

European long-term investment funds

2013/0214(COD) - 10/03/2015 - Text adopted by Parliament, 1st reading/single reading

The European Parliament adopted by 546 to 93, with 28 abstentions, a legislative resolution on the proposal for a regulation of the European Parliament and of the Council on European Long-term Investment Funds.

Parliament adopted its position at first reading following the ordinary legislative procedure. The amendments adopted in plenary amended the Commission proposal as follows:

Objective: Parliament stipulated that the objective of this Regulation is to **raise and channel capital towards European long-term investments in the real economy**, in line with the Union objective of smart, sustainable and inclusive growth.

ELTIFs should **channel private savings toward the European economy** and:

- be conceived as an investment vehicle through which the European Investment Bank (the EIB) Group can channel its European infrastructure or SME financing;
- led to fulfil their designated role as a priority tool to accomplish the Investment Plan for Europe set out in the [Commission communication](#) of 26 November 2014.

Authorisation: only EU AIFs would be eligible to apply for and to be granted authorisation as an ELTIF. The application for authorisation as an ELTIF would include:

- information on the identity of the proposed manager of the ELTIF and its current and previous fund management experience and history;
- a description of the information to be made available to investors, including a description of the arrangements for dealing with complaints submitted by retail investors.

A specific authorisation procedure should apply where the ELTIF is internally managed and no external AIFM is appointed.

Liability: the manager of the ELTIF shall be responsible for ensuring compliance with the Regulation and shall also be liable for any infringements. He would be liable for losses arising from breach of the Regulation.

Eligible assets: Parliament introduced measures to ensure that **ELTIFs do not promote speculative investments**.

Eligible investment assets should include real assets with a value of **more than EUR 10 000 000** that generate an economic and social benefit. Such assets include infrastructure, intellectual property, vessels, equipment, machinery, aircraft or rolling stock, and immovable property.

Investments in commercial property or housing should be permitted to the extent that they serve the purpose of contributing to smart, sustainable and inclusive growth or to the Union's energy, regional and cohesion policies. Investments in such immovable property should be clearly documented so as to demonstrate the long-term commitment in the property.

Assets such as works of art, manuscripts, wine stocks or jewellery should not be eligible as they do not normally yield a predictable cash flow.

Eligible portfolio investment: SMEs may face problems of liquidity and access to the secondary market, they should also be considered to be qualifying portfolio undertakings.

Categories of long-term assets within the meaning of the Regulation should therefore comprise unlisted undertakings that issue equity or debt instruments for which there might not be a readily identifiable buyer, and listed undertakings with a maximum capitalisation of EUR 500 000 000.

Conflicts of interest: in order to avoid conflicts of interest, an ELTIF shall not invest in an eligible investment asset in which the manager of the ELTIF has or takes a direct or indirect interest, other than by holding units or shares of the ELTIFs, European Social Entrepreneurship Funds (EuSEFs) or European Venture Capital Funds (EuVECFs) that it manages.

Protection of retail investors: in order to incentivise investors, in particular retail investors, who might not be willing to lock their capital up for a long period of time, an ELTIF should be able to offer, under certain conditions, **early redemption rights to its investors**.

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.

When directly offering or placing units or shares of an ELTIF to a retail investor, the manager of the ELTIF shall obtain information regarding the following:

- the retail investor's knowledge and experience in the investment field relevant to the ELTIF;
- the retail investor's financial situation, including that investor's ability to bear losses;
- the retail investor's investment objectives, including that investor's time horizon.

With a view to strengthening the protection of retail investors, this amended Regulation provides that for retail investors whose portfolio does not exceed EUR 500 000, the manager of the ELTIF or any distributor, after having **performed a suitability test** and having provided appropriate investment advice, should ensure that the retail investor does not invest an aggregate amount exceeding 10% of the investor's portfolio in ELTIFs and the **initial amount invested in one or more ELTIFs is not less than EUR 10 000**.

Transparency requirements: the prospectus should: (i) contain a prominent indication of the jurisdictions in which the ELTIF is allowed to invest; (ii) inform investors about the end of the life of the ELTIF as well as the option to extend the life of the ELTIF (iii) explain the rights of investors to redeem their investment; (iv) inform investors about the risks related to investing in real assets, including infrastructure; (v) inform investors regularly, at least once a year, of the jurisdictions in which the ELTIF has invested.