

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

2021/0377(COD) - 20/03/2023 - Final act

PURPOSE: to review the functioning of the legal framework for the operation of European Long-Term Investment Funds (ELTIFs) to ensure that more investments are channelled to businesses in need of capital and to long-term investment projects.

LEGISLATIVE ACT: Regulation (EU) 2023/606 of the European Parliament and of the Council amending Regulation (EU) 2015/760 as regards the requirements pertaining to the investment policies and operating conditions of European long-term investment funds and the scope of eligible investment assets, the portfolio composition and diversification requirements and the borrowing of cash and other fund rules.

CONTENT: the ELTIF regulatory framework sets out detailed fund rules on eligible assets and investments, diversification and portfolio composition, leverage limits and marketing. ELTIFs are the only type of funds dedicated to long-term investments that can be distributed on a cross-border basis to both professional and retail investors.

The ELTIF industry is relatively small and concentrated in a handful of Member States. There is an untapped potential to channel more capital towards long-term projects.

Given that ELTIFs could facilitate long-term investments in, *inter alia*, energy, transport and social infrastructure, as well as job creation, this Regulation amends the 2015 Regulation so that its objective is to **facilitate the raising and channelling of capital towards long-term investments in the real economy**, including towards investments that promote the European Green Deal and other priority areas, and to ensure that capital flows are directed towards projects that put the Union's economy on a path towards smart, sustainable and inclusive growth.

The amending Regulation aims to **overcome a number of supply and demand side limitations**. In particular, it clarifies:

- the scope of eligible assets and investments,
- the portfolio composition and diversification requirements,
- the conditions for borrowing and lending of cash and other fund rules, including sustainability aspects,
- the redemption of units or shares of ELTIFs.

The Regulation also includes rules to make it **easier for retail investors to invest in ELTIFs** while ensuring strong investor protection.

The units or shares of an ELTIF may only be marketed to a retail investor where an assessment of suitability has been carried out and a statement on suitability has been provided to that retail investor.

The **express consent** of the retail investor indicating that the investor understands the risks of investing in an ELTIF should be obtained where all of the following conditions are met:

- the assessment of suitability is not provided in the context of investment advice;

- the ELTIF is considered not suitable for the retail investor on the basis of the assessment of suitability;
- the retail investor wishes to proceed with the transaction despite the fact that the ELTIF is considered not suitable for that investor.

The distributor or, when directly offering or placing units or shares of an ELTIF to a retail investor, the manager of the ELTIF should issue a clear **written alert** to retail investors that the availability of a matching mechanism does not guarantee the matching or entitle retail investors to exiting or redeeming their units or shares of the ELTIF concerned. That written alert should be part of a single written alert that also informs retail investors that the ELTIF product might not be fit for retail investors that are unable to sustain such a long-term and illiquid commitment, where the life of an ELTIF offered or placed to retail investors **exceeds 10 years**.

By 11 January 2026, the Commission should carry out an assessment and submit a report accompanied, where appropriate, by a legislative proposal, regarding at least the following:

- whether the creation of an optional designation of “ELTIF marketed as environmentally sustainable” or “green ELTIF” is feasible;
- whether there should be a general obligation for ELTIFs to comply in their investment decisions with the principle of “do no significant harm”.