

From illiquidity to optional liquidity

How tokenised bulletin boards can serve AIF investors from day one.

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From illiquidity to optional liquidity

Executive Summary

Alternative investment funds (AIFs) are designed to be illiquid. Their strategies require long horizons, and regulation reinforces that design. Yet investor expectations are shifting. Limited partners increasingly look for flexibility: not daily redemption, but at least the possibility of exiting a position when their own circumstances change.

Today, that flexibility is typically provided through the secondary market. But secondary sales are slow, costly, and broker-driven, making them inaccessible for many investors and inefficient for managers. What is missing is a controlled, transparent mechanism that allows investors to post their interests and, when possible, find a counterparty — without turning an AIF into a trading venue.

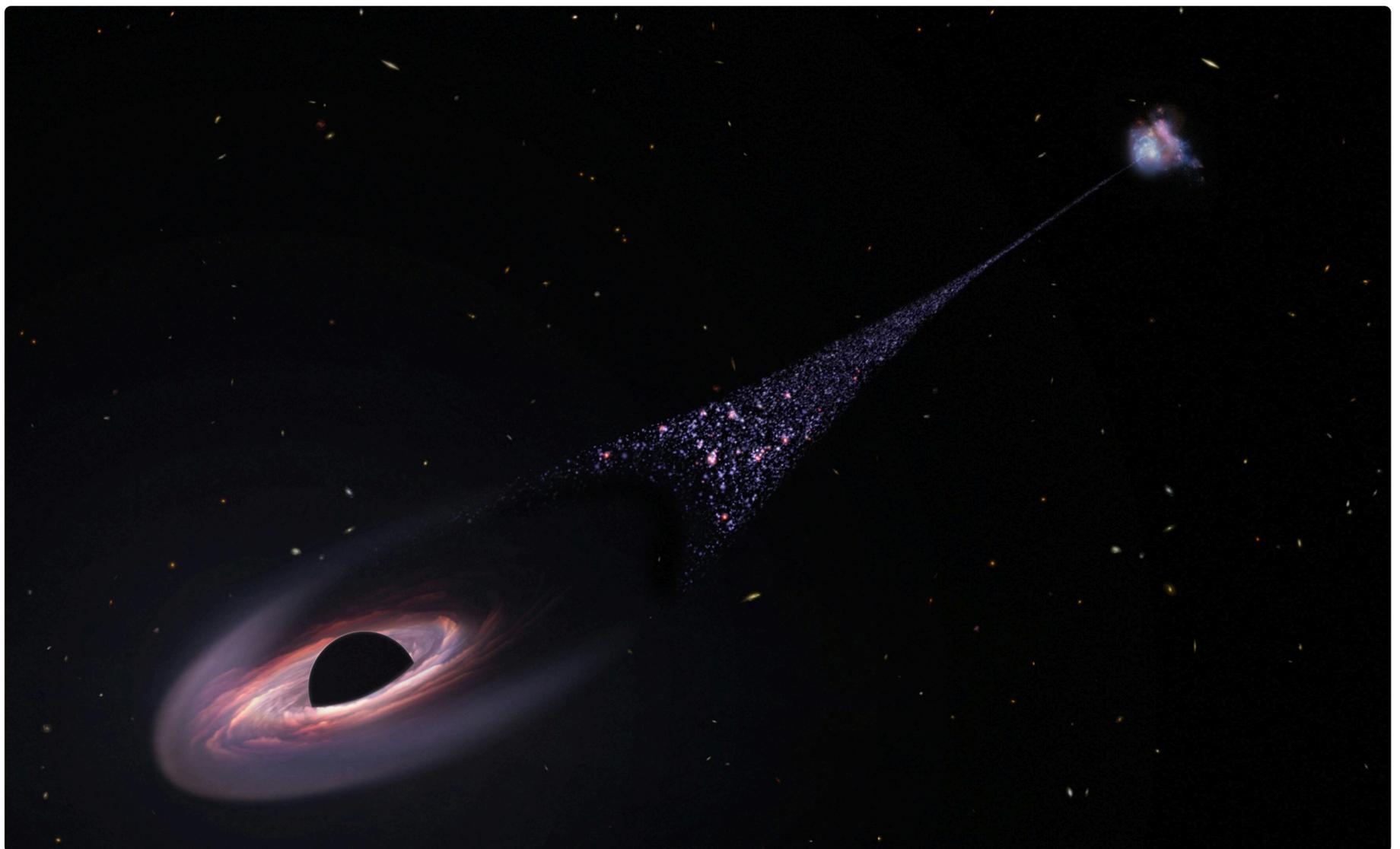
Tokenised bulletin boards provide exactly that. By recording units on chain, automating register updates, and embedding compliance checks, they reduce the operational burden on managers and make occasional secondary trades viable at scale. The concept is not a promise of full liquidity, but of **optional liquidity**: a credible outlet for investors who need it, aligned with the long-term nature of the fund.

Crucially, this model is viable from day one. Even a single strong fund, made available on a bulletin board, can deliver meaningful optionality to existing LPs. Over time, liquidity deepens in phases:

1. **Billboard within the fund's own investor base** — a closed loop where existing qualified investors can see each other's interests.
2. **Listing to new qualified investors** — expanding visibility to potential buyers beyond the original LP base.
3. **Retailisation** — gradual broadening to smaller-ticket investors, enabled by fractionalisation and tokenised settlement.

For managers, the benefits are clear. Tokenisation lowers the administrative friction of transfers, preserves oversight of the investor register, and supports distribution by offering investors flexibility without undermining the illiquid model. For investors, it means optional liquidity from the very beginning, with the prospect of more vibrant secondary activity as the ecosystem matures.

This paper explores how bulletin boards work, why one fund is enough to start, the typical use cases for buyers and sellers, the role of tokenisation, and how liquidity can be expected to build over time. The conclusion is simple: bulletin boards are not a threat to the AIF model, but an evolution of it — one that brings immediate value to investors and long-term strength to managers.



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1. Introduction: The Liquidity Paradox in AIFs

Illiquidity is both the strength and the weakness of alternative investment funds (AIFs). On the one hand, it protects the integrity of long-term strategies — infrastructure, private credit, private equity, and real assets that cannot be managed with daily cash flows. On the other, it constrains investors who may, at some point, wish to rebalance portfolios, meet capital calls elsewhere, or respond to changes in their own circumstances.

The paradox is that **illiquidity is necessary, but illiquidity is also painful**. Managers defend it as a safeguard, while investors experience it as rigidity. The growth of the secondary market is the clearest signal: LPs are not seeking daily redemption, but they do want optionality.

The limits of today's secondaries

At present, that optionality is supplied almost exclusively through the brokered secondary market. These transactions serve an important role, but they are slow, costly, and typically reserved for large blocks. Smaller investors are effectively excluded.

For managers, secondary trades often create administrative headaches — from consent procedures to register updates — with little direct benefit.

The regulatory balancing act

Regulators recognise this tension. MiFID II draws a clear line between bulletin boards and trading venues: a system where investors merely **advertise interest** is permissible; a system that **matches orders** risks classification as a multilateral trading facility (MTF). Within that boundary lies room for innovation: mechanisms that acknowledge investor demand for flexibility without undermining the illiquid character of the fund.

Why now?

Several forces converge to make this the right moment to rethink AIF liquidity:

- **Investor expectations:** LPs increasingly expect some form of liquidity outlet as standard.
- **Market conditions:** Periods of tighter capital availability highlight the need for optional exits.

- **Technological readiness:** Tokenisation enables transfer, settlement, and compliance to be handled at scale with far less friction.
- **Regulatory innovation:** Regimes such as Luxembourg’s Blockchain IV law create a framework where tokenised units and on-chain registers are formally recognised.

This paper argues that tokenised bulletin boards resolve the paradox. They preserve the illiquid design of AIFs while offering investors an optional exit. They are not a promise of daily liquidity, but of credible, occasional liquidity that grows stronger over time.

2. What is a Bulletin Board?

A bulletin board in financial markets is exactly what the name suggests: a place to post notices. Investors who wish to sell display their interest, investors who wish to buy do the same. What matters is what does not happen: the system does not match orders, run an order book, or guarantee execution. The distinction is critical.

The analogy: a notice board in a common room

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- *“For sale: €10 million in Fund X units, offered at NAV.”*
- *“Wanted: €5 million in Fund Y units, buyer at NAV minus 2%.”*

The board makes intentions visible, but the transaction only happens if another party chooses to respond. This is fundamentally different from a stock exchange, where trades are matched continuously and automatically.

Regulatory framing

European regulators have acknowledged this distinction explicitly. Under MiFID II, a system that simply allows investors to **advertise buying and selling interests** is not a trading venue. Once the platform begins **matching orders**, however, it risks classification as a multilateral trading facility (MTF) or organised

trading facility (OTF), with the full weight of regulatory requirements that entails.

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This is why bulletin boards are particularly attractive in the AIF context. They allow managers to provide investors with a channel for expressing interest, without turning the fund into a quasi-exchange.

Why managers can support them

For managers, the attraction of bulletin boards lies in their balance:

- **Controlled:** access is restricted to qualified investors who have completed AML/KYC.
- **Transparent:** all posted interests are visible, reducing information asymmetry.

- **Non-binding:** the manager retains oversight, and the fund's core illiquidity is preserved.

In this way, a bulletin board is neither a promise of liquidity nor a distortion of the AIF model. It is a mechanism to make liquidity, when it is available, more visible and more accessible.

3. Why One Fund Can Be Enough

A frequent concern when discussing bulletin boards is the “chicken-and-egg” problem. Investors will only consult a board if they believe there is sufficient supply and demand. Yet sellers will only post if they believe buyers are watching. At first glance, this suggests that bulletin boards need many funds and many participants to be viable.

In practice, experience suggests otherwise. **Even a single strong fund can provide meaningful optional liquidity from day one.**

The role of credibility

Investor psychology is shaped less by the number of listings and more by the quality of what is listed. A well-known AIF with strong performance and investor demand can generate activity on its own. If an LP in such a fund needs to sell, they know their peers may wish to increase exposure; equally, new qualified investors may be attracted precisely because access to the fund is otherwise limited.

Evidence from investor research

Institutional surveys confirm this. The Coller Capital Global Private Equity Barometer has consistently shown that more than half of LPs expect to use the secondary market to manage their private market portfolios within the next two years. Preqin’s Investor Outlooks echo the same finding: liquidity options, even if partial, are among the most requested features from LPs.

Interestingly, similar dynamics have been observed in the retail sphere. In our own ELTIF research with individual investors, respondents initially dismissed the idea of a single-fund bulletin board as “not enough choice.” Yet when shown a specific high-quality fund, many reversed their view and said they would invest even if it were the only option. The context is different, but the lesson is parallel: **credibility outweighs breadth.**

Implication for launch

This means that managers and distributors do not need to wait for a fully stocked bulletin board to offer value. The presence of one strong fund is sufficient to justify the model. Over time, as additional funds are added, activity will grow — but the case for optional liquidity begins from day one.

4. Use Cases: Who Shows Up on the Board?

The success of a bulletin board depends on whether credible buyers and sellers show up. Unlike an exchange, there is no guarantee of liquidity; the mechanism works when the interests of investors overlap. To understand why trades are likely to occur, it is useful to consider the motivations of both sellers and buyers — and how they think about price.

SELLERS

The liquidity-pressed LP

A pension fund or family office might be fully committed to a private equity strategy, but face an unexpected cash requirement elsewhere. It could be a capital call from another vehicle, a shift in liability needs, or simply the rebalancing of a broader portfolio. In such cases, the LP is not seeking to exit because they doubt the fund; they are selling because of circumstances. For this seller, even a modest discount to NAV may be acceptable if it secures speed and certainty.

SELLERS

The rebalancer

Large institutional allocators actively manage portfolio exposures across asset classes. If private equity or real estate allocations drift above target levels, an LP may reduce exposure by selling units on the board. Here, the motivation is not distress but discipline. Such sellers are less likely to accept steep discounts; they will typically post at or near NAV, waiting for a natural buyer.

SELLERS

The rotation player

Some investors look to rotate capital between strategies or vintages. An LP satisfied with returns in one AIF may wish to recycle proceeds into a new opportunity. In this case, selling on the board becomes part of a forward-looking allocation strategy. These sellers often anchor their pricing to NAV, but may shade slightly below to accelerate execution.

BUYERS

The mandate-filler

Institutional investors frequently receive mandates that must be deployed in specific strategies. A pension fund may be instructed to build exposure to infrastructure debt or growth equity within a set timeframe. If a bulletin board offers units in a relevant AIF, the buyer can accelerate allocation without waiting for the next fundraising cycle. Such buyers are often willing to meet sellers at NAV, or even pay a slight premium if the fund is otherwise closed.

BUYERS

The opportunist

For some investors, the bulletin board represents a chance to capture relative value. If units are posted at a discount to NAV, they may view it as an attractive entry point into a high-quality vehicle. Opportunists are price-sensitive: they rarely pay above NAV, but they bring activity by bidding at levels that clear liquidity-pressed sellers.

BUYERS

The relative-value hunter

Sophisticated LPs and family offices may use bulletin boards to arbitrage across funds. A buyer who knows Fund X trades at a discount while Fund Y is at a premium may selectively increase exposure to the undervalued vehicle. Such investors stabilise prices by recognising when discounts are unwarranted.

Pricing psychology

The interplay between sellers and buyers creates a natural band of pricing around NAV:

- **At NAV:** rebalancers and rotation players are comfortable to post; mandate-fillers are willing to pay.
- **Below NAV:** liquidity-pressed LPs find buyers in opportunists seeking value.
- **Above NAV:** rare, but possible if a fund is closed, in strong demand, and a buyer is mandated to access it.

Why trades occur even when the board is thin

The key insight is that investors approach the board for specific reasons. A seller is motivated by circumstance, not speculation; a buyer is motivated by mandate or opportunity, not random chance. This alignment means trades can happen even with only a handful of posts on the board. A single seller seeking speed and a single buyer seeking access are enough to validate the mechanism.



5. Why Tokenisation Makes This Viable

The concept of a bulletin board is not new. What makes it practical today — and attractive to managers — is tokenisation. By recording fund units on chain and embedding compliance and settlement processes into digital rails, tokenisation addresses the very obstacles that have historically prevented bulletin boards from functioning at scale.

Reducing administrative friction

In a traditional AIF transfer, a seller and buyer must negotiate documentation, secure manager consent, coordinate with the depositary, and update the investor register. Each step is manual, slow, and error-prone. Tokenisation collapses this process. Ownership is represented by a token, and transfers occur through digital signatures on a shared ledger. The investor register updates automatically, giving the manager immediate oversight of who holds units. What previously took weeks of legal back-and-forth can occur in hours or days.

Embedding compliance

One of the greatest costs in secondary transactions is repeated onboarding. Each new buyer must undergo AML and KYC checks, often duplicating work that has already been done. With tokenisation, compliance is tied to the wallet. Once an investor has passed due diligence, their wallet address is whitelisted. Every transaction on the bulletin board is therefore pre-cleared, reducing cost and delay while maintaining regulatory standards

Settlement speed and certainty

Traditional transfers often fail not for lack of interest, but for lack of coordination in settlement: when will cash move, when will the register update, when will legal conditions be satisfied? Tokenisation synchronises these events. Smart contracts and multi-party computation ensure that transfers only occur once conditions are met, with both sides executing near-simultaneously. For investors, this creates confidence; for managers, it eliminates operational risk.

Transparency for managers

In legacy systems, managers may not know the precise composition of their investor base for weeks after a secondary transaction. Tokenisation provides real-time transparency. The manager always sees who holds units, with no lag. This reassurance is critical: optional liquidity does not mean loss of oversight.

Scalability

Perhaps most importantly, tokenisation makes bulletin boards scalable. With one fund, the efficiency gains are clear. With ten funds, the same infrastructure supports activity across all, without multiplying the administrative burden. For managers, this means bulletin boards are not only feasible at launch, but sustainable as a permanent feature of the market.

6. How Liquidity Builds Over Time

Liquidity on a tokenised bulletin board does not emerge fully formed. It develops in phases, each expanding the circle of potential participants while preserving control and compliance.

This staged growth is what makes the model credible for managers and attractive for investors.

Phase 1: Billboard amongst existing qualified investors

The first stage is inward-looking. A bulletin board restricted to a fund's own limited partners allows investors to post buy and sell interests to one another. Even here, a single high-quality fund can create meaningful optional liquidity. A pension fund facing liquidity pressure may find a peer willing to increase exposure; a family office looking to rebalance may find a counterpart with the opposite tilt. By confining participation to known investors, the mechanism is low-risk and manager-friendly — but still valuable.

Phase 2: Listing to potential new qualified investors

The next stage is outward-facing. The board is opened to qualified investors who were not part of the original commitment base but who meet eligibility requirements. This expands the pool of potential buyers, increasing the chance of matching interests while retaining strict investor protections. For managers, it is an efficient way to welcome new capital into a closed fund; for investors, it creates visibility

into opportunities that would otherwise remain inaccessible.

Phase 3: Broadening to smaller-ticket investors (retailisation)

Over time, tokenisation enables fractionalisation. Units can be divided into smaller denominations, making it feasible for smaller-ticket investors to participate in a controlled manner. This “retailisation” does not imply a sudden opening of the gates. Instead, it means that minimum investment sizes can gradually fall, aligning with regulatory comfort and distribution partnerships. The long-term horizon is an ecosystem where optional liquidity is not just the preserve of institutions but accessible, in proportion, to a broader investor base.

A progressive trajectory

This phased progression — from existing LPs, to new qualified investors, to eventual retailisation — shows why bulletin boards are viable as a long-term model. They do not promise instant depth. Rather, they establish optional liquidity from day one and allow it to mature in line with demand, regulation, and distribution capacity.

7. Risks and Safeguards

For bulletin boards to succeed, managers must be confident that they do not create new vulnerabilities. The model carries risks — regulatory, operational, and reputational — but each can be mitigated through clear safeguards.

Avoiding trading venue classification

The primary regulatory concern is that a bulletin board could drift into becoming a trading venue. Under MiFID II, a system that matches orders may be classified as a multilateral trading facility (MTF) or organised trading facility (OTF), bringing a different set of obligations. The safeguard is to keep the board strictly as a posting mechanism: investors advertise interest, but execution occurs bilaterally, under manager oversight. This preserves compliance and protects the AIF’s structure.

Managing investor expectations

Optional liquidity is not guaranteed liquidity. If investors misunderstand the bulletin board as a promise of redemption, disappointment and reputational risk may follow. Managers must be clear: the bulletin board is an outlet, not a standing facility. Safeguards include transparent communication, disclaimers, and realistic framing in offering materials.

Operational controls

Tokenisation reduces administrative friction, but operational discipline remains vital. Transfers should only occur between pre-cleared investors, with embedded AML/KYC checks. Settlement should be synchronised so that cash and units move simultaneously, preventing failed trades. Smart contracts and multi-party computation (MPC) provide technical safeguards, but human oversight remains essential.

Reputational integrity

Managers must remain in control of who enters their fund. Even when a bulletin board opens to new qualified investors, the AIFM retains the right of consent. Real-time registers give visibility; governance processes ensure

alignment with fund terms. This oversight reassures managers that optional liquidity does not mean loss of control

Oversight and governance

Finally, managers must guard against the perception that bulletin boards are a “back door” for distressed sales. Clear rules — on eligibility, pricing, and transparency — help position them instead as a controlled mechanism for occasional investor needs. By embedding safeguards from the start, managers can protect both their fund’s reputation and their own.

Conclusion

Illiquidity is a defining feature of alternative investment funds, but it need not be absolute. Investors increasingly expect some flexibility, not daily redemption but the possibility of an occasional exit. Until now, secondary markets have provided that outlet only imperfectly: costly, slow, and inaccessible to many.

Tokenised bulletin boards offer a more pragmatic solution. They preserve the fundamental illiquid character of AIFs while creating a controlled space for investors to post buying and selling interests. Even with a single strong fund, meaningful optional liquidity can be delivered from the very beginning.

Over time, liquidity deepens in phases. It begins as a closed billboard within the fund's existing investor base. It expands to new qualified investors who meet eligibility standards. Ultimately, through tokenisation and fractionalisation, it can support smaller-ticket investors in a measured path toward retailisation. This progression demonstrates that bulletin boards are not a short-lived experiment but a durable structure, evolving in line with demand and regulation.

For managers, the benefits are compelling: reduced administrative friction, real-time oversight of registers, embedded compliance, and a distribution advantage in a competitive market. For investors, the board provides reassurance — not of guaranteed liquidity, but of optionality when circumstances change.

The message is clear: bulletin boards are not a departure from the AIF model, but an enhancement of it. They align with investor needs, strengthen manager control, and bring the operational efficiencies of tokenisation to an area long overdue for innovation. Optional liquidity from day one is no longer a contradiction. It is the next step in the evolution of alternative funds.

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About Us

Investre is building the next-generation infrastructure for Europe's capital markets. Headquartered in Luxembourg, we empower fund managers to issue, distribute, and settle tokenised funds within a fully regulated blockchain ecosystem, where Investre also acts as the controlling agent under Luxembourg's Blockchain IV law. Backed by public and private investors and operating under a MiFID license, Investre is redefining how funds are accessed and distributed. We also run Moniflo, a B2C app for tokenised UCITS distribution.

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