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AIFMD II: New framework for Alternative Investment Funds

The key changes concern loan origination, liquidity risk management, delegation of functions, depositary services and supervisory reporting.

At a glance

The draft law of the Ministry of National Economy and Finance, which is open for public consultation until **22 October 2026**, transposes **Directive (EU) 2024/927 ("AIFMD II")** and overhauls the regulatory framework governing Alternative Investment Funds (AIFs). The most significant amendments relate to loan origination by AIFs, liquidity management, delegation of functions, depositary arrangements, and transparency and supervisory reporting obligations.

Who is affected: Alternative Investment Fund Managers (AIFMs) established as sociétés anonymes (AEDOOE), loan-originating AIFs, depositaries, and entities to which portfolio or risk management functions are delegated.

Expansion of activities and organisational requirements

- **The scope of AIF management activities carried out by AIFMs is extended.** It now expressly covers loan origination on behalf of AIFs and the servicing of securitisation special purpose entities. AIFMs are also permitted to carry out additional activities, such as the administration of benchmarks and credit servicing.
- **The concept of loan origination introduced under the new framework covers two cases.** First, an AIF grants a loan directly as the original lender. Second, a loan is granted indirectly through a third party or a special purpose vehicle that lends for the account or on behalf of the AIF, or for the account or on behalf of an AIFM in respect of the AIF. In the second case, the AIFM or the AIF must be involved in structuring the loan, or in defining or pre-approving its characteristics, before gaining exposure to the loan.
- **The authorisation requirements for AIFMs are strengthened.** AIFMs must disclose more to the competent supervisory authority about:
 - their management structure, in particular the persons who effectively conduct the business of the AIFM; and
 - their delegation arrangements.

A new condition also requires the business of the AIFM to be effectively conducted by at least two natural persons. Each must be resident in the EU and either employed full-time by the AIFM or committed full-time to conducting its business.

New regulatory framework for lending

The draft law establishes a specific regime for loan-originating AIFs, which are defined as AIFs whose investment strategy is mainly to originate loans, or whose originated loans have a notional value representing at least 50% of their net asset value. In addition, AIFMs are required to implement effective policies and procedures for the origination of loans, as well as policies and procedures for the assessment of credit risk and for the administration and monitoring of their credit portfolio. These policies and procedures must be reviewed regularly and at least annually.

The new framework provides, *inter alia*, for:

- **a prohibition on the notional value of loans exceeding 20% of the AIF's capital**, where such loans are granted by the AIF to a financial undertaking, an AIF or a UCITS;
- **a leverage cap** of 175% for open-ended loan-originating AIFs and 300% for closed-ended loan-originating AIFs;

New regulatory framework for lending (continued)

- a prohibition on granting loans to the AIFM itself, its staff, the AIF's depositary or the AIFM's delegates, and, subject to limited exceptions, to entities within the same group;
- a prohibition on granting loans to consumers (this prohibition does not affect the marketing in Greece of AIFs that grant loans to consumers or service credit granted to consumers);
- a prohibition on "originate-to-distribute" strategies, where loans are originated for the sole purpose of transferring them to third parties; and
- an obligation to retain 5% of the notional value of each loan that is subsequently transferred, for the prescribed period and subject to specified exceptions.

The proceeds of loans granted by the AIF, net of allowable administrative fees, shall accrue in full to the AIF. All costs and expenses connected with the administration of the loans shall be disclosed.

New liquidity management tools

Loan-originating AIFs are, as a rule, closed-ended. They may be open-ended only if the AIFM demonstrates to the Hellenic Capital Market Commission that their liquidity risk management is compatible with their investment strategy and redemption policy. Open-ended AIFs must have at least two liquidity management tools, such as suspension of subscriptions, repurchases and redemptions, redemption gate, redemption in kind, side pockets, extended notice periods or redemption fee. Suspensions and side pockets may be used only in exceptional cases, where justified in investors' interests, with immediate notice to the Commission. The Commission is also empowered to require the activation or deactivation of liquidity management tools where it deems this necessary.

Stricter delegation framework

- The new provisions strengthen the framework governing the delegation of functions by AIFMs, extending it to the ancillary services that AIFMs provide. The Hellenic Capital Market Commission must be notified in advance of any delegation. Any sub-delegation requires the prior consent of the AIFM and must be notified to the Hellenic Capital Market Commission.
- Delegation or sub-delegation does not relieve the AIFM of its liability towards its clients, the AIF and the AIF's investors. The AIFM must retain a substantive role in the management of the AIF. It must also ensure that the functions and services delegated, are performed in line with the applicable regulatory framework. This applies wherever the delegate or sub-delegate is established and whatever regulatory regime it is subject to.

Depository services and third-country requirements

- The appointment of a depository established in a third country is subject to additional conditions, which must be met on an ongoing basis. Among other things, the third country must not be identified as a high-risk third country for money laundering purposes. An effective exchange of information in tax matters must also be ensured, and the third country must not be included in the EU list of non-cooperative jurisdictions for tax purposes.
- If any of these conditions subsequently ceases to be met, a new depository must be appointed within an appropriate period of time, not exceeding two years. The provisions also clarify the circumstances in which the provision of services by a Central Securities Depository (CSD) is to be regarded as a delegation of custody functions.

Enhanced transparency and supervisory reporting

- AIFMs' obligations to disclose information to investors are expanded. This applies in particular to the composition of the loan portfolio and to fees, charges and expenses borne directly or indirectly by investors. It also covers any parent companies, subsidiaries or special purpose vehicles used in relation to the AIF's investments or on behalf of the AIFM.
- In addition, AIFMs must regularly submit reports to the Hellenic Capital Market Commission setting out detailed information on the delegation of portfolio management or risk management functions. Among other things, these reports include information on the delegates and on the AIFM's human resources. They also state the amount and percentage of the AIF's assets for which portfolio management has been delegated and describe the AIFM's periodic due diligence reviews. These requirements apply **from 16 April 2027**.

Transitional provisions

- AIFs that originate loans and were established **before 15 April 2024** are granted a transitional period **until 16 April 2029** to comply with, among other things, the concentration limits per borrower, the leverage limits and the requirement to operate as closed-ended AIFs.
- Special treatment also applies to loan-originating AIFs that do not raise additional capital **after 15 April 2024**, and to loans granted before that date. Such AIFs may, however, opt into the new regime by notifying the Hellenic Capital Market Commission.

Key dates

- **22 October 2026:** Closing date of the public consultation.
- **16 April 2027:** Date of application of the new supervisory reporting requirements.
- **16 April 2029:** Expiry of the transitional period for selected requirements applicable to existing loan-originating AIFs.

Let's talk

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