



European  
Commission

2021

# CAPITAL MARKETS UNION

PACKAGE

EUROPEAN LONG TERM INVESTMENT FUNDS (ELTIFs)

25 November 2021 | #CMU

## Why we need ELTIF



European Long-Term Investment Funds (ELTIFs) facilitate long-term investment in the real economy. This contributes to economic growth, development, and job creation. They provide an alternative source of non-bank financing, including for small and medium-sized companies.



They will make an important contribution to the CMU objectives, as well as the green and digital transitions.

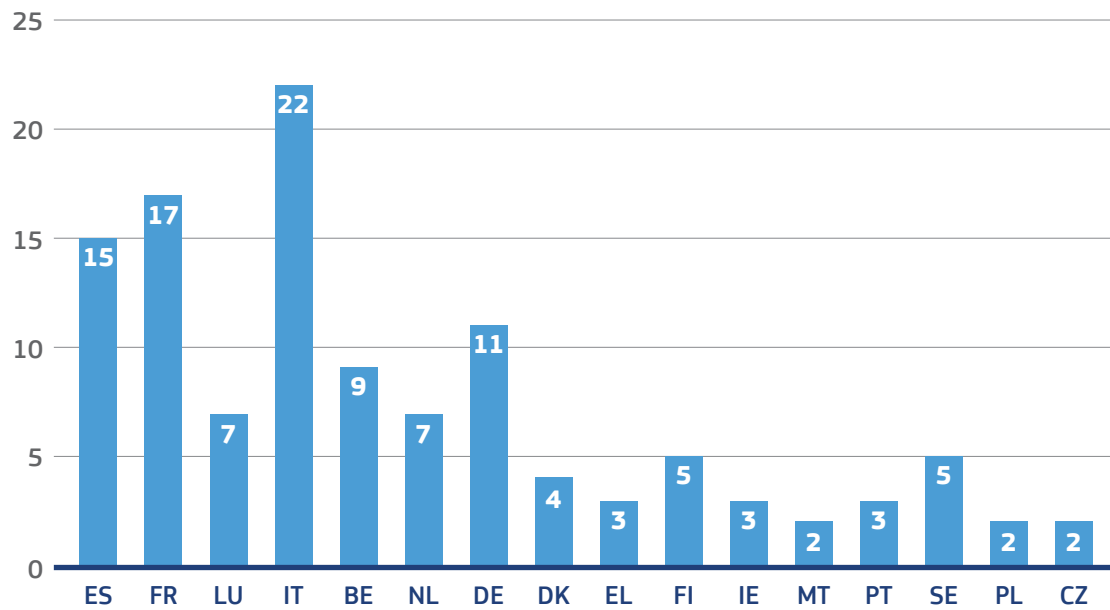


The long-term nature of ELTIFs helps investors to make more stable returns and withstand short-term market shocks.

ELTIFs are still relatively new and have not yet reached their full potential.

At present, there are 57 ELTIFs currently authorised in the EU, with particular concentration in certain Member States and limited cross-border marketing within the EU. The graph below shows the distribution of ELTIFs in the EU.

## Distribution of ELTIFs in Member States



## What's in today's proposal?

The proposal focuses on amendments in three key parts of the ELTIF Regulation:



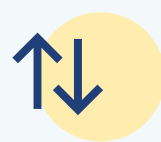
### More flexibility

Allowing for more flexible fund rules, e.g. regarding scope of eligible assets, thresholds for eligible assets, diversification requirements, borrowing of cash and other fund rules.



### Better accessibility

Reducing barriers to entry for retail investors, while still ensuring appropriate levels of investor protection. For example, removing the requirement for a minimum investment of €10,000 and the 10% aggregate investment limit. At the same time, the suitability test will be aligned with the MiFID II framework to ensure continued protection of investors.



### Redemptions

Introducing an additional liquidity window redemption mechanism that will make it possible for investors to exit an ELTIF investment earlier subject to certain conditions.

## Under the new rules:



Fund managers will be able to invest in a broader range of eligible assets, including other funds which have similar characteristics to ELTIFs, and will have greater flexibility in designing the mix of their portfolios, making it more economical and financially viable to design and implement ELTIF strategies and to meet the needs of their investors.



Retail investors will have greater access to ELTIF investments allowing them to meet their long-term investment and savings needs.



ELTIFs will provide a vital source of non-bank financing to the real economy, supporting economic growth, job creation and furthering the objectives of the CMU including SME funding, as well as the green and digital transitions.



ELTIFs will remain a well-regulated product suitable for both retail and professional investors.