated in Different Ways

In ESMA_QA_2478, the Commission confirms that the minimum holding period under Article 18(2)(a) may be calculated in several different ways. It may be linked to the ELTIF's launch date, applied separately to each subscription or applied to each capital contribution. The manager may choose the model that is most appropriate for the ELTIF's design, including a rolling holding-period mechanism for evergreen structures, provided investors are treated fairly and the approach is clearly disclosed.

ESMA_QA_2482 explains that Article 18(2)(d) establishes only a maximum redemption rate. An ELTIF may set a lower redemption allowance through fixed limits, percentage-based limits or NAV-based mechanisms. This interpretation allows managers to adopt more conservative liquidity profiles where appropriate.

Daily Valuation Permitted Under Certain Conditions

ESMA_QA_2477 confirms that daily valuation and daily dealing cycles are permissible, provided the ELTIF's valuation methodology can support this frequency, the liquidity framework remains aligned with the long-term investment strategy and the necessary supervisory disclosures demonstrate that the manager has robust operational procedures in place.

Use of Cash Flows to Increase Maximum Redemptions Volume

In ESMA_QA_2476, the Commission explains that expected cash flows may be used to increase the maximum redemption size only where there is a high degree of certainty that those cash flows will materialise. Scheduled interest payments, contractually defined amortisations and principal repayments of non-defaulting loans may be considered. Private debt ELTIFs may rely on historical repayment patterns to evidence this level of certainty.

No Minimum Liquidity Percentages for Closed Ended Funds

Finally, ESMA_QA_2472 clarifies that a minimum liquidity percentage must be disclosed only when the manager uses Annex II of the Delegated Regulation. No such requirement applies to Annex I or to closed-ended ELTIFs.

Conclusion

The Commission's responses provide significant legal certainty for ELTIF sponsors, aimed to remove further national barriers and gold-plating and confirm the breadth of structuring flexibility available under ELTIF 2.0. They strengthen the viability of semi-liquid, open-ended and evergreen fund models, reinforce the permissibility of intermediary structures, support a coherent and harmonised cross-border framework and emphasise the importance of transparency and sound liquidity governance. These clarifications will assist managers in shaping compliant and commercially effective ELTIF strategies under the modernised regulatory regime.

Stay tuned

Over the coming weeks, we will publish a series of short, practical notes that analyse each ESMA Q&A (ESMA_QA_2482 to ESMA_QA_2469) individually. These updates will examine the operational consequences for managers, explore structuring considerations for fund sponsors, assess disclosure and investor-communication

requirements and outline key supervisory expectations. Our aim is to provide actionable guidance that will support managers in implementing ELTIF 2.0 across both existing products and new launches.

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