

A New Route to Private Markets?

Evaluating ELTIFs for Retail Access



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About BETTER FINANCE

BETTER FINANCE is the European federation representing individual savers, investors, and financial services users. Dedicated to promoting transparency, fairness, and accountability, it works to ensure that Europe's financial system serves the real economy and the best interests of its citizens. BETTER FINANCE is a European federation consisting of 40 member organisations across 25 countries. It represents millions of individual investors and other users of financial services and has operated with EU support since 2012. We empower citizens with independent information and education, advocate for fair access to financial markets, and call for policies that place people at the heart of financial decision-making. Through participation in EU advisory groups, research-based advocacy, educational initiatives, and campaigns, we strengthen investor protection, enhance financial literacy, and advocate for effective supervision and governance.

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Executive Summary

This paper evaluates whether European Long-Term Investment Funds (ELTIFs) are the most appropriate vehicle for expanding retail investor access to private markets under the EU's Savings and Investments Union (SIU) agenda. While ELTIFs are increasingly promoted as the preferred framework for channelling household savings into long-term productive investments, questions remain regarding their market uptake, investor benefits, and suitability for retail investors.

The paper examines whether ELTIFs offer meaningful advantages over existing fund structures and assesses the effectiveness of the revised ELTIF 2.0 regime. It compares ELTIF investor protection mechanisms, including liquidity management, costs, disclosures, and marketing rules, with those of UCITS and alternative investment funds.

The analysis finds that, despite recent reforms, ELTIFs do not fully address the challenges that private market investments pose for non-professional investors. While the framework broadens access, important concerns remain regarding product complexity, liquidity constraints, and the extent to which retail investors can properly assess the risks involved.

The paper concludes that expanding access should be accompanied by stronger safeguards, clearer and more understandable disclosures, and closer monitoring of investor outcomes to ensure that retail investors are not steered towards illiquid products without a sufficient understanding of the associated risks.

BETTER FINANCE recommends that regulators focus on investor outcomes by closely monitoring returns, improving transparency around the risks of private assets, and ensuring that retail investors are not steered towards illiquid products that they may not fully understand.

Introduction

As part of its Savings and Investments Union (SIU) agenda, the European Commission has increasingly promoted the expansion of retail investor participation in private markets. At the centre of this effort stands the European Long-Term Investment Fund (ELTIF), a regulatory framework specifically designed to channel capital towards long-term investments while providing retail investors with access to asset classes that have traditionally remained the preserve of wealthier institutional investors. Following the substantial revision of the ELTIF Regulation in 2024, policymakers, industry representatives, and market participants have been encouraged to strengthen the ELTIF brand and establish it as the key gateway through which retail investors can access private markets.

This renewed political emphasis raises important questions. The European investment landscape already contains several investment fund structures capable of providing retail investors with exposure to private assets. Against this backdrop, it is legitimate to ask whether ELTIFs are being promoted because they represent a genuinely superior framework or whether the current policy momentum risks overlooking existing alternatives. Moreover, if ELTIFs constitute the optimal vehicle for retail participation in private markets, it remains unclear why market uptake has been modest and why the framework required substantial regulatory reform less than a decade after its introduction. Most importantly, from the perspective of individual investors, it is necessary to assess whether the benefits of ELTIFs justify the risks and constraints associated with investing in inherently illiquid private assets.

These questions are particularly relevant considering the broader policy objective underpinning the SIU: mobilising Europe's substantial pool of household savings towards productive long-term investments. While expanding retail access to private markets can enhance diversification opportunities and support economic growth, the question marks are bigger regarding liquidity, transparency, valuation practices, costs, and the suitability of such investments for retail investors. As the European Union seeks to accelerate the “retailisation” of private markets, ensuring that investor protection standards remain robust is of critical importance.

This paper does not take a position on the broader question of whether private markets are an appropriate investment destination for retail investors. Retail access to private assets is no longer a theoretical possibility but an increasingly established reality within European financial markets. The relevant policy question is therefore not whether retail investors should be able to invest in private markets, but rather whether the regulatory frameworks being developed to facilitate such access adequately serve their interests.

Given this context, this paper examines whether European Long-Term Investment Funds are the most effective instrument for achieving the SIU objective of directing retail savings into private markets and long-term productive investments. More specifically, it assesses whether ELTIFs strike an appropriate balance between

expanding investment opportunities and safeguarding retail investors, or whether the current policy focus on ELTIFs risks promoting a framework whose advantages and limitations remain insufficiently tested.

The analysis proceeds in three parts. First, it situates ELTIFs within the broader policy objective of mobilising savings towards productive investment and examines the growing emphasis on retail participation in private markets. This section identifies and compares the principal categories of investment funds available to retail investors that provide exposure to private assets. Second, the paper analyses the legal and regulatory framework governing ELTIFs, examining both the rationale for their creation and the reforms introduced under the revised ELTIF 2.0 regime, while also reviewing recent market developments. Third, it undertakes a comparative assessment of the key investor protection mechanisms embedded within the ELTIF framework, focusing in particular on liquidity management and redemption rights, cost structures, disclosure obligations, and marketing requirements, and comparing these safeguards with those available under other European fund regimes, notably UCITS and alternative investment funds (AIFs).

The paper concludes by evaluating whether ELTIFs, in their current form, are well positioned to fulfil the objectives assigned to them under the SIU agenda and by identifying areas where further regulatory or market-based improvements may be necessary to ensure that retail investors remain adequately protected while participating in private markets.

On Private Markets

The term ‘private finance’ is broad, and definitions can vary across jurisdictions. It generally encompasses activities relating to capital raising and lending provided by non-bank investors to companies to bilateral transactions.¹

Private finance is typically organised through private investment funds, such as private equity and private credit funds, although large institutions may also invest directly. These funds raise capital from a range of investors, including pension funds, insurance companies, endowments, high-net-worth individuals, and family offices. Investors are generally required to commit substantial amounts of capital (for example, minimum investments in private equity are often around USD 25 million²) and to do so for extended periods, usually between five and ten years. In some jurisdictions, certain private finance funds may also accept capital from **retail investors** (that is, individual, non-professional investors), often with significantly lower minimum investment requirements. Additionally, some funds operate on a perpetual basis (“permanent capital”) and therefore do not have a fixed investment horizon.

Private finance can play a positive role in the economy. Industry participants in private credit, for instance, emphasize their role in funding areas of growth where traditional banks may be unable or unwilling to lend.³ The international expansion of private equity and venture capital has also supported development, including financing both established companies and start-ups in regions such as the Association of Southeast Asian Nations (ASEAN). More broadly, academic research highlights positive spillover effects from these investments, including improvements in productivity, employment, and economic growth.⁴

In terms of market size, private markets remain considerably smaller than public equity and debt markets. IOSCO and broader market literature identify two main factors underpinning the growth of private finance.⁵ First, the period between the Global Financial Crisis and 2022 was characterised by accommodative monetary policy, including persistently low interest rates. This encouraged a ‘search for yield’ environment, in which investors were willing to invest for longer terms and assume higher credit and liquidity risks in pursuit of higher (potential) returns. Second, private finance funds have generally been subject to lighter regulatory requirements than other financial institutions, particularly banks.

¹ IOSCO, *Thematic Analysis: Emerging Risks in Private Finance Final Report*, September 2023.

² Ibid.

³ Morgan Stanley, *Public to Private Equity in the United States: A Long-Term Look*, August 2020; Block et al, *A Survey of Private Debt Funds*, 2023; IMF, *The Rise and Risks of Private Credit*, 2024; European Parliament Briefing, *Private credit: market structure, recent developments, financial stability implications*, 2026.

⁴ ECB, *Private markets: risks and benefits from financial diversification in the euro area*, May 2025; Bernstein et al., *Private Equity and Industry Performance*, 2017.

⁵ IOSCO, *Thematic Analysis: Emerging Risks in Private Finance Final Report*, September 2023.

Private market participants also appear keen to push towards new sources of capital, such as from retail investors.⁶ Such a shift would inherently come at the cost of the investment products being subject to greater regulation and higher standards of governance and oversight than those required when involving institutional investors. Nonetheless, retail investors could be more exposed to risks given the lower transparency of the investments compared to those in public markets. Retail investors would also have relatively poorer access to information and resources. Many of the liquidity risks associated with private finance activities are traditionally mitigated by the closed-end nature of the investments, yet retail investors may ultimately demand greater access to liquidity.

Yet with this increasing role come potential risks. BETTER FINANCE has repeatedly cautioned that the expansion of private markets, particularly their growing accessibility to a wider investor base, raises concerns around transparency, valuation practices, and the ability of retail investors to adequately assess risks in less regulated and more opaque investment environments. While the limited transparency of private markets can shield investors from some of the information pressures found in public markets, it may also reduce the availability of information needed by investors and regulators to properly assess risks. This includes risks that could arise due to the way in which private finance firms conduct their activities (e.g., valuations, conflicts of interest), from their interconnections with the wider financial system, and from how macro-financial developments could impact the sector, the portfolio companies that receive finance, and the real economy.

Global macroeconomic conditions have changed significantly in recent years as a result of the COVID-19 pandemic and geopolitical tensions, most notably Russia's invasion of Ukraine. These conditions, which continue to persist, have placed private (and public) markets under increasing pressure. Naturally, more restrictive monetary policies have impacted the credit availability and have (re)opened market uncertainties. As a result, reduced investor sentiment followed.⁷

Private Markets in the EU

It is no surprise that the EU financial system remains highly bank centric. The financing of European companies is still overwhelmingly bank-based, a structural feature that continues to distinguish the EU from more market-based systems such as the United States and the United Kingdom. While some industry speakers have long framed this as a weakness, arguing that it limits risk-sharing and access to growth capital, the persistence of this model also reflects the relative underdevelopment and fragmentation of European capital markets, despite more than a decade of policy initiatives.

In September 2024, the Draghi Report emphasised the need to mobilize additional private and public investment across four key areas, in order to help close Europe's

⁶ Ibid.

⁷ Deloitte, *Private Debt Deal Tracker*, 2024.

competitiveness gap with the United States and secure the European Union's long term economic future.⁸ This momentum was further advanced by the release in January 2025 of the European Commission's Competitiveness Compass⁹, which sets out a renewed strategic framework for strengthening productivity and investment within the Union.

These initiatives build on longer standing efforts led by the European Commission, notably through the Capital Markets Union¹⁰ and the more recent "Savings and Investment Union".¹¹ They have placed capital markets integration at the centre of the EU policy agenda, aiming to mobilise both institutional and retail savings more effectively and to diversify financing sources for European companies, reducing the EU's structural reliance on bank intermediation. The European Central Bank (ECB) has similarly stressed that strengthening capital markets and improving cross-border investment are essential to support growth and resilience in the EU economy.¹²

At an event hosted by BETTER FINANCE in May, the Commissioner Maria Luísa Albuquerque emphasised the importance of investor participation and the need to show them that investing can lead to better long-term returns on their savings.

*"One of the core realizations that inspired the SIU, and that sets it apart from earlier initiatives, is that **Europe does not lack capital. It lacks mobilized capital.** For a continent with some of the highest savings rates in the world, we still struggle to turn those savings into productive investments. And this is not just a question of low-level financial literacy. **A lack of simple and trusted products, a cultural preference for safety, effective incentives to invest. It is also linked to the architecture.** Our objective, therefore, needs to be to make the single market work. By breaking down barriers, increasing competition and choice, and helping to lower costs, we can make it easier for citizens to participate in Europe's capital markets".*

On that note, the policy debate has increasingly focused not only on encouraging greater retail participation and awareness in capital markets, but also on broadening the range of investment opportunities available to them. In this

⁸ Mario Draghi, *The Future of European competitiveness: A competitiveness strategy for Europe*, September 2024.

⁹ European Commission, *An EU Compass to regain competitiveness and secure sustainable prosperity*, January 2025.

¹⁰ Capital Markets Union 2020, https://finance.ec.europa.eu/financial-markets/financial-markets-policy/capital-markets-union/capital-markets-union-2020-action-plan_en.

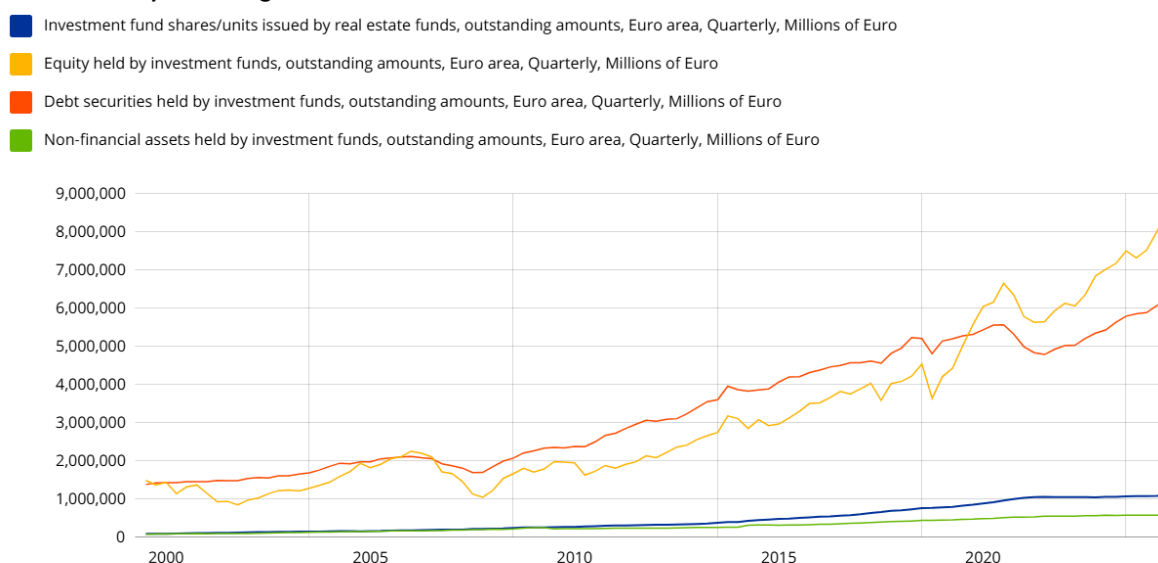
¹¹ Savings and Investments Union, 2026, https://finance.ec.europa.eu/regulation-and-supervision/savings-and-investments-union_en.

¹² ECB, *Private markets, public risk? Financial stability implications of alternative funding sources* https://www.ecb.europa.eu/press/financial-stability-publications/fsr/special/html/ecb.fsrart202405_03~bc23a48dbc.en.html.

context, private markets have attracted growing attention as a way to support the long-term investment goals of SIU, and as we discussed, have also been interested in opening the doors to retail investors.

The private market funds in the EU are essentially made up of four segments: private equity, private credit, real estate and infrastructure. They operate outside the public markets or the well-regulated banking system. These funds have grown rapidly since the financial crisis, mirroring global trends.

Figure 1. Comparison of private market funds held by investment funds in the Euro Area, until Q3 2025



Source: ECB dataset ¹³

The way these private market assets are bundled into funds determines investor access, costs, and distribution channels. Essentially, there are four types of investment funds marketed in the EU¹⁴:

- **Alternative investment funds** ('AIFs'). These professional funds are the traditional mainstay of private market assets. In the EU there are now over 35,000 AIFs, accounting for EUR 8.2 trillion in assets under management.¹⁵ Fund managers ('AIFM') are governed by an EU directive, and only authorized funds have a European passport, which is the right to market a fund across the EU.¹⁶

¹³ See more at: www.ecb.europa.eu

¹⁴ ESMA, *Retail AIFs : Heterogeneity across the EU*, November 2019.

¹⁵ EFAMA, *EFAMA Fact Book 2025 : Key Findings*, 2025

¹⁶ Directive 2011/61/EU of the European Parliament and of the Council of 8 June 2011 on Alternative Investment Fund Managers and amending Directives 2003/41/EC and 2009/65/EC and Regulations (EC) No 1060/2009 and (EU) No 1095/2010, OJ L 174 1.7.2011 (AIFMD or The Alternative Fund Managers Directive).

- **Retail AIFs.** Unlike for pure retail funds (UCITS), European rules for alternative funds allow national agencies significant discretion and several EU countries developed formats for AIFs aimed at retail investors ('retail AIFs'). This has grown into a significant segment within the AIF sector, possibly about 13 per cent of the EUR 8.2 trillion AIF market, according to ESMA data, with Ireland and Luxembourg as the largest fund domiciles.¹⁷ Asset composition, investment strategies and investor protections vary greatly between EU countries and fund managers do not have the 'passporting' right that they have for marketing to professional investors.¹⁸
- **ELTIFs** ('European Long-Term Investment Funds') are a category of AIFs managed by an EU-authorized AIFM, benefiting from passporting rights for marketing and distribution rights across the EU. They are specifically designed to facilitate investment in illiquid assets for both retail and professional investors.

Our data in the following parts will show that this segment is still very small, at about EUR 30 billion in assets under management in 2024.

- **Non-EU funds** sold in the EU under national private placement regimes.

Against this backdrop, particular attention must be paid to ELTIFs. The European Commission has been calling out policy makers, industry and practitioners to help build the ELTIF brand, popularizing it as the key entry ticket for retail access to private markets. This renewed political push, especially after the revamp of the Regulation in 2024¹⁹, has sought to catalyse the long-anticipated expansion of ELTIFs across the European investment landscape. However, there are already other Retail AIFs in place to tackle this goal, leaving us daring to ask – is ELTIF being pushed so hard because it is better than the alternative option? And if it is indeed the better vehicle, why has its market uptake remained limited? And from a retail perspective, is this something investors should be wary of?

These questions justify the particular focus on ELTIFs in this research, and they serve as a main driver: **Are ELTIFs the most effective instrument for achieving the SIU's objective of mobilizing retail savings into private markets?** Do ELTIFs genuinely serve the interests of retail investors, or does the current policy push risks directing them toward a framework whose benefits and limitations are not yet fully established?

¹⁷ EFAMA, *EFAMA Fact Book 2025 : Key Findings, 2025* (overall asset size as of end-2024) and ESMA, *Market Report: Costs and Performance of EU Retail Investment Products, 2025* (share of retail AIFs)

¹⁸ European Commission, *Breaking down barriers to integrate financial markets*, December 2025.

¹⁹ Regulation (EU) 2023/606 of the European Parliament and of the Council of 15 March 2023 amending Regulation (EU) 2015/760 as regards the requirements pertaining to the investment policies and operating conditions of European long-term investment funds and the scope of eligible investment assets, the portfolio composition and diversification requirements and the borrowing of cash and other fund rules, *OJ L 80, 20.3.2023*. (ELTIF Regulation 2.0).

Retail participation in private markets is already a reality.²⁰ We therefore focus on understanding whether emerging frameworks, such as ELTIFs, are suitable and effective way for retail investors to access private markets.

Given this growing policy emphasis, a closer examination of the ELTIF framework is needed. The following section therefore analyses the rationale behind the creation of ELTIFs, the key changes introduced by ELTIF 2.0, and the extent to which recent market developments suggest that the revised regime is succeeding in its objectives.

²⁰ See the French example in page 9.

On ELTIFs

Little attention has been given to ELTIFs and the ELTIFs Regulation, especially after the revision that took place in 2023, making a brief overview useful.

While professional investors have had access to funds investing in illiquid assets since at least the adoption of the AIFMD, there was no equivalent solution when it came to indirect retail investments in such assets.

With the UCITS Directive²¹, retail investors were offered a well-established and harmonised framework for investing in highly liquid, transparent public markets, backed by strong investor protection safeguards.²² If the objective was to make it easier for investors to access unlisted investments, including these assets within the UCITS framework would have been fundamentally incompatible with its strict liquidity requirements and tradable nature. Instead, the EU legislator built on the AIFMD framework for fund managers and depositaries, under which AIFs functioned as a broad catch-all category for investments funds outside the UCITS regime. This led to the adoption of the **“ELTIF 1.0”²³ Regulation** in 2016, **as a carve-out designed to accommodate long term illiquid investments for both retail and professional investors.**

ELTIFs came into the market with the goal of channelling capital into under-funded markets with longer maturity, such as infrastructure, real estate or sustainable projects, “[helping] *tomorrow’s economy of the European Union with a view to finance transition to the smart, sustainable and inclusive growth*”.²⁴ It intended to target a broad range of long-term asset classes and to create an investment fund that could also be sold to retail investors. This justified its three core features: (1) specific product rules covering eligible assets and their diversification; (2) a high degree of competence for those who are allowed to manage and market ELTIFs and (3) alignment between the ELTIFs investment horizon and the redemption expectations of its investors²⁵.

The ELTIF framework was supposed to mimic the tried-and-tested UCITS approach on product specifications and risk spreading, but as a distinctive *joya de la Corona*, **the ‘EU sales passport’ allowed asset managers to register the ELTIF with a single national supervisory authority and distribute it in other EU Member**

²¹ Directive 2009/65/EC of the European Parliament and of the Council of 13 July 2009 on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities, OJ L 302 17.11.2009 (UCITS).

²² The market had long remained fragmented because member states applied differing regulatory regimes, ranging from Germany’s restrictive fund-type rules to more flexible, disclosure-based models elsewhere. This fragmentation was further intensified by country-specific tax treatment of illiquid assets and the lack of standardised valuation methods.

²³ ELTIF 1.0 refers to the first generation of ELTIFs launched under the original regulation introduced in 2015. ELTIF 2.0, by contrast, refers to the second generation of ELTIFs launched following the entry into force of the revised ELTIF Regulation in 2024.

²⁴ European Commission, *Explanatory Memorandum in the ELTIF Proposal*, COM (2013)0462, available here: <https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:52013PC0462> .

²⁵ Zetzsche, D. A., *In search of Long Termism : From Restrictive to Enabling Regulation of European Long Term Investment Funds (ELTIFs)*, 2025

States.²⁶ Specific to these investments are the long-term commitment needed and the large scale of financing, compounded by a higher risk profile. This called for long term institutional investors (e.g. pension funds, insurances, etc) and individual investors that could bring much needed capital and benefit from the long-term returns. However, it is useful to note that not all ELTIF can be marketed to retail investors, only those that fulfil a list of conditions.²⁷

Despite this, the regulation had some shortfalls and ELTIFs struggled to gain any meaningful traction in the market. In an earlier study, BETTER FINANCE outlined some of the barriers for uptake²⁸: some asset managers indicated that the ELTIF Regulation was burdened with too much “operational complexity and regulatory restrictions”, others pointed to the inflexibility on portfolio diversification rules and eligible investments. In addition, since the ELTIF did not emerge in response to a demand, but as a regulatory tool to address a market inefficiency, there was *no long-term investment culture* in the retail sector. At the same time, some financial institutions saw in ELTIFs a way to challenge banks’ monopoly in SME lending²⁹, which raised red flags, as such lending structures closely resembled securitisation.

In practice, the outcome was far below expected. Years after adoption, the market reality showed no doubts: of the total 95 authorised ELTIFs, only 85 had been distributed by the end of 2023, with an estimate fund volume of under EUR 14bn³⁰, domiciled in *only* four Member States (Luxembourg, France, Italy and Spain).³¹

ELTIF 2.0

When the ELTIF 1.0 was introduced, the Regulation already provided for a review after five years. Accordingly, a public consultation launched in October 2020³² on how ELTIFs could be more attractive informed the proposal to amend the ELTIF Regulation, which was adopted in 2023. The ELTIF 2.0 entered into force in January

²⁶ This feature was considered a real innovation at the time, as previously only the AIF Manager *itself*, not any individual product managed by him, had passporting rights in the EU.

²⁷ See article 27 of the Regulation (EU) 2023/606 (ELTIF Regulation).

²⁸ BETTER FINANCE, *Obstacles to the Development of the EU ELTIF Market*, 2023.

²⁹ To provide context, in certain jurisdictions where only appointed credit institutions could provide loans to businesses, the provisions of Article 10 (c) of the ELTIF 1.0 Regulation allowed a specialised part of the fund management industry to originate loans as well, see BETTER FINANCE, *Obstacles to the Development of the EU ELTIF Market*, 2023, and Labbe, A., *ELTIF Model brings new approach to lending in France*, 2016 and Pasanisi, J., *France’s Banking Monopoly Cracks Open*, 2017.

³⁰ Scope Fund, *A new era: Overview of the ELTIF Market 2023/2024*, May 2024.

³¹ European Parliament Briefing, *ELTIFs: Delegated Act (RTS) supplementing Regulation (EU) 2015/760*, ECON Scrutiny Session of 30 September 2024.

³² European Commission, *Public Consultation on the Review of the European Longterm Investment Funds (ELTIF) Regulatory Framework*, 2020.

2024 and was subsequently supplemented by ESMA through Regulatory Technical Standards (RTS)³³ issued a few months later.

A new era for ELTIFs seemed to start after that. The new rules were largely seen as very favourable by the players in the market, even after the discussions about the technical regulatory standards raised some more talk. Below we list the main changes:

- **Creation of 2 categories of ELTIFs**

The distinction is now between ELTIFs that can be *solely* marketed to professional investors and ELTIFs that *also* can be sold to retail investors. Concretely, this distinction is visible in the diversification and eligibility requirements that each category has:

	ELTIF 1.0	Retail ELTIFs	Professional ELTIFs
Maximum investment in eligible assets	70%	55%	55%
Maximum investment in instruments issued by or loans granted to a single qualifying portfolio undertaking	10%	20%	No limit
Maximum investment in a single UCITS or EU AIF	10%	20%	No limit
Maximum investment in a single ELTIF, EuVECA's, EuSEFs	10%	20%	No limit

- **Broader scope of eligible assets: funds can now invest in other funds**

Assets are only eligible for investment by an ELTIF if they fall into one of several categories:

- Equity, quasi equity, debt instruments, green bonds or loans granted to a qualifying portfolio undertaking
- Other ELTIF, EuVECA, EuSEF, UCITS and EU AIF managed by EU AIFM
- Real Assets
- Simple, transparent and standardised securitisations (STS)

³³ Commission Delegated Regulation (EU) 2024/2759 of 19 July 2024 supplementing Regulation (EU) 2015/760 of the European Parliament and of the Council with regard to regulatory technical standards specifying when derivatives will be used solely for hedging the risks inherent to other investments of the European long-term investment fund (ELTIF), the requirements for an ELTIF's redemption policy and liquidity management tools, the circumstances for the matching of transfer requests of units or shares of the ELTIF, certain criteria for the disposal of ELTIF assets, and certain elements of the costs disclosure, OJ L 2759 25.10.2024.

- **Managers can now put up to 55% of the fund in eligible assets (previously: 70%)**
For the sake of flexibility and diversification of the portfolio, this means that the fund manager no longer has to keep as much of the fund invested in long-term eligible investments. The remaining balance of 45% can be invested in assets that qualify under the UCITS regime, which includes liquid transferable securities, money market instruments and cash equivalents.
- **The permitted debt ratio is now 50%** (previously 30%)
The fund is now allowed to borrow more money to make investments.
- **Funds can offer more flexible structures, including semi-open-ended products.**
Investors no longer have to be locked in during the fund's early setup phase ('ramp-up period') and any required lock-up period can now be shorter than before.
- **Distribution was facilitated:** a separate suitability test is no longer required. This particular measure was targeted particularly at retail investors and it is applicable to total financial assets portfolio of the retail investor of 500k. The removal of these two restrictions to access to retail investors were thoroughly opposed by BETTER FINANCE at the time.
There's no longer a minimum investment amount of EUR 10.000 nor an upper limit for share of total assets (if less than EUR 500,000).³⁴

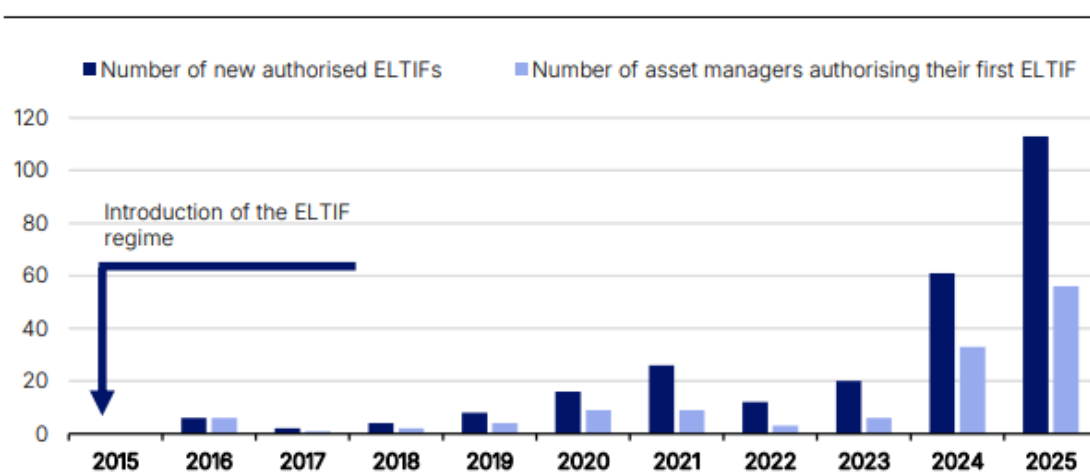
While these measures were intended to promote retail participation in long-term investments, they can be criticised for weakening investor protection. As argued in the past by BETTER FINANCE, the removal of these safeguards exposes retail investors to products that are often illiquid, difficult to value, and relatively high risk, creating an inconsistency whereby retail investors face fewer restrictions when investing in ELTIFs than when accessing certain more liquid and lower-risk investment-grade bonds. For further discussion, see page 29.

³⁴ For further details, see page 29.

Market Overview

The most recent concerning ELTIFs tells us that **the uptake has been massive**. By the end of December 2025, **268** ELTIFs were registered and authorised³⁵ and the size of the ELTIF market in Europe is estimated to be at least **EUR 34.0bn**. Compared with 2024, the market volume has increased by around EUR 12.0bn³⁶. This represents growth of **54.7%**. Of this, EUR 10.5bn were newly raised, while the remaining EUR 1.5bn corresponds to the volume of seven converted products (AIF converted to ELTIF).

Figure 1: Number of ELTIFs per calendar year



Source: Scope Fund 2026

Regarding ELTIF domicile, 55 of the 113 new ELTIFs were authorised by the *Commission de Surveillance du Secteur Financier* (CSSF) in Luxembourg. This continues an existing trend, supported by the large number of asset managers based in Luxembourg. With a total of 151 ELTIFs authorised by the end of 2025³⁷, **Luxembourg remains the leading country for authorised ELTIF products by a wide margin**. France ranks second, with 71 products authorised by the *Autorité des Marchés Financiers* (AMF).

The use of ELTIFs differs across countries. Based on investor origin, **French investors have committed the largest amount of capital to these products**, followed by investors from Germany and Italy. The large uptake by French investors can partially be explained by the introduction in 2024 of a rule requiring **mandatory investment in private assets** within *Plans d'Epargne*

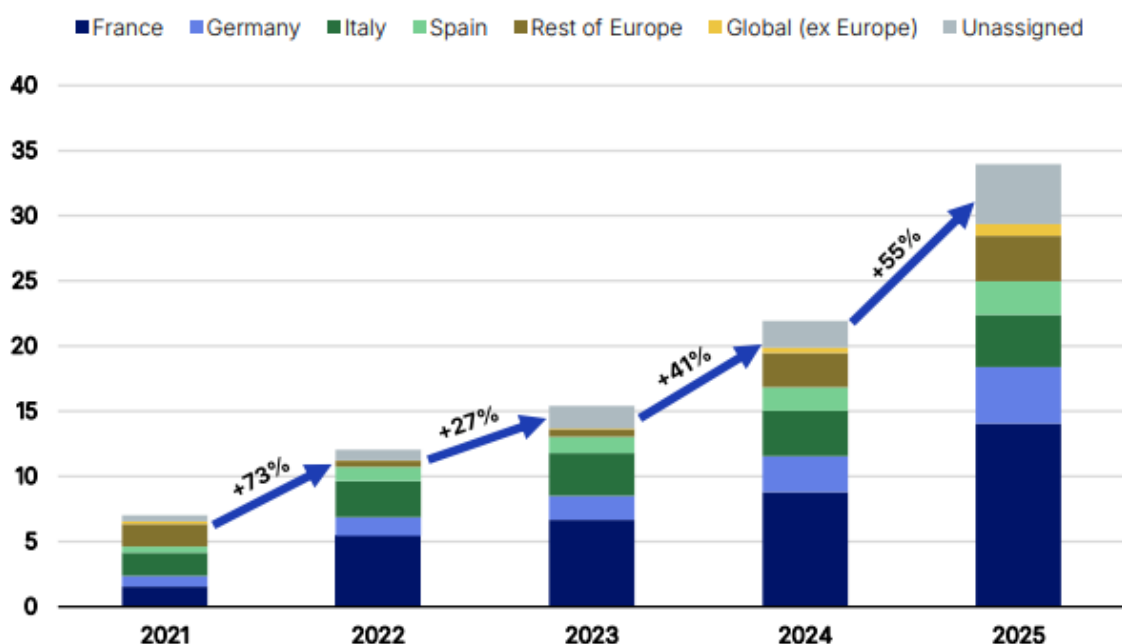
³⁵ Scope Fund, *Mass start successful: ELTIF market overview and 2026 outlook*, April 2026.

³⁶ Ibid.

³⁷ Including funds that have not yet raised capital and those that have already reached maturity.

Retraite (PER, personal pension plans). In practice, for individuals who are more than 20 years away from retirement, at least 8% of contributions must be allocated to private assets³⁸. This requirement applies to **professionally managed plans**, covering more than **70% of personal pension savers** (approximately 12 million people). According to BETTER FINANCE's President Guillaume Prache, this “*forces retail investors with limited financial knowledge to invest significantly more in private assets than institutional investors (who allocate around only 2% to private assets), despite these assets being riskier and illiquid*”.

Figure 2 - ELTIF volume by investors' country of origin



Source: Scope Fund 2026

It is also useful to examine the French market more closely in order to better understand its strong uptake of ELTIFs. In France, ELTIFs offered through insurance wrappers play an important role for retail investors. Under certain conditions and within specified investment limits, ELTIFs may qualify as eligible products for unit-linked life insurance policies and can therefore be purchased by retail investors through such policies. In these cases, the ELTIF must be launched by a French AIFM. Retail investors may benefit from tax advantages when investing in ELTIFs through unit-linked life insurance policies. If the policy is held for at least eight years, no income tax is due on reinvested capital gains. Additional tax benefits may also apply when the policy is paid out after this eight-year period.³⁹

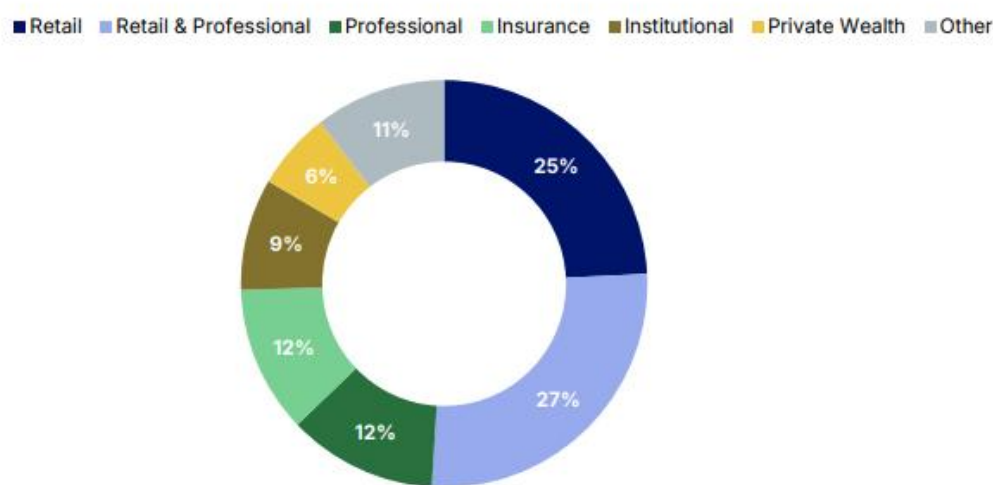
³⁸ Loi n° 2023-973 du 23 octobre 2023 relative à l'industrie verte; Arrêté du 1er juillet 2024 amending the Code des assurances.

³⁹ See the French chapter of BETTER FINANCE's *Will You Afford to Retire?* report, section “Taxation”, which outlines the tax treatment of French pension savings products (including TEE and EET

If we take a look at **investor trends**, almost three quarters of ELTIFs are accessible to retail investors (196). **ELTIFs accessible to retail investors represent at least 74.0% of the number of ELTIFs, while accounting for 69.4% of total fund volume.** The number of retail-oriented ELTIFs has grown more rapidly than that of products intended exclusively for institutional investors. In the past two years alone, 130 ELTIFs targeting retail investors were launched (44 in 2024 and 86 in 2025). Of the 12 ELTIFs launched so far in 2026, the majority are also aimed at retail investors. Given the new products that have come onto the market since 2024 and the announced ELTIFs, the focus on retail investors will continue to increase.⁴⁰

In its most recent ELTIF analysis available, ELTIF providers were questioned on the investor groups they target.⁴¹ The responses indicate that, while providers generally have a clear view of their intended investor base, they often lack granular data on who the actual investors are, since it is typically retained at the level of distribution channels. Because of that, some providers reported distribution or access channels (e.g. brokerage firms or private banks) instead of identifying the end-investor groups directly.

Figure 4 - ELTIF volume by investor type



Source: Scope Fund 2026⁴²

regimes) and notes the introduction of the 30% “PFU” flat tax on most investment income from 2018 onwards; Scope Fund, *Mass start successful: ELTIF market overview and 2026 outlook*, April 2026.

⁴⁰ Ibid.

⁴¹ Ibid.

⁴² For the graphical analysis, the data was harmonised and grouped into higher-level categories to enable a consistent and meaningful representation of the target investor groups. ‘Semi-professional’, ‘brokerage’ and ‘unit-linked retail’ were assigned to the retail segment. In total, at least EUR 8.2bn of the total ELTIF volume is held by retail clients, with a further EUR 9.1bn in products aimed at both retail investors and professional clients. These two groups account for more than 50% of the total.

In total, at least EUR 8.2bn of ELTIF assets are held by retail clients, with a further EUR 9.1bn in products targeting both retail and professional investors. Together, these account for more than 50% of total ELTIF volume.⁴³

This level of retail participation raises questions about the adequacy of existing regulatory safeguards for retail investors, particularly when comparing to other investment product regimes. Against this backdrop, the analysis moves beyond the general question of whether retail access to private markets is desirable – now an established reality! – and focuses on a more specific issue: whether ELTIFs, as a key emerging framework, can provide an appropriate and effective channel for such access.

⁴³ Scope Fund, *Mass start successful: ELTIF market overview and 2026 outlook*, April 2026.

Safeguards

We now turn to a comparative assessment of regulatory safeguards. We examine how the ELTIF framework aligns with, or diverges from, the protections embedded in the UCITS regime and in the Retail AIF framework. Given the particular position of retail investors, who have varying levels of financial literacy and may face structural information asymmetries, the analysis seeks to evaluate whether ELTIFs, as a channel increasingly promoted for retail access to private markets, can provide a level of protection consistent with those expectations. To that end, we will compare four dimensions: liquidity, redemption rights, information disclosure, and costs.

A clarification note should be given. The comparison below concerns features that are not regulated at the same level: UCITS and AIFs are both established via directives whereas ELTIFs are governed under a regulation. This necessarily entails differences in the degree of harmonisation achieved, but we do believe the comparison is still justified. In practice, significant parts of both the UCITS and the AIFMD frameworks are further developed through extensive Level 2 and 3 measures, such that the operational differences are less pronounced than may initially appear. By contrast, the ELTIF regulation has not yet reached the same degree of regulatory concreteness as the AIF framework and to some extent is based on it.

Liquidity & Redemption Rights

Liquidity is central to investor protection, particularly in funds offering redemption rights while investing in less liquid assets. Since illiquidity is inherent to certain asset classes and cannot be entirely avoided, effective Liquidity Management Tools and **appropriate limits on eligible assets a fund may hold**, as they determine a fund's liquidity profile and the level of investor protection. One key expression of these safeguards is the requirement that the portfolio itself maintains sufficient liquidity.

Portfolio liquidity requirements are there to ensure that the fund can meet foreseeable demands from investors to redeem their investment efficiently and at a fair value. **Redemption rights** are particularly important for retail investors, whose need for liquidity may change over time with evolving personal and financial circumstances.

UCITS

UCITS are built for routine redemption. As an open-ended fund structure by default, investors can redeem their shares on a recurring basis.⁴⁴ In practice, that means the **fund is set up to absorb regular in-and-out flow rather than to “lock” capital for a long horizon**. The fund's asset side is also constrained towards

⁴⁴ See article 84 (1) of Directive 2009/65/EC (UCITS).

transferable securities and liquid financial assets, which supports that redemption model.⁴⁵

Operationally, the UCITS administrator processes subscriptions and redemptions, while the depositary monitors safekeeping and cash.⁴⁶ That makes the liquidity procedure relatively standardized and infrastructure heavy.

To support this redemption framework, UCITS must maintain an appropriate degree of portfolio liquidity⁴⁷, taking into account how frequently units can be redeemed. A daily dealing UCITS, for example, will need to maintain a different liquidity profile compared to a UCITS that deals less frequently. To that end, UCITS are subject to a strict eligible-assets regime, where a high percentage of assets must be in liquid, UCITS eligible instruments, with a limited 10% basket for certain non-eligible transferable securities and money market instruments; ancillary liquid assets are also permitted.⁴⁸

Redemptions may be suspended only temporarily, in exceptional circumstances and in the best interest of investors, requiring immediate notification to regulators.⁴⁹ Redemption notices, where applicable, are set by the fund manager and disclosed in the prospectus. While some funds allow immediate redemption, others require notice (e.g., 2 business days or more) to manage liquidity.

AIFs

For AIFs, there is no single redemption template, but instead, a required liquidity system. For an open-ended AIF, the AIFM must have an appropriate liquidity management system and effective procedures matched to the fund's strategy and liquidity profile.

AIFMD II does not impose a standard redemption frequency across all AIFs, but they do require the manager to explain and manage the fund's redemption rights, notice periods, lock-up periods, and when redemptions can be suspended. In every case, investors should be informed of the conditions for the use of liquidity management tools.⁵⁰

In retail AIFs, the exact redemption procedure can differ materially by member state.⁵¹ Retail AIFs may have lock-up periods (up to 5 years in some cases), limited

⁴⁵ See articles 1 (2)(a) and 50 of Directive 2009/65/EC (UCITS).

⁴⁶ See the case for Ireland, in Ogier, *A Comprehensive guide to European long-term investment funds (ELTIF)*, June 2025.

⁴⁷ "Liquidity" in this context means, as elsewhere in this paper, that the security must be capable of being sold at a limited cost in an adequately short timeframe.

⁴⁸ See article 50 of UCITS Directive.

⁴⁹ See articles 60 (3) and 84 (2) (a) of Directive 2009/65/EC (UCITS).for suspension of redemption and article 84 (3), (3 a-f) for notification to competent authorities.

⁵⁰ Commission Delegated Regulation (EU) 2026/465 of 17 November 2025 supplementing Directive 2011/61/EU of the European Parliament and of the Council with regard to regulatory technical standards specifying the characteristics of liquidity management tools, OJ L, 2026/465.

⁵¹ ESMA, *Retail AIFs : Heterogeneity across the EU*, November 2019.

redemption windows, or require longer notice periods, especially for illiquid assets.⁵² Most Retail AIFs offer redemption on a **monthly or quarterly basis** with a **10–30 business day notice period**.⁵³

For both UCITS and open-ended AIFs, when it comes to exit fees, the PRIIPS KID (for retail-investors) must disclose any applicable exit cost, including the maximum charge that may be levied.⁵⁴ If imposed, exit charges are applied when units of a fund are redeemed. However, some national competent authorities emphasize that if significant changes occur in the UCITS (e.g., increased costs or changing investment policy), investors must have the option to exit without charges.⁵⁵

ELTIF

An ELTIF is, in principle, closed-ended until the end of the fund's life, at which point the fund disposes of its assets and investors redeem. If the ELTIF is semi-liquid, redemptions **before the end of the ELTIF's life** are only allowed if all of the following conditions are met⁵⁶:

- the **minimum holding period** has expired (and that holding period cannot be shorter than the initial investment phase);
- the manager can demonstrate, both at authorisation and throughout the fund's life, that it has an appropriate redemption policy and liability management arrangements;
- redemptions remain within the applicable **risk diversification limits**, set at 45% (if requests exceed those limits, they must be satisfied on a **pro rata** basis); and
- all investors are treated **fairly and equally**.

⁵² See Recital 34 of Directive 2011/61/EU (AIFMD II).

⁵³ ESMA, *Retail AIFs : Heterogeneity across the EU*, November 2019.

⁵⁴ See article 5 (3) (a) of Commission Delegated Regulation (EU) 2017/653, of 8 March 2017 supplementing Regulation (EU) No 1286/2014 (PRIIPs) by laying down regulatory technical standards with regard to the presentation, content, review and revision of key information documents and the conditions for fulfilling the requirement to provide such documents and 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), OJ L 352, 9.12.2014.

⁵⁵ An important nuance should be referenced as to redemption fees used as a liquidity management tool, and not necessarily as an ordinary exit fee disclosed in prospectus. Article 4(2) of Commission Delegated Regulation (EU) 2026/466, supplementing the UCITS Directive provides that redemption fees shall be expressed as a percentage of gross redemption orders, as a monetary value, or both, varying accordingly to the size of the redemption order.

⁵⁶ PWC, *An (almost) comprehensive guide to the new ELTIF regulation*, 2025.

Evergreen ELTIFs are designed to allow investors to enter and exit the fund regularly, but this flexibility comes with strict liquidity requirements. To ensure they can meet redemption requests, these funds must hold enough liquid assets to pay out exiting investors. These requirements are governed by Regulatory Technical Standards (RTS), which took effect in October 2024. The RTS outline **two methods** for calculating the **minimum liquidity ratio**: the first combines the fund's redemption frequency with its notice period; the second approach disregards completely the notice period relying only on redemption frequency to determine the liquidity ratio and the portion available for redemptions.⁵⁷

Fund providers have adopted the RTS requirements in various ways. While quarterly redemptions are the most common approach, some evergreen ELTIFs offer more frequent options (monthly, fortnightly, or even daily) while others limit redemptions to annual intervals. Additionally, certain funds impose lock-up periods, particularly during the initial investment or build-up phase, to retain capital for a set period.⁵⁸

Beyond traditional redemptions, evergreen ELTIFs offer alternative exit options for investors. One such option is **matching**, an internal process where existing investors' shares are transferred to new investors without the need to sell underlying assets. The RTS require that providers establish **clear matching policies, execution rules, and comprehensive investor disclosures** to ensure fairness and transparency.

Another exit route is **listing the ELTIF on a stock exchange**, enabling investors to trade shares directly on the market. This provides investors with **price transparency and easy access**, and ultimately the opportunity to buy or sell shares at any time via the stock exchange, rather than subscribing or selling exclusively through the fund company. **Naturally, market liquidity (= underlying valuation) is sacrificed here.** Low trading volumes may result in **unrepresentative price fluctuations** ('volatility mismatch'), which can lead to significant discounts and may not accurately reflect the true value of the investment.

Since 2025, liquidity discussions must also consider Liquidity Management Tools (LMTs).⁵⁹ These are mechanisms available to fund managers to manage redemption pressure during market stress periods, designed to protect both remaining and exiting investors by mitigating first-mover advantages and reducing the risk of forced asset sales. These LMTs are not new, and they can be divided in two broad categories: **quantitative based or anti-diluting tools.** The first category allows managers to push forward their liquidity obligations (e.g. deferring

⁵⁷ See article 8(4) of Commission Delegated Regulation (EU) 2024/2759, which supplements the Regulation (EU) 2023/606 (ELTIF Regulation).

⁵⁸ Scope Fund, *Mass start successful: ELTIF market overview and 2026 outlook*, April 2026.

⁵⁹ Commission Delegated Regulation (EU) 2026/465 supplementing Directive 2011/61/EU (AIFMD) with regard to regulatory technical standards specifying the characteristics of liquidity management tools.

subscriptions and redemptions), and the second instead imposes a charge on investors for the liquidity that a fund is offering to them.

Managers are required to disclose accurately the LMTs they use so that investors, when deciding for an investment, should consider the liquidity profile of a fund.

According to the Delegated Regulation specifying the characteristics of LMTs under AIFMD and the UCITS Directive (for open-ended funds)⁶⁰, it is mandatory for managers to **select a minimum of two appropriate LMTs** of a list comprising: suspension of subscriptions, repurchases and redemptions; redemption gates, extension of notice periods, redemption fee, swing pricing, dual pricing, anti-dilution levy, redemption in kind or side pockets. The mechanisms for (i) suspending subscriptions, repurchases and redemptions and (ii) creating side pockets do not have to be included in the fund documentation in order to be activated, but may *only* be activated in exceptional cases, when circumstances so require, and the interests of the investors in the AIF or UCITS justify this.⁶¹

This is particularly relevant because liquidity can quickly evaporate under redemption pressure, especially in stressed markets. While LMTs are intended to manage such situations, **their use is not without cost**. These costs may arise through pricing adjustments, transaction frictions, delays in redemptions, or dilution effects, and **are not always fully visible to investors**. Although managers of funds are required to select LMTs, there is often limited follow-up disclosure in the prospectus on how these tools operate in practice, what their potential costs are, or under which circumstances they may be activated. Likewise, PRIIPs KIDs **rarely provide meaningful insight into the practical implications for investors**. As a result, investors may know that LMTs exist but not fully understand what their use could mean for liquidity, timing, pricing, or overall returns.

To serve as a concrete example, ESMA Guidelines on LMT refer to Anti-Dilution Tools (ADTs) both under UCITS and AIFMD and they establish that ADTs (i.e.: redemption fees, swing pricing, dual pricing and anti-dilution levy), “*shall take into account the estimated explicit transaction costs*” and “*where appropriate to the investment strategy of the [UCITS/AIF]*”, they “*shall also take into account the implicit transaction costs, including any significant market impact (...)*. **Those implicit transaction costs shall be estimated on a best effort basis**”.⁶²

The ELTIF Manager has the possibility, at its own discretion, to implement **at least one LMT** among the anti-dilution levies, swing pricing and redemption fees. If the ELTIF is marketed to retail investors, the description shall be written in *nontechnical terms* that enable the retail investors to understand these tools.⁶³

Despite this formulation, **liquidity always comes at a cost and often, many of the mechanisms rely on manager estimates rather than observable market prices**, especially where underlying assets are illiquid. Swing factors, anti-dilution

⁶⁰ Ibid.

⁶¹ AMF, *Liquidity Risk Management Guideline*, December 2025.

⁶² ESMA, *Report on amended guidelines on LMTs of UCITS and open-ended AIFs*, December 2025.

⁶³ Article 18(2)(b) of Regulation (EU) 2023/606 (ELTIF Regulation).

adjustments, or redemption charges may be based on models, assumptions, or approximations of transaction costs rather than actual realised costs. This creates **valuation discretion and potential opacity**. Additionally, retail investors are typically not in a position to assess when a tool will be activated, or how the adjustment is calculated, whether it is proportionate, or whether it primarily protects remaining investors, the manager, or redeeming investors. Most importantly, “non-technical disclosure” may satisfy formal transparency requirements, but it does not ensure a clear, comparable understanding of how these tools will affect their actual redemption price, timing of access to capital, or potential dilution under stress conditions. Simplicity of language does not necessarily mean clear insight into the economic impact or visibility towards the short-term future.

Disclosures & Marketing

UCITS

The UCITS framework places disclosure at the centre of investor protection. Its logic is simple: investors should understand what they buy, quickly and clearly. UCITS are required under the UCITS Directive to provide a (1) **prospectus**, (2) periodic reports, and (3) **key investor information document (KID)**, with further guidance issued by European Securities and Markets Authority. These documents are standardised and therefore present relevant content in a logical structure and use language suitable for retail investors.

Since 1 January 2023, UCITS available to retail investors qualify as PRIIPs for which a KID is required pursuant to the PRIIPs Regulation.⁶⁴ The KID serves as a precontractual information document intended for retail investors only. Its function is to communicate the essential characteristics of a UCITS in a manner that is accessible and readily understandable, clearly separate from marketing materials. It shall be drawn up as a short document written in a concise manner and of a maximum of three sides of A4-sized paper when printed, which promotes comparability. To this end, it includes core elements such as the identification of the manufacturer / manager and its competent authority, a brief description of the investment objectives and policy, and a brief description of the risks: risk indicators, the possible maximum loss of invested capital, appropriate performance scenarios, and the assumptions made to produce them, where applicable, information on conditions for returns to retail investors or built-in performance caps and the national tax impact statement. It further sets out the costs and associated charges

⁶⁴ 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).

borne by investors, as well as the risk/reward profile of the investment, accompanied by relevant warnings. In addition, it specifies *where* and *how* investors may obtain supplementary documentation, including the prospectus and periodic reports, free of charge.

The **prospectus** provides a more detailed and comprehensive account of the investment. It contains all material information necessary for an informed assessment of the issuer's financial position, including its assets, liabilities, profits and losses, and future prospects. It also outlines the rights attached to the securities and explains the rationale for the issuance, as well as its anticipated impact. Despite its greater level of detail, the prospectus remains subject to requirements of clarity and structure. It must follow a standardised format and present information in a coherent and easily comprehensible manner. The objective is not only to disclose information, but to do so in a way that remains accessible and meaningful to investors.⁶⁵

Under MiFID II, when UCITS are sold to retail investors on an execution-only basis (i.e., without investment advice), a suitability assessment is not required, although firms may still need to perform an appropriateness test to assess whether the product is suitable for the investor's level of knowledge and experience.⁶⁶

AIFs

Retail AIFs are regulated by AIFM Directive at the manager level, but once they are offered to retail investors, marketing and disclosure requirements become more layered and national rules matter more.

AIFs generally fall within the scope of the PRIIPs Regulation, which also requires a standardised short form disclosure document (a **KID**) to be provided wherever the AIF is made available to retail investors, **prior to the conclusion of any transaction** or investment.

Each AIFM must periodically disclose the following information to investors:

- The percentage of assets which are subject to special arrangements arising from their illiquid nature;
- Any new arrangements for managing the liquidity of the AIF;
- The current risk profile of the AIF and risk management systems employed by the AIFM; and

⁶⁵ See article 69 of Directive 2009/65/EC (UCITS).

⁶⁶ See articles 25(4) and 25(5) of Directive (EU) 2014/65/EU (MiFID II); and articles 35-38 of the Commission Delegated Regulation (EU) 2017/565 (PRIIPs); for more information, see also BETTER FINANCE, *Financial Advice in the EU: Mapping the rules protecting individual investors*, 2025.

- Where an AIFM manages or markets in the EU an AIF employing leverage, it shall disclose on a regular basis, and without undue delay, the maximum level of leverage permitted (as well as any right of re-use of collateral or any guarantee granted under the leveraging arrangement) and the total amount of leverage employed by the AIF.

Articles 108 and 109 of the AIFM Delegated Regulation⁶⁷ set out in detail the content requirements for periodic disclosures in relation to the points listed above, and the mode and frequency of such disclosures.

On the distribution side, MIFID II rules applicable to UCITS apply also when it comes to AIFs. For a retail AIF, the manager or distributor's obligations are subject to MIFID II rules, such as suitability or appropriateness tests, depending on the service provided and on local implementation.⁶⁸

ELTIF

Because an ELTIF is a type of AIF, its disclosure obligations are not only under the ELTIF Regulation but also under the broader AIFMD framework for the fund and manager, especially where AIFMD disclosure rules remain relevant. Similar to UCITS and AIFs, the units or shares of an ELTIF shall not be marketed without prior publication of a **prospectus**.⁶⁹ It must contain all information necessary for investors to make an informed decision, *particularly inform investors about the illiquid nature of the ELTIF*. The prospectus and marketing materials must clearly explain the ELTIF's long-term investment nature, fund duration and any extension options, whether it is marketed to retail investors, investors' redemption rights, and any distribution policy. They should also warn that only a limited portion of an investor's portfolio should be invested in an ELTIF, describe the hedging policy and related derivative risks, disclose the risks of investing in real assets and infrastructure, and provide at least annual updates on the jurisdictions where the ELTIF is invested.

For retail ELTIFs, a PRIIPs KID is also mandatory, following the same standards as we previously highlighted.⁷⁰ Furthermore, any marketing documents should explicitly draw attention to the risk profile of the ELTIF.⁷¹

⁶⁷ Commission Delegated Regulation (EU) No 231/2013 of 19 December 2012 supplementing Directive 2011/61/EU of the European Parliament and of the Council with regard to exemptions, general operating conditions, depositaries, leverage, transparency and supervision

⁶⁸ See article 25(2) of MIFID II. For more information, see BETTER FINANCE, *Financial Advice in the EU: Mapping the rules protecting individual investors*, 2025.

⁶⁹ See article 23 of Regulation (EU) 2023/606 (ELTIF Regulation) and in general, Regulation (EU) No 1286/2014 (PRIIPs Regulation).

⁷⁰ See article 23(1) of Regulation (EU) 2023/606 (ELTIF Regulation).

⁷¹ See Recital 41 of Regulation (EU) 2023/606 (ELTIF Regulation).

When it comes to distribution obligations, the revised ELTIF framework marks a clear shift towards accessibility, particularly for retail investors. Under ELTIF 1.0, distribution was operationally burdensome. Managers were required to maintain local facilities in each Member State where retail investors were targeted. These facilities handled subscriptions, payments, redemptions, and the provision of information. ELTIF 2.0 removes this obligation entirely.

The investor protection standards were also (poorly) recalibrated. Notably, **there is no longer a requirement to provide investment advice when marketing ELTIFs to retail investors.** Only a **suitability assessment under MiFID II remains mandatory in all cases.**⁷² This requirement applies irrespective of the distribution channel, whether the investment is made directly through the ELTIF manager, via a distributor, or on the secondary market.

This innovation created some of uncertainty. Namely, if an AIFM / investment firm tells an investor that an ELTIF is “suitable” for them based on their personal circumstances, risk tolerance and investment objectives, most retail investors are likely to understand this as a recommendation to invest, even where a disclaimer states that “this does not constitute investment advice”.⁷³ Yet the regulation simultaneously states that providing such a suitability statement doesn't automatically constitute investment advice⁷⁴. In practice, the distinction is difficult to maintain, and it can be problematic, especially if the ELTIF doesn't perform as expected. In that case, who is liable for the advice given?

DSW, a member of BETTER FINANCE within the ESMA Securities and Markets Stakeholder Group has also highlighted a significant practical issue arising from this framework in Germany. German-language prospectuses are often labelled as “convenience translations”, meaning they may not be legally binding in court proceedings. In addition, retail investors attempting to access key documents such as the KID or the prospectus on certain ELTIF managers' websites are required to confirm that they either qualify as professional investors or, where acting as retail investors, have already undergone a MiFID II suitability assessment and received the corresponding suitability statement. As a result, **a retail investor who is legally entitled to receive a KID before making an investment decision is, in practice, unable to access it from the website of this ELTIF manager without misrepresenting his own investor status.**

One important investor protection measure in the ELTIF framework is the requirement to inform retail investors about the limited liquidity of the product. To avoid misunderstandings, the manager of the ELTIF should issue a clear written alert to retail investors that the availability of a matching mechanism does not

⁷² See article 30 of Regulation (EU) 2023/606 (ELTIF Regulation).

⁷³ For more information, BETTER FINANCE has analysed the circumstances under which a service can amount to a financial advice in BETTER FINANCE, *Financial Advice in the EU: Mapping the rules protecting individual investors*, 2025.

⁷⁴ See article 30 of Regulation (EU) 2023/606 (ELTIF Regulation): “Providing a statement on suitability in accordance with the first subparagraph of this paragraph shall not, in itself, be considered to constitute the provision of investment advice to the retail investor.”

guarantee the matching or entitle retail investors to exiting or redeeming their units or shares of the ELTIF concerned.⁷⁵ When presented in marketing communication to retail investors, the availability of a matching mechanism should not be promoted as a tool that guarantees liquidity upon request.

The most visible and concerning change concerns entry thresholds. Under ELTIF 1.0, access was restricted: a minimum investment of EUR 10,000 was required, and for portfolios below EUR 500,000, exposure to ELTIFs was capped at 10%. These constraints have been abolished. ELTIF 2.0 introduces a fully open entry model, with no minimum subscription and no portfolio-based cap. This significantly lowers barriers to entry and broadens the potential investor base.

BETTER FINANCE has opposed this change, but the Commission and the legislators disregarded our objections. **The overall concern being that retail investors are being given easier access to higher-risk products, while access to safer investments remains more restricted. Safer, liquid assets (like investment-grade corporate or government bonds) often require high minimum investments (e.g. EUR 100,000); while riskier, illiquid private assets now have no such restrictions.**

Moreover, it is to be noted **that managers of retail-distributed ELTIFs are subject to the product governance rules under MiFID II**⁷⁶, including identification of the target market for each ELTIF managed.

Costs

UCITS

When taking the decision of investing, the investor receives information on the fund through the PRIIPs KID. This document focuses primarily on product-level costs, including maximum entry and exit fees, ongoing management fees, transaction costs and potential performance fees. The actual one-off costs charged to investors is unknown, and it may not be known by fund managers because distributors can charge these fees directly. Data from fund managers shows that the **actual entry and exit fees charged to investors are often much lower** than the maximum fees disclosed in the PRIIPs KID. For equity, bond, and mixed UCITS funds, the actual fees charged were between **38% and 96% lower** than the **stated maximum fees**.⁷⁷ This means these fees can vary depending on investment size and the investor's negotiating power.

⁷⁵ See Recital 33 of Regulation (EU) 2023/606 (ELTIF Regulation).

⁷⁶ See article 30 of Directive 2014/65/EU (MIFID II).

⁷⁷ ESMA, *Market Report on total costs of investing in UCITS and AIFs*, November 2025.

A large part of the total investment costs **comes from distribution costs⁷⁸, which are not included in the PRIIPs disclosure** but are **captured through MiFID II transparency requirements**. MiFID II currently requires disclosure of costs and charges related to the financial product and distribution services as well as the complete fee structure actually incurred by the investor.⁷⁹ According to the data reported by the distributors participating in the data collection of a report produced by ESMA, in 2023, **on average, distribution costs represent around 0.5% of the invested amount, or about 48% of total investment costs, with neo-brokers providing the cheapest ones (25%).⁸⁰** Services as investment advice, independent and non-independent, together with portfolio management, generally have higher fees. This also potentially reflects the additional resources required to deliver them (e.g., qualified advisers, product assessment, client suitability assessment).

Inducements play a key role in the distribution system. They influence both the overall cost of investment services and the way financial products are promoted and offered to investors.⁸¹ Disclosure and reporting requirements are important for transparency because they help investors better understand the incentives behind how investment products are distributed and sold. **Under current MiFID II cost disclosure rules, it is not always clear how much of each service fee comes from inducements.** Across Europe, inducement arrangements vary and may apply to ongoing fees (such as management fees), one-off charges (such as entry or exit fees), or both.

AIFs

AIFs do not have the same reporting obligation as UCITS. Nevertheless, there are overlapping requirements when an AIF is marketed to retail investors. In this case, when AIFs are sold to retail investors and the supervising NCA has opted for pre-notification (art.5(2) PRIIPs Regulation), AIFs report a PRIIPs KID. Similarly, when distributed through a firm subject to MiFID requirements⁸², MiFID II cost transparency requirements apply.

⁷⁸ Distribution costs consist of advice costs, transaction costs, and other distribution-related costs that do not fall within other category.

⁷⁹ See articles 24 (4) and 50 of Directive 2014/65/EU (MIFID II) together with Annex II of Commission Delegated Regulation (EU) 2017/565 (supplementing PRIIPs); see also article 24b of the European Commission Proposal for a Directive amending, inter alia, Directive 2014/65/EU (MiFID II) as part of the Retail Investment Strategy package, COM(2023) 279 final, which proposes the introduction of annual reporting on all actual costs and charges incurred by the investor, including separately itemised inducements.

⁸⁰ ESMA, *Market Report on total costs of investing in UCITS and AIFs*, November 2025.

⁸¹ For further explanation, see BETTER FINANCE, *Evidence Paper on the Detrimental Effects of Inducements*, 2022.

⁸² Investment funds may be distributed through insurance-based investment products (IBIPs), such as life insurance or personal pension products, in which case distribution is governed not by MiFID II but by Directive (EU) 2016/97 on insurance distribution (IDD).

Regarding cost disclosures, the AIFMD does contain important provisions on cost transparency⁸³, but given that these funds are mainly targeted to professional investors, there is a lesser need for detailed disclosures as the PRIIPs Regulation or the distribution regimes under MiFID II and the Insurance Distribution Directive ('IDD').⁸⁴ AIFs report fewer distribution costs mainly because they are sold in a simpler way than UCITS. They usually do not rely on large retail distribution networks or financial advisers, but are instead sold directly to institutional investors, pension funds, insurance companies, and wealthy private clients. Differences therefore arise depending on whether the AIF is marketed directly to retail investors or indirectly through another retail investment product, such as an IBIP, pension product, or fund-of-funds structure, each of which may trigger additional disclosure obligations.

Similarly to the KID in UCITS, maximum values of one-off fees do not reflect actual values, levied by manufacturers. Distribution costs are around 27% of total costs, and ESMA was able to conclude that **institutional investors pay less than retail clients**, especially in terms of distribution costs. **Inducements are less than 35% of ongoing costs.**⁸⁵

As seen in the UCITS analysis, the biggest costs are still for advice and portfolio management, since AIFs are often more complex and require specialist expertise and risk management. This also reflects their target audience: UCITS are mainly for retail investors, while AIFs focus on professional investors. There are also notable differences in total costs for retail AIFs across distributor types and countries. Overall, distribution costs make up a smaller part of total costs for AIFs than for UCITS, and costs still vary depending on country and distributor type.

ELTIF

In the recitals of ELTIF 2.0, it comes clear that adequate disclosure of fees and charges is critically important for the evaluation of an ELTIF as a potential investment target by investors.⁸⁶ As such, managers need to disclose in the ELTIF prospectus information about fees related to investing in that ELTIF, aligned with PRIIPS requirements.

ELTIFs are subject to specific cost disclosure requirements which shall include:⁸⁷

⁸³ For cost disclosure requirements, see articles 22 and 23 of the Directive 2011/61/EU (AIFMD), articles 103 to 111 of the AIFMD Delegated Regulation (Commission Delegated Regulation (EU) No 231/2013) and related Annex IV including a reporting template for regulatory reporting.

⁸⁴ Directive (EU) 2016/97 of the European Parliament and of the Council of 20 January 2016 on insurance distribution (IDD), *OJ L 26*

⁸⁵ ESMA, *Market Report on total costs of investing in UCITS and AIFs*, November 2025.

⁸⁶ See Recital 37 of Regulation (EU) 2023/606 (ELTIF Regulation).

⁸⁷ PWC, *An (almost) comprehensive guide to the new ELTIF regulation*, 2025.

- **Costs of setting up the ELTIF**, including administrative, regulatory, depositary, custodial, professional service, audit costs and other costs related to the setting up of the ELTIF, irrespective of whether those costs are paid to the ELTIF manager or to a third party.
- **Costs related to the acquisition of the assets**
- **Management and performance related fees**, comprising all the payment to the ELTIF manager and its delegates, *except* when such payments correspond to costs related to the acquisition of assets.
- **Distribution costs**, comprising all administrative, regulatory, depositary, professional service and audit costs related to distribution.
- **Other costs**, that shall be expressed as a percentage of the fund's net asset value of the over one year, namely fees set aside for handling gains and losses, operating costs shared with third parties, payments for services needed to run the fund (investment advice, prime brokers and collateral manager, legal fees, etc).

The overall cost ratio shows how much it costs to run the fund each year compared to the fund's total value. It is updated annually, includes taxes, and is shown as a percentage.

There is currently no ESMA report specifically covering market costs for ELTIFs. That would provide a more realistic picture of actual costs, valuable for this analysis. This also highlights the need for ESMA to extend its reporting to include ELTIFs more explicitly given its current popularity.

To conclude this segment, we understand that costs are not directly comparable across regimes. Cost disclosures for retail investment products are governed by overlapping but distinct regulatory regimes, primarily the PRIIPs Regulation and the distribution frameworks under MiFID II and, where applicable, the IDD. As a result, retail investors may receive different cost disclosures depending on the distribution channel and product structure.

Key Takeaways

Some general observations can be made after the extensive comparisons. The first being that UCITS were conceived for the retail market, while AIFMD was principally focused on AIFMs managing funds for professional investors. The key difference between the two regimes is that UCITS establishes a highly harmonised product regime, including detailed rules on eligible assets, diversification and portfolio composition. By contrast, AIFMD primarily regulates the manager and the risk management framework, rather than setting UCITS-style uniform investment restrictions at fund level. As a result, AIFs operate within a more flexible and heterogeneous product landscape, with investment strategies largely determined at fund level subject to general risk and governance requirements. This is why AIFs are often described in policy terms as a broad or heterogeneous category of funds that fall outside the UCITS regime, rather than a harmonised product standard. Second, UCITS are subject to a more harmonized retail disclosure regime, centred on a prospectus and standardised pre-contractual disclosures, including the PRIIPs Key Information Document (or UCITS KIID where still applicable under transitional regimes), whereas retail AIFs are subject to AIFMD disclosure rules supplemented by retail-marketing, PRIIPs, and national requirements, making their disclosure framework less uniform across the EU.

A third observation being that private markets will never operate on a level playing field with listed markets. Different investment instruments have different levels of liquidity, of risk features and of constraints. The more critical question, however, is not this difference itself, but whether the targeted investors, especially more vulnerable, receive protections that are truly aligned with the risks they are exposed to.

Fourth, the benchmarks used in this comparison are themselves far from perfect. Both UCITS and Retail AIFs have undergone continuous legislative revisions precisely because shortcomings in investor protection, transparency and market practices persist. Their regulatory frameworks are still evolving in response to recurring concerns and market developments, but they are nonetheless the alternatives in place and the reference frameworks against which ELTIF safeguards can be assessed.

In the end, to answer the question of what safeguards are in place to protect retail investors in Retail AIFs versus ELTIFs, the comparative analysis across liquidity, redemption rights, disclosure, and costs suggests that **ELTIFs may offer a lower level of investor protection in several key areas relative to UCITS**. While they expand access to private markets, their framework often prioritizes market growth over the specific needs and vulnerabilities of non-professional investors.

ELTIFs do not currently offer retail investors the same level of protection as UCITS, despite now being marketed more widely to non-professional investors. While ELTIF 2.0 was designed to open private markets to retail participation, it mainly achieved this by removing investment barriers, rather than by strengthening investor safeguards proportionally to the risks involved.

In terms of liquidity and redemption rights, when compared to UCITS, ELTIFs expose retail investors to lower liquidity, limited redemption rights, longer lock-up periods, complex valuation mechanisms, and greater uncertainty regarding access to their capital during stressed market conditions. UCITS offer the strongest protections, with open-ended structures, frequent redemptions, and strict portfolio liquidity requirements ensuring that a high percentage of assets are held in liquid instruments. ELTIFs, however, are closed-ended by default and remain fundamentally illiquid investments. Even where alternative exit mechanisms exist, such as matching systems or secondary market trading, these do not guarantee that investors will be able to exit their investment. If no buyer is available, the investor may remain locked into the fund until its maturity. Secondary market liquidity, where available, is not guaranteed and depends on investor demand. Although Liquidity Management Tools are presented as safeguards, in practice they can delay withdrawals, adjust redemption prices, or impose additional costs on investors, often based on manager discretion and difficult-to-verify estimates.

When it comes to disclosure and marketing, UCITS set the benchmark with standardized documents like the prospectus and PRIIPs KID, which try to provide clear, accessible information on costs, risks, and performance. Moreover, for both UCITS and Retail AIFs, the MiFID II suitability test is mandatory when sold to retail investors (if advice is provided). However, under ELTIF 2.0, distributors are required to carry out a suitability assessment when marketing ELTIFs to retail investors, even where investment advice is not formally provided. In practice, especially under MiFID II and stricter interpretations like in Germany, telling an investor a product is 'suitable' can easily be perceived as a recommendation. So how do you ensure this requirement actually protects retail investors, rather than creating confusion about whether they are receiving advice.

Most importantly, the effectiveness of the disclosure regime depends on retail investors being able to access the relevant information in the first place. Yet practical barriers have been identified in some jurisdictions. For example, in Germany, German-language prospectuses may be labelled as "*convenience translations*" and therefore may not be legally binding in court proceedings. In addition, certain ELTIF managers require website visitors to confirm that they are professional investors or, if retail investors, that they have already undergone a MiFID II suitability assessment and received a suitability statement before they can access key documents such as the KID or prospectus. As a result, retail investors who are legally entitled to receive these documents before making an investment decision may, in practice, be unable to access them without misrepresenting their investor status.

On the cost front, UCITS provide the most transparent framework, with PRIIPs KIDs and MiFID II disclosures offering detailed insights into fees, though actual costs can still vary significantly. Retail AIFs, while less prescriptive, still offer some level of transparency through PRIIPs and AIFMD requirements, but both are template-based and highly structured. ELTIFs, however, suffer from a lack of standardized cost reporting so far. The absence of ESMA data on actual market costs may limit investors' ability to form a clear view of total cost structures. The long-term fee

structures and opaque LMT adjustments, further exacerbates the risk of misalignment between investor expectations and reality.

Distribution costs often represent a significant share of the total investment expense. In the case of ELTIFs, this issue may become even more pronounced due to their cross-border “product passport” structure, which relies heavily on distribution networks and intermediaries across different Member States. As a result, the overall cost structure can become more difficult for retail investors to identify and understand. To obtain a complete picture of the fees attached to an ELTIF investment, investors must combine information from different disclosure regimes, notably the PRIIPs KID and the MiFID II costs and charges disclosures. However, as ESMA itself acknowledges, the information provided under these frameworks is not easily comparable, **“especially for a retail investor, complicating their investment decision”**.⁸⁸

From an investor protection perspective, the main concern is that ELTIFs are increasingly accessible to retail investors while retaining many of the structural risks traditionally associated with professional-market AIFs. The framework therefore creates a clear imbalance: easier access to complex and illiquid products without an equally robust increase in protections for the non-professional investors expected to bear those risks.

BETTER FINANCE had already raised these questions ahead of the revamp of ELTIF 2.0. Additionally, the retail private asset market (e.g. in France) is already very large. In some cases, retail-focused funds are bigger than the entire ELTIF market. This raises the question of why ELTIFs are not more widely adopted despite regulatory support.

⁸⁸ ESMA, *Market Report on total costs of investing in UCITS and AIFs*, November 2025.

Conclusion & Policy Recommendations

Private markets will never mirror the transparency, liquidity, or accessibility of listed markets. Illiquidity is inherent, and no fund structure can fully overcome this reality. The **retailisation of private markets is already in motion**, driven by political momentum and the EU's push to channel household savings into productive investments. But is ELTIFs the right stop? This study sought to assess whether **ELTIFs, positioned as the EU's flagship vehicle for retail access to private markets, are truly the most effective and investor-friendly solution.**

Retail access to private assets almost always requires an intermediary structure. In practice, direct investment by individuals in infrastructure, private equity, or other long-term assets is often unrealistic due to the complexity, scale, duration, and operational burdens involved. Fund structures such as ELTIFs can therefore play a useful role by providing diversification, professional management, and administrative simplicity. Retail investors should not be entirely excluded from private market opportunities simply because those markets are complex.

However, the truth is that ELTIFs do not solve the core challenges of liquidity risk, information asymmetry, or investor protection. **ELTIFs in their current form do not adequately address the risks of private markets for non-professional investors.**

Liquidity Management Tools (LMTs) may be difficult for retail investors to fully understand, with implicit costs and activation triggers often **hidden in fine print or omitted from KIDs**. Maybe that's partly the reason why asset managers have been reluctant to channel significant capital into ELTIFs.

If retail participation in private markets is to continue expanding, stronger safeguards remain necessary. That means, essentially:

- **Mandate granular and comparable, ELTIF-specific retail performance reporting**, allowing investors to make informed comparisons. At present, retail investors have fragmented information, where costs, return expectations, and risk profiles are often disclosed in ways that are technically compliant but not genuinely comparable across funds or jurisdictions. It could also be under the same standardized cost and performance reporting document ESMA put forward for UCITS and AIFs⁸⁹.
- **Ensure harmonised cross regime comparability of cost and performance disclosures.** The objective should be to ensure that the same cost items are presented in the same way everywhere, with comparable definitions for

⁸⁹ *Ibid.*

entry charges, management fees, portfolio transaction costs, performance fees, and any liquidity-related charges.

- **Reintroduce minimum investment thresholds or equivalent suitability gates** for the riskier illiquid retail private market products, **whether it is legally or economically owned by the retail investor**. This is important as, in France about two thirds of investment funds sold to retail investors are via unit-linked insurance-regulated products (IBIPs) , where the legal owner is the insurer, but the economic one (i.e. the one who bears the risks and rewards, and costs) is the retail investor. We would also reinstate the 10% cap for investors with financial portfolios of below 500 K. This would prevent non-professional savers from taking up a risk they don't fully understand, disproportionate to their liquidity needs. A threshold can serve as a simple backstop where suitability assessment alone may not be enough.
- **Make LMT disclosure more investor-readable and scenario-based**, so retail investors can understand both how these tools work and what they may cost them. The current language often explains the mechanics in legal terms but does not clearly show the practical consequences for access to money, valuation, or exit timing.
- **Issue supervisory convergence guidance on digital suitability assessments for ELTIF distribution**, especially for fully online points of sale and execution-only operations. NCAs or ESMA should require firms test understanding, how they document the investor's time horizon and liquidity needs, and how they prevent that a form-based compliance doesn't replace a genuine personalised assessment.

While fostering economic growth across the EU is a legitimate policy objective, expanding retail investor access to illiquid private assets addresses this challenge through the wrong means. Rather than weakening investor protection safeguards, EU policymakers should focus on mobilising long-term institutional investors, such as pension funds and insurers, and on developing deeper and more liquid listed SME markets.

Without clearer safeguards and genuinely understandable disclosures, retail access risks becoming easier in form than safer in substance. BETTER FINANCE recommends that regulators better monitor actual returns delivered to retail investors, highlight the risks of private assets, and avoid policies that result in retail investors being channelled into illiquid products without sufficient understanding of associated risks.

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BETTER FINANCE is the European federation representing individual savers, investors, and financial services users. Dedicated to promoting transparency, fairness, and accountability, it works to ensure that Europe's financial system serves the real economy and the best interests of its citizens. BETTER FINANCE is a European federation consisting of 40 member organisations across 25 countries. It represents millions of individual investors and other users of financial services and has operated with EU support since 2012. We empower citizens with independent information and education, advocate for fair access to financial markets, and call for policies that place people at the heart of financial decision-making. Through participation in EU advisory groups, research-based advocacy, educational initiatives, and campaigns, we strengthen investor protection, enhance financial literacy, and advocate for effective supervision and governance.



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