

PURE CAPITAL SERIES

Vol.2 AIFMD II and UCITS VI

THIS ISSUE

The European regulatory landscape for investment funds is undergoing one of its most meaningful evolutions since the introduction of UCITS V and AIFMD I. With AIFMD II and UCITS VI, the EU aims to strengthen investor protection, enhance supervisory convergence, and reinforce the overall resilience of the fund ecosystem.

In Luxembourg - Europe's largest cross-border fund hub - these changes will apply from 16 April 2026, with new supervisory reporting obligations effective in April 2027.

At Pure Capital, we are proactively preparing to integrate these developments across our governance, oversight, risk, liquidity, and reporting frameworks.

Certain elements described below are based on the current texts and expected level 2 measures and may evolve as implementing regulations are finalized.



1. KEY DATES & IMPLEMENTATION TIMELINE

<u>DATE</u>	<u>EVENT</u>	<u>WHAT IT MEANS</u>
15 April 2024	Entry into force of the Directives	EU rules formally adopted
16 April 2026	Deadline for national transposition	Luxembourg law aligned with AIFMD II & UCITS VI via Draft Law 8628
16 April 2027	Reporting go-live	New harmonised EU reporting obligations begin

Impact: Governance structures, liquidity policies, delegation documentation, risk procedures, and disclosures should be reviewed and updated to ensure full readiness well in advance of Q2 2027.

2. DELEGATION & OVERSIGHT – A MORE TRANSPARENT AND DOCUMENTED FRAMEWORK

Delegation remains central to the European fund industry model, especially in Luxembourg. However, AIFMD II / UCITS VI introduce strengthened documentation and oversight requirements:

What changes for managers:

- Mandatory granular description of the human & technical resources supervising delegated functions.
- Detailed disclosures on delegation chains in the application for authorization.
- Prior notification to regulators for UCITS ManCos delegation arrangements.
- Clear documentation of senior managers' roles, responsibilities, reporting lines and time allocation.

What this means for investors?

- Increased accountability and transparency from the manager.
- Greater assurance that delegation structures are properly supervised and not “letter-box” structures.

What Pure Capital is doing?

- Strengthening due diligence, monitoring, and escalation procedures.
- Updating all delegation agreements and enhancing governance documentation.

3. LIQUIDITY MANAGEMENT – TWO MANDATORY LIQUIDITY MANAGEMENT TOOLS (LMTs) AND ENHANCED OVERSIGHT

AIFMD II and UCITS VI introduce a harmonised LMT framework for all open-ended funds.

New requirements:

All UCITS and open-ended AIFs must select at least two LMTs from the EU list:

- Redemption gates.
- Extended notice periods.
- Redemption fees.
- Swing pricing.
- Dual pricing.
- Anti-dilution levy.
- In-kind redemptions (professional investors only).
- Side pockets.

(NB: Swing pricing and dual pricing cannot be the only two LMTs selected.)

Fund constitutional documents must also be updated to explicitly include the selected LMTs and the conditions under which they may be activated or deactivated.

Regulatory oversight:

The CSSF may require activation of LMTs to protect investors or market stability, in coordination with other EU authorities where relevant.

Level-2 RTS/ITS are expected to specify methodologies, thresholds, valuation adjustments, and operational processes.

Side pockets and suspensions are strictly reserved for exceptional circumstances.

Impact for investors:

- More predictable and structured liquidity frameworks.
- Enhanced protection during periods of market stress.

Our commitment:

We are integrating LMT calibration into liquidity stress tests and updating prospectuses and disclosures across our fund range.

4. LOAN-ORIGINATING AIFs (LO-AIFs) – A FULLY HARMONISED EU FRAMEWORK

For the first time, the EU sets a comprehensive regime for LO-AIFs.

Key features of the new regime:

- A fund qualifies as LO-AIF when originated loans represent $\geq 50\%$ of NAV or when loan origination is a core strategy.
- Concentration limit: typically, 20% maximum exposure to a single financial borrower (subject to exemptions).
- Leverage limits vary depending on whether the funds are open-ended and closed-ended.
- Risk-retention and credit governance requirements.
- Open-ended LO-AIFs permitted if liquidity alignment is demonstrated and validated by regulators.

Benefits for investors:

- A clearer, pan-European framework for private debt funds.
- Reduced regulatory arbitrage across jurisdictions.

5. SUBSTANCE & GOVERNANCE – REINFORCING LOCAL PRESENCE

UCITS VI formalises the obligation for managers to employ at least two, full-time and EU-domiciled senior individuals, responsible for conducting the business on a daily basis.

Implications:

- Strengthened accountability and local decision-making.
- More robust operational resilience and oversight.

What are we doing?

- Strengthening our governance framework.
- Ensuring full alignment with substance requirements.

6. DEPOSITARY RULES – LUXEMBOURG MAINTAINS ITS POSITION

Although AIFMD II introduces the possibility of cross-border depositaries under strict conditions, Luxembourg is expected to maintain a predominantly local depositary model for AIFs.

Practical implications:

- Luxembourg funds (including AIFs) must continue to appoint a Luxembourg-based depositary.
- Luxembourg depositaries may serve foreign funds where permitted locally.

This approach ensures continuity and reinforces investor protection through stable custody infrastructures.

7. REPORTING & INVESTOR TRANSPARENCY – A MAJOR UPGRADE COMING IN 2027

The reporting framework significantly expands the information required under both AIFMD and UCITS.

New reporting includes:

- Significantly more granular reporting of exposures and assets.
- Leverage reporting for all AIFs.
- Full transparency on delegation structures.
- Reporting on marketing footprint (countries where units/shares are distributed) across jurisdictions.
- Enhanced costs transparency requirements for the benefit of the investors.

Go-live: April 2027.

Investor benefit:

- Greater visibility and comparability across funds and jurisdictions.
- Improved supervisory convergence across the EU.

8. WHAT PURE CAPITAL IS DOING NOW?

To ensure seamless transition, we are:

- Conducting comprehensive gap analyses across all mandates.
- Updating all corporate, risk, liquidity, and delegation frameworks.
- Preparing LMT integration and operational calibration.
- Adapting systems for new 2027 reporting requirements.
- Reinforcing governance and substance.
- Supporting clients through tailored regulatory briefings.

CONCLUSION

AIFMD II and UCITS VI mark a decisive step toward a more transparent, harmonised, and resilient European fund environment.

For investors, the reform brings enhanced safeguards and clarity.

For managers, they require early preparation, structured implementation, and disciplined oversight.

At Pure Capital, we remain fully committed to ensuring a smooth transition for all our clients and upholding the highest standards of regulatory compliance and oversight.

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