

MEMO# 33052

January 19, 2021

European Commission Consultation on ELTIFs: ICI Global Response

[33052]

January 19, 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 Response

On 18 January 2020, ICI Global submitted its response to the European Commission's consultation¹[\[1\]](#) on potential changes to the European Long Term Investment Fund (ELTIF) Regulation. The attached response takes account of member feedback on our draft response.²[\[2\]](#)

In our submitted response, we set out our view 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. We note that this is partly evidenced by the limited take up of the ELTIF designation by fund managers.

We underscore our support for the objectives of the ELTIF framework. We note that a lack of flexibility in the current requirements, particularly related to the scope of eligible investments and redemption terms, are holding back the development of the ELTIF framework.

We urge the European Commission to pursue the following reforms to enhance the attractiveness of ELTIFs for retail investors and contribute to the development of the ELTIF "brand":

- **Maximise investor choice of ELTIFs** by enhancing the cross-border distribution of ELTIFs, through improvements to the marketing passport and the development of a pan-European marketing regime for retail funds (see answer to question 2.1);
- **Enhance retail investor access to ELTIFs** by: (i) 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; (ii) **replacing the ELTIF** suitability and appropriateness requirements with those in MiFID II; (iii) harmonising and enhancing the MiFID II inducements framework; and (iv) rationalising and clarifying target market and product governance requirements (see answer to question 3.1 and 5);

- **Enhance the after-tax value of ELTIFs for retail investors** by clarifying and simplifying withholding tax procedures (see answer to question 2.1);
- **Broaden the scope of investment opportunities for ELTIFs** by adopting an outcome oriented, “inclusive” rather than “exclusive” approach to eligible investments, including: (i) increasing the listed issuer market capitalisation threshold; (ii) permitting investment in certain financial undertakings and certain other investment funds; (iii) enabling the creation of ELTIF fund-of-funds; (iv) providing greater flexibility in portfolio composition; (v) aligning borrowing limits with those under UCITS; and (vi) broadening the scope of permitted non-EU investments (see answer to question 2.1 and 3.1);
- **Introduce greater flexibility for ELTIF managers to offer redemptions** during an ELTIF’s life and to adjust timelines for the disposal of ELTIF assets, for instance drawing on the merits of similar fund structures in other jurisdictions such as interval funds in the United States (see answer to question 2.1);
- **Improve the investment process for ELTIF retail investors** by resolving outstanding issues concerning performance scenarios and cost disclosure in the PRIIPs KID and completing the development of a database of retail funds to support investor comparison of different funds (see answer to question 2.1).
- **Enhance operating conditions and reduce the costs and administrative burdens for ELTIF managers** by: (i) developing a pre-marketing framework for retail funds akin to that for EuVECAs and EuSEFs; (ii) clarifying that retail fund managers are not required to establish physical investor facilities in host Member States; and (iii) eliminating divergence in Member State approaches to authorisation and supervision and the interpretation of investment terms and other restrictions (see answer to question 2.1).

If implemented correctly, our recommended changes will allow EU cross-border funds to contribute to the enhanced retail-centred pan-EU securities market that the European Union needs to build to support its recovery from the economic devastation that has accompanied the pandemic.

Next Steps

The Commission is accepting responses to the consultation submitted by an extended deadline of 1 February 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
Director of Global Funds Policy
ICI Global

[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>

[2] See ICI Memorandum No. 33031, RE: European Consultation on ELTIFs ICI Global Draft Response for Comment by Thursday 14 January 2020, dated 8 January 2021, *available from*

<https://www.iciglobal.org/iciglobal/pubs/memos/memo33031>

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