

Amendments to the European Long-Term Investment Funds (ELTIFs) Regulation

2021/0377(COD) - 25/11/2021 - Legislative proposal

PURPOSE: increase the attractiveness of European Long-Term Investment Funds (ELTIFs) for investors and enhance their role as a complementary source of financing for EU companies.

PROPOSED ACT: Regulation of the European Parliament and of the Council.

ROLE OF THE EUROPEAN PARLIAMENT: the European Parliament decides in accordance with the ordinary legislative procedure and on an equal footing with the Council.

BACKGROUND: Regulation (EU) 2015/760 of the European Parliament and of the Council on European long-term investment funds (ELTIF Regulation) is a European framework for alternative investment funds (AIFs) that invest in long-term investments, such as social and transport infrastructure projects, real estate and SMEs. The ELTIF market is still relatively new, but it is evident that it has not scaled up to the extent originally envisaged, with only 57 authorised ELTIFs in four Member States as of October 2021. Amendments are necessary to improve the attractiveness and effectiveness of the framework for investment managers and investors.

CONTENT: this proposal aims to **increase the uptake of ELTIFs across the EU**. This, in turn, would support the continued development of the Capital Markets Union (CMU), which also aims to make it easier for EU companies to access more stable and diverse long-term financing.

The proposed amendments to the ELTIF Regulation are expected to:

- **increase flexibility:** the proposal introduces additional flexibility and alleviates the burden on fund managers who provide products tailored to the needs of professional clients. At the same time, removing the hurdles investors face in accessing ELTIFs (while maintaining current protections for investors) will reduce administrative burdens and make ELTIFs more attractive for asset managers and investors alike;

- **improve accessibility:** amendments to the proposal aim to reduce barriers to entry for retail investors, while still ensuring appropriate levels of investor protection. For example, removing the requirement for a minimum investment of EUR 10 000 and the 10% aggregate

investment limit for those retail investors whose financial portfolios are below EUR 500 000. At the same time, the suitability test will be aligned with the MiFID II framework to avoid any duplication;

- **provide redemptions:** the proposal introduces an additional liquidity window redemption mechanism that will make it possible for investors to exit an ELTIF investment earlier subject to certain conditions. It also seeks to ensure appropriate investor protection safeguards are in place.

Lastly, in order to give ELTIF managers sufficient time to adapt to the new requirements, including the requirements pertaining to the marketing of ELTIFs to investors, the proposed Regulation should start to apply six months after its entry into force.