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

2021/0377(COD) - 29/06/2022 - Committee report tabled for plenary, 1st reading/single reading

The Committee on Economic and Monetary Affairs adopted the report by Michiel HOOGEVEEN (ECR, NL) on the proposal for a regulation of the European Parliament and of the Council amending Regulation (EU) 2015/760 as regards the scope of eligible assets and investments, the portfolio composition and diversification requirements, the borrowing of cash and other fund rules and as regards requirements pertaining to the authorisation, investment policies and operating conditions of European long-term investment funds.

The committee responsible recommended that the European Parliament's position adopted at first reading under the ordinary legislative procedure should amend the proposal as follows:

***Objective of the Regulation***

The objective of this Regulation is to facilitate the raising and channelling of capital towards long-term investments in the real economy, **including towards the digital agenda for Europe, the European Green Deal** and other priority areas, in line with the Union objective of smart, sustainable and inclusive growth.

***ELTIFs marketed as sustainable***

Investors, and in particular retail investors, are showing increasing interest in sustainable investments. Therefore, a **new optional subcategory** of ELTIFs marketed as environmentally sustainable would be created to accommodate capital from investors seeking sustainable investments. This optional sub-category should be subject to stricter requirements regarding the list of eligible assets.

Members clarified that an ELTIF marketed as environmentally sustainable should comply with the requirements of Regulation (EU) 2019/2088 on sustainability reporting in the financial services sector and will only have to invest in eligible investment assets that meet the taxonomy requirements set out in the delegated acts adopted under Regulation (EU) 2020/852 on the establishment of a framework to promote sustainable investment.

ELTIFs marketed as environmentally sustainable should be subject to additional disclosure requirements. In particular, ELTIFs marketed as environmentally sustainable should disclose the share of their assets that comply with the taxonomy requirements.

***Investment in green bonds***

In order to encourage private capital flows towards more environmentally sustainable investments, the amended text clarifies that ELTIFs are also able to invest in green bonds to be issued under the prospective regulation based on the Commission proposal on European green bonds.

It is therefore proposed to complement Regulation (EU) 2015/760 so that green bonds and financial products that have sustainable investments as their objective are explicitly included in the list of eligible investment assets.

It will also be possible to allow ELTIFs to invest in a new financial undertaking as long as it aims to promote the objectives of Regulation (EU) 2015/760.

***Eligible portfolio undertaking***

In order to provide ELTIFs with a better liquidity profile, the market capitalisation of the listed qualifying undertakings in which ELTIFs can invest should therefore be increased from EUR 500 million to **EUR 2 billion**.

***Borrowing cash***

In order to allow managers of ELTIFs to raise capital more efficiently while keeping an eye on the potential risks that leverage could entail, ELTIFs marketed to retail investors should be permitted to borrow cash amounting to up to 70% of the net asset value of the ELTIF

***Issuance and redemption of shares and units in open-ended ELTIFs***

To increase the attractiveness of ELTIFs, open-ended fund structures alongside the existing closed-end structure should be introduced. Combining the introduction of open-ended fund structures with clear rules for redemption rights would increase flexibility for investors and enable increased participation.

***Transparency***

ELTIFs should, insofar as possible due to the nature and composition of the eligible investment assets, **document and disclose specific information** on the extent to which their eligible investment assets pursue environmental objectives, the agenda of the European Green Deal and the principle of do no significant harm, as well as the objectives of protecting social rights and guaranteeing minimum social safeguards.

***Investor protection***

In order to ensure effective investor protection, it is clarified that when an ELTIF invests in other ELTIFs, European Venture Capital Funds (EuVECA), European Social Entrepreneurship Funds (EuSEF), in UCITS and AIFs managed by EU-based EU AIF managers, these collective investment undertakings should also invest in eligible investments and should not themselves have invested **more than 20% of their net asset value** in any other collective investment undertaking, and thus offer a similar risk profile to that of ELTIFs.

Where, on the basis of the suitability assessment, it is ascertained that an ELTIF is not suitable for a retail investor, the manager of the ELTIF or the distributor should issue a **clear written alert** that investing more than 10% of that investor's portfolio of financial instruments might constitute excessive risk-taking.

***Entry into force***

In order to give ELTIF managers sufficient time to adapt to the new requirements, including those pertaining to the marketing of ELTIFs to investors, the Regulation should start to apply **nine months** after its entry into force. However, existing ELTIFs should be allowed to benefit from a grandfathering clause in order to preserve predictability and trust.

Furthermore, the requirements of the Regulation should not apply to ELTIFs approved before the entry into force of the Regulation, except in cases where an ELTIF requests to be subject to the amending Regulation.