

European long-term investment funds

2013/0214(COD) - 20/03/2014 - Committee report tabled for plenary, 1st reading/single reading

The Committee on Economic and Monetary Affairs adopted the report by Rodi KRATSA-TSAGAROPOULOU (EPP, EL) on the proposal for a regulation of the European Parliament and of the Council on European Long-term Investment Funds

The committee recommended that Parliament's position in first reading following the ordinary legislative procedure should amend the Commission proposal as follows:

Objective: Members specified that the aim of the regulation was to raise and channel capital towards the real economy, **in line with the objectives of a smart, sustainable and inclusive growth.**

In order for ELTIF to contribute effectively to a sustainable, smart and inclusive growth in the Union, each ELTIF should take into account the social impact of eligible investments, taking into account its environmental, social and governance characteristics.

Authorisation: only EU alternative investment funds (AIFs) should be eligible to apply for and to be granted authorisation as an ELTIF. An ELTIF **may be marketed in the whole Union or in any Member State.**

The application for authorisation as an ELTIF shall include information on the identity of the proposed ELTIF manager, **its current and previous fund management history and experience relevant to long term investment.**

An applicant ELTIF **shall be authorised only** where its competent authority:

- has approved the fund rules or instruments of incorporation and the choice of the depositary;
- was satisfied that the proposed ELTIF manager or a person exercising a management function within the proposed ELTIF manager **has not previously been the subject of penalties** for infringements of national or Union law governing fund management.

Eligible investment assets: in accordance with the objectives of a smart, sustainable and inclusive growth or with the Union regional policy, projects financed by **a public-private partnership** shall be granted priority by the competent authorities when examining an application.

Qualifying portfolio undertaking: to be eligible, an undertaking must, inter alia:

- be admitted to trading on a regulated market or on a multilateral trading facility and has a market capitalisation of no more than EUR 1 billion;
- admitted to trading on a regulated market or on a multilateral trading facility and is considered to be an SME;
- have signed an agreement with the home Member State of the ELTIF manager and with every other Member State in which the units or shares of the ELTIF are intended to be marketed which provided that the **third country** was not a country: (i) where there are no or nominal taxes, (ii) where there was a lack of effective exchange of information with foreign tax authorities, (iii)

where there is a lack of transparency in legislative, judicial or administrative provisions, (iv) which acted as an offshore financial centre.

Redemption policy: given that retail investors may not have the necessary resources or a sufficiently diversified portfolio that would allow them to lock-up their capital for a long period of time, an ELTIF should **be able to offer redemption rights to its investors**. Therefore, the ELTIF manager should be given discretion to decide whether to establish ELTIFs with or without redemption rights according to the ELTIF's investment strategy. When a redemption rights regime is in place, those rights and their main features should be **clearly predefined and disclosed in the rules or instruments of incorporation of the ELTIF**.

Lastly, the amended text stated that it was crucial to encourage **a number of semi-professional investors in the Union**, such as mid-tier pension schemes, insurance companies, municipalities, churches, charities and foundations, that may have sufficient capital and certain expertise, to invest in ELTIFs.