

## Response to EC consultation on the review of the European long-term investment funds (ELTIF) regulatory framework

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### Summary

The European insurance industry supports the European Commission's intention to make improvements to the European Long-Term Investment Funds Regulation (ELTIF) framework. The insurance industry needs access to a wide range of assets that provide attractive returns and portfolio diversification, for the benefit of its policyholders. Therefore, it welcomes a revision of the ELTIF framework that has the objective of making these investments more attractive for institutional investors.

Because the ELTIF legal framework was designed for a wide range of investors, ELTIFs offer institutional investors less flexibility, and their design is less likely to meet individual investment needs than other alternative investment funds. Therefore, the industry supports the Commission's proposals to reduce barriers in the ELTIFs legal framework and to widen the retail investor base in line with the objectives of the CMU. Specifically, the industry encourages the Commission to make refinements to the framework to remove restrictions that prevent any significant interest from the insurance industry.

Key improvements are needed for the ELTIF to become attractive to institutional investors, while at the same time offering attractive long-term investment opportunities to retail investors. A way to increase the attractiveness of ELTIFs for institutional investors could be to introduce different rules for ELTIFs tailored to institutional investors on the one hand and private investors on the other. This would require revisions to:

- **Fund design:** ELTIFs should not be limited to closed-end funds. They should be able to offer regular subscription and redemption possibilities at appropriate frequencies.
- **Portfolio composition and diversification:** A refinement of the framework is needed to provide more flexibility and targeted investor protection, in particular for thresholds on portfolios of financial instruments and in regard to the strict and restrictive diversification requirements.
- **Eligibility of investment assets:** The scope of eligible assets must be expanded to allow for better diversification and liquidity of the fund.



In practice, the ELTIF must be sufficiently flexible to allow fund managers to design a structure and, in particular, investment strategies suitable for the needs of its targeted investors.

**I. Introductory questions**

*Question 1: Please specify to what extent you agree with the statements below?*

	1 (fully disagree)	2 (somewhat disagree)	3 (neutral)	4 (somewhat agree)	5 (fully agree)	Don't know/No opinion/N/A
The ELTIF framework has been successful in achieving its objective of <b>raising and channelling capital towards European long-term investments</b> in the real economy		<b>X</b>				
The scope of the <b>ELTIF authorisation</b> is appropriate						
The <b>costs of launching and operating</b> an ELTIF, and the <b>regulatory and administrative burdens</b> are appropriate						
The ELTIF regime is <b>relevant to the needs and challenges</b> in EU asset management		<b>X</b>				
The existing ELTIF regime is consistent with the <b>CMU objectives</b>		<b>X</b>				
The ELTIF regime has brought <b>added value to investors</b> in and the financing of long-term projects		<b>X</b>				
The ELTIF <b>investor protection framework</b> is appropriate						

*Question 1.1 Please explain your position on your responses to question 1, providing key arguments to support your answers:  
(5000 character(s) maximum including spaces and line breaks, i.e. stricter than the MS Word characters counting method.)*

The insurance industry needs access to a wide range of assets that provide attractive returns and portfolio diversification, for the benefit of its policyholders. Therefore, it welcomes a revision of the ELTIF framework that has the objective of making these investments more attractive for institutional investors.

Because the ELTIF legal framework was designed for a wide range of investors, ELTIFs offer institutional investors less flexibility, and their design is less likely to meet individual investment needs than other alternative investment funds. Therefore, the industry supports the Commission's proposals to reduce barriers in the ELTIFs legal framework and to widen the retail investor base in line with the objectives of the CMU.

Specifically, the industry encourages the Commission to make refinements to the framework to remove restrictions that prevent any significant interest from the insurance industry. Key improvements are needed for the ELTIF to become attractive to institutional investors, while at the same time offering attractive long-term investment opportunities to retail investors in line with the objectives of the CMU Action Plan.

A way to increase the attractiveness of ELTIFs for institutional investors could be to introduce different rules for ELTIFs tailored to institutional investors on the one hand and private investors on the other. This would require revisions to:

- **Fund design:** ELTIFs should not be limited to closed-end funds. They should be able to offer regular subscription and redemption possibilities at appropriate frequencies.
- **Portfolio composition and diversification:** A refinement of the framework is needed to provide more flexibility and targeted investor protection, in particular for thresholds on portfolios of financial instruments and in regard to the strict and restrictive diversification requirements.
- **Eligibility of investment assets:** The scope of eligible assets must be expanded to allow for better diversification and liquidity of the fund.

In practice, the ELTIF must be sufficiently flexible to allow fund managers to design a structure and, in particular, investment strategies suitable for the needs of its targeted investors.

*Question 2: Please indicate the areas and provisions in the ELTIF regime where policy action would be most needed to improve the functioning of the ELTIF regulatory framework? Please rate as follows:*

	1 (no policy action needed)	2 (policy action could be considered)	3 (policy action desirable)	4 (policy action needed)	5 (policy action strongly needed)	Don't know/No opinion/N/A
General <b>principles and definitions</b> used in the ELTIF Regulation						
<b>Market capitalisation threshold</b> defining an SME equity or debt issue					<b>X</b>	
<b>Authorisation</b> requirements						
<b>Operational conditions</b>						
<b>Passportability</b> of ELTIFs						
Rules pertaining to <b>eligible investments</b>					<b>X</b>	
Clarification and/or practical guidance on the <b>eligibility requirements</b> , notably in relation to investments in real assets					<b>X</b>	
Rules pertaining to the <b>prohibition</b> to undertake certain activities						
Rules concerning the <b>qualifying portfolio undertakings</b>					<b>X</b>	

<b>Conflict of interests</b> related rules, including the ban on co-investment						
<b>Portfolio composition and diversification rules</b> and their application					X	
<b>Concentration limits</b>						
Rules and limitations related to the <b>borrowing of cash</b>						
<b>Redemption related rules and life-cycle</b> of ELTIFs					X	
Rules concerning the <b>disposal of ELTIF assets</b>					X	
<b>Transparency</b> requirements						
<b>Prospectus-related provisions</b>						
<b>Cost disclosure</b> related rules						
Rules pertaining to the facilities available to investors for making <b>subscriptions</b>						
Requirements concerning the <b>marketing and distribution</b> of ELTIFs to investors						
Specific provisions concerning the <b>depository</b> of an ELTIF marketed to retail investors						
Provisions and rules pertaining to the <b>marketing of ELTIFs to retail investors</b>						
Provisions integrating the EU Taxonomy for <b>sustainable activities</b> into the ELTIF framework						
<b>Inconsistent or duplicative application</b> of the ELTIF related requirements by Member States						
Issues arising from the <b>supervisory practices</b> within Member States						
<b>Cross-border marketing</b> related challenges						

Excessive reliance on <b>distribution networks</b> to market ELTIFs						
Excessive <b>costs of setting up and operating</b> ELTIFs						
<b>Competition</b> from existing national fund structures						
<b>Taxation</b> related issues						
<b>Other</b> aspects						

Please specify what are the other aspects of the ELTIF regime where policy action would be most needed to improve the functioning of the ELTIF regulatory framework:  
*(5000 character(s) maximum, including spaces and line breaks, i.e. stricter than the MS Word characters counting method.)*

*Question 2.1 Please explain your position on your answer to question 2, providing your arguments, and where appropriate, concrete examples and data to support your answers:  
 (5000 character(s) maximum including spaces and line breaks, i.e. stricter than the MS Word characters counting method.)*

**Redemption related rules / disposal of ELTIF assets**

The current closed-end nature of ELTIF funds does not offer possibilities of redemptions, meaning that investors need to wait until the end of the life of the fund to request the redemption of their shares.

Recommendation: The ELTIF should provide for the **possibility for the fund to offer regular subscription and redemptions possibilities at appropriate frequencies**. This would:

- Make it possible to increase the size of the fund (with diversification benefits).
- Meet investors’ needs, who, thanks to the redemption possibilities, would be more willing to invest in this type of instrument.

It is not expected that this will lead to a risk for ELTIFs that only allow institutional investors, as they, like insurers, are usually long-term investors. Nevertheless, institutional investors also prefer open fund structures for their fund investments for various reasons.

**Portfolio composition and diversification rules**

Numerous restrictions in the ELTIF-framework were exclusively established to protect retail investors and are not necessary in the same way for institutional investors. Therefore, a refinement of the framework to provide more flexibility and targeted investor protection is needed, in particular for thresholds on portfolio of financial instruments. In particular, this concerns Article 13.

Recommendation: The industry encourages **the Commission to refine the framework to provide more flexibility and targeted investor protection**. In particular:

- The minimum investment threshold of 70 percent for eligible investment assets should be decreased in order to offer better diversification and liquidity of the fund.
- The strict and restrictive diversification requirements for ELTIFs that only admit institutional investors should be abolished. An ELTIF must diversify its investment capital, both in terms of long-term and liquid assets. Maximum rates apply here, eg a maximum of 10% may be invested in a single qualified

portfolio company or a tangible asset. These serve in particular to protect retail investors. Institutional investors are in this regard less in need of protection than retail investors, because they control their risk/return requirements via their overall portfolio.

**Market capitalisation thresholds/eligible investments/eligibility requirements/qualifying portfolio undertakings**

Article 10 and 11 of ELTIF regulation sets a number of restrictions on the eligibility of investment assets that have proved to be too strict to meet investors’ expectations.

Recommendation: The **scope of eligible assets for the ELTIF should be broadened and allow for better diversification and liquidity**. For example:

- The ELTIF should be allowed to invest in financial undertakings, provided they are in line with the investment strategy of ELTIFs.
- Investments in funds other than ELTIFs, EuVECAs or EuSEFs should be admitted as eligible assets, provided their investment strategy obliges them to invest in the same asset classes as these funds.
- The necessary threshold of €10 million for the eligibility of physical assets should be removed as it results in a minimum fund size and acts as an additional barrier to create ELTIFs.
- The investment threshold on market capitalisation for companies trading on a regulated market or in a multilateral trading facility should be increased, while the ten-percent quota for single qualifying portfolio undertakings, single assets or single funds should also be more flexible for easier management during the life of the fund.

*Question 3: Please rate the following characteristics of the ELTIF framework based on how positive or negative their impact is, as follows:*

	-2 <i>(significant negative impact)</i>	-1 <i>(negative impact)</i>	0 <i>(no impact)</i>	1 <i>(positive impact)</i>	2 <i>(significant positive impact)</i>	Don't know/No opinion/N/A
<b>Broad scope of eligible assets</b> under the ELTIF regime		<b>X</b>				
<b>Long-term and illiquid nature of the investments</b> of an ELTIF		<b>X</b>				
<b>Operational</b> conditions						
<b>Transparency</b> requirements						
<b>Availability of ELTIFs to retail investors</b>						
Requirements and safeguards for <b>marketing</b> of ELTIFs to retail investors						
Validity of an <b>authorisation</b> as an ELTIF for all Member States						
<b>Other</b> aspects						

*Please specify what are the other aspects of the ELTIF you refer to in your answer to question 3:*



*(5000 character(s) maximum, including spaces and line breaks, i.e. stricter than the MS Word characters counting method.)*

*Question 3.1 Please explain your position on your answer to question 3, providing your arguments, and where appropriate, concrete examples and data to support your answers:  
(5000 character(s) maximum including spaces and line breaks, i.e. stricter than the MS Word characters counting method.)*

Please refer to Q2.1 above.

## 2. Scope of the ELTIF authorisation and process

*Question 4: Is the scope of the ELTIF authorisation and operating conditions appropriate? Please explain your answer.*

*(5000 character(s) maximum including spaces and line breaks, i.e. stricter than the MS Word characters counting method.)*

*Question 5: Should the ELTIF framework be amended to enhance the use of the ELTIF passport?*

- a. Yes
- b. No
- c. Other
- d. Don't know / no opinion / not relevant

*Please specify what you mean by other in your response to question 5:*

*(5000 character(s) maximum, including spaces and line breaks, i.e. stricter than the MS Word characters counting method.)*

*Question 5.1:*

*(When the answer is a) Please explain how you think the ELTIF framework should be amended to enhance the use of the ELTIF passport.*

*Please explain your suggestions, including benefits and disadvantages as well as potential costs thereof, where possible:*

*(when the answer is b or d) Please explain your answer to question 5:*

*(5000 character(s) maximum including spaces and line breaks, i.e. stricter than the MS Word characters counting method.)*

**3. Investment universe, eligible assets and qualifying portfolio undertakings**

Question 6: Should any of the following investments be eligible under the revised ELTIF framework? Please rate as follows:

	-2 (investments should be strongly discouraged)	-1 (investments should be discouraged)	0 (no impact)	1 (investments should be encouraged)	2 (investments should be strongly encouraged)	Don't know/No opinion/ N/A
Investments in <b>innovative technologies</b>						
Investments in <b>green, sustainable and/or climate related projects</b>						
Investments in projects that classify as sustainable under the <b>EU taxonomy</b> for sustainable activities						
<b>Post-COVID 19 recovery</b> related projects						
Any <b>financial assets with long-term maturities</b>						
Investments in <b>digital assets and infrastructure</b>						
Investments in <b>social infrastructure and social cohesion</b>						
Investments in <b>energy infrastructure and energy efficiency</b>						
Any <b>real estate assets</b> , including commercial and residential real estate without a perceived economic or social benefit under the Union's energy, regional and cohesion policies						
The scope of the investment universe of ELTIFs and eligible assets as currently set out in the ELTIF Regulation be further expanded to <b>other</b>						

<b>areas and asset classes</b>						
The scope of the investment universe of ELTIFs and eligible assets as currently set out in the ELTIF Regulation be more restricted or limited to a <b>narrower set of assets/investments</b>						
<b>Other types of assets and investment targets, and/or other regulatory approaches</b> should be pursued						

*Please specify what are the other types of assets and investment targets, and/or other regulatory approaches should be pursued you refer to in your reply to question 6:  
(5000 character(s) maximum, including spaces and line breaks, i.e. stricter than the MS Word characters counting method.)*

*Question 6.1: Please explain your position on your responses to question 6, including the benefits and disadvantages as well as potential costs thereof, where possible.  
In particular, please indicate if you consider that any changes in the ELTIF regime are necessary, and if so which ones, and why? Should you be of the opinion that investments in certain eligible assets be strongly encouraged, please provide further details on the possible definitions and scope of such different assets (e.g. references to existing or new legal definitions, examples, etc.):  
(5000 character(s) maximum including spaces and line breaks, i.e. stricter than the MS Word characters counting method.)*

*Question 7: Should some of the definitions related to the investment universe of ELTIFs and eligible assets used in the ELTIF Regulation, such as "long-term", "capital", "social benefit", "debt", "sustainable", "energy, regional and cohesion policies" and "speculative investments" be revised to enhance the clarity and certainty around the application of the ELTIF regime?  
If so, how should those definitions be amended and why?  
(5000 character(s) maximum including spaces and line breaks, i.e. stricter than the MS Word characters counting method.)*

*Question 8: Is the ELTIF framework appropriate in respect of the provisions related to investments in third countries?*

- a. Yes
- b. No
- c. Don't know / no opinion / not relevant

*Question 8.1: Please explain your answer to question 8.*

*In particular, please describe in detail any necessary adjustments to enhance legal certainty, for instance, with respect to the proportion invested in EU Member States with a view to benefit the ELTIF market, their managers and the broader European economy.*

*(5000 character(s) maximum including spaces and line breaks, i.e. stricter than the MS Word characters counting method.)*

*Question 9: Which provisions and requirements related to the eligibility of investments and investment assets set out in the ELTIF Regulation should be updated to improve the functioning of the ELTIF framework? Please rate as follows:*

	1 (no policy action needed)	2 (policy action could be considered)	3 (policy action desirable)	4 (policy action needed)	5 (policy action strongly needed)	Don't know/No opinion/ N/A
A <b>size requirement</b> of at least EUR 10 000 000 for eligible real assets investments				<b>X</b>		
A condition for an exposure to <b>real estate</b> through a direct holding or indirect holding through qualifying portfolio undertakings of individual real assets						
Limitation on eligible investment assets to units or shares of <b>ELTIFs, EuVECAs and EuSEFs</b> , as opposed to other potential fund categories				<b>X</b>		
Inability to invest in a " <b>financial undertaking</b> "				<b>X</b>		
EUR 500 000 000 <b>market capitalisation threshold</b> set out in the ELTIF Regulation for investing in listed issuers				<b>X</b>		
Rules related to investments in <b>third-country undertakings</b>						
<b>Other</b> conditions and requirements related to eligible investment assets and qualifying portfolio undertakings						

*Please specify what are the other conditions and requirements related to eligible investment assets and qualifying portfolio undertakings you refer to in question 9:*

*(5000 character(s) maximum, including spaces and line breaks, i.e. stricter than the MS Word characters counting method.)*

*Question 9.1: Please provide your assessment of the adequacy and effectiveness of the ELTIF framework with respect to the execution of fund-of-fund investment strategies, real assets investment strategies and any restrictions on investments in other funds throughout the ELTIF's life.*

*Please explain and provide your suggestions which specific provisions of the ELTIF Regulation may benefit from improvements, and why:*

*(5000 character(s) maximum including spaces and line breaks, i.e. stricter than the MS Word characters counting method.)*

#### 4. Types of investors and effective investor protection

*Question 10: Please describe key barriers to the development of the ELTIF market, whether regulatory or of another nature, if any, to institutional investments that you consider reduce the attractiveness of the ELTIFs for institutional investors?*

*Please explain:*

*(5000 character(s) maximum including spaces and line breaks, i.e. stricter than the MS Word characters counting method.)*

Illiquidity nature of ELTIF is a key barrier to institutional investments. ELTIFs offer institutional investors less flexibility and their design is less likely to meet individual investment needs than other alternative investment funds.

Key improvements are needed for the ELTIF to become attractive to institutional investors. A way to increase the attractiveness of ELTIFs for institutional investors could be to introduce different rules for ELTIFs tailored to institutional investors on the one hand and private investors on the other. This would require revisions to:

- **Fund design:** ELTIFs should not be limited to closed-end funds. They should be able to offer regular subscription and redemption possibilities at appropriate frequencies.
- **Portfolio composition and diversification:** A refinement of the framework is needed to provide more flexibility and targeted investor protection, in particular for thresholds on portfolios of financial instruments and in regard to the strict and restrictive diversification requirements.
- **Eligibility of investment assets:** The scope of eligible assets must be expanded to allow for better diversification and liquidity of the fund.

*Question 11: Should any of the following provisions of the ELTIF legal framework be amended, and if so how, to improve the participation and access of retail investors to ELTIFs?*

*Please explain which of the following provisions should be amended and give specific examples where possible and explain the benefits and disadvantages of your suggested approach, as well as potential effects and costs of the proposed changes.*

- a) Amendment of the size of the initial minimum amount for retail investors, and net worth requirements**
- a. Yes
  - b. No
  - c. Don't know / no opinion / not relevant

*(When the answer is a or b) Please explain your answer to question 11.a, as well as your suggested approach if you responded yes:*

*(5000 character(s) maximum, including spaces and line breaks, i.e. stricter than the MS Word characters counting method.)*

- b) Amendment of the specific requirements concerning the distribution of ELTIFs to retail investors (suitability test)**
- a. Yes
  - b. No
  - c. Don't know / no opinion / not relevant

*(When the answer is a or b) Please explain your answer to question 11.b, as well as your suggested approach if you responded yes:*

*(5000 character(s) maximum, including spaces and line breaks, i.e. stricter than the MS Word characters counting method.)*

**c) Withdrawal period of two weeks**

- a. Yes
- b. No
- c. Don't know / no opinion / not relevant

*(When the answer is a or b) Please explain your answer to question 11.c, as well as your suggested approach if you responded yes:*

*(5000 character(s) maximum, including spaces and line breaks, i.e. stricter than the MS Word characters counting method.)*

**d) Possibility to allow more frequent redemptions for retail investors**

- a. Yes
- b. No
- c. Don't know / no opinion / not relevant

*(When the answer is a or b) Please explain your answer to question 11.d, as well as your suggested approach if you responded yes:*

*(5000 character(s) maximum, including spaces and line breaks, i.e. stricter than the MS Word characters counting method.)*

**e) Procedures and arrangements to deal with retail investors complaints**

- a. Yes
- b. No
- c. Don't know / no opinion / not relevant

*(When the answer is a or b) Please explain your answer to question 11.e, as well as your suggested approach if you responded yes:*

*(5000 character(s) maximum, including spaces and line breaks, i.e. stricter than the MS Word characters counting method.)*

**f) Provisions related to the marketing of ELTIFs**

- a. Yes
- b. No
- c. Don't know / no opinion / not relevant

*(When the answer is a or b) Please explain your answer to question 11.f, as well as your suggested approach if you responded yes:*

*(5000 character(s) maximum, including spaces and line breaks, i.e. stricter than the MS Word characters counting method.)*

**g) Other provisions and requirements related to retail investors**

- a. Yes
- b. No

c. Don't know / no opinion / not relevant

*(When the answer is a or b) Please explain your answer to question 11.g, as well as your suggested approach if you responded yes:*

*(5000 character(s) maximum, including spaces and line breaks, i.e. stricter than the MS Word characters counting method.)*

*Question 12: Which safeguards, if any, should be introduced to or removed from the ELTIF framework to ensure appropriate suitability assessment and effective investor protection, while considering the specific risk and liquidity profile of ELTIFs, including sustainability risks, investment time horizon and risk-adjusted performance? Please give examples where possible and present the benefits and disadvantages of your suggested approach, as well as potential costs of the change:*

*(5000 character(s) maximum including spaces and line breaks, i.e. stricter than the MS Word characters counting method.)*

## 5. Conflict of interests

Question 13: Are mandatory disclosures under the ELTIF framework sufficient for investors to make informed investment decisions?

- a. Yes
- b. No
- c. Other
- d. Don't know / no opinion / not relevant

Please specify what you mean by other in your response to question 13:  
(5000 character(s) maximum, including spaces and line breaks, i.e. stricter than the MS Word characters counting method.)

Question 13.1:

(When the answer is a or b) Please explain your position on your responses to question 13, including benefits and disadvantages of the potential changes as well as costs

Please explain your suggestions, including benefits and disadvantages as well as potential costs thereof, where possible:

(5000 character(s) maximum including spaces and line breaks, i.e. stricter than the MS Word characters counting method.)

Question 14: Which elements of mandatory disclosure requirements, if any, should be tailored to the specific type of investor?

Please explain your position, including benefits and disadvantages of the potential changes as well as costs:

(5000 character(s) maximum including spaces and line breaks, i.e. stricter than the MS Word characters counting method.)

Question 15: Are the ELTIF rules on conflicts of interest appropriate and proportionate?

- a. Yes
- b. No
- c. Other
- d. Don't know / no opinion / not relevant

Question 15.1:

(When the answer is a) Please explain your answer to question 15:

(When the answer is a) Please explain how you think how should such rules on conflicts of interest be amended.

Please explain the benefits and disadvantages of the potential changes as well as costs, as well as how specifically such amendments could facilitate the effective management of conflicts of interests, co-investment strategies and indirect investment strategies:

(when the answer is c) Please specify what you mean by other in your response to question 15:

(5000 character(s) maximum including spaces and line breaks, i.e. stricter than the MS Word characters counting method.)

## 6. Borrowing of cash and leverage

Question 16: Which of the following policy choices related to the leverage of the ELTIF funds do you find most appropriate?

- a. Increasing total allowed leverage
- b. Decreasing total allowed leverage
- c. Maintaining the current leverage-related rules set out in the ELTIF regime intact
- d. Other
- e. Don't know / no opinion / not relevant

(If the answer is d) Please specify what other policy choice(s) related to the leverage of the ELTIF funds you would find most appropriate:

(5000 character(s) maximum including spaces and line breaks, i.e. stricter than the MS Word characters counting method.)

Question 16.1: Please explain your response to question 16 with the description of the advantages and disadvantages of your proposed approach, including its implications for ELTIF managers, the performance and risk and liquidity profile of the fund, the risk-adjusted returns of investors and the attractiveness of the ELTIF regime:

(5000 character(s) maximum including spaces and line breaks, i.e. stricter than the MS Word characters counting method.)

Question 17: What should be the optimal maximum allowed net leverage allowed for ELTIF funds?

Please explain

(5000 character(s) maximum including spaces and line breaks, i.e. stricter than the MS Word characters counting method.)

Question 18: How should regulation of leverage for ELTIFs marketed to retail investors be different from that of the ELTIFs marketed solely to professional investors?

Which safeguards are particularly relevant and appropriate, and why?

(5000 character(s) maximum including spaces and line breaks, i.e. stricter than the MS Word characters counting method.)

Question 19: Do the requirements related to the "contracting in the same currency" as the assets to be acquired with borrowed cash, maturity-related rules and other limits on the borrowing of cash constitute significant limitations to the operations and leverage strategy of ELTIFs?

(5000 character(s) maximum including spaces and line breaks, i.e. stricter than the MS Word characters counting method.)

Question 20: Please explain which regulatory safeguards, if any, you deem appropriate to ensure the effective management of liquidity, subscriptions and the financing of assets in the investment portfolio.

In addition, please explain if you consider it appropriate to provide for any alternative regulatory approach for the borrowing of cash rules specifically during the ramp-up period in the ELTIFs' life:



*(5000 character(s) maximum including spaces and line breaks, i.e. stricter than the MS Word characters counting method.)*

## 7. Types of investors and effective investor protection

*Question 21: Which of the following policy choices pertaining to the ELTIF rules on diversification do you consider most appropriate?*

- a. Requiring greater diversification
- b. Requiring less diversification
- c. Fewer regulatory requirements and more flexibility by ELTIF managers with respect to portfolio composition and diversification
- d. Maintaining the current rules pertaining to the portfolio composition and diversification set out in the ELTIF regime intact
- e. Other

■ **c. Fewer regulatory requirements and more flexibility by ELTIF managers with respect to portfolio composition and diversification**

*(If the answer is e) Please specify what other policy choice(s) pertaining to the ELTIF rules on diversification you would consider most appropriate:*

*(5000 character(s) maximum including spaces and line breaks, i.e. stricter than the MS Word characters counting method.)*

*Question 21.1: Please explain your response to question 21 with the description of the advantages and drawbacks of your preferred policy approach.*

*In particular, should you consider that the diversification and portfolio composition related rules under the ELTIF Regulation need to be amended, please explain, to what extent and why?*

*(5000 character(s) maximum including spaces and line breaks, i.e. stricter than the MS Word characters counting method.)*

Numerous restrictions in the ELTIF-framework were exclusively established to protect retail investors and are not necessary in the same way for institutional investors. Therefore, a refinement of the framework to provide more flexibility and **targeted investor protection** is needed, in particular for thresholds on portfolio of financial instruments.

*Question 22: Do you consider the minimum threshold of 70% of eligible assets laid down in Article 13(1) of the ELTIF Regulation to be appropriate?*

- a. Yes
- b. No
- c. Other
- d. Don't know / no opinion / not relevant

■ **b. No**

*(If the answer is c) Please specify what you mean by other in your response to question 22:*

*(5000 character(s) maximum including spaces and line breaks, i.e. stricter than the MS Word characters counting method.)*

*Question 22.1: Please explain your position on your response to question 22 by assessing the advantages and drawbacks of your preferred policy option pertaining to asset diversification rules:*

*(5000 character(s) maximum including spaces and line breaks, i.e. stricter than the MS Word characters counting method.)*



More flexibility and **targeted investor protection** is needed. From the perspective of institutional investors, the minimum investment threshold of 70 percent for eligible investment assets should be decreased in order to offer better diversification and liquidity of the fund.

Institutional investors are in this regard less in need of protection than retail investors, because they control their risk/return requirements via their overall portfolio. Flexibility will provide greater potential for institutional investors to invest in ELTIFs depending on their strategy and in line with their risk management approach.

## 8. Redemption rules and life of ELTIFs

*Question 23: Please provide a critical assessment of the impacts of the ELTIF Regulation rules on redemption policy and the life-cycle of ELTIFs, including the appropriateness of the ELTIF Regulation for the structuring of the ELTIF funds, taking into account the legitimate interests of the investors and achieving the stated investment objective of ELTIFs:*

*(5000 character(s) maximum including spaces and line breaks, i.e. stricter than the MS Word characters counting method.)*

The current closed-end nature of ELTIF funds does not offer possibilities of redemptions, meaning that investors need to wait until the end of the life of the fund to request the redemption of their shares.

The ELTIF should provide for the **possibility for the fund to offer regular subscription and redemptions possibilities at appropriate frequencies**. This would:

- Make it possible to increase the size of the fund (with diversification benefits).
- Meet investors' needs, who, thanks to the redemption possibilities, would be more willing to invest in this type of instrument.

It is not expected that this will lead to a risk for ELTIFs that only allow institutional investors, as they, like insurers, are usually long-term investors. Nevertheless, institutional investors also prefer open fund structures for their fund investments for various reasons.

*Question 24: If longer-term investments were to be limited only to those with certain maturities, what threshold might be considered appropriate?*

- a. Shorter maturity of between 5 to 10 years
- b. Maturity of 5 years and more
- c. Only investments with a maturity +10 years
- d. Only investments with a maturity + 15 years
- e. Other possible maturity
- f. Don't know / no opinion / not relevant

*(If the answer is e) Please specify what other threshold might be considered appropriate:*

*(5000 character(s) maximum including spaces and line breaks, i.e. stricter than the MS Word characters counting method.)*

*Question 24.1: Please explain your answer to question 24:*

*(5000 character(s) maximum including spaces and line breaks, i.e. stricter than the MS Word characters counting method.)*

*Question 25: If shorter-term investments were allowed to be included into the portfolio, what proportion of the portfolio should be permitted?*

- a. 0% to 15%
- b. 15% to 30%
- c. Above 30%
- d. Other options
- e. Don't know / no opinion / not relevant

*(If the answer is d) Please specify what other proportion of the portfolio should be permitted:  
(5000 character(s) maximum including spaces and line breaks, i.e. stricter than the MS Word characters counting method.)*

*Question 25.1: Please explain your answer to question 25:  
(5000 character(s) maximum including spaces and line breaks, i.e. stricter than the MS Word characters counting method.)*

*Question 26: Do you consider that "mid-term" redemption should be allowed?*

- a. Yes
- b. No
- c. Other
- d. Don't know / no opinion / not relevant

**a. Yes**

*(If the answer is c) Please specify what you mean by other in your response to question 26:  
(5000 character(s) maximum including spaces and line breaks, i.e. stricter than the MS Word characters counting method.)*

*Question 26.1: Please explain your position on your responses to question 26 and provide for advantages and disadvantages of your policy choice from the perspective of ELTIF managers, ELTIF liquidity and risk profile, returns of investors, and other regulatory aspects:  
(5000 character(s) maximum including spaces and line breaks, i.e. stricter than the MS Word characters counting method.)*

Please refer to comments to Q23 above.

*Question 27: Do you consider it appropriate to allow for regular redemptions or an "evergreen" vehicle approach (no maturity)?*

- a. Yes
- b. No
- c. Other
- d. Don't know / no opinion / not relevant

**a. Yes**

*(If the answer is c) Please specify what you mean by other in your response to question 27:  
(5000 character(s) maximum including spaces and line breaks, i.e. stricter than the MS Word characters counting method.)*

*Question 26.1: How frequent should ELTIF redemptions be, and if so, which additional safeguards would you consider necessary to cater for the illiquidity, redemptions and other fund cycle related aspects of the ELTIF framework?  
(5000 character(s) maximum including spaces and line breaks, i.e. stricter than the MS Word characters counting method.)*

It is not expected that this will lead to a risk for ELTIFs that only allow institutional investors, as they, like insurers, are usually long-term investors. In addition, they can control their risk/return requirements via their overall portfolio.

*Question 28: Is it appropriate to provide for any alternative regulatory approach with respect to the redemption rules or portfolio composition, diversification rules, etc. for ELTIFs during the ramp-up period in the ELTIFs' life-cycle?*

- a. Yes
- b. No
- c. Other
- d. Don't know / no opinion / not relevant

*(If the answer is c) Please specify what you mean by other in your response to question 28:  
(5000 character(s) maximum including spaces and line breaks, i.e. stricter than the MS Word characters counting method.)*

*Question 28.1: Please explain your position and provide for advantages and disadvantages of your policy choice:  
(5000 character(s) maximum including spaces and line breaks, i.e. stricter than the MS Word characters counting method.)*

**9. Secondary market and issuance of new units or shares**

*Question 29: Are the provisions of the ELTIF Regulation pertaining to the admission to the secondary market and the publication of "periodical reports" clear and appropriate?  
(5000 character(s) maximum including spaces and line breaks, i.e. stricter than the MS Word characters counting method.)*

*Question 30: Are the limitations of the ELTIF Regulation regarding the issuance of the new units or shares at a price below their net asset value without a prior offering of those units or shares at that price to existing investors clear and appropriate?  
(5000 character(s) maximum including spaces and line breaks, i.e. stricter than the MS Word characters counting method.)*

*Question 31: Should the provisions in the ELTIF framework related to the issuance of new units or shares be amended, and if so how?  
(5000 character(s) maximum including spaces and line breaks, i.e. stricter than the MS Word characters counting method.)*

## 10. Marketing strategy for ELTIFs and distribution related aspects

*Question 32: What are the key limitations stemming from the ELTIF framework that you consider reduce the attractiveness of the ELTIF fund structure or the cross-border marketing and distribution of ELTIFs across the Union?*

*Please explain:*

*(5000 character(s) maximum including spaces and line breaks, i.e. stricter than the MS Word characters counting method.)*

*Question 33: Do you consider that review of the ELTIF rules related to the equal treatment of investors is warranted?*

- a. Yes
- b. No
- c. Other
- d. Don't know / no opinion / not relevant

*(If the answer is c) Please specify what you mean by other in your response to question 33:*

*(5000 character(s) maximum including spaces and line breaks, i.e. stricter than the MS Word characters counting method.)*

*Question 33.1: Please explain your position on your answer to question 33:*

*(5000 character(s) maximum including spaces and line breaks, i.e. stricter than the MS Word characters counting method.)*

*Question 34: Is it necessary to clarify the ELTIF framework with regard to the application of the principle of equal treatment of investors at the level of individual share classes, and any other specific arrangements for individual investors/group of investors?*

*If possible, please provide a specific suggestion:*

*(5000 character(s) maximum including spaces and line breaks, i.e. stricter than the MS Word characters counting method.)*

## 11. Miscellaneous

*Question 35: Is the effectiveness of the ELTIF framework impaired by national legislation or existing market practices? Please provide any examples you may have of "goldplating" or wrong application of the EU acquis.*

*Please explain:*

*(5000 character(s) maximum including spaces and line breaks, i.e. stricter than the MS Word characters counting method.)*

*Question 36: Are you aware of any national practices or local facility requirements for ELTIF managers or distributors of ELTIFs that require a local presence or otherwise prevent the marketing of ELTIFs on a cross-border basis?*

*Please explain and provide specific examples:*

*(5000 character(s) maximum including spaces and line breaks, i.e. stricter than the MS Word characters counting method.)*

*Question 37: Which features of the current ELTIF framework, if any, should be defined in more detail and which should be left to contractual arrangements?*

*Please explain:*

*(5000 character(s) maximum including spaces and line breaks, i.e. stricter than the MS Word characters counting method.)*

Diversification requirements and redemption policy for ELTIFs that only admit institutional investors should be abolished and left to contractual arrangements.

Please also refer to comments to Q1 & 2.

*Question 38: Which specific provisions in the ELTIF framework could be amended, and how, in order to lower costs and reduce compliance, administrative or other burdens in a manner that would not lead to an increase in material risks from the perspective of effective supervision or investor protection?*

*(5000 character(s) maximum including spaces and line breaks, i.e. stricter than the MS Word characters counting method.)*

*Question 39: Please elaborate on whether and to what extent the current ELTIF regime is appropriate for the AIFMs falling under Article 3(2) of Directive 2011/61/EU to have an incentive to market ELTIFs.*

*Please explain:*

*(5000 character(s) maximum including spaces and line breaks, i.e. stricter than the MS Word characters counting method.)*

*Question 40: Please provide examples of any national taxation regimes towards long-term investment funds that are either discriminatory or that you deem materially reduce the relative attractiveness of the ELTIF framework vis-à-vis other (national) fund vehicles, also taking into account the interaction with foreign tax systems? Please provide specific examples of such cases:*

*(5000 character(s) maximum including spaces and line breaks, i.e. stricter than the MS Word characters counting method.)*

*Question 41: You are kindly invited to make additional comments on this consultation if you consider that some areas have not been adequately covered. Please elaborate, more specifically, which amendments of the ELTIF framework could be beneficial in providing additional clarity and practical guidance in facilitating the pursuit of the ELTIF strategy. Please include examples and evidence on any issues, including those not explicitly covered by the questions raised in this public consultation:*

*(5000 character(s) maximum including spaces and line breaks, i.e. stricter than the MS Word characters counting method.)*

*Question 42: Would you be willing to provide additional clarifications or follow-up input upon a direct request from the Commission services?*

- a. Yes*
- b. No*
- c. Other*
- d. Don't know / no opinion / not relevant*

*Question 42.1: Please specify under which conditions you would be willing to provide additional clarifications or follow-up input upon a direct request from the Commission services:*

*(5000 character(s) maximum including spaces and line breaks, i.e. stricter than the MS Word characters counting method.)*