

Final Report

Draft Regulatory Technical Standards on open-ended loan-originating AIFs under the AIFMD

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1 Executive Summary

Reasons for publication

The revised AIFMD¹ provides that ESMA shall develop draft Regulatory Technical Standards (RTS) to determine the requirements with which loan-originating Alternative Investment Funds (AIFs) are to comply in order to maintain an open-ended structure. According to the mandate in the AIFMD, those requirements shall include a sound liquidity management system, the availability of liquid assets and stress testing, as well as an appropriate redemption policy having regard to the liquidity profile of loan-originating AIFs. Those requirements shall also take due account of the underlying loan exposures, the average repayment time of the loans and the overall granularity and composition of the portfolios of loan-originating AIFs.

On 12 December 2024, ESMA published a Consultation Paper² (CP) on the proposed draft RTS. The public consultation closed on 12 March 2025. This final report includes the revised draft RTS developed taking into account the feedback received to the consultation.

Contents

Section 2 summarises the feedback received to the consultation that ESMA carried out and explains how ESMA has taken this feedback into account.

Annex I contains the feedback statement to the public consultation.

Annex II contains the legislative mandates to develop draft RTS.

Annex III sets out the cost-benefit analysis related to the draft RTS.

Annex IV contains the full text of the draft RTS.

Next Steps

The draft RTS set out in this final report have been submitted to the European Commission for adoption. From the date of submission, the European Commission shall take a decision on whether to adopt the RTS within three months. The Commission may extend that period by one month.

¹https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:L_202400927

² [ESMA34-1985693317-1085 Consultation Paper on the draft regulatory technical standards on open-ended loan-originating AIFs under the AIFMD](#)

2 Overview

2.1 Public consultation

1. On 12 December 2024, ESMA published a CP on the proposed draft RTS on open-ended loan-originating AIFs ('OE LO AIFs') under the AIFMD. The consultation closed on 12 March 2025.
2. ESMA received 18 responses, from asset managers (and their associations), investment services companies, industry associations and one consumer association. The non-confidential responses are available on the ESMA's website³.
3. ESMA consulted the Securities and Markets Stakeholders Group (MSG), but the MSG chose not to opine on these RTS.
4. The content of the responses and ESMA's feedback is outlined in the Feedback Statement in Annex I, question by question.

2.2 Amendments to the RTS following feedback to the consultation paper

5. Following the public consultation, ESMA introduced the main following changes to the draft RTS.

Removing the requirement for AIFMs to determine a target appropriate amount of liquid assets

6. The main point raised by respondents to the consultation concerned the requirement for AIFMs to determine an appropriate amount of liquid assets that OE LO AIFs shall hold to meet redemption requests. Respondents emphasised that effective liquidity management in OE LO AIFs depends more on the liquidity arising from the loans granted by the funds, rather than constantly holding a fixed amount of liquid assets. They also noted that such requirement could adversely impact fund performance.
7. Taking this into account, ESMA revised the draft RTS by removing the fixed asset requirement and instead stipulated that AIFMs must ensure their OE LO AIFs have sufficient liquidity to honour redemption requests.

³ [Consultation on the draft regulatory technical standards on open-ended loan-originating AIFs under the AIFMD](#)

Frequency of liquidity stress testing

8. Taking into consideration the feedback received, ESMA updated the draft RTS to require that AIFMs managing OE LO AIFs must carry out liquidity stress tests at least once a year, rather than every quarter as previously proposed in the consultation paper.

Clarification of some provisions

9. Several respondents highlighted that the wording setting requirements for AIFMs that 'intend to manage' OE LO AIFs in the draft RTS could be misinterpreted as requiring AIFMs to seek pre-authorisation from their competent authorities before managing an OE LO AIF. In response, ESMA amended the draft RTS, replacing 'intend to manage' with 'AIFMs that manage'. ESMA also acknowledged that, while AIFMD does not specifically harmonise the authorisation of funds, certain OE LO AIFs may still be subject to pre-authorisation under national laws.

3 Annexes

3.1 Annex I – Feedback Statement

All references to articles of the draft RTS in this feedback statement are based on the numbering of the articles in the Consultation Paper and not in the final draft RTS in Annex IV of the present report.

Q1: Are there any elements other than the redemption policy, the availability of liquid assets, the performance of liquidity stress tests and ongoing monitoring that AIFMs shall take account to demonstrate that the liquidity management system of the OE LO AIFs they manage is sound? If yes, please specify.

1. Respondents to the consultation generally felt there were no other elements than the redemption policy, the availability of liquid assets, the performance of liquidity stress tests and ongoing monitoring that AIFMs shall take into account to demonstrate that the liquidity management of the OE LO AIFs is sound.
2. In addition, according to several respondents the way the draft RTS were drafted could imply that AIFMs shall get the pre-authorisation from their competent authorities before managing an OE LO AIFs. According to these respondents, there is no provision in the AIFMD on the authorisation of AIFs and the draft RTS shall not create new obligations for AIFMs.
3. Finally, some respondents also questioned the obligation for AIFMs to be able to demonstrate they have selected the appropriate LMTs for the relevant OE LO AIFs as part of their obligation to select at least two LMTs under Article 16(2)(b) of AIFMD. According to them, such provision is adding an extra obligation that is not foreseen by the Level 1 text and should be deleted from the draft RTS.

ESMA's response:

4. In light of the feedback received, ESMA decided not to introduce any additional elements for AIFMs to consider in order to demonstrate the soundness of liquidity management for OE LO AIFs.
5. At the same time, ESMA agreed with comments from several stakeholders regarding the potential confusion caused by the phrase 'intend to manage', which could be interpreted as obliging AIFMs to seek prior authorisation from competent authorities before managing OE LO AIFs. To address this, ESMA revised the draft RTS, replacing all instances of '*intend to manage*' with '*AIFMs that manage*'.
6. Regarding the comments from some respondents who proposed removing the requirement for AIFMs to demonstrate they have selected appropriate LMTs as part of their obligation

to select at least two LMTs under Article 16(2)(b), ESMA did not support this suggestion. According to Article 16(2a), second subparagraph of AIFMD, an open-ended loan-originating AIF is allowed if the AIFM can demonstrate to their home Member State's competent authorities that the fund's liquidity risk management system aligns with its investment strategy and redemption policy. Furthermore, Article 16(2b) of AIFMD requires AIFMs to select at least two suitable LMTs after evaluating their appropriateness for the fund's investment strategy, liquidity profile, and redemption policy. As such, asking AIFMs to show competent authorities that their chosen LMTs are suitable is consistent with the demonstration already required by the AIFMD.

Q2: Do you agree with the list of factors set out in Article 2 of the draft RTS to be considered by AIFMs to establish an appropriate redemption policy for an OE LO AIF? If not, please justify your position.

7. While most respondents agreed with the list of factors set out in Article 2 of the draft RTS, they did not think that there was a need for a specific list of factors to be included in the RTS. Indeed, they believed that flexibility and adaptability in a competitive global environment were the core elements that shall guide the practical implementation of the approach. As a result, and considering the diversity in the features of AIFs, each AIFM shall be able to determine the most relevant factors for the specific case of the funds it manages.
8. Some respondents commented that OE LO AIFs were not like UCITS that allow for daily redemptions. According to them, OE AIFs allow for a wide variety of redemption terms, that are very different from daily redemptions, while still classifying the fund as open-ended. This is often the case in OE LO AIFs, which apart from establishing a lower frequency of redemptions (e.g. quarterly), would include notice periods in their redemption policies (e.g. of 90 days), accompanied by a maximum amount of NAV that can be redeemed in one go. According to respondents, it is important that this wide variety of solutions is allowed as it permits managers to create funds adapted to the needs of investors.
9. Therefore, for some respondents not all factors proposed in Article 2 of the draft RTS would be relevant for each OE LO AIF and AIFMs shall be able to choose which factors to consider when establishing the redemption policy, as the list can vary depending on the investment policy and other characteristics of the fund. Otherwise, it risks becoming a mechanistic exercise, an operational burden without significant added value.
10. Hence, according to several respondents, should the list of factors be maintained, the language should be adjusted as per the below suggestions:

"In order to ensure that the redemption policy of the open-ended loan-originating AIF, they intend to manage is appropriate, the AIFM shall consider factors, including but not limited to relevant factors from the following list:"

11. Some respondents also commented on the factor under letter o) in Article 2. According to them, this factor could create a risk of disproportionate liability regarding the estimated value of the loans and other assets at the dates of redemption. These respondents argued that there are already extensive requirements in AIFMD on the valuation of assets and that consequently no additional requirements should be created in the provisions of these RTS. Moreover, the term “realisable” could be interpreted differently among NCAs. Therefore, some respondents suggested the following drafting:

“o) The availability of reliable, sound and up-to-date valuation of loans and other assets in the portfolio ~~corresponding to their estimated realisable value at the dates of redemptions.~~”

ESMA’s response:

12. ESMA did not agree with the suggestion from some respondents that AIFMs should only consider the relevant factors out of those listed in Article 2. Adopting such an approach would have reduced legal certainty on which factors they shall consider.
13. Nevertheless, ESMA made certain technical adjustments to the factors, including removing the final part of the factor under letter o) as recommended by several respondents.

Q3: Are there any other factors that AIFMs shall consider to demonstrate that the redemption policy of the OE LO AIFs they manage is appropriate? If yes, please provide a list of such factors and explain why they shall be included.

14. According to the majority of respondents, there was no need to add any other factors that AIFMs shall consider to demonstrate that the redemption policy of the OE LO AIFs they manage is appropriate.

ESMA’s response:

15. Given the broad consensus supporting the list of factors for AIFMs to consider in establishing an appropriate redemption policy, ESMA decided not to include any additional factors for AIFMs to demonstrate the appropriateness of the redemption policy for the OE LO AIFs under their management.

Q4: Do you agree that AIFMs that intend to manage OE LO AIFs shall determine an appropriate proportion of liquid assets to be able to meet redemption requests? If not, please justify your positions?

16. For several respondents, what matters for the purpose of proper liquidity management in OE LO AIFs is the ability to generate liquidity from the fund/assets, rather than simply holding a specified amount of liquid assets in the portfolio at all times.

17. Therefore, some respondents suggested that Article 1⁴(2)(b) of the draft RTS should be redrafted in the following manner:

“**structure** ~~determine an appropriate proportion of liquid assets that~~ the open-ended loan-originating AIF **to secure its ability to generate sufficient liquidity** shall target to hold in order to be able to comply with redemption requests taking into account the factors set out in Article 3 thereafter.”

ESMA’s response:

18. Taking the feedback into account, ESMA decided to adjust its approach. As a result, the final draft RTS now stipulates that AIFMs must structure OE LO AIFs in a manner that ensures that they maintain sufficient liquidity to meet redemption requests.

Q5: Do you agree with the list of factors that AIFMs shall consider to establish the appropriate amount of liquid assets? If not, please justify your position. Shall AIFMs consider other factors, and if yes what are these factors?

19. Notwithstanding that several respondents disagreed with the proposed requirement that AIFMs shall determine an appropriate proportion of liquid assets (cf. Question 4 above), many respondents pointed out that not all the factors may be relevant for all OE AIFs.

20. Therefore, should ESMA decide to maintain a list of factors, these respondents suggested to amend the opening part of Article 3(1) to clarify that AIFMs shall at least consider the relevant factors of the list.

ESMA’s response:

21. In line with Article 2, paragraph 1, ESMA chose not to incorporate suggestions from certain stakeholders to limit consideration only to the relevant factors from the list.

Q6: Do you agree that cash flow generated by the loans granted by OE LO AIFs shall be considered as liquid assets? If not, please justify your position.

22. Respondents generally agreed with ESMA’s observation that the liquidity in LO AIFs comes, among others, from the cash flows generated by the loans the fund has granted. These cash flows are created from the repayment of the loans, including at their maturity, as well as from interest payments, etc. However, for liquidity management purposes, these cash flows are not only considered a liquid asset that can be held in the fund’s portfolio as a liquidity buffer. Rather, they are carefully scheduled to create the right amount of cash inflow to the fund when needed to meet investors’ redemptions and other liabilities.

ESMA's response:

23. Based on the support from stakeholders, ESMA did not modify its approach and the final draft RTS provide that cash flow generated by the loans shall be considered as liquid assets.

Q7: Do you agree that AIFMs may consider other assets as liquid if they can demonstrate that these assets can be liquidated within the notice period, to meet redemption requests, without significantly diluting their value? If not, please justify your positions.

Q8: Are there any other types of assets that could be considered as liquid for the purpose of the availability of liquid assets? If yes, please give examples and explain why they could be considered as liquid for the purpose of the availability of liquid assets. Conversely, are there any other types of assets that shall not be considered as liquid? If yes, please specify.

24. Respondents to the consultation were generally of the view that it should be the responsibility of AIFMs to determine which assets can be considered as liquid and that there should not be a closed ended list of assets that can be considered as liquid.

25. Therefore, respondents did not provide any specific type of assets that could be considered as liquid or illiquid.

ESMA's response:

26. After reviewing the feedback, ESMA chose to remove from the final draft RTS the provision that would have allowed AIFMs to classify other assets as liquid, provided they could prove that those assets could be liquidated within the notice period to meet redemption requests without significantly reducing their value. ESMA determined that this draft provision lacked sufficient normative clarity for an RTS and might have introduced interpretative uncertainties.

Q9: In your practical experience, how do AIFMs that manage OE LO AIFs determine the level of liquid assets to be held by the fund to meet redemption requests? In particular, how do they calibrate the amount of liquid assets with respect to the maturity of the loans granted and the number of loans in the portfolio?

27. Several respondents pointed out that being open-ended, OE LO AIFs are subject to the same rules on liquidity management than any other open-ended AIFs. Hence, AIFMs need to have robust liquidity management systems and procedures in place and have to be able to demonstrate to their competent authorities that these take into account the investment strategy, the liquidity profile and the redemption policy of the fund.

Q10: Do you believe there should be a regulatory minimum amount of liquid assets to be held by an OE LO AIFs and, if yes, please specify it? Should this minimum apply across all types of OE LO AIFs, or should it differ among OE LO AIFs and, if yes, how?

28. On the question whether there should be a regulatory minimum of liquid assets to be held by OE LO AIFs, almost all respondents answered negatively. According to them, imposing a minimum level of liquid assets would be counterproductive and would negatively impact the competitive advantage of European funds, while leading to a greater risk of financial exclusion of European companies, adversely impacting the European economic growth as a result. Considering the core spirit of the AIFMD, given that AIFs - unlike ELTIFs - are not directly regulated, the RTS shall not impose a one-size-fits-all approach to all OE LO strategies.

ESMA's response:

29. Taking into account the feedback from stakeholders, ESMA chose not to set a regulatory minimum for liquid assets that OE LO AIFs are required to hold in the final draft RTS.

Q11: Do you agree with the draft provisions on liquidity stress testing set out in Article 4 of the draft RTS? If not, please justify your positions.

30. For several respondents, ESMA's Guidelines on liquidity stress testing have created a balanced approach, which should also be applied to OE LO AIFs. According to respondents, it is important to maintain a sufficient level of managers' discretion and allow them to organise the liquidity stress testing (LST) process in a way suitable for a particular fund. The frequency of the liquidity stress testing should not only be justified by the characteristics of the liquidity of the loans, as mentioned in paragraph 28 of the Consultation Paper, but by the fund's entire portfolio.

31. Therefore, many respondents disagreed with the draft provision to require AIFMs to perform liquidity stress at least on a quarterly basis, unless a higher or lower frequency is justified.

32. Respondents generally agreed with the approach taken in ESMA's Guidelines on liquidity stress testing⁵, which, among factors justifying higher liquidity stress testing frequency, include a higher dealing frequency and a concentrated investor base. However, regarding the investor base, some respondents pointed to the fact that asset managers often do not possess the full breakdown of investors.

⁵ [esma34-39-897_guidelines_on_liquidity_stress_testing_in_ucits_and_aifs_en.pdf](#)

33. Some respondents also commented that in the case of funds that are newly set up, private assets would not exist at the time of modelling the stress test and in such cases, the LSTs should be calibrated based on proxied portfolios.

ESMA's response:

34. Taking respondents' feedback into account, ESMA revised the liquidity stress testing requirement so that AIFMs must carry out these tests at least annually, unless the specific features of the OE LO AIFs they manage call for more frequent assessments.

Q12: What other parameters, if any, AIFMs managing OE LO AIFs shall take into account when performing liquidity stress tests?

35. Most respondents were of the view that no other parameters shall be taken into account by AIFMs when performing liquidity stress tests and, consistently with the responses to Question 11, they referred to the ESMA Guidelines on liquidity stress testing which should also apply to OE LO AIFs.

ESMA's response:

36. In light of the feedback received, ESMA did not add any new parameters that AIFMs shall take into account when they perform liquidity stress testing.

Q13: What could be the criteria that would justify a frequency of liquidity stress tests higher or lower than on a quarterly basis?

37. Many respondents referred to ESMA's Guidelines on liquidity stress testing, which, among factors justifying higher liquidity stress testing frequency, include a higher dealing frequency and a concentrated investor base. However, regarding the investor base, some respondents pointed to the fact that asset managers often do not possess the full breakdown of investors.

ESMA's response:

38. Due to overall support for the draft RTS, ESMA made no additional changes to the article regarding liquidity stress testing.

Q14: Do you agree with ESMA's proposal on ongoing monitoring set out in Article 5 of the draft RTS? If not, please justify your position.

Q15: What are the parameters that AIFMs managing OE LO AIFs shall monitor to ensure that the AIF has a sufficient level of liquid assets to meet redemption requests?

Q16: How do AIFMs that manage OE LO AIFs monitor the liquidity of the loans originated by the AIFs?

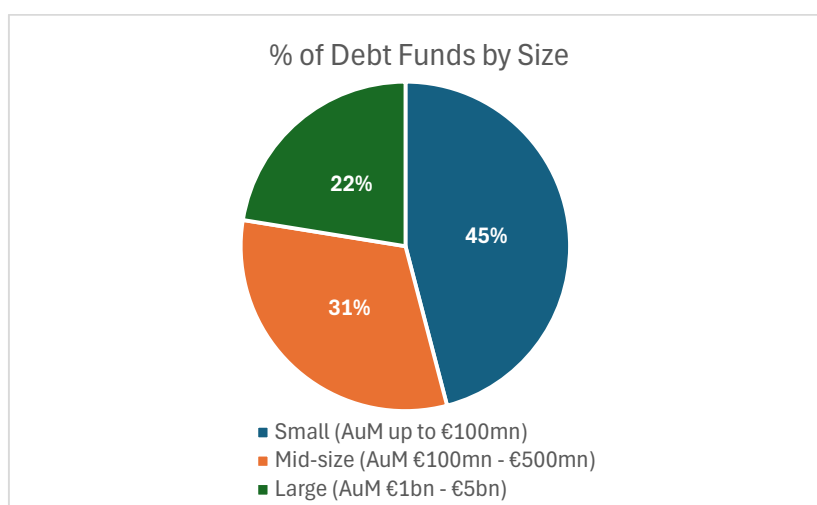
39. Overall, respondents agreed with the proposed list of factors. According to some respondents, the liquidity of an OE LO AIF should not be limited simply to an upfront determined proportion of liquid assets. Therefore, rather than monitoring the level of liquid assets, AIF should monitor the overall design of the fund and whether it secures the ability to generate sufficient liquidity in order to be able to comply with redemption requests. Therefore, for these respondents, letter a) of paragraph 1 of Article 5 should be deleted.
40. Some respondents suggested to redraft Article 5(1)(c) as follows:
“The amount and timing of subscriptions and redemptions”.
41. However, for many respondents the monitoring of cash flows generated by loans granted by the OE LO AIFs was a key element of the monitoring. Respondents also reiterated that for assets that are not loans, the approach for liquidity monitoring was the same as for any other open-ended AIF.
42. As per the monitoring of loans, some respondents explained that they maintained close relationships with borrowers, with a dedicated team performing ongoing due diligence and review of borrower credit ratings to ensure repayment capacity.

ESMA’s response:

43. Given the widespread support for the monitoring requirements, ESMA made only minor technical revisions to some of the factors related to ongoing monitoring.
44. **Q17: If you are managing an open-ended loan-originating AIFs, please indicate:**
a) the size of these funds, specifying the smallest size as well as the average size
45. One respondent explained that their members were managing a limited number of OE LO AIFs and that it was important that the Level 2 measures enable the development of OE LO AIFs.
46. Two respondents reported managing only one OE LO AIF of EUR 1.85bn and EUR 232.2mn.
47. Three respondents provided the following figures:
- smallest fund: approx. €700mn, €55.2mn and €45mn.
 - Average size of funds: no info provided (for the first one), €1.196bn and €372mn.
 - Largest fund: approx. €100mn, €2.48bn and €750mn.

48. One respondent referred to an annual private debt survey⁶, based on data received from 13 depositaries representing more than 1,300 funds investing in private debt. According to this survey, 26% of private debt funds are open-ended. However, all types of debt funds are included in this survey (i.e. not only LO AIFs as defined by the AIFMD). Graph 1 below shows the share of debt funds by size.

Graph 1: share of debt funds by size



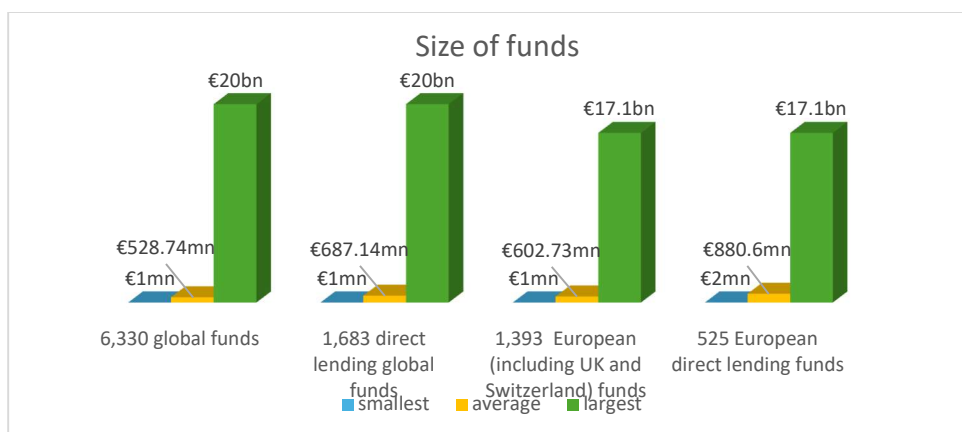
Source: data from [Private debt fund survey 2024](#)

49. Another respondent provided data from the Pitchbook database, but this data does not distinguish funds between open and closed-ended funds.

50. Graph 2 shows the smallest, average and largest fund size for a pool of funds, divided into categories. A total of 6,330 global funds - active in direct lending, distressed, real estate, bridge financing, special situations, infrastructure, mezzanine and venture debt - were considered.

Graph 2: smallest, average and largest size for a pool of funds

⁶ [Private debt fund survey 2024](#)



Source: data from Pitchbook database

51. Table 1 below includes also the smallest, average and largest size of 486 global evergreen funds, separated into categories.

Table 1: smallest, average and largest size for a pool of funds (including evergreen funds)

	6,330 global funds	1,683 direct lending global funds	1,393 European (including UK and Switzerland) funds	525 European direct lending funds	486 global evergreen funds	116 global direct lending evergreen funds	46 European (including UK and Switzerland) evergreen funds	23 European (including UK) direct lending evergreen funds
smallest	€1mn	€1mn	€1mn	€2mn	€1mn	€1mn	€1.5mn	€7.8mn
average	€528.74mn	€687.14mn	€602.73mn	€880.6mn	€713.8mn	€652.8mn	€409.9mn	€490.2mn
largest	€20bn	€20bn	€17.1bn	€17.1bn	€10bn	€7.5bn	€20bn	€1.34bn

Source: data from Pitchbook database

b) the number of loans originated by these funds, specifying the smallest number as well as the average number of loans

52. Respondents provided varying answers:

- For one OE LO AIF: 45 loans are originated, 37 loans are under management, eight loans are repaid.
- For one OE LO AIF: eight loans are originated, of which one is fully repaid.
- The smallest number of loans originated is 11, the largest is 520 and the average is 183.

53. One respondent reported that funds originate between 100 and 200 loans, while another respondent reported that their largest fund originates approximately 200 loans per year.

c) the loan-origination strategy you implement (direct lending, mezzanine, distressed debt, venture debt, diversification strategy etc)

- 54. Respondents reported a wide range of strategies (i.e. direct lending with senior secured loans in infrastructure debt, secured real estate debt with first lien mortgage, subordinated and mezzanine direct lending).
- 55. A couple of respondents emphasized the importance of diversification for all their private debt strategies.
- 56. Lastly, according to the ALFI-KPMG private debt survey 2024, Luxembourg open-ended and closed-ended debt funds use three main debt strategies: direct lending (62%), distressed debt (8%), and mezzanine (16%).

d) the policy of the fund regarding the management of non-performing loans

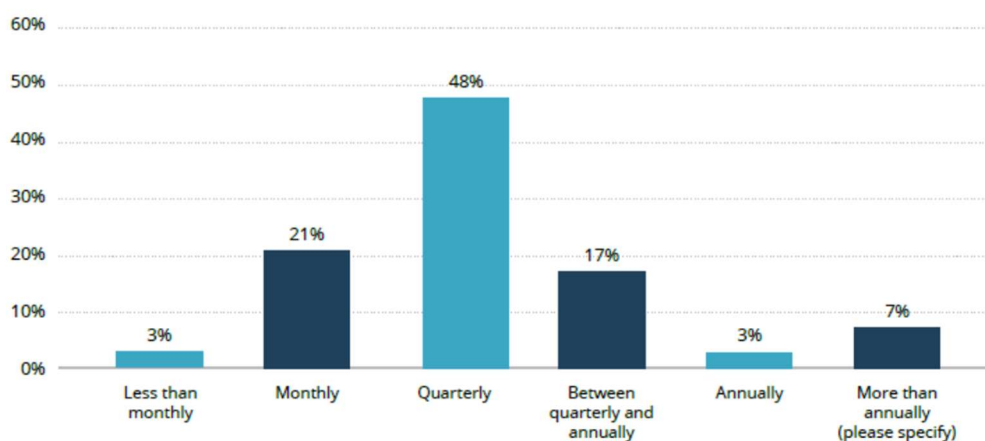
- 57. One respondent stated that non-performing loans (NPLs) were managed by an experienced portfolio management team having an average experience of 20 years in the asset class.
- 58. Another respondent explained that NPLs were handled by the portfolio risk manager who takes part in workout procedures and restructuring negotiations and intends to recover defaulted payments, often in a lenders' group setting.
- 59. According to another respondent, NPLs are moved to a separate special credits team that takes part in restructurings and aims to recover defaulted payments.
- 60. Lastly, one respondent explained that, while their fund had not yet originated loans that had become non-performing, the AIFM's policy to manage NPLs was to work with the borrower to restructure the borrowing/repayment terms. When this is impossible, the fund reserves the right to enforce the loan guarantee and, if necessary, take possession of the connected assets (real estate assets, in this case).

e) the shortest, highest and average redemption frequency and, if any the notice period

- 61. A couple of respondents replied that quarterly redemptions were implemented with 30 calendar day or two-month notice periods.
- 62. One respondent noted that the shortest notice period for institutional share classes was one month, and the longest period was one year.
- 63. According to another respondent, redemption frequencies were daily and monthly, although they were planning to move to monthly only. Notification periods range from 30 calendar days (retail share classes) to 90 calendar days (professional share classes).

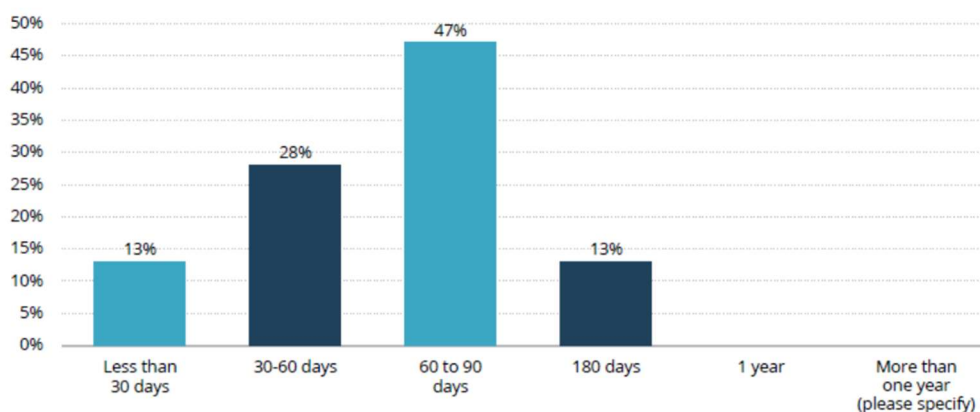
64. One respondent explained that their fund had yet to experience any redemptions, but investors shall submit redemption request with at a least three-month notice.
65. According to the 2023 “Financing the economy” report published by the UK Alternative Credit Council, 48% of LOA AIFs that offer redemptions do so at quarterly or greater intervals. Most respondents mentioned in the said report have notice periods for open-ended funds of one month or longer. Respondents offering more frequent redemptions or shorter notice periods were typically focused on more liquid private credit strategies or assets with shorter maturity profiles.
66. One industry association provided an analysis of the redemption frequencies and notice periods in Graphs 3 and 4.

Graph 3: redemptions frequencies for open-ended funds investing in private credit assets



Source: FTE 2023

Graph 4: typical notice periods for open-ended funds investing in private credit assets



Source: FTE 2023

f) among the loans you granted, please indicate (as a % of the number of loans granted, and as a % of the total amounts of the loans)

i. the share of shareholders' loans

67. Some respondents replied that they did not grant any shareholders' loans while one respondent reported that the highest share was 8% and the smallest 0.

ii. the share of non-performing loans

68. One respondent replied they had no non-performing loans, while others answered that the share of NPL was 1.2% and 2%.

69. Another respondent explained that the largest share was 5% and the smallest share was 0.

iii. the share of loans whose maturity has been extended

70. One respondent answered that the share of loans whose maturity had been extended was 2% of the total number of loans, while another reported that the largest share was 17% and the smallest share was 0.

71. According to one respondent, the question could be misleading because a loan could be extended because it had matured under normal conditions (typical "amend and extend" at or before contractual maturity) or because it was a non-profitable loan, and the amortisation

schedule must be rescheduled. For this respondent, the share of loans amended and extended was 15%, while the share of loans rescheduled is zero.

72. Additionally, according to one respondent, this question should also include the loans repaid in advance, as the loans may be repaid in full or partially in advance as borrowers manage their whole indebtedness. According to this respondent, the share of loans repaid in advance was 15% of loans granted.

ESMA's comments:

73. ESMA took note of the useful data provided by respondents which, as explained in the Cost and Benefit analysis in Annex 3, confirmed some of ESMA's understanding of the functioning of OE LO AIFs. Responses showed that the majority of OE LO AIFs have low redemption frequency with long notice periods.

Q18: If you are managing an open-ended loan-originating AIFs, have you already sold loans to meet redemptions requests? What were the main characteristics of the secondary market you used to sell them (i.e.: types of counterparties, time required to achieve the sales process, liquidity, overall cost of transaction etc)?

74. One respondent highlighted that OE LO AIFs rely on cash flow for meeting redemption and manage liquidity through scheduled cash flow from loans and from the amortisation of loans. Asset managers structure liquidity ex-ante using tools like covenants, cash sweeps, triggers and set-up margins, reducing the need for "ex post" liquidity management tool activation. This "structuring know-how" allows tailored liquidity profiles at fund level. Additionally, the banking secondary market is an important liquidity provider, with no transaction costs as borrowers usually pay break costs (replacement costs and make-whole if any).
75. Another respondent pointed out that the loans originated by private credit funds were typically illiquid, with little expectation of a significant secondary market, despite recent growth and improving liquidity. Moreover, there are some important differences between secondary market transactions which are led by the fund managers compared to investors. For fund managers, such transactions are likely to be related to the overall performance of the fund, for example reducing exposure to a type of borrowers, sectors or markets, and relating to individual loans. For investors, transactions typically involve an investor seeking to rebalance their portfolio and involve the sale of a pool of loans or their share of the fund's assets entirely as a block. Both areas of the market are expected to grow as the private credit market develops, and investors seek some liquidity from their loan portfolios.
76. Some respondents reported that they never had to sell loans to meet redemption requests. One of them specified that for redemptions may be met through the assets maturing or through the matching with subscriptions.

77. One respondent, who sold loans to meet redemption requests, explained that in case of sales to related parties, this took 1-2 months, while in case of sales on secondary markets it took at least 6 months. The transaction costs were acceptable and included discounts.

ESMA's comments:

78. ESMA observed that, in most cases, loans issued were generally illiquid and could not be readily sold on the secondary market. This reinforced ESMA's view that, for OE LO AIFs, sales of loans typically do not serve as the primary source of liquidity to meet redemption requests.

Q19: If you are managing OE LO AIFs, what are the types of loans originated, how frequently do you value them and what is their level of liquidity?

79. According to respondents, valuation is typically performed on a quarterly or monthly basis, and loans originated are generally direct loans, including syndicated loans. These loans are generally considered illiquid as no secondary market exists.

80. One respondent explained that it was not simple to answer precisely, as the loans originated could take a wide variety of forms, investing in different sectors and granting loans to companies of different sizes.

81. One respondent reported that loans originated were commercial real estate loans originated in Europe. They are valued quarterly and there is generally very low or no secondary market liquidity at or around the value of the loan. However, secondary market liquidity can be accessed through assignment to another lender with a material discount.

82. One respondent reported investing in direct loans, including syndicated loans, and unsecured loan receivables, with maturity ranging from two to five years (mostly senior debt, microfinance) and with monthly valuation.

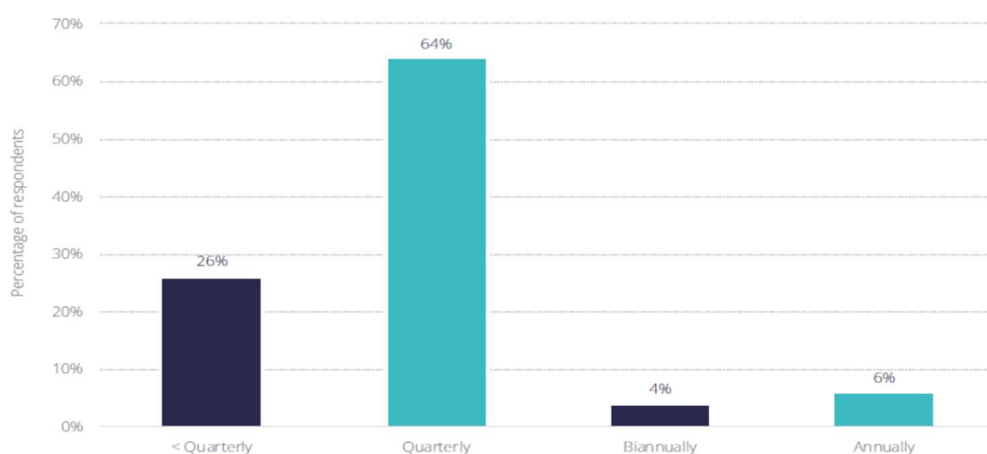
83. One respondent reported originating bilateral and syndicated loans to financial institutions and financial intermediaries, the vast majority of which are regulated entities. The loans are valued monthly and are generally considered illiquid because there is no secondary market.

84. One respondent reported investing in direct loans with various maturity: 3-4yr tenor (senior debt, microfinance), 5-10yr tenor (subordinated debt, microfinance), 10-18yr tenor (project debt, renewable energy), 3-15yr (direct debt, renewable energy). The valuation is daily for daily traded funds, and monthly for monthly traded funds.

85. One industry association reported that according to the 2024 "Financing the economy" report published by the UK Alternative Credit Council, 90% of respondents to the related questionnaire value their loans either quarterly or more frequently, and the majority of respondents use external valuation expertise on a regular basis.

86. Lastly, another industry association reported the following frequencies of loan valuation for both open-ended and closed-ended funds: less than quarterly (26% of funds), quarterly (64% of funds), biannually (4% of funds), annually (6% of funds), as showed below in Graph 5.

Graph 5: frequency of loan valuation



Source: FTE 2024

ESMA's comments:

87. ESMA took note that in most cases, loans are valued on a quarterly basis.

Q20: If you are managing OE LO AIFs, what are the liquidity management tools you are using to comply with the obligations set out in Article 16 (1) and (2) of the AIFMD? Are you also using liquidity management tools other than those listed in Annex V of AIFMD, and if yes, what are these tools?

88. According to one respondent, the heart of open-ended loan-originating AIFs liquidity lies in its structuration. Liquidity management tools are no different from other open-ended funds, and asset managers need flexibility to cater for all their needs, for different types of investors or investments.

89. Some respondents reported that the main tools at disposal from Annex V of AIFMD were suspension of subscriptions, redemption gates and side pockets. Other LMTs used were standby credit facility and diversification of investor base to avoid large investor exposure. Swing pricing for the daily traded funds was also cited.

90. According to the 2023 "Financing the economy" report, published by the UK Alternative Credit Council, multiple liquidity management tools are employed within a single fund

structure and managers can tailor the tools to meet investor needs (e.g. adjusting the length of the lock-up period or size of the gate). The most used LMTs employed in open-ended or hybrid funds are:

- (i) Lock-up periods, preventing redemptions for a pre-determined period. 64% of respondents to the related questionnaire reported using a lock-up period for some of their open-ended funds, and 51% stated that they do so for all their open-ended funds. Many of the respondents not using lock-ups are invested in trade finance or more liquid strategies where such LMT are less relevant.
- (ii) Ex-ante investor gates, which is a pre-determined limitation on the amount of invested capital a given investor can redeem at one time.
- (iii) Ex-ante fund level gates, which is a pre-determined limitation on the aggregate amount that all investors in a given fund can redeem at once. 59% of open-ended funds use gates. Those who stated they do not use gates are generally invested in more liquid private credit strategies.
- (iv) Prescribed redemption windows, meaning that investors may only redeem at pre-determined intervals.
- (v) Notice period, according to which investors must provide minimum notice for redemption requests.
- (vi) Slow pay provisions, segregating an investor's share of the assets and returning it in line with maturity of the asset (e.g. run-off basis).

91. One industry association reported that in addition to the above LMTs, side pockets are typically used as LMT.

92. Another respondent reported that their fund uses notice period allowing investors to submit a request to redeem their holding (or a proportion) with three months' notice, but a shorter one may be permitted under certain circumstances and with permission granted by the Unitholder Advisory Committee and the Board of the AIFM.

93. One respondent argued that entry/exit prices were not easy to put in place for Venture Capital and Private Equity funds and that redemptions in kind were difficult to implement in practice.

94. The same respondent commented that considering that suspension of subscriptions, repurchases, redemptions and side pockets can only be used as complementary LMTs and that redemptions in kind are not applicable to all types of investors, managers of venture capital and private equity funds can essentially choose between gates and extensions of notice period. As a result, it will be difficult for them to work out an adequate

combination of LMTs depending on the typology of investors, the asset class and investment strategy, etc. Therefore, it is crucial that the implementation of tools as described in annex V of the AIFMD does not prevent the application of other additional LMTs designed on a contractual basis, as set out in the documentation of the fund.

95. According to an analysis⁷ of the prospectuses of AIFs domiciled in France conducted by the French NCA and mentioned by a respondent, French managers are well ahead of the requirement for European open-ended AIFs to have at least two LMTs by 2026. Gates are detected in 5% of private equity funds, but in 96% of assets of evergreen FCPR (Fonds Communs de Placement à Risque'), while swing pricing remains very marginal for Private Equity funds, and anti-dilution tools are totally absent from Private Equity funds. Moreover, 5.7% of the net assets of Private Equity funds are associated with a mention of the possibility of suspension by the manager, but this rate rises to 56% for evergreen FCPR, whereas 40% of private equity funds mention redemptions in kind (38% of FCPR evergreen funds) in their prospectus. Finally, Private Equity funds do not have any side pockets.

ESMA's comments:

96. ESMA observed that open-ended loan-originating AIFs employ a diverse array of LMTs, and these tools are largely consistent with those utilised by other types of open-ended AIFs.

Q21. Do you agree with the above-mentioned reasoning in relation to the possible costs and benefits of the option taken by ESMA as regards the RTS on open-ended loan originating AIFs? Which other types of costs or benefits would you consider in that context?

97. The majority of respondents agreed with the reasoning in relation to the possible costs and benefits of the option taken by ESMA. However, some of them argued that an authorisation for open-ended loan-originating AIFs would not be in the spirit of the AIFMD and would lead to significant compliance costs and substantially affect time-to-market of such funds, making the European fund industry less competitive compared to other non-EU markets. Hence, demonstrating to NCAs that the AIF's liquidity risk management system is compatible with its investment strategy and redemption policy should be sufficient.
98. For one respondent, additional costs include:
- (i) potentially unaccounted costs for implementation, such as enhanced IT systems for monitoring;

⁷ <https://www.amffrance.org/sites/institutionnel/files/private/2024-11/evolution-de-ladoption-des-outils-de-gestion-de-la-liquidite-dansles-fonds-francais.pdf>

- (ii) impact on small and mid-sized AIFMs, as they may struggle to absorb compliance costs;
- (iii) market liquidity drain, because if too many funds increase cash reserves, it could reduce available private credit financing in the EU;
- (iv) unintended consequences, as overly strict rules could push investors toward less regulated debt instruments.

99. On the other hand, additional benefits cited were:

- (i) long-term market trust, as stricter liquidity rules can make OE LO AIFs more attractive to institutional investors;
- (ii) enhanced secondary market development, as funds improve loan liquidity monitoring.

100. One respondent expressed some concerns, arguing that ESMA had not appropriately considered the impact of its considerations relating to the potential obligation on AIFMs managing OE LO AIFs to target to hold a minimum proportion of liquid assets. This potential obligation could have a negative impact on the performance of certain funds, reducing investor returns. This would be unnecessary for investors in OE LO AIFs, where a minimum proportion is inappropriate given the nature of the investment strategy and the flexibility afforded to investors (e.g. matched redemptions or transfer of units and/or undrawn capital commitments to another party).

ESMA's comments:

101. As outlined in earlier responses, ESMA acknowledged the concerns raised by several respondents regarding the potential requirement for pre-authorisation by authorities and the obligation for OE LO AIFs to determine a set amount of liquid assets.

102. Therefore, the final draft RTS state that OE LO AIFs must maintain sufficient liquidity to meet redemption requests, rather than having to pre-determine a fixed amount of liquid assets as was suggested in the consultation paper. Additionally, ESMA replaced the phrase 'intend to manage' with 'manage' to remove ambiguity around whether OE LO AIFs need prior authorisation from their competent authorities. This change also brings the language in line with the Level 1 Directive, which refers specifically to 'AIFMs that manage OE LO AIFs' and not 'intend to manage'. Nonetheless, ESMA recognises that some OE LO AIFs may still require pre-authorisation under national laws, as the AIFMD itself does not regulate AIF authorisation procedures.

Q22. Is there any ESG and innovation-related aspects that ESMA should consider when drafting the RTS under the AIFMD?

103. A few respondents stated that the focus of this draft RTS should remain on liquidity issues only in OE LO AIFs, hence no additional aspect should be considered.
104. Some respondents argued that ESG-related aspects were not relevant to these RTS. For one of them, introducing ESG requirements across different regulatory regimes would cause confusion, duplication and inconsistencies, and the SFDR was the only appropriate regulatory vehicle for ESG matters on funds.
105. One respondent took advantage of this question to reiterate their point that ESMA's proposal on liquid assets could lead to negative effects. In particular, they did not agree that there should be a regulatory minimum amount of liquid assets held by all open-ended loan-originating AIFs, as it would restrict investment in such funds and innovative strategies/assets.
106. Another respondent pointed out that for Article 9 SFDR funds, any further limitations on what qualifies as a liquid asset would be added to an already restricted pool of available assets.
107. One respondent suggested two adjustments to the draft RTS: (i) mandating clearer ESG loan valuation standards to prevent greenwashing; (ii) limiting over-reliance on tokenized loans unless an active secondary market exists.
108. A couple of respondents observed that the requirement in the ESMA Guidelines on funds' names using ESG- or sustainability-related terms that funds with affected terms should have at least 80% of investments contributing to their chosen characteristics or objectives, obliges SFDR Article 9 funds with relevant terms in the name not to hold more than 20% cash/derivatives. However, they claim that this may contradict the draft RTS, as SFDR Article 9 funds that invest in illiquid assets may need to temporarily have cash levels above 20% as a precaution.
109. Other respondents pointed out that ESMA's fund name requirements encourage long-term, impact-driven investments, while the RTS for AIFMD liquidity rules demand flexibility for investor redemptions, creating structural challenges for open-ended sustainable AIFs, especially in private markets.
110. Lastly, one respondent noted that AIFMs managing OE LOFs disclosing under Articles 8 and 9 SFDR face significant constraints on liquidity management regarding what assets are "neutral" and "sustainable investments". Therefore, they suggested that the RTS should address the needs of Article 8 and 9 SFDR funds to avoid creating unnecessary constraints.

ESMA's response:

111. With respect to the comments made by some respondents regarding the interaction between ESMA's guidelines on funds names and these RTS, ESMA clarifies that there is no obligation for funds to use ESG- or sustainability-related terms in their names.

However, should they want to use such terms they should comply with the ESMA Guidelines.

112. In the same manner, while the draft RTS requires OE LO AIFs to have sufficient liquidity to be able to comply with redemption requests, they do not prescribe a minimum regulatory amount of liquid assets to be held by OE LO AIFs. Therefore, ESMA was of the view that there was no contradiction between the draft RTS and the ESMA Guidelines on funds names.
113. Furthermore, since the draft RTS are designed to create conditions for operating OE LO AIFs, they do not interfere with disclosures that are made under the SFDR where AIFs may be promoting environmental or social characteristics (under Article 8 of the SFDR) or have sustainable investment as their objective (Article 9 of the SFDR).

3.2 Annex II – Legislative mandate to develop technical standards

Article 16(2)(f) of AIFMD

“ESMA shall develop draft regulatory technical standards to determine the requirements with which loan-originating AIFs are to comply in order to maintain an open-ended structure. Those requirements shall include a sound liquidity management system, the availability of liquid assets and stress testing, as well as an appropriate redemption policy having regard to the liquidity profile of loan-originating AIFs.

Those requirements shall also take due account of the underlying loan exposures, the average repayment time of the loans and the overall granularity and composition of the portfolios of loan-originating AIFs”.

3.3 Annex III – Cost-benefit analysis

1. Introduction

With respect to LO AIFs, Article 16(2)(a) of the revised AIFMD provides that an AIFM shall ensure that the LO AIF it manages is closed-ended. However, by way of derogation to this requirement, a LO AIF may be open-ended provided that the AIFM that manages it is able to demonstrate to the competent authorities of the AIFM's home Member State that the AIF's liquidity risk management system is compatible with its investment strategy and redemption policy.

ESMA shall develop draft Regulatory Technical Standards (RTS) to determine the requirements with which LO AIFs are to comply in order to maintain an open-ended structure. Those requirements shall include:

- a. a sound liquidity management system;
- b. the availability of liquid assets and stress testing;
- c. an appropriate redemption policy having regard to the liquidity profile of loan-originating AIFs.

Those requirements shall also take due account of the underlying loan exposures, the average repayment time of the loans and the overall granularity and composition of the loan-originating AIF's portfolios.

This cost-benefit analysis (CBA) is qualitative by nature. However, as part of the consultation, ESMA collected some quantitative information on OE LO AIFs (see Questions 17 to 20 in the Feedback Statement). This quantitative information confirmed some of ESMA's understanding of the functioning of OE LO AIFs. In particular, responses showed that the majority of OE LO AIFs have low redemption frequency with most of the time, long notice periods. Moreover, according to the responses, AIFMs generally do not consider loans originated by OE LO AIFs as liquid, for the purpose of complying with redemption requests. This confirmed that the main source of liquidity for OE LO AIFs comes from the cash flows of loans granted by OE LO AIFs.

2. Technical options on the requirements

The following options were identified and analysed by ESMA to address the policy objectives of the RTS under the AIFMD.

In identifying the options set out below and choosing the preferred ones, ESMA was guided by the relevant rules of the AIFMD.

Policy objective	
Baseline scenario	The baseline scenario should be understood for this CBA as the application of the requirements set out in the AIFMD Directive without any further specification. This would leave NCAs and also AIFMs complete discretion to determine the precise circumstances under which loan-originating AIFs can derogate from the legal obligation to be closed-ended and to operate as open-ended structure. This could clearly lead to a lack of harmonisation in the application of a key provision of AIFMD. The main benefit of the RTS is to establish a harmonised implementing framework for both AIFMs and NCAs. Such harmonisation will contribute to the uniformed application of the legislation by AIFMs and to supervisory convergence between NCAs. This will ultimately also participate to increasing investor protection and financial stability in the EU.
Options	The RTS aim to promote the objectives of the Level 1 Directive by defining the requirements that LO AIFs are to comply with to be open-ended. This should contribute to the creation of convergent approaches across member States, which will help ensure that the conditions under which loan-originating AIFs operate as open-ended structure are consistent across AIFMs and Member States. This should reduce the scope for regulatory arbitrage, which could otherwise hamper the key objectives of the Level 1 Directive.
Option 1	Do not develop RTS and rely only on the requirements set out in the AIFMD.
Option 2	The RTS would provide detailed and prescriptive requirements that LO AIFs would have to comply with to be open-ended.
Option 3	The RTS would provide elements and factors of LO AIFs that AIFMs would have to consider when making the demonstration to the competent authorities of their Member States that the LO AIF can maintain an open-ended structure. These same elements and factors would also provide NCAs with a common framework for their assessment when determining if an LO AIF can derogate from the obligation to be closed-ended and be open-ended.
Preferred option	ESMA decided to consult on Option 3 and discarded Option 1 and 2. Option 2 was not favoured because the AIFMD has not created a bespoke regime for OE LO AIFs but rather has granted the possibility to derogate from the general obligation that LO AIFs shall be closed-

	ended, in so far as, AIFMs can demonstrate to their NCAs that their LO AIFs can operate as open-ended funds. Therefore, the RTS are not expected to set up the exact criteria for LO AIFs to be open-ended. After having taken into the feedback received from the public consultation, ESMA kept Option 3 and developed draft RTS that provide elements and factors of LO AIFs that AIFMs would have to consider when making the demonstration to the competent authorities of their Member States that the LO AIF can maintain an open-ended structure.
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Assessment of the impact of the various options

Options	Qualitative description
Benefits	The main benefit of the proposed option is to provide a harmonised implementing framework for both AIFMs and NCAs. This implementing framework will set out the elements and factors of loan-originating AIFs that AIFMs shall consider when making the demonstration to their NCAs that the LO AIFs they manage can be open-ended. This implementing framework will also be beneficial to NCAs as it will provide a framework for their assessment.
Costs	Based on the feedback to the consultation ESMA concluded that the draft RTS was unlikely to lead to significant additional costs to the extent that it provides clarifications on the Level 1 provisions and does not impose additional obligations beyond those already set by the AIFMD in relation to loan-originating AIFs.
Costs to regulator	The draft RTS is not expected to lead to additional costs for regulators.
Compliance costs	Based on the feedback to the consultation, ESMA concluded that, compared with the current framework, the proposed approach is not expected to lead to substantive compliance costs for AIFMs.
ESG-related aspects	Based on the feedback to the consultation, ESMA concluded that ESG-related aspects are not of direct relevance to the specific nature of the proposed RTS on open-ended loan-originating AIFs.
Innovation-related aspects	Based on the feedback to the consultation, ESMA concluded that innovation-related aspects are not of direct relevance to the specific nature of the proposed RTS on open-ended loan-originating AIFs.

Proportionality-related aspects	Based on the feedback to the consultation, ESMA concluded that the identified benefits outweigh the expected comparably limited costs, hence the RTS are expected to be proportionate.
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3. Conclusions

Considering what has been illustrated above, ESMA believes that the overall supervisory and compliance costs associated with the implementation of these Regulatory Technical Standards are justified by the objectives described above and will be largely compensated by the benefits for all stakeholders and, particularly, for NCAs, managers and investors.

While in fact having the benefit of providing a harmonised framework at EU level for the open-ended loan-originating AIFs, the RTS will not only participate to convergent application of EU legislation, but they will also promote financial stability and investor protection.

3.4 Annex IV – Draft regulatory technical standards under the AIFMD

COMMISSION DELEGATED REGULATION (EU) .../..

of [...]

**supplementing Directive 2011/61/EU of the European Parliament and of the Council
with regard to regulatory technical standards on open-ended loan-originating AIFs**

(Text with EEA relevance)

THE EUROPEAN COMMISSION,

Having regard to the Treaty of the Functioning of the European Union,

Having regard to 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 1095/2010⁸, and in particular Article 16(2i), second subparagraph, thereof,

- (1) When defining the appropriate redemption policy of the open-ended loan-originating AIF, AIFMs should consider several factors, including the redemption frequency offered to investors, the targeted investors, the notice period and the amount of liquid assets held by the AIF.
- (2) To ensure that the open-ended loan-originating AIF they manage has sufficient liquidity to comply with redemption requests, AIFMs should consider several factors, including the amount of liquid assets, the redemption policy of the AIF, the maturity and the number of loans granted, estimated defaults and rescheduling, the length of the notice period and, where available, the anticipated behaviour of the targeted investors, as well as the investor concentration.

⁸ OJ L 174, 1.7.2011, p. 1–73.

- (3) AIFMs should conduct regular liquidity stress testing of the open-ended loan-originating AIF they manage and these stress testing should be tailored to the strategy pursued by the open-ended loan-originating AIF.
- (4) AIFMs should conduct liquidity stress testing at least on a yearly basis. However, AIFMs may conduct liquidity stress testing more frequently than on a yearly basis if they consider it justified by the characteristics of the open-ended loan-originating AIF they manage.
- (5) In order, to be able to assess whether the liquidity management system of the open-ended loan-originating AIF they manage remains compatible with the investment strategy and the redemption policy of the AIF, AIFMs should have in place the necessary monitoring arrangements to enable them to monitor specific parameters, such as, the level of liquid assets, the level of subscriptions and redemptions, or early-warning signals of loans impairment.
- (6) This Regulation is based on the draft regulatory technical standards submitted to the Commission by the European Securities and Markets Authority (ESMA) in accordance with Article 10 of Regulation (EU) No 1095/2010 of the European Parliament and of the Council⁹.
- (7) ESMA has conducted open public consultations on the draft regulatory technical standards on which this Regulation is based, analysed the potential related costs and benefits and requested the advice of the Securities and Markets Stakeholder Group established in accordance with Article 37 of Regulation (EU) No 1095/2010 of the European Parliament and of the Council.
- (8) In order to provide for the alignment of the application of this Regulation with the application of the amendments in Directive (EU) 2024/927¹⁰ to Directive (EU) 2011/61 it is necessary to specify that the provisions of this Regulation apply from 16 April 2026,

HAS ADOPTED THIS REGULATION:

Article 1

Subject matter

⁹ Regulation (EU) No 1095/2010 of the European Parliament and of the Council of 24 November 2010 establishing a European Supervisory Authority (European Securities and Markets Authority), amending Decision No 716/2009/EC and repealing Commission Decision 2009/77/EC (OJ L 331, 15.12.2010, p. 84).

¹⁰ OJ L, 2024/927, 26.3.2024

1. This Regulation specifies the requirements with which loan-originating AIFs are to comply in order to maintain an open-ended structure.

Article 2

Sound liquidity management

1. An AIFM that manages an open-ended loan-originating AIF as defined in Article 4(1), point (a) of Directive 2011/61/EU shall be able to demonstrate to the competent authorities of its home Member State that the liquidity risk management system of the AIF is compatible with its investment strategy and its redemption policy.
2. For each open-ended loan-originating AIF it manages, an AIFM shall:
 - (a) define an appropriate redemption policy considering the factors set out in Article 3;
 - (b) ensure that the open-ended loan-originating AIF has sufficient liquidity to comply with redemption requests taking into account the factors set out in Article 4.
3. For each open-ended loan-originating AIF it manages, an AIFM shall through the life of that AIF:
 - (a) carry-out liquidity stress tests based on Article 5;
 - (b) have in place the appropriate liquidity risk management systems to monitor the elements set out in Article 6.
4. An AIFM that manages an open-ended loan-originating AIF shall be able to demonstrate to the competent authorities of their home Member State that it has selected the appropriate liquidity management tools in accordance with Article 16(2b) of Directive 2011/61/EU.

Article 3

Appropriate redemption policy

1. In order to ensure that the redemption policy of the open-ended loan-originating AIF it manages is appropriate, an AIFM shall, at least, consider the following factors:
 - (a) the frequency of redemptions offered to shareholders or unitholders;
 - (b) the availability of liquid assets held by the AIF;
 - (c) the portfolio diversification and the liquidity profile of the assets held;
 - (d) the investment policy and strategy;

- (e) the credit quality of the loans;
- (f) the investor base and the investor concentration;
- (g) the level of subscriptions and redemptions of investors;
- (h) the duration of the minimum holding period, where applicable;
- (i) the length of the notice period and of the settlement period, where applicable;
- (j) other redemption conditions, where applicable;
- (k) the expected incoming cash flows of the portfolio;
- (l) the market conditions and material events that may affect the possibility for the AIFM to implement the redemption policy of the open-ended AIF it manages;
- (m) the liquidity management tools selected in accordance with Article 16(2b) of Directive 2011/61/EU, their calibration, and the conditions for their activation;
- (n) the results of the liquidity stress tests;
- (o) the availability of a reliable, sound and up-to-date valuation of the loans and other assets in the portfolio.

Article 4

Liquidity of open-ended loan-originating AIFs

1. In order to ensure that the open-ended loan-originating AIF it manages has sufficient liquidity to comply with redemption requests, an AIFM shall at least, consider the following factors:
 - (a) the availability of liquid assets held by the AIF;
 - (b) the redemption policy of the AIF;
 - (c) the portfolio diversification and the liquidity profile of all the assets in which the AIF is invested;
 - (d) the length of the notice period;
 - (e) the length of the settlement period for subscriptions and redemptions;
 - (f) the length of the minimum holding period, where applicable;
 - (g) the available liquidity management tools, their calibration, and the conditions for their activation;
 - (h) for the loans granted by the AIF:
 - (i) the repayment terms and schedules;

- (ii) the maturities;
 - (iii) the credit quality;
 - (iv) the underlying exposures;
 - (v) the estimated default rates and rescheduling;
 - (i) the incoming cash flow of the portfolio;
 - (j) the investor base including the investor type, potential investor concentration and, where available, investors' subscription and redemption behaviours;
 - (k) if any, the targeted level of leverage, including leverage arising from hedging strategies, and the related financial obligations;
 - (l) any other liabilities.
2. The expected cash flow generated by the loans granted by the open-ended loan-originating AIF shall be considered as liquid assets.

Article 5 **Liquidity stress tests**

1. An AIFM that manages an open-ended loan-originating AIF shall conduct liquidity stress tests at least on an annual basis, unless a higher frequency is justified by the characteristics of the open-ended loan-originating AIF.
2. An AIFM that manages an open-ended loan-originating AIF shall stress test separately the assets and the liabilities of the open-ended loan-originating AIF and shall combine the results of these stress tests to determine the overall effect on the liquidity of the AIF.
3. An AIFM shall apply severe but plausible scenarios in terms of change in interest rates, credit spread and potential defaults in loans granted, as well as in redemptions requests considering the investor base, where available, and the liquidity offered and the liquidity management tools put in place in case of redemption pressure from investors.
4. An AIFM shall employ liquidity stress tests that consider adequately the characteristics of the open-ended loan-originating AIFs they manage and shall consider scenarios with low probability but with high impact on the ability of AIFMs to value the loans.

Article 6 **Ongoing monitoring**

In order to ensure that the liquidity management system of the open-ended loan-originating AIF it manages remains compatible with its investment strategy and redemption policy, an AIFM shall, at least, monitor on an ongoing basis the following elements:

- (a) the portfolio concentration;
- (b) if any, the level of unencumbered cash;
- (c) the cash flows;
- (d) the amount and timing of subscriptions and redemptions;
- (e) the repayment of the loans pursuant to the schedules agreed;
- (f) the behaviour of shareholders or unitholders;
- (g) the portfolio composition and concentration;
- (h) the maturity of the loans;
- (i) early-warning signals of loans impairment (e.g. payment delays);
- (j) the level of leverage, where applicable;
- (k) the liquidity of the AIF, including the availability of liquid assets in the portfolio of the AIF; and
- (l) if any, liabilities of the AIF.

Article 7

Entry into force

This Regulation shall enter into force on the twentieth day following that of its publication in the *Official Journal of the European Union*.

It shall apply from 16 April 2026.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels,