

ELTIF 2.0: 5 transformations shaping the future of long-term investing

ELTIF 2.0 represents one of the most important evolutions in Europe's long-term investment framework in over a decade. By modernising the regime and opening the door to retail participation, legislators aim to channel more patient capital into the real economy, this means new expectations around liquidity, governance, valuation and distribution. [Angel Ramon Martinez Bastida](#) and [Abdelhak Kembouche](#) highlight the five changes that matter most for private markets

The majority of European Long-Term Investment Fund (ELTIF) capital is currently coming from institutional and professional investors, along with high-net-worth individuals accessing the structure through private banks and wealth managers. However, the next phase of growth is expected to be retail-led, as lower minimum investments, evergreen structures and pan-European distribution make ELTIFs a scalable gateway for private wealth into private markets. Industry estimates, and our interaction with clients as fund administrators, suggest that retail and semi-professional investors are expected to become a key source of incremental capital over the next three to five years, particularly for strategies aligned with long-term themes such as infrastructure build-out and energy transition financing.

The [ELTIF](#) regime was first developed to meet this market, and since it was revised in early 2024 best-practice operating models are still emerging. While ELTIF 2.0 offers greater flexibility, a broader investment universe and more pragmatic liquidity tools, it also demands greater discipline in the areas of conduct, valuation oversight, governance, and product-distribution controls. To navigate this successfully, managers need to integrate ELTIF-specific rules into their Alternative Investment Fund Manager Directive (AIFMD) and local frameworks in a way that is proportionate, operationally robust, and defensible under supervisory scrutiny.

Below are the five areas that stand out as the most consequential:

1. Retailization: A new conduct and governance landscape

The most meaningful shift under ELTIF 2.0 is the framework's full opening to [retail investors](#). This materially elevates expectations around target-market definition, suitability, product governance, and disclosure alignment. Managers must now demonstrate that distribution strategies genuinely match the ELTIF's long-term, illiquid nature and that the product's mechanics — liquidity, risks, costs and valuation processes — are presented consistently across the prospectus, PRIIPs key information document (KID) and marketing materials.

What this means: Retail participation changes the risk perimeter. Consistent, data-supported product governance is the foundation of safe retail access. When executed well, it boosts confidence in the structure and protects both firms and investors.

2. Liquidity: Flexibility paired with higher evidentiary standards

Liquidity is the defining operational challenge for ELTIFs. Under the revised rules and Regulatory Technical Standards, managers must articulate an ex-ante redemption framework calibrated to the actual liquidity profile of the assets. This includes frequency, notice periods, caps, and the suite of Liquidity Management Tools (LMTs) available.

Rigid minimum liquid-asset buckets are gone; flexibility is in. But this flexibility demands stronger evidence: liquidity modelling, stress testing, MI-driven oversight, and clear governance at Board level. Aligning the ELTIF liquidity approach with the strengthened [AIFMD 2.0](#) LMT framework enhances defensibility and supports supervisory engagement.

What it means: ELTIF liquidity is about credibility. Flexibility only works if your market intelligence, forecasts and governance can stand up to challenge both in calm markets and during stress.

3. Valuation: Independence and challenge at the core

ELTIF portfolios often contain illiquid and complex assets, making valuation governance a core supervisory focus. The RTS expects independent oversight, documented methodologies, periodic reviews, and challenge mechanisms via valuation committees. Challenger valuations or external oversight may be

appropriate for high-risk or opaque assets.

These controls must also tie into investor-facing processes: pricing, disclosure cycles and redemption mechanisms. Consistency and transparency across these elements are now essential.

What it means: Good valuation goes beyond precision, it's about discipline. If assumptions can't be explained and defended, the process breaks down. ELTIF 2.0 simply makes that expectation explicit.

4. Distribution oversight: Delegation with accountability

While the Markets in Financial Investments Directive (MiFID) distributors remain responsible for client-facing suitability and communications, managers retain responsibility for ensuring the overall distribution chain functions as intended. ELTIF 2.0 amplifies the need for:

- Risk-based due diligence of distributors
- Regular oversight and dialogue
- Consistency between distributor materials and fund documents
- Clear escalation paths for mis-selling indicators, complaints or discrepancies.

Retail distribution in particular may require periodic sample reviews or attestations, which should not be seen as policing, but rather as a mechanism to support distributors and maintain alignment.

What it means: Distribution oversight is collaborative rather than adversarial. The strongest models treat distributors as partners in investor protection.

5. Two-layer compliance: Base regime + ELTIF rules

Every ELTIF sits on top of a pre-existing regulatory regime such as a SIF, SICAR, Part II UCI or RAIF. This dual structure means that:

- Base-regime rules on AML/CTF, governance, reporting and legal form continue to apply
- ELTIF-specific rules add a second, product-level layer: redemption, asset eligibility, transparency, diversification and investor protections.

Both layers must be monitored independently, as a breach in either creates

regulatory risk. For RAIIFs becoming ELTIFs, AML/CTF oversight transitions from the Registration Duties, Estates and VAT Authority to the CSSF at authorisation, which requires tight coordination to avoid gaps or duplications.

What it means: ELTIFs do not replace the base regime, instead they sit on top of it. Managers who treat the two layers separately but cohesively will find compliance more intuitive and defensible.

How to realise the opportunity

ELTIF 2.0 offers a powerful opportunity to channel long-term capital into Europe's real economy, but success depends on disciplined governance, clear communication and strong operational foundations. The revised framework strengthens retail protections, modernises liquidity and valuation expectations, and places greater emphasis on distribution alignment and two-layer compliance.

For managers, risk leads and Chief Risk Officers, the opportunity is significant so long as the regime is implemented with clarity, proportionality and a clear understanding of how each element supports investor protection.

Aztec will continue supporting clients as they navigate implementation, build defensible operating models and align with evolving supervisory expectations. If you'd like to discuss any of the points raised here, please contact us directly.



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