



## Position Paper

# European Long-Term Investment Fund

March 2022



## Position Paper – European Long-Term Investment Fund

- **The ELTIF has significant potential to materially improve the availability of finance for European businesses**

ELTIFs have not yet reached their potential as a private financing vehicle. The Alternative Investment Management Association (AIMA), the Bunderversband Alternative Investments eV (BAI) and the Alternative Credit Council (ACC) (together 'the Associations') support the ambition shown in the proposed reforms of the ELTIF Regulation.

Many of the reforms proposed by the European Commission incorporate the recommendations of the High-Level Forum on Capital Markets Union (CMU)<sup>1</sup> and the comments provided by industry on how to align the ELTIF with the needs of investors. These changes have the potential to unlock ELTIFs' value proposition and deliver for EU investors and businesses alike. We therefore welcome many of the amendments proposed by the EU Commission which we believe will make the ELTIF vehicle more attractive to investors and support the availability of finance to European businesses.

It is essential that the following core elements of the proposals are retained:

- **The expanded scope of eligible assets that ELTIFs are permitted to invest in** and clarification that ELTIFs can pursue a global investment mandate. The additional legal certainty around eligible assets will be a significant incentive for asset managers to establish ELTIFs, including those open to retail clients. Having sufficient flexibility to determine the right type and proportion of assets is crucial to designing ELTIFs that match the diversity of clients' needs, goals, risk profiles and time-horizons (see Article 13; Article 15);
- **Higher borrowing thresholds** and the exclusion of borrowing backed by investor commitments from a leverage calculation. This will support the ability of ELTIF managers to meet the return expectations of investors while also increasing the availability of finance for European businesses (see Article 16);
- **Greater flexibility for ELTIF managers to use master-feeder structures and fund-of-fund arrangements.** Due to the specific nature of ELTIFs and the assets they are likely to invest in, such structures are often the simplest and most efficient way to gain exposure to different assets and increase diversification within an ELTIF (see Article 2 (20) (21); Article 5.1 (e));
- **The amended conflict of interest provisions** which recognise the market practices around co-investment. The additional certainty provided by the proposed reforms will remove a substantial barrier to the growth of ELTIFs (see Article 12);
- **The alignment of the ELTIF suitability test with that designated in MiFID II** and amendments to allow marketing of ELTIFs to take place without local facilities requirements will place ELTIFs on an equal footing with other types of financial instruments and streamline the retail client journey for distributors (see Article 26; Article 30); and

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<sup>1</sup> [https://ec.europa.eu/info/files/200610-cmu-high-level-forum-final-report\\_en](https://ec.europa.eu/info/files/200610-cmu-high-level-forum-final-report_en)



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- **The differentiation of treatment between retail and professional investors** which recognises that these investors have different needs and capacity. Establishing a targeted approach will support the ability of asset managers to develop ELTIFs which appeal to these investors; and clarification that there is no requirement for the ELTIF to be managed by an AIFM in the ELTIF home Member State or that the AIFM pursues or delegates any activities in the ELTIF home Member State. Cross-border set-ups, management, and distribution of ELTIFs will significantly increase availability, choice and cost-efficiency for EU clients wanting to invest in ELTIFs.

The specific amendments in the Commission's Proposed Text supported by the Associations are outlined in [Annex 1](#).

While these reforms are extremely welcome, it is vital that policymakers maximise the potential of the ELTIF as a provider of finance to the EU economy. This is particularly important for SMEs and mid-market businesses as they respond to the twin challenges of the post-covid recovery as well as manage the sustainability transition.

In addition to the significant improvements proposed by the European Commission to enhance the ELTIF and allow it to become a key part of the CMU, this paper proposes supplementary reforms to optimise the role of the ELTIF as part of the CMU while remaining faithful to policymakers' broader objectives and responsibilities.

- **Allow loan-focused ELTIFs to use borrowing in the same way as other ELTIFs**

**Our proposal to improve the text:** *Recital 27 and Article 16(1)(b) should be clarified to confirm that borrowing can be used by ELTIFs to grant loans to qualifying portfolio undertakings and appropriate ramp-up and wind-down periods should be introduced.*

We welcome the increased borrowing limits of 50% for retail ELTIFs and 100% for professional ELTIFs. These reforms will support the ability of asset managers to develop ELTIFs which align with investor needs and must be retained.

While this flexibility is welcome, there is an inconsistency between these reforms and the comments in Recital 27 that '*cash borrowed by ELTIFs should not be used to grant loans to qualifying portfolio undertakings*'. The prudent use of borrowing increases the amount of finance available for European SMEs and enhanced lending capacity to borrowers is likely to be one of the main purposes of borrowing by an ELTIF engaged in lending activity.

Not allowing loan-focused ELTIFs to increase leverage in this manner would be discriminatory and defeat the purpose of proposed reforms. Loan-focused ELTIFs will be more senior in the capital stack and therefore likely to have a lower risk profile than ELTIFs focused on equity or other asset classes.

We do not recognise the stated concerns around shadow banking applying to borrowing by ELTIFs to grant loans. ELTIFs would not be creating new money – they would be using borrowings for



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investments in the same manner as AIFs. These borrowings would be financed by the banking sector that would still maintain full control over the money creation process. The activities of banks with respect to the financing of borrowing by ELTIFs are also subject to the extensive oversight of bank regulators.

Any use of borrowing by the ELTIF would remain subject to an absolute cap (either 100% or 50% as noted above) and the proposed amendments to Article 16 that require ELTIF managers to provide a detailed presentation of the ELTIFs borrowing strategy in the ELTIF's prospectus. This requirement will oblige ELTIF managers to outline how borrowing would help implement the ELTIF strategy and how they will mitigate any risks which may arise from the use of fund borrowing. We would also note that all ELTIF managers are subject to supervisory oversight under the Alternative Investment Fund Managers Directive (AIFMD) which provides another layer of oversight on the use of leverage/borrowing within their investment activities.

If the comment in Recital 27 is implemented as policy, this will remove any benefits of borrowing for ELTIFs providing credit and will be inconsistent with the facilitating of borrowing for all other forms of investments encouraged more broadly in the proposed amendments to the ELTIF Regulation. We propose that Recital 27 and Article 16 (1)(b) are amended to confirm that borrowing can be used by ELTIFs to grant loans.

Disapplying the leverage limit during the ramp up period will also support the ability of ELTIF managers to scale up the ELTIFs investments and deliver an attractive return to investors. We have proposed a new article that would disapply the borrowing limits during the ramp up period in a manner consistent with the disapplication of the eligible assets thresholds during the same period.



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ELTIF Regulation	Commission's Proposed Text	The Associations recommended amendment
<b>Recital 27</b>		
	<b>(27) ELTIFs should be able to encumber their assets to implement their borrowing strategy. To address concerns about shadow banking activities, however, cash borrowed by ELTIFs should not be used to grant loans to qualifying portfolio undertakings. However, to increase the flexibility of ELTIFs in executing their borrowing strategy, the borrowing arrangements should not count as borrowing where that borrowing is fully covered by investors' capital commitments</b>	(27) ELTIFs should be able to encumber their assets to implement their borrowing strategy. <del>To address concerns about shadow banking activities, however, cash borrowed by ELTIFs should not be used to grant loans to qualifying portfolio undertakings.</del> However, to increase the flexibility of ELTIFs in executing their borrowing strategy, the borrowing arrangements should not count as borrowing where that borrowing is fully covered by investors' capital commitments.
<b>Article 16.1 (b)</b>		
<b>1. An ELTIF may borrow cash provided that such borrowing fulfils all of the following conditions:</b>	1. An ELTIF may borrow cash provided that such borrowing fulfils all of the following conditions:	The Associations support the Commission's proposed text.
<b>(a) it represents no more than 30 % of the value of the capital of the ELTIF;</b>	(a) it represents no more than <del>30%</del> <b>50 % of the value of the capital of the ELTIF, and no more than 100 % of the value of the capital of the ELTIF for ELTIFs marketed solely to professional investors;</b>	The Associations support the Commission's proposed text.
<b>(b) it serves the purpose of investing in eligible investment assets, except for loans referred to in point (c) of Article 10, provided that the holdings in cash or cash equivalents of the ELTIF are not sufficient to make the investment concerned;</b>	(b) it serves the purpose of <del>investing in eligible investment assets</del> <b>making investments or providing liquidity, including to pay costs and expenses, except for loans as referred to in Article 10, point (c), provided that the holdings in cash or cash equivalents of the ELTIF are not sufficient to make the investment concerned;</b>	(b) it serves the purpose of making investments or providing liquidity, including to pay costs and expenses, <del>except for loans as referred to in Article 10, point (c),</del> provided that the holdings in cash or cash equivalents of the ELTIF are not sufficient to make the investment concerned;
<b>Article 16.3 (new)</b>		
		<b>The borrowing limit laid down in Article 16(1) a) shall:</b>



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		<p>(a) apply by the date specified in the rules or instruments of incorporation of the ELTIF;  (b) cease to apply once the ELTIF starts to sell assets in order to redeem investors' units or shares after the end of the life of the ELTIF;  (c) be temporarily suspended where the ELTIF raises additional capital or reduces its existing capital, so long as such a suspension lasts no longer than 12 months;</p>
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- **Permit the development of ‘evergreen’ ELTIFs**

**Our proposal to improve the text:** *Allow the development of open-end or ‘evergreen’ ELTIFs by disapplying the requirement to be closed-end and fixed maturity where ELTIF managers can demonstrate that they have robust liquidity risk management measures in place. Liquidity risk management tools such as long lock-ups, infrequent redemption periods, ex-ante investor gates could be required as an alternative and a pre-condition to the disapplication of the closed-end structure.*

The proposed amendments to the ELTIF would not permit open-ended or ‘evergreen’ ELTIF structures. Such structures have many desirable features which can offer investors a means to access illiquid assets while also benefitting from enhanced liquidity, shorter investment periods, better visibility to capital draws and a means of maintaining an ongoing exposure to the strategy. These are likely to be extremely valuable to retail investors, and requiring all ELTIFs to be fixed maturity, closed-ended structures will reduce the attractiveness of ELTIFs to these investors.

Evergreen structures typically incorporate liquidity features which help ELTIF managers manage illiquid underlying assets in circumstances where investors also have a need for liquidity from the fund. These might typically include:

- Lock-up periods which prevent redemptions before a pre-determined period;
- Prescribed redemption windows (e.g. semi-annual or annual);
- Ex-ante investor level gates which allow only a small portion (10-20%) of investor capital to be redeemable during any redemption periods; and
- Lengthy notice periods for redemption requests (e.g. 90 -180+ days).

Such structures are usually set up to enable investors to:

- Maintain capital within the fund indefinitely and not have to go through series of fund launches and liquidations which can result in investor capital not being fully invested during the periods between liquidation and new fund launches;



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- Increase their capital allocation to a particular strategy without having to wait for the manager to wind down existing funds and launch new ones; and
- Allow fund managers to be able to make limited distributions to investors during incremental periods once loans are fully amortised.

We support policymakers’ objectives to prevent the emergence of liquidity mismatches. We would propose that where funds can demonstrate to supervisors that they have alternative and robust liquidity risk management measures in place to manage an open-ended ELTIF structure, the requirement to adopt a closed-ended structure is disappplied. This would provide more flexibility for ELTIF managers to structure products that meet the needs of their investors, while also providing supervisors with a backstop option where necessary. It would also be consistent with the approach proposed in Article 16, new paragraph 2b of the AIFMD proposals which supports the use of a broad range of liquidity management tools for open-ended AIFs.

Asset managers and investors require the flexibility to adopt ELTIF structures that are appropriate to their needs and investment strategy. Therefore, we urge policymakers to consider the introduction of evergreen ELTIFs via the below proposed amendments.

ELTIF Regulation	Commission’s Proposed Text	The Associations recommended amendment
<b>Article 18.2a (new)</b>		
		<p><b>2a. By way of derogation from paragraph 1, rules or instruments of incorporation of the ELTIF may provide for the possibility of an open-ended ELTIF, provided that all of the following conditions are fulfilled:</b></p> <p><b>(a) at the time of authorisation and throughout the life of the ELTIF, the manager of the ELTIF is able to demonstrate to the competent authorities that an appropriate liquidity management system and effective procedures for monitoring the liquidity risk of the ELTIF are in place, which are compatible with the long-term investment strategy of the ELTIF and the proposed redemption policy;</b></p> <p><b>(b) the manager of the ELTIF sets out a defined redemption policy,</b></p>



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		<p>which clearly indicates at least three appropriate liquidity management tools from the list set out in Annex V, points 2 to 6 of amending Directive 2021/0376;</p> <p>(c) the redemption policy of the ELTIF ensures that the overall amount of redemptions within any given period is limited to a percentage of those assets of the ELTIF which are referred to in point (b) of Article 9(1). This percentage shall be aligned to the liquidity management and investment strategy disclosed by the manager of the ELTIF;</p> <p>(d) the redemption policy of the ELTIF ensures that investors are treated fairly and redemptions are granted on a pro rata basis if the total amount of requests for redemptions within any given period of time exceed the percentage referred to in point (c) of this paragraph.</p>
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We note that our proposed amendment makes specific reference to Annex V, points 2 to 6 of amending Directive 2021/0376. For convenience this is copied below alongside the additional amendments we have proposed to points 2 to 4 of Annex V within amending Directive 2021/0376:

*(2) Redemption gates: a redemption gate is a temporary restriction of the right of shareholders to redeem their shares. This restriction may be full, so that investors cannot redeem their shares at all, or partial, so that investors can only redeem a certain portion of their shares. **Redemption gates can apply at the level of the AIF, at the level of a share class or at the level of an investor. Redemption gates can be temporary features activated from time to time or permanent features applying with respect to the AIF's relevant redemption frequency.***

*(3) Notice periods: a notice period refers to the period of advance notice that investors must give to fund managers when redeeming their shares.*

*(4) Redemption fees: a redemption fee is a fee charged to investors when redeeming their fund's shares of the AIF.*



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***(5) Infrequent redemptions: investors can redeem their shares at certain points in time, at the minimum on a monthly basis.***

***(6) Lock-ups: an initial period during which the investor is not allowed to redeem shares.***

We would be happy to provide our AIFMD position paper upon request to support your consideration of our proposal.

- **Successfully implementing the optional liquidity window**

**Our proposal to implement this successfully:** *Lower the minimum lock-in period to two years. Do not introduce Regulatory Technical Standards and instead rely on the requirements introduced in the level 1 rules.*

The investment limit introduced in Article 13(1) and Article 17 currently obliges ELTIF managers to implement a five-year minimum lock-in period which also acts as a fixed period by which ELTIF managers are able to offer limited redemptions. Reducing this minimum to two years will help support the optional liquidity window introduced by the proposals and better align with the needs of investors.

In addition, the Commission’s proposed amendments to Article 19.2a provide a comprehensive means by which this can be introduced in a manner which supports effective oversight and supervision, as well as securing an appropriate level of investor protection. Article 19.5 envisions further regulatory technical standards (RTS) specifying the circumstances in which Article 19(2a) shall be applied. The Associations would caution against developing RTS that go beyond the comprehensive approach already currently set out in Article 19.2a.

While we welcome new rules introduced by the Commission proposal, facilitating the provision of an optional liquidity window mechanism in order to enable a secondary market for the ELTIF, we note that the proposed amendments do not introduce sufficient flexibility to enable the development of evergreen fund structures (further comments in above section).

ELTIF Regulation	Commission’s Proposed Text	The Associations recommended amendment
<b>Article 17</b>		
1. The investment limit laid down in Article 13(1) shall:	1. The investment limit laid down in Article 13(1) shall:	1. The investment limit laid down in Article 13(1) shall:
(a) apply by the date specified in the rules or instruments of incorporation of the ELTIF;	(a) apply by the date specified in the rules or instruments of incorporation of the ELTIF;	(a) apply by the date specified in the rules or instruments of incorporation of the ELTIF;
(b)...(c)		
(d) The date referred to in point (a) of the first subparagraph	(d) The date referred to in point (a) of the first subparagraph shall	(d) The date referred to in point (a) of the first subparagraph shall take



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<p>shall take account of the particular features and characteristics of the assets to be invested by the ELTIF, and shall be no later than either five years after the date of the authorisation as an ELTIF, or half the life of the ELTIF as determined in accordance with Article 18(3), whichever is the earlier. In exceptional circumstances, the competent authority of the ELTIF, upon submission of a duly justified investment plan, may approve an extension of this time limit by no more than one additional year.</p>	<p>take account of the particular features and characteristics of the assets to be invested by the ELTIF, and shall be no later than either five years after the date of the authorisation as an ELTIF, or half the life of the ELTIF as determined in accordance with Article 18(3), whichever is the earlier. In exceptional circumstances, the competent authority of the ELTIF, upon submission of a duly justified investment plan, may approve an extension of this time limit by no more than one additional year.</p>	<p>account of the particular features and characteristics of the assets to be invested by the ELTIF, and shall be no later than either <b>five two</b> years after the date of the authorisation as an ELTIF, or half the life of the ELTIF as determined in accordance with Article 18(3), whichever is the earlier. In exceptional circumstances, the competent authority of the ELTIF, upon submission of a duly justified investment plan, may approve an extension of this time limit by no more than one additional year.</p>
<p><b>Article 19.5</b></p>		
	<p><b>5. ESMA shall develop draft regulatory technical standards specifying the circumstances in which Article 19(2a) shall be applied, including the information that ELTIFs need to disclose to investors. ESMA shall submit those draft regulatory technical standards to the Commission by [...]. Power is delegated to the Commission to adopt the regulatory technical standards referred to in the first subparagraph in accordance with Articles 10 to 14 of Regulation (EU) No 1095/2010.</b></p>	<p><b>The Associations propose a deletion of this article.</b></p> <p><del>5. ESMA shall develop draft regulatory technical standards specifying the circumstances in which Article 19(2a) shall be applied, including the information that ELTIFs need to disclose to investors. ESMA shall submit those draft regulatory technical standards to the Commission by [...]. Power is delegated to the Commission to adopt the regulatory technical standards referred to in the first subparagraph in accordance with Articles 10 to 14 of Regulation (EU) No 1095/2010.</del></p>

- **Support investment diversification through fund-of-fund structures**

**Our proposal to improve the text:** *Remove the proposed limits on the amount of capital a retail ELTIF can invest via a fund-of-fund structure.*

Investing in a fund-of-fund often offers higher levels of diversification, lower volatility and an additional layer of screening, as the managers of the underlying funds have already conducted research on the initial investments. These features of fund-of-funds can be particularly beneficial for



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retail investors. We welcome the introduction of more flexible fund rules to facilitate fund-of-fund strategies via AIFs and UCITS, as well as existing vehicles. Additionally, we support the amendments allowing ELTIFs to make use of master-feeder structures.

The proposed quantitative limits introduced in Article 13.2 (c) and Article 13.3 will limit the ability of retail-only ELTIFs to implement a full fund-of-fund structure and appears inconsistent with the objective to introduce greater investment flexibility within the ELTIF regime. We would therefore encourage policymakers to consider removing the proposed caps. If it is felt necessary to retain Article 13.2 (c) and Article 13.3, we would propose increasing the proposed thresholds to allow for more flexibility in facilitating a fund-of-fund structure.

Furthermore, limiting ELTIF use of fund-of-fund structures to other ELTIFs, EU AIFs, UCITS, EuVECA and EuSEFs managed by an AIFM will substantially limit how ELTIFs can invest in non-EU assets. This contradicts the policy intention for ELTIF investment strategies to pursue a global investment mandate, and the reforms to Article 1(2) that give effect to this sentiment. We would therefore urge the inclusion of third country AIFs within Article 13.2 (c) and Article 13.3, if the retention of both provision is deemed necessary.

We understand that the proposed restrictions on the use of fund-of fund structures also seeks to mitigate any risks that ELTIFs using fund-of-fund structures would lead to higher overall fees for retail investors. Investing in a fund of fund can offer investors the most efficient means to access a wider range of assets than they might otherwise be able to. This will be particularly relevant for ELTIFs which are permitted to invest in a wide range of asset types and restricting the ability of retail investors to fully benefit from such assets.

The ELTIF proposals already align the disclosure of fees to investors in ELTIFs with the Packaged Retail and Insurance-based Investment Products (PRIIPs) Regulation. This disclosure will ensure that investors have sufficient transparency around the costs involved in any ELTIFs (including those investing in fund of funds) and ELTIFs would not present and additional risks that would not be addressed by these rules.

ELTIF Regulation	Commission’s Proposed Text	The Associations recommended amendment
<b>Article 13.2 (c)</b>		
<b>(c) 10 % of its capital in units or shares of any single ELTIF, EuVECA or EuSEF;</b>	<del>(c) 10%</del> <b>20 % of its capital in units or shares of any single ELTIF, EuVECA, EuSEF, UCITS or EU AIF managed by an EU AIFM;</b>	<b>The Associations propose a deletion of Article 13.2 (c).</b>  <del>(c) % 20 % of its capital in units or shares of any single ELTIF, EuVECA, EuSEF, UCITS or EU AIF managed by an EU AIFM;</del>



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		<p><b>If it is felt necessary to retain this requirement, we would propose the following amendment to the Commission’s proposal at a minimum:</b></p> <p>(c) 20 % of its capital in units or shares of any single ELTIF, EuVECA, EuSEF, UCITS, <del>or EU</del> <b>or third country</b> AIF managed by an EU AIFM;</p>
<b>Article 13.3</b>		
<p><b>3. The aggregate value of units or shares of ELTIFs, EuVECAs and EuSEFs in an ELTIF portfolio shall not exceed 20 % of the value of the capital of the ELTIF.</b></p>	<p>3.The aggregate value of units or shares of ELTIFs, EuVECAs, EuSEFs, <b>UCITS and of EU AIFs managed by EU AIFM</b> in an ELTIF portfolio shall not exceed <del>20 %</del> <b>40 %</b> of the value of the capital of the ELTIF.</p>	<p><b>The Associations propose a deletion of Article 13.3.</b></p> <p><del>3.The aggregate value of units or shares of ELTIFs, EuVECAs, EuSEFs, UCITS and of EU AIFs managed by EU AIFM in an ELTIF portfolio shall not exceed 40 % of the value of the capital of the ELTIF.</del></p> <p><b>If it is felt necessary to retain this requirement, we would propose the following amendment to the Commission’s proposal at a minimum:</b></p> <p>3.The aggregate value of units or shares of ELTIFs, EuVECAs, EuSEFs, UCITS and of <b>EU or third country</b> AIFs managed by EU AIFM in an ELTIF portfolio shall not exceed 40 % of the value of the capital of the ELTIF.</p>

ELTIF Regulation	Commission’s Proposed Text	The Associations recommended amendment
<b>Article 10.1 (d)</b>		
<p><b>(d) units or shares of one or several other ELTIFs, EuVECAs and EuSEFs provided that those ELTIFs, EuVECAs and EuSEFs have not themselves invested more</b></p>	<p>(d) units or shares of one or several other ELTIFs, EuVECAs, EuSEFs, <b>UCITS and EU AIFs managed by EU AIFM</b> provided that those ELTIFs, EuVECAs, EuSEFs, <b>UCITS and EU AIFs invest in eligible investments as referred to in Article 9(1) and (2)</b> and have not</p>	<p>(d) units or shares of one or several other ELTIFs, EuVECAs, EuSEFs, UCITS and <b>EU or third country</b> AIFs managed by EU AIFM provided that those ELTIFs, EuVECAs, EuSEFs, UCITS and EU AIFs invest in eligible investments as referred to in Article 9(1) and (2) and have not themselves</p>



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<p><b>than 10 % of their capital in ELTIFs;</b></p>	<p>themselves invested more than 10% of their <del>capital</del> <b>assets in ELTIFs any other collective investment undertaking;</b></p>	<p>invested more than 10% of their assets in any other collective investment undertaking. <b>This limitation does not apply to feeder AIFs as defined under Article 4.1 (m) of Directive 2011/61/EU or co-investment vehicles qualifying as an AIF as defined under Article 4.1 (a) of Directive 2011/61/EU;</b></p>
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- **Allow ELTIFs to fully benefit from master-feeder structures**

**Our proposal to improve the text:** *Remove the provisions that prohibit the investment of an ELTIF feeder into a master AIFs other than a master ELTIF*

The provisions that restrict the ability of ELTIF managers to incorporate ELTIF structures into their investment structures will reduce the ability of investors in ELTIFs to fully participate in the asset class. Master-feeder structures where ELTIFs invest in AIFs will increase access for ELTIFs to eligible pools of assets/strategies that may have been created for the benefit of a wider investor audience. comply with the requirements of the ELTIF Regulation. Any master AIFs with feeder ELTIFs will also be subject to an obligation to comply with the requirements of the feeder ELTIF (for example with respect to eligible assets) when investing.

We are not aware of risks to investors that are not addressed in the ELTIF regulation or within AIFMD and would require the prohibition of investment by an ELTIF feeder into an AIF other than a master ELTIF

We would therefore recommend removing the provisions that prohibit the investment of an ELTIF feeder in an AIF other than a master ELTIF.

ELTIF Regulation	Commission’s Proposed Text	The Associations recommended amendment
<b>Recital 14</b>		
n/a	(14) In order to better use the expertise of the ELTIF managers and because of diversification benefits, in certain cases it can be beneficial for ELTIFs to invest all or almost all of their assets into the diversified portfolio of the master ELTIF. ELTIFs should therefore be allowed to pool their assets and make use of master-feeder	(14) In order to better use the expertise of the ELTIF managers and because of diversification benefits, in certain cases it can be beneficial for ELTIFs to invest all or almost all of their assets into the diversified portfolio of the master ELTIF. ELTIFs should therefore be allowed to pool their assets and make use of master-feeder structures <b>by investing in master ELTIFs.</b>



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	structures by investing in master ELTIFs.	
<b>Article 2 (20)</b>		
n/a	(20) ‘feeder ELTIF’ means an ELTIF, or an investment compartment thereof, which has been approved to invest at least 85 % of its assets in units of another ELTIF or investment compartment of an ELTIF;	(20) ‘feeder ELTIF’ means an ELTIF, or an investment compartment thereof, which has been approved to invest at least 85 % of its assets in units of another <b>AIF ELTIF</b> or investment compartment of an <b>AIF ELTIF</b> ;
n/a	(21) ‘master ELTIF’ means an ELTIF, or an investment compartment thereof, in which another ELTIF invests at least 85 % of its assets in units of another ELTIF or investment compartment of an ELTIF.	(21) ‘master <b>AIF ELTIF</b> ’ means an <b>AIF ELTIF</b> , or an investment compartment thereof, in which another ELTIF invests at least 85 % of its assets in units of another ELTIF or investment compartment of an ELTIF.

- **Expanding the range of eligible assets**

**Our proposal to improve the text:** *ELTIFs should be permitted to invest in all securitisations rather than just STS Securitisations.*

We support the expanded scope of eligible assets that ELTIFs can invest in. The limited range of investible assets has been a limiting factor on the use-case of ELTIFs for investors and the proposed reforms will significantly improve the viability of the ELTIF as a capital raising and investment structure. Permitting ELTIFs to invest in all forms of securitisation, rather than just those which meet the STS criteria, would be consistent with this approach.

The Securitisation Regulation provides a robust supervisory and regulatory framework that investors can rely on, and the securitisation market already plays a significant role in how capital markets can support the availability of finance in the real economy. While growing, the STS securitisation market remains small overall and limiting ELTIFs to securitisation which qualify for this label will reduce the benefit of broadening the eligible assets to include securitisation. Any securitisation in which the ELTIF invests would also have to be consistent with the ELTIF regulation and specific investment objectives of the ELTIF.

Allowing ELTIFs to invest in a broader range of securitisation vehicles will support the ability of managers to develop ELTIFs which cater to a broad range of investor needs and support the role of securitisation as a means by which capital markets can directly finance the real economy.



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ELTIF Regulation	Commission’s Proposed Text	The Associations recommended amendment
<b>Recital 10</b>		
	<p><b>(10) It is necessary to extend the scope of eligible assets and promote the investments of ELTIFs in securitised assets. It should therefore be clarified that, where the underlying assets consist of long-term exposures, eligible investment assets should also include simple, transparent and standardised (STS) securitisations as referred to in Article 18 of Regulation (EU) 2017/2402 of the European Parliament and of the Council. Those long-term exposures comprise securitisations of residential loans that are secured by one or more mortgages on residential immovable property (residential mortgage backed securities (RMBS)), commercial loans that are secured by one or more mortgages on commercial immovable property, corporate loans, including loans which are granted to small and medium enterprises (SMEs), and trade receivables or other underlying exposures that the originator considers to form a distinct asset type, provided that the proceeds from securitising those trade receivables or other underlying exposures are used for financing or refinancing long-term investments.</b></p>	<p>(10) It is necessary to extend the scope of eligible assets and promote the investments of ELTIFs in securitised assets. It should therefore be clarified that, where the underlying assets consist of long-term exposures, eligible investment assets should also include simple, transparent and standardised (STS) securitisations as referred to in Article 18 <b>securitisations as defined in Article 2.1</b> of Regulation (EU) 2017/2402 of the European Parliament and of the Council. Those long-term exposures comprise securitisations of residential loans that are secured by one or more mortgages on residential immovable property (residential mortgage backed securities (RMBS)), commercial loans that are secured by one or more mortgages on commercial immovable property, corporate loans, including loans which are granted to small and medium enterprises (SMEs), and trade receivables or other underlying exposures that the originator considers to form a distinct asset type, provided that the proceeds from securitising those trade receivables or other underlying exposures are used for financing or refinancing long-term investments.</p>
<b>Article 2.14 (a)</b>		
	<p><b>(14a) simple, transparent and standardised securitisation’ means a securitisation that complies with the conditions set out in Article 18 of Regulation (EU) 2017/2402 of the European Parliament and of the Council*;</b></p>	<p>(14a) simple, transparent and standardised securitisation’ means a securitisation <b>Securitisation means a scheme or transaction that complies with the conditions set out in Article 2.1 of Regulation (EU)</b></p>

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	<p><b>* Regulation (EU) 2017/2402 of the European Parliament and of the Council of 12 December 2017 laying down a general framework for securitisation and creating a specific framework for simple, transparent and standardised securitisation, and amending Directives 2009/65/EC, 2009/138/EC and 2011/61/EU and Regulations (EC) No 1060/2009 and (EU) No 648/2012 (OJ L 347, 28.12.2017, p. 35).</b></p>	<p>2017/2402 of the European Parliament and of the Council*;</p> <p>* Regulation (EU) 2017/2402 of the European Parliament and of the Council of 12 December 2017 laying down a general framework for securitisation and creating a specific framework for simple, transparent and standardised securitisation, and amending Directives 2009/65/EC, 2009/138/EC and 2011/61/EU and Regulations (EC) No 1060/2009 and (EU) No 648/2012 (OJ L 347, 28.12.2017, p. 35).</p>
<b>Article 10.1(f)</b>		
<p><b>An asset referred to in point (a) of Article 9(1) shall be eligible for investment by an ELTIF only where it falls into one of the following categories:</b></p>	<p>1. An asset as referred to in Article 9(1), point (a), shall <b>only</b> be eligible for investment by an ELTIF <del>only</del> where it falls into one of the following categories:</p>	<p>The Associations support the Commission's text.</p>
	<b>(a)...(e)</b>	<b>(a)...(e)</b>
	<p><b>(f) simple, transparent and standardised securitisations where the underlying exposures correspond to one of the following categories:</b></p> <p>(i) assets listed in Article 1, points (a)(i), (ii) or (iv), of Commission Delegated Regulation 2019/1851*3;</p> <p>(ii) assets listed in Article 1, points (a),(vii) and (viii), of Delegated Regulation 2019/1851, provided that the proceeds from the securitisation bonds are used for financing or refinancing long-term investments.</p> <p><b>*Commission Delegated Regulation (EU) 2019/1851 of 28 May 2019 supplementing Regulation (EU) 2017/2402 of the European Parliament and of the Council with regard to regulatory</b></p>	<p><b>(f) securitisations as defined in Article 2.1 of Regulation (EU) 2017/2402 of the European Parliament and of the Council*;</b></p> <p><b>* Regulation (EU) 2017/2402 of the European Parliament and of the Council of 12 December 2017 laying down a general framework for securitisation and creating a specific framework for simple, transparent and standardised securitisation, and amending Directives 2009/65/EC, 2009/138/EC and 2011/61/EU and Regulations (EC) No 1060/2009 and (EU) No 648/2012 (OJ L 347, 28.12.2017, p. 35).</b></p> <p><del>simple, transparent and standardised securitisations where the underlying exposures correspond to one of the following categories:</del></p>



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	<p><b>technical standards on the homogeneity of the underlying exposures in securitisation (OJ L 285, 6.11.2019, p. 1).</b></p>	<p>(i) — assets listed in Article 1, points (a)(i), (ii) or (iv), of Commission Delegated Regulation 2019/1851<sup>*3</sup>;</p> <p>(ii) — assets listed in Article 1, points (a),(vii) and (viii), of Delegated Regulation 2019/1851, provided that the proceeds from the securitisation bonds are used for financing or refinancing long-term investments.</p> <p><sup>*3</sup>Commission Delegated Regulation (EU) 2019/1851 of 28 May 2019 supplementing Regulation (EU) 2017/2402 of the European Parliament and of the Council with regard to regulatory technical standards on the homogeneity of the underlying exposures in securitisation (OJ L 285, 6.11.2019, p. 1).</p>
<p><b>Article 13.3(a)</b></p>		
	<p><b>3a. The aggregate value of simple, transparent and standardised securitisations in an ELTIF portfolio shall not exceed 20% of the value of the capital of the ELTIF.'</b></p>	<p>3a. The aggregate value of simple, transparent and standardised <b>securitisations</b> in an ELTIF portfolio shall not exceed 20% of the value of the capital of the ELTIF.</p>

- **Central public register**

**Our proposal to improve the text:** *Remove the requirement under Article 3(3)k for an ELTIF's rules or instruments of incorporation of the ELTIF, the annual reports, the prospectus and, where available, the Key Information Document to be made available on the ESMA central public register.*

We support the proposed amendments to clarify that the national competent authority responsible for authorising the ELTIF is solely responsible for the authorisation of an ELTIF and is not involved in the additional authorisation of the EU AIFM.

The proposed reform to Article 3(3)k indicates that the central public register maintained by ESMA will contain “up-to-date links to the ELTIF documentation, including to the rules or instruments of incorporation of the ELTIF, the annual reports, the prospectus and, where available, the Key Information Document”. Such documents are typically only disclosed to investors in the fund and making these publicly available will act as a significant disincentive to asset managers. We propose that the requirement specified in Article 3(3)k is removed:



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ELTIF Regulation	Commission's Proposed Text	The Associations recommended amendment
<b>Article 3.3</b>		
<p>The competent authorities of the ELTIFs shall, on a quarterly basis, inform ESMA of authorisations granted or withdrawn pursuant to this Regulation.</p> <p>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. The register shall be made available in electronic format.</p>	<p>The competent authorities of the ELTIFs shall, on a <del>quarterly</del> <b>monthly</b> basis, inform ESMA of authorisations granted or withdrawn pursuant to this Regulation <b>and of any changes to the information about an ELTIF that is set out in the central public register referred to in the second subparagraph.</b></p> <p>ESMA shall keep an <b>up-to-date</b> central public register identifying for each ELTIF authorised under this Regulation; <del>the manager of the ELTIF and the competent authority of the ELTIF.:</del></p> <p><b>(a) the Legal Entity Identifier (LEI) and national code identifier of that ELTIF, where available;</b></p> <p><b>(b) the name of the manager of the ELTIF, and the address and the LEI of that manager;</b></p> <p><b>(c) the ISIN codes of the ELTIF and each separate share or unit class, where available;</b></p> <p><b>(d) the LEI of the master fund, where available;</b></p> <p><b>(e) the LEI of the feeder funds, where available;</b></p> <p><b>(f) the competent authority of the ELTIF and the home Member State of that ELTIF;</b></p> <p><b>(g) the Member States where the ELTIF is marketed;</b></p> <p><b>(h) whether the ELTIF can be marketed to retail investors or can solely be marketed to professional investors;</b></p> <p><b>(i) the date of the authorisation of the ELTIF;</b></p>	<p>The competent authorities of the ELTIFs shall, on a monthly basis, inform ESMA of authorisations granted or withdrawn pursuant to this Regulation and of any changes to the information about an ELTIF that is set out in the central public register referred to in the second subparagraph.</p> <p>ESMA shall keep an up-to-date central public register identifying for each ELTIF authorised under this Regulation:</p> <p>(a) the Legal Entity Identifier (LEI) and national code identifier of that ELTIF, where available;</p> <p>(b) the name of the manager of the ELTIF, and the address and the LEI of that manager;</p> <p>(c) the ISIN codes of the ELTIF and each separate share or unit class, where available;</p> <p>(d) the LEI of the master fund, where available;</p> <p>(e) the LEI of the feeder funds, where available;</p> <p>(f) the competent authority of the ELTIF and the home Member State of that ELTIF;</p> <p>(g) the Member States where the ELTIF is marketed;</p> <p>(h) whether the ELTIF can be marketed to retail investors or can solely be marketed to professional investors;</p> <p>(i) the date of the authorisation of the ELTIF;</p> <p>(j) the date on which the marketing of the ELTIF has commenced;</p> <p><b>(k) up-to-date links to the ELTIF documentation, including to the rules or instruments of incorporation of the ELTIF, the annual reports, the prospectus and, where available, the Key Information Document;</b></p>



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	<p><b>(j) the date on which the marketing of the ELTIF has commenced;</b></p> <p><b>(k) up-to-date links to the ELTIF documentation, including to the rules or instruments of incorporation of the ELTIF, the annual reports, the prospectus and, where available, the Key Information Document;</b></p> <p><b>(l) the date of the last update by ESMA of the information about the ELTIF.</b></p> <p>The <b>central public</b> register shall be made available in electronic format.'</p>	<p><del>(k)</del> <b>(k)</b> the date of the last update by ESMA of the information about the ELTIF</p> <p>The central public register shall be made available in electronic format.'</p>
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- **Implementation**

**Our proposal to improve the text:** *Introduce appropriate grandfathering conditions for ELTIFs established prior to the implementation of proposed legislative changes.*

it is crucial to introduce appropriate grandfathering provisions for existing ELTIFs. This will provide ELTIF managers with certainty to continue lending and prevent any disruption to the flow of capital to European businesses. It would also be unjust for any ELTIF manager to be penalised because of a law that was not in place at the time the investment structure was established.

We support the proposal for any new requirements from the amended Regulation applying six months after its entry into force.

ELTIF Regulation	Commission's Proposed Text	The Associations recommended amendment
<b>Article 38</b>	<b>Article 38 2</b>	<b>Article 38 2</b>
This Regulation shall enter into force on the twentieth day following its publication in the Official Journal of the European Union.	This Regulation shall enter into force on the twentieth day following that of its publication in the Official Journal of the European Union.	This Regulation shall enter into force on the twentieth day following that of its publication in the Official Journal of the European Union.
It shall apply from 9 December 2015.	It shall apply from <del>9 December 2015</del> <b>[entry into force + 6 months]</b> .	It shall apply from <del>9 December 2015</del> <b>[entry into force + 6 months]</b> .
This Regulation shall be binding in its entirety and directly applicable in all Member States.	This Regulation shall be binding in its entirety and directly applicable in all Member States.	This Regulation shall be binding in its entirety and directly applicable in all Member States. <b>This Regulation shall not apply to authorised ELTIFs established prior to [entry into force]</b> .



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**Annex 1**

ELTIF Regulation	Commission’s Proposed Text	The Associations comment
<b>Article 2 (20) (21) (new)</b>		
	<p><b>(20) ‘feeder ELTIF’ means an ELTIF, or an investment compartment thereof, which has been approved to invest at least 85 % of its assets in units of another ELTIF or investment compartment of an ELTIF;</b></p> <p><b>(21) ‘master ELTIF’ means an ELTIF, or an investment compartment thereof, in which another ELTIF invests at least 85 % of its assets in units of another ELTIF or investment compartment of an ELTIF.</b></p>	<p>The Associations support the Commission’s proposed text.</p>
<b>Article 5.1 (e) (new)</b>		
	<p><b>(e) where applicable, the following information on the master-feeder structure of the ELTIF:</b></p> <p><b>(i) a declaration that the feeder ELTIF is a feeder of the master ELTIF;</b></p> <p><b>(ii) the fund rules or instruments of incorporation of the master ELTIF and the agreement between the feeder and the master ELTIF referred or the internal rules on the conduct of business referred to in Article 29(6);</b></p> <p><b>(iii) where the master ELTIF and the feeder ELTIF have different depositaries, the information-sharing agreement referred to in Article 29(7), ;</b></p> <p><b>(iv) where the feeder ELTIF is established in a Member State other than the home Member</b></p>	<p>The Associations support the Commission’s proposed text.</p>

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	<b>State of the master ELTIF, an attestation by the competent authorities of the home Member State of the master ELTIF that the master ELTIF is an ELTIF provided by the feeder ELTIF.</b>	
<b>Article 10.2 (new)</b>		
	<b>2. Where an ELTIF has invested in shares or units of other ELTIFs, EuVECAs, EuSEFs, UCITS and EU AIFs managed by EU AIFMs in accordance with paragraph 1, point (d), the assets of the respective ELTIF and other collective investment undertakings are to be combined for the purposes of determining the compliance with limits laid down in Article 13 and Article 16(1).'</b>	The Associations support the Commission's proposed text.
<b>Article 11. 1(ii)</b>		
(ii) is admitted to trading on a regulated market or on a multilateral trading facility and at the same time has a market capitalisation of no more than EUR 500 000 000;	(ii) is admitted to trading on a regulated market or on a multilateral trading facility and <del>at the same time</del> has a market capitalisation of no more than <del>EUR 500 000 000</del> <b>EUR 1 000 000 000 at the time of the initial investment;</b>	The Associations support the Commission's proposed text.
<b>Article 12</b>		
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, EuSEFs or EuVECAs that it manages.	1. 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, EuSEFs, EuVECAs, <b>UCITS or EU AIFs</b> that it manages.	The Associations support the Commission's proposed text.
	<b>2.The AIFM managing an ELTIF and undertakings that belong to the same group with an AIFM managing an ELTIF, and their staff may co-invest in that ELTIF and co-invest with</b>	The Associations support the Commission's proposed text.

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	<p><b>the ELTIF in the same asset, provided that the ELTIF manager has put in place organisational and administrative arrangements designed to identify, prevent, manage and monitor conflicts of interest and provided that such conflicts of interest are adequately disclosed.</b></p>	
<b>Article 13</b>		
1. An ELTIF shall invest at least 70 % of its capital in eligible investment assets.	1. An ELTIF shall invest at least <del>70 %</del> <b>60%</b> of its capital in eligible investment assets.	The Associations support the Commission's proposed text.
2. An ELTIF shall invest no more than:	2. An ELTIF shall invest no more than:	The Associations support the Commission's proposed text.
(a) 10 % of its capital in instruments issued by, or loans granted to, any single qualifying portfolio undertaking;	(a) <del>10 %</del> <b>20 %</b> of its capital in instruments issued by, or loans granted to, any single qualifying portfolio undertaking;	The Associations support the Commission's proposed text.
(b) 10 % of its capital directly or indirectly in a single real asset;	(b) <del>10 %</del> <b>20 %</b> of its capital directly or indirectly in a single real asset;	The Associations support the Commission's proposed text.
(c) 10 % of its capital in units or shares of any single ELTIF, EuVECA or EuSEF;	(c) <del>10%</del> <b>20 %</b> of its capital in units or shares of any single ELTIF, EuVECA, EuSEF, <b>UCITS or EU AIF managed by an EU AIFM;</b>	(c) 20 % of its capital in units or shares of any single ELTIF, EuVECA, EuSEF, UCITS <b>or EU AIF managed by an EU AIFM;</b>
(d) 5 % of its capital in assets referred to in point (b) of Article 9(1) where those assets have been issued by any single body.	(d) <del>5 %</del> <b>10 %</b> of its capital in assets referred to in point (b) of Article 9(1) where those assets have been issued by any single body.	The Associations support the Commission's proposed text.
3. The aggregate value of units or shares of ELTIFs, EuvECAs and EuSEFs in an ELTIF portfolio shall not exceed 20 % of the value of the capital of the ELTIF.	3. The aggregate value of units or shares of ELTIFs, EuvECAs, EuSEFs, <b>UCITS and of EU AIFs managed by EU AIFM</b> in an ELTIF portfolio shall not exceed <del>20 %</del> <b>40 %</b> of the value of the capital of the ELTIF.	The Associations support the Commission's proposed text.
	<b>3a. The aggregate value of simple, transparent and standardised securitisations in an ELTIF portfolio shall not exceed 20% of the value of the capital of the ELTIF.'</b>	3a. The aggregate value of <del>simple, transparent and standardised</del> <b>securitisations</b> in an ELTIF portfolio shall not exceed 20% of the value of the capital of the ELTIF.



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<p>4. The aggregate risk exposure to a counterparty of the ELTIF stemming from OTC derivative transactions, repurchase agreements, or reverse repurchase agreements shall not exceed 5 % of the value of the capital of the ELTIF.</p>	<p>4. The aggregate risk exposure to a counterparty of the ELTIF stemming from OTC derivative transactions, repurchase agreements, or reverse repurchase agreements shall not exceed <del>5%</del> <b>10 %</b> of the value of the capital of the ELTIF.</p>	<p>The Associations support the Commission's proposed text.</p>
<p>5. By way of derogation from points (a) and (b) of paragraph 2, an ELTIF may raise the 10 % limit referred to therein to 20 %, provided that the aggregate value of the assets held by the ELTIF in qualifying portfolio undertakings and in individual real assets in which it invests more than 10 % of its capital does not exceed 40 % of the value of the capital of the ELTIF.</p>	<p><b>(deleted)</b></p>	<p>The Associations support the Commission's proposed deletion.</p>
<p>6. By way of derogation from point (d) of paragraph 2, an ELTIF may raise the 5 % limit referred to therein to 25 % where bonds are issued by a credit institution which has its registered office in a Member State and is subject by law to special public supervision designed to protect bondholders. In particular, sums deriving from the issue of those bonds shall be invested in accordance with the law in assets which, during the whole period of validity of the bonds, are capable of covering claims attaching to the bonds and which, in the event of failure of the issuer, would be used on a priority basis for the reimbursement of the principal and payment of the accrued interest.</p>	<p>6. By way of derogation from paragraph 2, point (d), an ELTIF may raise the <del>5%</del> <b>10 %</b> limit referred to <del>therein</del> <b>in that point</b> to 25 % where bonds are issued by a credit institution which has its registered office in a Member State and is subject by law to special public supervision designed to protect bondholders. In particular, sums deriving from the issue of those bonds shall be invested in accordance with the law in assets which, during the whole period of validity of the bonds, are capable of covering claims attaching to the bonds and which, in the event of failure of the issuer, would be used on a priority basis for the reimbursement of the principal and payment of the accrued interest.</p>	<p>The Associations support the Commission's proposed text.</p>
<p>7. Companies which are included in the same group for the purposes of consolidated</p>	<p>7. Companies which are included in the same group for the purposes of consolidated</p>	<p>The Associations support the Commission's proposed text.</p>

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accounts, as regulated by Directive 2013/34/EU of the European Parliament and of the Council or in accordance with recognised international accounting rules, shall be regarded as a single qualifying portfolio undertaking or a single body for the purpose of calculating the limits referred to in paragraphs 1 to 6.	accounts, as regulated by Directive 2013/34/EU of the European Parliament and of the Council or in accordance with recognised international accounting rules, shall be regarded as a single qualifying portfolio undertaking or a single body for the purpose of calculating the limits referred to in paragraphs 1 to 6;	
	<b>8. The investment thresholds set out in paragraphs 2 to 4 shall not apply where ELTIFs are marketed solely to professional investors.</b>	The Associations support the Commission's proposed text.
<b>Article 15</b>		
1. An ELTIF may acquire no more than 25 % of the units or shares of a single ELTIF, EuVECA, or EuSEF.	1. An ELTIF may acquire no more than <del>25%</del> <b>30 %</b> of the units or shares of a single ELTIF, EuVECA, EuSEF, <b>UCITS or of an EU AIF managed by an EU AIFM. That limit shall not apply where ELTIFs are marketed solely to professional investors.</b>	The Associations support the Commission's proposed text.
2. The concentration limits laid down in Article 56(2) of Directive 2009/65/EC shall apply to investments in the assets referred to in point (b) of Article 9(1) of this Regulation.	2. The concentration limits laid down in Article 56(2) of Directive 2009/65/EC shall apply to investments in the assets referred to in point (b) of Article 9(1) of this Regulation.  <b>Those concentration limits shall not apply where ELTIFs are marketed solely to professional investors.</b>	The Associations support the Commission's proposed text.
<b>Article 16</b>		
1. An ELTIF may borrow cash provided that such borrowing fulfils all of the following conditions:	1. An ELTIF may borrow cash provided that such borrowing fulfils all of the following conditions:	The Associations support the Commission's proposed text.
(a) it represents no more than 30 % of the value of the capital of the ELTIF;	(a) it represents no more than <del>30%</del> <b>50 %</b> of the value of the capital of the ELTIF, <b>and no more than 100 % of the value</b>	The Associations support the Commission's proposed text.



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	<b>of the capital of the ELTIF for ELTIFs marketed solely to professional investors;</b>	
(b) it serves the purpose of investing in eligible investment assets, except for loans referred to in point (c) of Article 10, provided that the holdings in cash or cash equivalents of the ELTIF are not sufficient to make the investment concerned;	(b) it serves the purpose of <del>investing in eligible investment assets</del> <b>making investments or providing liquidity, including to pay costs and expenses,</b> except for loans as referred to in Article 10, point (c), provided that the holdings in cash or cash equivalents of the ELTIF are not sufficient to make the investment concerned;	(b) it serves the purpose of making investments or providing liquidity, including to pay costs and expenses, <b>except for loans as referred to in Article 10, point (c),</b> provided that the holdings in cash or cash equivalents of the ELTIF are not sufficient to make the investment concerned;
(c) it is contracted in the same currency as the assets to be acquired with the borrowed cash;	(c) it is contracted in the same currency as the assets to be acquired with the borrowed cash <b>or in another currency where currency exposure has been hedged or where it can be otherwise demonstrated that the borrowing in another currency does not expose the ELTIF to material currency risks;</b>	The Associations support the Commission's proposed text.
(d) it has a maturity no longer than the life of the ELTIF;	(d) it has a maturity no longer than the life of the ELTIF;	The Associations support the Commission's proposed text.
(e) it encumbers assets that represent no more than 30 % of the value of the capital of the ELTIF.	(e) it encumbers assets <del>that represent no more than 30 % of the value of the capital of the ELTIF</del> <b>to implement the borrowing strategy of the ELTIF concerned;</b>	The Associations support the Commission's proposed text.
	<b>1a. Borrowing arrangements which are fully covered by investors' capital commitments shall not be considered to constitute borrowing for the purposes of paragraph</b>	The Associations support the Commission's proposed text.
2. The manager of the ELTIF shall specify in the prospectus of the ELTIF whether or not it intends to borrow cash as part of its investment strategy.	2. The manager of the ELTIF shall specify in the prospectus of the ELTIF whether or not <b>the ELTIF</b> intends to borrow cash as part of the <b>ELTIF's</b> investment strategy <b>and shall provide a detailed presentation of the</b>	The Associations support the Commission's proposed text.



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	<b>ELTIF borrowing strategy and limits. In particular, the manager of the ELTIF shall indicate how borrowing will help implement the ELTIF strategy and mitigate borrowing, currency and duration risks.</b>	
<b>Article 26</b>		
1. The manager of an ELTIF the units or shares of which are intended to be marketed to retail investors shall, in each Member State where it intends to market such units or shares, put in place facilities available for making subscriptions, making payments to unit- or shareholders, repurchasing or redeeming units or shares and making available the information which the ELTIF and the manager of the ELTIF are required to provide.	<b>(deleted)</b>	The Associations support the Commission's proposed deletion.
2. ESMA shall develop draft regulatory technical standards to specify the types and characteristics of the facilities referred to in paragraph 1, their technical infrastructure and the content of their tasks in respect of the retail investors.	<b>(deleted)</b>	The Associations support the Commission's proposed deletion.
ESMA shall submit those draft regulatory technical standards to the Commission by 9 September 2015.	<b>(deleted)</b>	The Associations support the Commission's proposed deletion.
Power is delegated to the Commission to adopt the regulatory technical standards referred to in the first subparagraph in accordance with Articles 10 to 14 of Regulation (EU) No 1095/2010.	<b>(deleted)</b>	The Associations support the Commission's proposed deletion.
<b>Article 30</b>		
<b>Additional requirements for marketing ELTIFs to retail investors</b>	<b>Specific requirements concerning the distribution</b> <small>Additional</small>	The Associations support the Commission's proposed text.

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	requirements for and marketing of ELTIFs to retail investors	
1. The units or shares of an ELTIF may be marketed to retail investors on the condition that retail investors are provided with appropriate investment advice from the manager of the ELTIF or the distributor.	1. The units or shares of an ELTIF may <b>only</b> be marketed to a retail investor <del>on the condition that retail investors are provided with appropriate investment advice from the manager of the ELTIF or the distributor</del> <b>where an assessment of suitability in accordance with Article 25, paragraphs 1, 2 and 5, Article 25(6), second and third subparagraph, and Article 25(7) of Directive 2014/65/EU has been carried out with respect to that investor.</b>	The Associations support the Commission's proposed text.
2. A manager of an ELTIF may directly offer or place units or shares of the ELTIF to retail investors only if that manager is authorised to provide the services referred to in points (a) and (b)(i) of Article 6(4) of Directive 2011/61/EU and only after that manager has performed the suitability test referred to in Article 28(1) of this Regulation.	2. <del>A manager of an ELTIF may directly offer or place units or shares of the ELTIF to retail investors only if that manager is authorised to provide the services referred to in points (a) and (b)(i) of Article 6(4) of Directive 2011/61/EU and only after that manager has performed the suitability test referred to in Article 28(1) of this Regulation</del> <b>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 shall issue a clear written alert that the ELTIF product may not be suitable for retail investors that are unable to sustain such a long-term and illiquid commitment.</b>	The Associations support the Commission's proposed text.
3. Where the financial instrument portfolio of a potential retail investor does not exceed EUR 500 000, the manager of the ELTIF or any distributor, after having performed the suitability test referred to in Article 28(1) and having provided appropriate investment advice, shall ensure, on the basis of the	3. <del>Where the financial instrument portfolio of a potential retail investor does not exceed EUR 500 000, the manager of the ELTIF or any distributor, after having performed the suitability test referred to in Article 28(1) and having provided appropriate investment advice, shall ensure, on the basis of the information submitted by the potential retail investor, that the potential retail investor does not</del>	The Associations support the Commission's proposed text.



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<p>information submitted by the potential retail investor, that the potential retail investor does not invest an aggregate amount exceeding 10 % of that investor's financial instrument portfolio in ELTIFs and that the initial minimum amount invested in one or more ELTIFs is EUR 10 000.</p>	<p><del>invest an aggregate amount exceeding 10 % of that investor's financial instrument portfolio in ELTIFs and that the initial minimum amount invested in one or more ELTIFs is EUR 10 000.</del> <b>Paragraphs 1 and 2 shall not apply where the retail investor is a member of senior staff, portfolio manager, director, officer, agent or employee of the manager or of an affiliate of the manager and has sufficient knowledge about the ELTIF concerned.</b></p>	
<p>The potential retail investor shall be responsible for providing the manager of the ELTIF or the distributor with accurate information on the potential retail investor's financial instrument portfolio and investments in ELTIFs as referred to in the first subparagraph.</p>	<p><b>(deleted)</b></p>	<p>The Associations support the Commission's proposed deletion.</p>
<p>For the purpose of this paragraph, a financial instrument portfolio shall be understood to include cash deposits and financial instruments, but shall exclude any financial instruments that have been given as collateral.</p>	<p><b>(deleted)</b></p>	<p>The Associations support the Commission's proposed deletion.</p>
<p>4. The rules or instruments of incorporation of an ELTIF marketed to retail investors shall provide that all investors benefit from equal treatment and no preferential treatment or specific economic benefits are granted to individual investors or groups of investors.</p>	<p><del>4. The rules or instruments of incorporation of an ELTIF marketed to retail investors shall provide that all investors benefit from equal treatment and no preferential treatment or specific economic benefits are granted to individual investors or groups of investors.</del> <b>In case of a master-feeder structure, the prospectus of the feeder ELTIF shall contain all of the following information:</b></p>	<p>The Associations support the Commission's proposed text.</p>



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	<p>(a) a declaration that the feeder ELTIF is a feeder of the master ELTIF;</p> <p>(b) the investment objective and policy, including the risk profile and whether the performance of the feeder and of the master ELTIF are identical, or to what extent and for which reasons they differ;</p> <p>(c) a brief description of the master ELTIF, its organisation, its investment objective and policy, including the risk profile, and information on how the prospectus of the master ELTIF can be obtained;</p> <p>(d) a description of all remuneration or reimbursement of costs payable by the feeder ELTIF by virtue of its investment in units of the master ELTIF, as well as of the aggregate charges of the feeder ELTIF and the master ELTIF;</p> <p>(e) a description of the tax implications for the feeder ELTIF of the investment into the master ELTIF .</p>	
<p>5. The legal form of an ELTIF marketed to retail investors shall not lead to any further liability for the retail investor or require any additional commitments on behalf of such an investor, apart from the original capital commitment.</p>	<p>5. The legal form of an ELTIF marketed to retail investors shall not lead to any further liability for the retail investor or require any additional commitments on behalf of such an investor, apart from the original capital commitment. <b>A feeder ELTIF shall disclose in any marketing communications that it permanently invests 85 % or more of its assets in units of the master ELTIF.</b></p>	<p>The Associations support the Commission's proposed text.</p>
<p>6. Retail investors shall be able, during the subscription period and at least two weeks after the date of their subscription to</p>	<p>6. Retail investors shall be able, during the subscription period and at least two weeks after the date of their subscription to units or shares of the ELTIF, to cancel their</p>	<p>The Associations support the Commission's proposed text.</p>



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<p>units or shares of the ELTIF, to cancel their subscription and have the money returned without penalty.</p>	<p>subscription and have the money returned without penalty. <b>The rules or instruments of incorporation of an ELTIF marketed to retail investors in the relevant class of units or shares shall provide that all investors benefit from equal treatment and that no preferential treatment or specific economic benefits shall be granted to individual investors or groups of investors within the relevant class or classes.</b></p>	
<p>7. The manager of an ELTIF marketed to retail investors shall establish appropriate procedures and arrangements to deal with retail investor complaints, which allow retail investors to file complaints in the official language or one of the official languages of their Member State.</p>	<p><del>7. The manager of an ELTIF marketed to retail investors shall establish appropriate procedures and arrangements to deal with retail investor complaints, which allow retail investors to file complaints in the official language or one of the official languages of their Member State.</del> <b>The legal form of an ELTIF marketed to retail investors shall not lead to any further liability for the retail investor or require any additional commitments on behalf of such an investor, apart from the original capital commitment.</b></p>	<p>The Associations support the Commission's proposed text.</p>
	<p><b>8. Retail investors shall be able, during the subscription period and at least two weeks after the effective date of the commitment or subscription agreement of the units or shares of the ELTIF, to cancel their subscription and have the money returned without penalty.</b></p>	<p>The Associations support the Commission's proposed text.</p>
	<p><b>9. The manager of an ELTIF marketed to retail investors shall establish appropriate procedures and arrangements to deal with retail investor complaints, which shall allow retail investors to file complaints in the official language or one of the official languages of their Member State.</b></p>	<p>The Associations support the Commission's proposed text.</p>



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## **Annex 2**

### **AIMA - The Alternative Investment Management Association**

The Alternative Investment Management Association (AIMA) is the global representative of the alternative investment industry, with around 2,000 corporate members in over 60 countries. AIMA's fund manager members collectively manage more than \$2 trillion in hedge fund and private credit assets. AIMA draws upon the expertise and diversity of its membership to provide leadership in industry initiatives such as advocacy, policy and regulatory engagement, educational programmes and sound practice guides. AIMA works to raise media and public awareness of the value of the industry. AIMA set up the Alternative Credit Council (ACC) to help firms focused in the private credit and direct lending space.

### **ACC - The Alternative Credit Council**

The ACC currently represents over 250 members that manage over \$600bn of private credit assets. The ACC is an affiliate of AIMA and is governed by its own board which ultimately reports to the AIMA Council. ACC members provide an important source of funding to the economy, providing finance to mid-market corporates, SMEs, commercial and residential real estate developments, infrastructure as well the trade and receivables business. The ACC's core objectives are to provide direction on policy and regulatory matters, support wider advocacy and educational efforts, and generate industry research with the view to strengthening the sector's sustainability and wider economic and financial benefits.

### **BAI - The Bundesverband Alternative Investments**

The Bundesverband Alternative Investments e. V. (BAI) is the central interest group of the alternative investments industry in Germany. The federation understands itself as catalyst between professional German investors and recognized offerers of alternative Investments products world-wide. It is committed to ensuring that German institutional and professional investors are able to diversify their capital investments more easily and effectively with regard to alternative investments, in particular with a view to securing German old-age provision in the long term. The BAI promotes public awareness and understanding of alternative investments and is committed to scientific research. It conducts a dialogue with political decision-makers and the responsible supervisory authorities and cultivates exchanges with national and international organisations and associations.

The association pursues the goal of achieving legal reforms and further legal education in the interests of its members and their investors and of creating attractive and internationally competitive framework conditions for investing in alternative investments. The circle of BAI members recruited from all areas of the professional alternative investment business has grown to 250 businesses.



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