

**Guidance Notes on Establishing a  
European Long Term Investment Fund  
(ELTIF) in Malta**

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## Glossary

MFSA	Malta Financial Services Authority
EU	European Union
ELTIF	European Long-Term Investment Fund
AIF	Alternative Investment Fund
AIFM	Alternative Investment Fund Manager
AIFMD	Alternative Investment Fund Managers Directive
UCITS	Undertakings for Collective Investment in Transferable Securities
MiFID II	Markets in Financial Instruments Directive II
PRIIPs	Packaged Retail and Insurance-based Investment Products
EuVECA	European Venture Capital Fund
EuSEF	European Social Entrepreneurship Fund
CBDF	Cross Border Distribution of Funds Directive

# Introduction

European Long-Term Investment Funds (ELTIFs) are regulated investment vehicles designed to channel capital into long-term projects that support sustainable economic growth across the European Union. ELTIFs play a key role in financing areas such as infrastructure, real assets, private equity, and small and medium-sized enterprises (SMEs), thereby contributing to the EU's long-term economic and strategic objectives.

The ELTIF framework was first introduced in 2015 through Regulation (EU) 2015/760, with the aim of fostering a long-term investment culture within the Union and facilitating access to long-term finance for the real economy. However, due to the restrictive nature of the original regime - particularly the narrow eligible asset criteria, stringent diversification and concentration limits, and retail investor investment constraints - the framework saw limited uptake by the industry.

In response, the European Commission initiated a comprehensive review of the ELTIF regime to address these structural shortcomings and enhance its attractiveness. This process culminated in the adoption of the revised ELTIF framework, commonly referred to as ELTIF 2.0, set out in Regulation (EU) 2023/606, which has applied since January 2024.

ELTIF 2.0 introduces a more flexible and market-oriented framework, significantly simplifying the original rules while maintaining robust investor protection standards. The reforms are intended to facilitate wider use of ELTIFs as a long-term financing tool and to strengthen their role in supporting sustainable investment across the Union.

The sections below outline key elements of the ELTIF framework<sup>1</sup>.

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<sup>1</sup> [Regulation \(EU\) 2023/606 of the European Parliament and of the Council of 15 March 2023 amending Regulation \(EU\) 2015/760](#) supplemented by [Commission Delegated Regulation \(EU\) 2024/2759 of 19 July 2024](#) supplemented by supervisory convergence measures issued by ESMA.

## Investment Universe and Eligibility

- At least 55% of the ELTIF's capital must be invested in eligible investment assets, as defined under the Regulation.
- Eligible undertakings include a broad range of qualifying portfolio undertakings, accommodating investments in fintech and other innovative companies, provided they meet the applicable regulatory criteria.
- Listed qualifying portfolio undertakings are eligible provided that their market capitalisation does not exceed €1.5 billion.
- Green bonds, including European Green Bonds and bonds issued by qualifying portfolio undertakings, qualify as eligible assets subject to the Regulation.
- Simple, Transparent and Standardised (STS) securitisations are eligible, provided they comply with the Securitisation Regulation and meet the ELTIF asset eligibility conditions.
- Real assets are eligible without the need to demonstrate a clearly identifiable economic or social benefit, allowing broader real asset strategies.
- There is no minimum value threshold for individual real asset investments.
- ELTIFs may invest in UCITS and EU AIFs, in addition to ELTIFs, EuVECAs and EuSEFs, provided such underlying funds themselves invest in eligible investment assets in accordance with the Regulation.

## Fund Structure and Operations

- ELTIFs may be structured as closed-ended or may allow redemptions during their lifecycle. Where redemption rights are granted, the ELTIF must comply with the applicable liquidity management and redemption policy requirements.
- ELTIFs may be established in master-feeder structures, subject to the requirements of the ELTIF Regulation, including the obligation for feeder ELTIFs to invest a substantial proportion of their assets in a master ELTIF.
- ELTIFs may adopt fund-of-funds strategies and invest in eligible underlying funds, including ELTIFs, EuVECA, EuSEF, UCITS and certain EU AIFs, subject to the eligibility and diversification requirements set out in the Regulation.
- Arrangements facilitating the secondary trading of ELTIF units or shares between investors may be established, provided that such arrangements do not create an expectation of liquidity or redemption by the ELTIF.
- ELTIFs now benefit from more flexible borrowing/leverage limits.

## Diversification and Concentration Rules

- Exposure to a single qualifying portfolio undertaking may reach up to 20% of the ELTIF's capital.
- Investments in a single underlying fund may represent up to 30% of the ELTIF's capital.
- Where ELTIFs are marketed exclusively to professional investors, diversification and concentration limits do not apply, subject to appropriate disclosure and governance safeguards.

## Retail Investor Access

- There is no minimum initial investment amount for retail investors.
- Retail investors are not subject to a portfolio exposure cap, regardless of the size of their financial instrument portfolio.
- Suitability assessments are conducted in accordance with MiFID II, without ELTIF-specific additional requirements.
- The regime includes enhanced disclosure and investor protection measures, including clearer risk disclosures and improved cost transparency.

# Marketing and Passporting

The ELTIF regime, updated by ELTIF 2.0 introduces harmonised and robust marketing rules to ensure transparent, fair, and well-governed distribution of ELTIFs to both professional and retail investors across the EU. The new framework is aimed at enhancing investor protection, broadening accessibility, and clarifying the obligations of fund managers and distributors.

## Authorisation and Passporting:

- Only EU Alternative Investment Funds (AIFs) managed by authorised EU AIFMs can apply for ELTIF status.
- ELTIF authorisation is granted by the competent authority of the home Member State of the ELTIF.
- Once authorised, ELTIFs benefit from an EU marketing passport, enabling cross-border distribution to professional and retail investors within the EEA, subject to the submission of the required documentation to the home competent authority and the notification procedure between the home and host competent authorities.

## Marketing to Professional Investors:

- Tailored rules and exemptions apply to ELTIFs marketed solely to professional investors, allowing greater flexibility while maintaining effective supervisory oversight.
- ELTIFs may be marketed to professional investors following the notification procedure under the AIFM Directive.
- Pre-marketing activities are permitted for professional investors, provided they do not constitute an offer or enable subscription.

## Marketing to Retail Investors:

- Marketing ELTIFs to retail investors triggers additional investor protection and suitability requirements under the ELTIF Regulation, designed to ensure an appropriate level of retail investor protection.

## MiFID II Product Governance:

- The ELTIF manager must comply with MiFID II product governance rules, including defining a target market, ensuring the fund's features match the needs and risk profiles of intended investors, and maintaining robust product approval processes.

## Suitability Assessment:

- Distributors or managers must perform a MiFID II suitability test for each retail investor, regardless of whether the investment is made directly, through a distributor, or on the secondary market. A suitability statement must be provided to the retail investor.

## No Additional Liability:

- The ELTIF's legal form must not expose retail investors to further liability or require additional commitments beyond their initial investment.

## Complaint Handling:

- Managers must maintain accessible complaint-handling procedures, allowing retail investors to submit complaints in any official language of their Member State

## Transparency and Disclosure:

- ELTIFs must publish a comprehensive prospectus, disclosing investment objectives, strategy, risks, costs, and redemption terms, enabling investors to make fully informed investment decisions.
- Ongoing transparency obligations require regular reporting on portfolio composition, performance, and any material changes affecting the fund.

## Pre-Marketing Restrictions for Retail Investors:

- Pre-marketing of ELTIFs is permitted only in respect of potential professional investors, using the harmonised definition of professional investors under the Cross Border Distribution of Funds Directive (CBDF). Pre-marketing to retail investors is prohibited.

## Reporting and Disclosure

The ELTIF framework establishes comprehensive reporting and disclosure obligations to ensure transparency, investor protection, and regulatory oversight throughout the lifecycle of the fund.

### Investor Disclosures

ELTIFs must provide investors with clear, comprehensive, and regular information, both at the outset and on an ongoing basis. Key requirements include:

- **Prospectus and Marketing Materials:** The prospectus must clearly state the ELTIF's long-term investment objectives and investment strategy, the types of eligible assets, and the illiquid nature and long-term horizon of the investments. It must also specify the fund's expected lifetime, any extension rights, the conditions governing redemptions (where applicable), and the frequency and conditions of any distributions.
- **AIFMD Disclosures:** ELTIFs must comply with Article 23 of the Alternative Investment Fund Managers Directive (AIFMD), providing investors with information on the investment strategy and objectives, asset types and associated risks, the use of leverage, the identity and duties of the AIFM and depositary, valuation procedures, liquidity management arrangements, redemption rights, and all fees, charges and expenses borne directly or indirectly by investors.
- **Annual Updates:** Investors must be informed at least annually of the jurisdictions in which the ELTIF is invested, as well as any material changes to the ELTIF's structure, strategy, risk profile or investment policy.
- **Retail Investor Protection:** Where ELTIFs are marketed to retail investors, a Key Information Document (KID) must be prepared and published in accordance with the PRIIPs Regulation. The KID must provide retail investors with standardised information on the product's features, risks, costs, performance scenarios, and recommended holding period.

### Regulatory Reporting

- **Notification of Material Changes:** The ELTIF manager must notify the competent authority in writing at least one month before implementing certain changes to the redemption policy or other key conditions of the ELTIF. Where a change is unforeseeable and beyond the manager's control, notification must be made as soon as the manager becomes aware of the change.

- **Redemption and Liquidity Management:** The redemption policy must be clearly documented and disclosed to both investors and regulators, including the timing and procedures for redemptions, the liquidity management tools available to the ELTIF, the entities responsible for their activation, and measures designed to mitigate dilution effects and ensure the fair treatment of investors.
- **Valuation and Stress Testing:** The ELTIF manager must describe the valuation procedures applicable to the ELTIF's assets. In addition, where required under the AIFMD and the ELTIF Regulation, the manager must provide the competent authority with the results of liquidity stress tests, including the underlying assumptions and inputs.
- **AIFMD Article 24 Regulatory Reporting:** In addition to ELTIF-specific reporting, the ELTIF manager must comply with the ongoing reporting obligations under Article 24 of the AIFM Directive. This includes the regular submission to the competent authority of information on the ELTIF's principal markets and instruments, main exposures and concentrations, risk profile and risk management arrangements, the use of leverage (where applicable), liquidity arrangements and any special arrangements arising from illiquid assets, as well as the results of relevant stress tests.

# Establishment of an ELTIF in Malta

European Long-Term Investment Funds (ELTIFs) are established within the European Union regulatory framework as Alternative Investment Funds (AIFs) and must therefore comply with the requirements applicable to AIFs under both national and EU law.

The term “Alternative Investment Fund” (AIF) is defined in the Investment Services Act (Chapter 370 of the Laws of Malta) as a “*collective investment scheme, including sub-funds thereof, which raises capital from a number of investors, with a view to investing it in accordance with a defined investment policy for the benefit of those investors, and which does not qualify as a UCITS Scheme in terms of the UCITS Directive*”.

There are two principal ways in which an ELTIF can be established in Malta:

## Establishment of an ELTIF through a Licensed AIF

The MFSA authorisation process for an ELTIF involves submitting a formal application, demonstrating compliance with regulatory requirements regarding fund structure, management, and investor protection, as set out under the latest ELTIF framework. In accordance with the ELTIF Regulation, only EU based AIFs that are managed by a competent EU AIFM may be authorised as ELTIFs.

Furthermore, the MFSA provides a structured and streamlined process for the setup of ELTIFs aligned with the most recent ELTIF regulation, ensuring that funds may be established efficiently and within a competitive and timely manner. The step-by-step authorisation process is outlined [here](#).

During the authorisation process, the MFSA requires the submission of specific forms, policies, and declarations demonstrating compliance with the requirements of the AIFMD and ELTIF rules, including the following:

### **Self-Assessment Completion when AIFM is authorised by the MFSA**

- Completion of the relevant Sections from Form [AA41](#) together with Annex [AX09](#) (Managed AIFs Questionnaire) and [AX03](#) (Third Party Outsourcing Assessment) where applicable, to reflect the management of the new AIF to be structured as an ELTIF.
- Submission of Sections 3 to 5 of Annex [AX27](#) covering remuneration, conflicts of interest, depository, transparency and disclosure requirements (Articles 22-23 AIFMD), and valuation policies.

### **Core ELTIF Documents**

- Submission of the offering documentation relating to the Collective Investment Scheme to be structured as an ELTIF compliant with the ELTIF Regulations.
- Submission of the Alternative Investment Fund (AIF) Application Form – [AA35](#) together with the relevant annexes, attachments and Personal Questionnaire forms as required under the Application process.

### **Passporting Notification when the AIFM is authorised in another EU Member State**

- Where an EU AIFM authorised in a Member State other than Malta is seeking to manage an ELTIF to be established in Malta, it must submit a cross-border notification pursuant to Article 33 of the AIFMD through its National Competent Authority.

Note: Since the ELTIF shall be managed by an authorised AIFM, the AIFM may need to update its business model and obtain further approvals from the MFSA as necessary to cover the management of ELTIFs.

## **Establishment of an ELTIF through a Notified AIF (NAIF)**

The MFSA permits the establishment of an ELTIF through its Notified AIF (NAIF) framework. This process is facilitated via a top-up authorisation procedure within the NAIF benefitting from the 10 working day notification timelines to set-up the regulatory structure as a NAIF as stipulated in Rule 4.05 of Part A of the Investment Services Rules for Notified Alternative Investment Funds. Subsequently, the fund must separately obtain authorisation as an ELTIF in accordance with the ELTIF Regulation. This results in a two-stage process consisting of NAIF notification followed by ELTIF top-up (authorisation as an ELTIF).

Where a NAIF is already established and subsequently seeks authorisation as an ELTIF, the MFSA requires the submission of an application containing all information and documentation required under the ELTIF Regulation.

Upon receipt of a complete filing, the MFSA will proceed with the ELTIF authorisation assessment in terms of the ELTIF. Conversely, where the NAIF has not yet been registered, the MFSA may handle the notification and ELTIF authorisation within a single consolidated assessment process, thereby streamlining the process into a single end-to-end assessment upon submission of a complete application.

The following outlines the structured process that prospective applicants should follow.

### **Preliminary Eligibility Check**

- Assess existing investment strategy against the ELTIF eligibility requirements including rules relating to: eligible assets, diversification, borrowing limits, and lifecycle alignment, identifying required adjustments.
- Confirm that the investor base is in line with NAIF framework and decide on ELTIF structure (standalone or sub-fund).

### **Governance and Due Diligence**

- Reassess the governing body and service providers for fitness/properness requirements (competence, reputation, independence, sufficient time commitment).
- Validate compliance/ Money Laundering Reporting Officer (MLRO) roles and review delegation arrangements under the AIFMD/ELTIF regulations, ensuring AIFM retains ELTIF responsibility.

### **Policy and Framework Updates**

- Revise investment/risk policies, liquidity management frameworks, and Investment Committee terms (if applicable) to ensure alignment with ELTIF regulation specifics including asset eligibility, leverage caps, and illiquidity management.
- Document ongoing monitoring and record-keeping for NAIF/ELTIF alignment.

### **Documentation Preparation**

- Update the prospectus to include the disclosures required under Article 23 of the AIFMD i plus the relevant ELTIF disclosures including: strategy, risks, cost structure, retail facilities), retaining NAIF disclaimer and including an ELTIF compliance declaration.
- Amend the fund's constitutional documents, where needed, (e.g., for ELTIF lifecycle/redemptions), securing AIFM/governing body approvals.

### **NAIF Amendment Notification**

- Obtain a governing body resolution certifying prospectus compliance and notify the MFSA within 30 days with clean/mark-up versions and breach confirmations.
- Notify existing investors of changes (including strategy shifts), and waive any redemption fees where investors exercise redemption rights as a result of such changes.

### **ELTIF Authorisation Application**

- Compile the required AIFM declarations and self-assessments demonstrating compliance with the ELTIF regulation (strategy, governance arrangements, risk/liquidity, outsourcing arrangements), together with any other ELTIF-specific requirements.

## Ongoing Compliance Arrangements

- Integrate the ELTIF regulatory requirements within the AIFM policies (reporting obligations, anti-money laundering quarterly reviews, and financial reporting frameworks).

## Supervisory Framework and Approach

- In Malta, the MFSA acts as the competent authority for ELTIFs and their managers, overseeing ongoing compliance with the ELTIF Regulation and MFSA rules accordingly. The MFSA is empowered to exercise all supervisory functions, obligations and powers required by the ELTIF Regulation, including those transposed from the AIFMD framework into the MFSA Rules. This includes the authority to conduct periodic and ad hoc inspections, require detailed reporting, and take enforcement measures where necessary to address non-compliance.
- The MFSA employs a risk-based approach to supervision, complemented by outcome-based supervision, to ensure that regulatory oversight is tailored to the specific risks associated with each fund. This approach aims to maintain a stable and level playing field for all licence holders while supporting the achievement of defined regulatory outcomes, aligning with the MFSA's Supervisory Priorities.
- ESMA's role in ELTIF supervision aims to ensure harmonised supervisory expectations across the EU, enhancing consistency and investor protection. Moreover, ESMA maintains a public ['Register of authorised European Long-Term Investment funds'](#).
- Where a Notified AIF is authorised as an ELTIF, the MFSA's supervisory expectations extend to full, continuous adherence with the ELTIF Regulation and the relevant MFSA rules. Accordingly, the AIFM and governing body must ensure that portfolio composition, diversification, borrowing limits, governance, disclosure obligations, and investor protection mechanisms remain compliant with the specific ELTIF requirements at all times, subject to MFSA oversight and enforcement powers.

# Malta's Offering

## Regulatory Flexibility:

- The MFSA strives to apply a proportionate supervisory approach, which allows for regulatory flexibility in fund management while ensuring compliance with the applicable regulatory standards. The MFSA consistently applies the principle of proportionality safeguarding both licence holders and the integrity of the Maltese financial services industry.

## International Regulatory Collaboration:

- Malta enjoys strong and well-established ties with other EU jurisdictions, positioning it as a truly international financial centre. The MFSA has entered into more than 30 bilateral Memoranda of Understanding with foreign regulators, facilitating robust cooperation, information exchange, and regulatory alignment across Europe and beyond.

This extensive network of agreements ensures smoother cross-border operations, enhances investor confidence, and facilitates the licensing and ongoing supervision of ELTIFs in Malta.

## Local Support Frameworks:

- Malta's regulatory framework supports the marketing of ELTIF II funds to retail investors, subject to suitability assessments and enhanced investor protection safeguards. Furthermore, Malta's English-speaking environment and the MFSA's experienced workforce facilitates the efficient establishment and management of ELTIF structures. This ensures clear communication, smooth regulatory navigation, and a supportive business atmosphere for international fund managers.

## Operational Benefits:

- Establishing an ELTIF in Malta offers several notable fiscal benefits that enhance its attractiveness as a fund domicile. Malta operates a full imputation and refund system, enabling shareholders to claim refunds of Malta tax paid on distributed profits, which can reduce the effective tax rate for investors.

- Malta has concluded more than 80 double taxation agreements generally based on the OECD Model Tax Convention, which allocate taxing rights and provide for relief from double taxation on various categories of income such as dividends, interest, royalties, employment income and pensions.
- Certain categories of investment income derived by non-resident investors-such as interest, royalties, and gains from the transfer of shares may be exempt from Maltese Tax. Income accruing to collective investment schemes (CIS) with at least 15% of assets located outside Malta may also be exempt from taxation except for income from Maltese immovable property. Malta also provides tax incentives and credits for activities including financial services, research and development, and innovation, which can benefit ELTIFs investing in such areas.
- Furthermore, the participation exemption regime applies to profits and gains from qualifying holdings, offering further relief from taxation on dividends and capital gains under specific conditions. These features, combined with Malta's stable business environment and ongoing commitment to competitive and internationally compliant tax policies, make Malta a favourable jurisdiction for ELTIF structures seeking efficiency and tax optimisation.

## Concluding Remarks

The ELTIF framework is designed to facilitate long-term investment in the real economy within a harmonised European regulatory structure.

The amendments introduced under the revised ELTIF Regulation establish increased flexibility in fund structuring, investment eligibility and distribution, while maintaining robust investor protection safeguards under EU financial services legislation.

ELTIFs established in Malta may invest in a broader range of eligible assets, enabling greater portfolio diversification in line with the Regulation. In addition, the removal of the minimum investment threshold for retail investors and the introduction of enhanced liquidity and redemption options, subject to the applicable regulatory conditions, have expanded the potential investor base for ELTIFs.

ELTIFs domiciled in Malta benefit from the EU passporting regime, enabling cross-border distribution within the Union, as well as from Malta's established regulatory framework for alternative investment funds. ELTIF managers operating in or from Malta remain subject to the ELTIF Regulation, the AIFMD framework and relevant national legislation, ensuring consistent supervisory oversight and regulatory compliance.

*Contact Information: For further information or to express interest in establishing an ELTIF in Malta, please do not hesitate to contact the MFSA. Our dedicated team is available to provide further information and guidance tailored to prospective applicants. You can reach us at [ausecurities@mfsa.mt](mailto:ausecurities@mfsa.mt).*

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