Basic information

2013/0214(COD) COD - Ordinary legislative procedure (ex-codecision procedure) Regulation	Procedure completed
European long-term investment funds Amended by 2017/0230(COD) Amended by 2021/0377(COD) **Subject** 2.50.03 Securities and financial markets, stock exchange, CIUTS, investments 2.50.05 Insurance, pension funds 2.50.08 Financial services, financial reporting and auditing 2.50.10 Financial supervision 2.80 Cooperation between administrations 8.40.08 Agencies and bodies of the EU	

Key players

European Parliament

Committee responsible	Rapporteur	Appointed
ECON Economic and Monetary Affairs	LAMASSOURE Alain (PPE)	22/07/2014
	Shadow rapporteur KOFOD Jeppe (S&D) KAMALL Syed (ECR) DE BACKER Philippe (ALDE) RODRIGUEZ-RUBIO Teresa (GUE/NGL) LAMBERTS Philippe (Verts/ALE)	

Former committee responsible	Former rapporteur	Appointed
ECON Economic and Monetary Affairs		

Committee for opinion	Rapporteur for opinion	Appointed
BUDG Budgets	The committee decided not to give an opinion.	
CONT Budgetary Control	The committee decided not to give an opinion.	

EMPL Employment and Social Affairs	The committee decided not to give an opinion.	
JURI Legal Affairs	The committee decided not to give an opinion.	

Former committee for opinion	Former rapporteur for opinion	Appointed
BUDG Budgets		
CONT Budgetary Control		
EMPL Employment and Social Affairs		
JURI Legal Affairs		

Council of the European Union

Council configuration	Meetings	Date
Agriculture and Fisheries	3381	2015-04-20

European Commission

Commission DG	Commissioner
Economic and Financial Affairs	MOSCOVICI Pierre

European Economic and Social Committee

Key events

Date	Event	Reference	Summary
26/06/2013	Legislative proposal published	COM(2013)0462	Summary
04/07/2013	Committee referral announced in Parliament, 1st reading		
20/03/2014	Committee report tabled for plenary, 1st reading	A7-0211/2014	Summary
16/04/2014	Debate in Parliament		
17/04/2014	Decision by Parliament, 1st reading	T7-0448/2014	Summary
17/04/2014	Results of vote in Parliament		
17/04/2014	Matter referred back to the committee responsible		
20/10/2014	Resumption of business from the previous parliamentary term		

15/12/2014	Vote in committee, 1st reading		
15/12/2014	Approval in committee of the text agreed at 1st reading interinstitutional negotiations	PE604.816	
17/02/2015	Committee report tabled for plenary, 1st reading	A8-0021/2015	Summary
10/03/2015	Decision by Parliament, 1st reading	T8-0047/2015	Summary
10/03/2015	Results of vote in Parliament		
10/03/2015	Debate in Parliament		
20/04/2015	Act adopted by Council after Parliament's 1st reading		
29/04/2015	Final act signed		
29/04/2015	End of procedure in Parliament		
19/05/2015	Final act published in Official Journal		

Technical information

Procedure reference	2013/0214(COD)
Procedure type	COD - Ordinary legislative procedure (ex-codecision procedure)
Procedure subtype	Legislation
Legislative instrument	Regulation
Amendments and repeals	Amended by 2017/0230(COD) Amended by 2021/0377(COD)
Legal basis	Treaty on the Functioning of the European Union TFEU 114
Other legal basis	Rules of Procedure EP 165
Mandatory consultation of other institutions	European Economic and Social Committee
Stage reached in procedure	Procedure completed
Committee dossier	ECON/8/00185

Documentation gateway

European Parliament

Document type	Committee	Reference	Date	Summary
Committee draft report		PE522.908	13/11/2013	
Committee opinion	BUDG	PE522.865	28/11/2013	
Amendments tabled in committee		PE524.749	05/12/2013	
Committee report tabled for plenary, 1st reading/single reading		A7-0211/2014	20/03/2014	Summary
Text adopted by Parliament, partial vote at 1st reading /single reading		T7-0448/2014	17/04/2014	Summary
Text agreed during interinstitutional negotiations		PE604.816	10/12/2014	
Committee report tabled for plenary, 1st reading/single reading		A8-0021/2015	17/02/2015	Summary

Text adopted by Parliament, 1st reading/single reading		T8-0047/2015	10/03/2015	Summary

Council of the EU

Document type	Reference	Date	Summary
Draft final act	00097/2014/LEX	29/04/2015	

European Commission

Document type	Reference	Date	Summary
Legislative proposal	COM(2013)0462	26/06/2013	Summary
Document attached to the procedure	SWD(2013)0230	26/06/2013	
Document attached to the procedure	SWD(2013)0231	26/06/2013	
Commission response to text adopted in plenary	SP(2015)232	14/04/2015	

National parliaments

Document type	Parliament /Chamber	Reference	Date	Summary
Contribution	PT_PARLIAMENT	COM(2013)0462	23/09/2013	
Contribution	ES_PARLIAMENT	COM(2013)0462	01/10/2013	
Contribution	IT_SENATE	COM(2013)0462	07/03/2014	

Other institutions and bodies

Institution/body	Document type	Reference	Date	Summary
EESC	Economic and Social Committee: opinion, report	CES5189/2013	16/10/2013	

Additional information

Source	Document	Date
National parliaments	IPEX	
European Commission	EUR-Lex	

Final act

Regulation 2015/0760
OJ L 123 19.05.2015, p. 0098 Summary

Delegated acts	
Reference	Subject
2017/2997(DEA)	Examination of delegated act

European long-term investment funds

2013/0214(COD) - 26/06/2013 - Legislative proposal

PURPOSE: to stimulate long-term investment in the real economy through EU Long Term Investment Funds or ELTIFs.

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: the Commission considers that there is a clear need to ensure that **barriers to investment with a long term perspective are tackled at the European Union level**. This is particularly the case for assets such as infrastructure projects that depend on long term commitments. These assets depend, in part, on what is often called 'patient capital'. Capital invested in this long term, 'patient' manner benefits the **real economy** by providing predictable and sustained flows of finance to firms and creates employment.

The large-scale and long-term capital commitments required for operating efficient investment pools for long-term assets have hitherto been hampered by **regulatory fragmentation** among Member States. Investment opportunities are restricted to a few very large investors, such as large pension funds or insurance undertakings, able to raise and commit sufficient capital by virtue of their own resources. This, in turn, acts as a barrier to smaller investors such as local pension plans, municipalities, the pension schemes run by the liberal professions or corporate pension plans who might otherwise benefit from diversifying their investments into such assets.

Currently, there is no readily available mechanism to channel funds that are to be committed for long periods of time to real economy projects in need of such financing. Therefore, the Commission proposes to create a **new form of fund vehicle**, EU Long Term Investment Funds or ELTIFs. ELTIFs, by virtue of the asset classes that they are allowed to invest in, are expected to be able to provide investors with long term, stable returns. The proposed new ELTIF will be available for marketing to investors across the European Union.

The wider context of this work has been set out in the European Commission's Green Paper, the Long-Term Financing of the European Economy. The importance of tackling these issues was set out already in the Single Market Act II (SMA II). One of its twelve key objectives is to boost long-term investment in the real economy.

IMPACT ASSESSMENT: the impact assessment contained a wide range of policy options, ranging from taking no action, integrating long-term asset classes into the existing UCITS framework, to creating a fund vehicle for professional investors only, or a fund vehicle open to all investors, with or without redemption facilities.

The selected option is to create a long-term investment fund vehicle open to both professionaland retail investors. In line with the illiquid properties of long-term asset classes, there would be no redemption rights prior to the termination of the fund’s lifecycle.

LEGAL BASIS: Article 114 of the Treaty on the Functioning of the European Union (TFEU).

CONTENT: this proposal intends to help increase the pool of capital available for long term investment in tomorrow’s economy of the European Union with a view to finance transition to the smart, sustainable and inclusive growth. This will be done by **creating a new form of fund vehicle, EU Long Term Investment Funds or ELTIFs**.

The proposed legislative measure will **create a regulatory framework for ELTIFs**, with a view to ensure that such funds are subject to consistent rules across the EU and that they are identifiable as such by investors throughout the EU. It shall harmonise the operating conditions for all relevant players in the investment fund market, for the benefit of all

investors and for the smooth functioning of the single market in financial services.

Management and autorisation: ELTIFs should be managed by undertakings that are duly authorised under the AIFMD to manage and market alternative investments in accordance with Directive 2011/61/EU on Alternative Investment Fund Managers which lays down the general rules for alternative investment fund managers who manage and market their funds to professional investors.

The proposed ELTIF framework builds on the cross-border provisions in the AIFMD, adding to the "European" passport for marketing professional investors a **"European" passport for**

marketing to retail investors across the EU with regard to ELTIFs. Specific LTIF product rules will be added so that ELTIFs can be easily identified by both professional and retail investors who are interested in the yield and return profiles associated with investments in long-term assets.

The designation 'European Long-term Investment Funds' (ELTIFs) shall be reserved to those EU AIFs that comply with the proposed Regulation.

Obligations concerning the investment policies: the proposal contains the rules on permissible investment policies to be pursued by an ELTIF, such as rules relating to eligible investments, portfolio composition and diversification, conflict of interest, concentration and cash borrowing.

The proposal describes two categories of financial assets that an ELTIF can invest in: long-term assets and a category of long-term asset classes whose successful development requires a long-term commitment from investors.

Over-concentration in a single asset or undertaking creates risks for investors that can prove to be very difficult to manage. To mitigate this risk an ELTIF will have to comply with **diversification rules**. Moreover, **limits are proposed on the use of derivatives** in relation to ELTIF assets as well as a **cap on borrowing**.

Redemption, trading and issue of ELTIF shares or units and distribution of income: the proposal:

- **precludes an ELTIF from offering a redemption right to its investors before the end of the life-cycle of the ELTIF**. The life-cycle is defined in the ELTIF rules and corresponds to the life-cycle of the individual assets of the ELTIF and its long-term investment objectives;
- the possibility of trading units or shares of ELTIF on regulated markets, as well as the free transfer of units or shares of an ELTIF to third parties;
- lays down the applicable rules for the distribution of the income generated by the assets of the ELTIF and requires an ELTIF to set out its distribution policy in its fund rules.

Moreover, the proposal:

- lays down **transparency requirements** which require the prior publication of a key information document and a prospectus before the ELTIF is marketed to retail investors;
- establishes **marketing rules** applicable to an EU AIFM for marketing units or shares of an ELTIF to professional and retail investors;
- sets out the applicable rules on **supervision** of ELTIFs.

BUDGETARY IMPLICATION: the budgetary impact of the ELTIF regulation on the EU budget (operational appropriations) is estimated at **EUR 788 000 for the period 2015-2020**.

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.

European long-term investment funds

2013/0214(COD) - 17/02/2015 - Committee report tabled for plenary, 1st reading/single reading

The Committee on Economic and Monetary Affairs adopted a supplementary report by Alain LAMASSOURE (EPP, FR) on the proposal for a regulation of the European Parliament and of the Council on European Long-term Investment Funds.

The matter had been referred back to the competent committee for reconsideration during the plenary sitting of 17.4.2014.

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

Objective: Members specified that the Regulation should aim 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 were a first step towards creating an integrated internal market for raising capital that could be channelled towards long-term investments in the European economy. Given their focus on categories of long-term assets, ELTIFs could 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: these should be understood to include participations, such as equity or quasi-equity instruments, debt instruments in qualifying portfolio undertakings, and loans provided to them. Members stated that those assets could indicatively include **social infrastructure** that yields a predictable return, such as energy, transport and communication infrastructure, as well as **education, health, or industrial facilities**.

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.

The Regulation was **not seeking to promote speculative investments**.

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: it was specified that an ELTIF should not invest in an eligible investment asset in which the manager of the ELTIF had or taken a direct or indirect interest, other than by holding units or shares of the ELTIFs, EuSEFs or EuVECAs that it managed.

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.

Investors, such as municipalities, churches, charities and foundations, which should be able to request to be treated as professional clients in circumstances where they meet certain conditions.

The manager of the ELTIF should assess whether the **ELTIF is suitable for marketing to a retail investor**. In addition, where the life of an ELTIF that is offered or placed to retail investors exceeds 10 years, the manager of the ELTIF or the distributor should indicate clearly and in written form that this product may not be suitable for those retail investors unable to sustain such a long-term and illiquid commitment.

After having performed a suitability test and having provided appropriate investment advice, the manager of the ELTIF or any distributor, 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: these have been strengthened. 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.

The annual report of an ELTIF shall contain the following: (i) a cash flow statement; (ii) information on any participation in instruments involving Union budgetary funds; (iii) information on the value of the individual qualifying portfolio undertakings and the value of other assets in which the ELTIF has invested, including the value of financial derivative instruments used; (iv) information on the jurisdictions in which the assets of the ELTIF are located.

European long-term investment funds

2013/0214(COD) - 29/04/2015 - Final act

PURPOSE: to stimulate long-term investment in the real economy through a new form of fund vehicle - the EU Long Term Investment Funds or ELTIFs.

LEGISLATIVE ACT: Regulation (EU) 2015/760 of the European Parliament and of the Council of 29 April 2015 on European long-term investment funds.

CONTENT: this Regulation lays down **uniform rules on the authorisation, investment policies and operating conditions** of EU alternative investment funds (EU AIFs) or compartments of EU AIFs that are marketed in the Union as European long- term investment funds (ELTIFs).

Objective: European long- term investment funds (ELTIFs) provide **finance of lasting duration** to various infrastructure projects, unlisted companies, or listed small and medium-sized enterprises (SMEs) that issue equity or debt instruments for which there is no readily identifiable buyer. **By providing finance to such projects, ELTIFs contribute to the financing of the Union's real economy and the implementation of its policies**. Given their focus on categories of long-term assets, ELTIFs can 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.

On the demand side, **ELTIFs can provide a steady income stream** for pension administrators, insurance companies, foundations, municipalities and other entities that face regular and recurrent liabilities and are seeking long-term returns within well-regulated structures. While providing less liquidity than investments in transferable securities, ELTIFs can provide a steady income stream for individual investors that rely on the regular cash flow that an ELTIF can produce. ELTIFs can also offer good opportunities for capital appreciation over time for those investors not receiving a steady income stream.

Authorisation and central public register: an ELTIF may only be marketed in the Union when it has been authorised in accordance with this Regulation. **Authorisation as an ELTIF shall be valid for all Member States**. Only an EU AIFM authorised under Directive 2011/61/EU shall be eligible to apply for and to be granted authorisation as an ELTIF. ESMA shall keep a central public register identifying each ELTIF authorised under this Regulation, the manager of the ELTIF and the competent authority of the ELTIF.

Liability: the manager of the ELTIF shall be responsible for ensuring compliance with this Regulation and for any infringements of this Regulation. The manager of the ELTIF shall also be liable for losses or damages resulting from non-compliance with this Regulation.

Investment policy: ELTIFs will be subject to additional rules requiring them, inter alia, to invest at **least 70% of their capital** in clearly-defined categories of eligible assets. Trading in assets other than long-term investments will only be permitted up to a maximum of **30% of their capital**.

Eligible investment assets: these should include real assets with **a value of more than EUR 10 000 000 that generate an economic and social benefit** (e. g. 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. This Regulation is **not seeking to promote speculative investments**.

Conflicts of interest: to avoid such a conflict of interests, and to ensure sound corporate governance, an ELTIF should only invest in assets that are **unrelated to the manager of the ELTIF**, unless the ELTIF invests in units or shares of other ELTIFs, European Venture Capital Funds (EuVECAs), or European Social Entrepreneurship Funds (EuSEFs) that are managed by the manager of the ELTIF.

Protection of investors: this Regulation provides for measures to strengthen the protection of investors, in particular retail investors.

- **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.
- 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.
- **Where the life of an ELTIF that is offered or placed to retail investors exceeds 10 years**, the manager of the ELTIF or the distributor should indicate clearly and in written form that this product may not be suitable for those retail investors unable to sustain such a long-term and illiquid commitment.

Review: no later than 9 June 2019, the Commission shall start a review of the application of this Regulation and assess the contribution of this Regulation and of ELTIFs to the completion of the Capital Markets Union. The report shall be accompanied, where appropriate, by a legislative proposal.

ENTRY INTO FORCE: 8.6.2015.

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 (EuVECAs) 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.

European long-term investment funds

2013/0214(COD) - 17/04/2014 - Text adopted by Parliament, partial vote at 1st reading/single reading

Parliament adopted **amendments** on the proposal for a regulation of the European Parliament and of the Council on European Long-Term Investment Funds (ELTIF).

The proposal was **sent back to the competent committee for reconsideration**. The vote was postponed to a future plenary.

The main amendments adopted in plenary dealt with the following points:

Purpose: Parliament 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. For retail ELTIFs, the application should include a description of the procedures and arrangements in place **to deal with retail investors' complaints**.

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 **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, Members demanded that, when examining an application, the competent authorities give priority to projects financed by **a public-private partnership**.

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;
- be 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.

Conflicts of interest: it is stipulated that an ELTIF should not invest in an eligible investment asset in which the manager has or takes a direct or indirect interest, other than by holding units or shares of the ELTIFs, EUSEFs or EuVECAs or collective investment undertakings it manages.

Portfolio composition and diversification: according to the amended text, an ELTIF should invest **at least 70%** of its capital in eligible investment assets and **at least 60%** of its capital in assets listed in the Regulation, issued by qualifying portfolio undertakings established within the territory of a Member State

In circumstances where **the ELTIF breaches the diversification requirements** and the contravention is beyond the control of the ELTIF manager, competent authorities shall provide a period of six months to take such measures as are necessary to rectify the position.

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.

When the ELTIF manager decides to let retail investors participate in the ELTIF, all investors shall be able to ask for redemption of their units or shares before the end of life of the ELTIF. However, redemption of units and shares by institutional or retail investors can only take place after the life of ELTIF is halfway and for a total maximum of **20 %** of the total amount of the fund.

If no redemption rights are foreseen in the rules or instruments of incorporation of the ELTIF, redemption to investors shall be possible as of the day following the date defining the end of life of the ELTIF.

Lastly, Parliament recognised 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.