

MEMO# 33031

January 8, 2021

European Commission Consultation on ELTIFs: ICI Global Draft Response for Comment by Thursday 14 January 2021

[33031]

January 8, 2021 TO: ICI Members

ICI Global Members

Global Operations Advisory Committee

ICI Global Atlantic Chapter

ICI Global EU Capital Markets Union Task Force

ICI Global Regulated Funds Committee

International Compliance Advisory Committee SUBJECTS: International/Global

MiFID, EMIR, AIFMD, UCITS V RE: European Commission Consultation on ELTIFs: ICI Global
Draft Response for Comment by Thursday 14 January 2021

As previously advised,[\[1\]](#) the European Commission (“the Commission”) published a consultation on potential changes to the European Long Term Investment Fund (ELTIF) Regulation. Attached is ICI Global’s draft response which takes account of input received from members during the member call and other engagement. We are seeking member feedback on the draft response by close of business on Thursday 14 January 2021. The Commission is accepting responses to the consultation submitted by 19 January 2021 via an online questionnaire.

ICI Global’s Draft Response

In our draft response we note that the current ELTIF framework has not been successful in achieving its objective of channelling capital towards European long-term investment in the real economy, as evidenced by the limited take up of the ELTIF designation by fund managers.

We repeat our support for the overall objectives of the ELTIF framework, which are consistent with the goals of the capital markets union (CMU) – boosting financing to businesses, revitalising European economies, and better equipping citizens to reach their savings goals.

We recommend the changes summarised below to enhance the attractiveness of ELTIFs for retail investors and contribute to the development of the ELTIF “brand”, with the ultimate objective of replicating the global success of the UCITS framework. The changes we have

proposed concern various aspects of the framework for authorising, managing, investing, administering and distributing ELTIFs. Some of our recommendations have broader relevance the developing cross-border UCITS, supporting retail investor engagement in capital markets, and building the CMU.

We urge the European Commission to pursue the following reforms to the ELTIF framework:

- **Maximise investor choice of ELTIFs** by enhancing the cross-border distribution of ELTIFs through the introduction of a retail marketing passport and the development of a pan-European marketing regime.
- **Support retail investor access to ELTIFs** by introducing flexibility into the current minimum subscription threshold and portfolio limits for sub EUR500,000 net-worth retail investors, to better take account of different ways that investors may use an ELTIF as part of their portfolio.
- **Improve investor access to advice for ELTIF investment** by harmonising and enhancing the MiFID II inducements framework, aligning ELTIF suitability and appropriateness requirements with those under MiFID II, and rationalising and clarifying target market and product governance requirements, including the responsibilities of ELTIF managers and distributors.
- **Enhance the after-tax value of ELTIFs for retail investors** by and clarify and simplifying withholding tax procedures.
- **Broaden the scope of investment opportunities for ELTIFs** by simplifying the tax agreement framework for non-EU investments, increasing the market capitalisation threshold for investments in listed issuers, permitting investment in financial undertakings and certain other funds, enabling the creation of ELTIF fund-of-funds, providing greater flexibility in portfolio composition, and aligning borrowing limits with those under UCITS.
- **Introduce greater flexibility for ELTIF managers** to offer redemptions during an ELTIF's life and to adjust timelines for the disposal of ELTIF assets.
- **Improve the investment process for ELTIF retail investors** by resolving outstanding issues concerning performance scenarios and cost disclosure in the PRIIPs KID, completing the development of a database of ELTIFs to support investor comparison and provide other benefits.
- **Enhance operating conditions and reduce the costs and administrative burdens for ELTIF managers** by developing a pre-marketing framework for ELTIFs akin to that for EuVECAs and EuSEFs, clarifying that ELTIF managers are not required to establish physical investor facilities in host Member States and eliminating divergence in Member State approaches to authorisation and supervision and the interpretation of investment terms and other restrictions.

If implemented correctly, our recommended changes will allow ELTIFs, alongside cross-border UCITS to contribute to the enhanced, retail-centered pan-EU securities market that the European Union needs to build to recover from the economic devastation that has accompanied the pandemic.

Next Steps

Please provide feedback on ICI Global's draft response by close of business on Thursday 14

January 2021 via email to giles.swan@ici.org

The Commission is accepting responses to the consultation submitted by 19 January 2021. It will then consider the need for legislative amendments to the ELTIF Regulation and may propose draft legislation to take forward any reforms.

Giles Swan
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[Attachment](#)

endnotes

[1] See ICI Memorandum No. 32907, RE: European Consultation on ELTIFs, dated 11 November 2020, *available from* <https://www.iciglobal.org/iciglobal/pubs/memos/memo32907>

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