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AMF proposals for the review of the regulation on European long-term investment funds (ELTIF)

In the context of the review of the ELTIF regulation, the AMF is making proposals to enhance the attractiveness of this type of European fund for many investors while maintaining a protective framework for retail investors.

European long-term investment funds provide long-term finance to infrastructure projects, unlisted companies, or listed small and medium-sized enterprises (SME) that issue equity or debt instruments. They were launched in 2015, but have failed to develop as expected. The review of the rules that govern these funds will provide the opportunity to bring them more closely aligned with the expectations of both institutional and retail investors.

For the AMF, this review should be the occasion to ensure that the development of ELTIFs contributes more to financing the European economy, while allowing investors to diversify their savings by gaining access to long-term assets in a secure environment.

The AMF position paper proposes to:

- raise the market capitalisation threshold of listed issuers in which ELTIFs are allowed to invest from €500 million to €1 billion;
- clarify the eligibility of financial undertakings such as acquisition holding companies and SPVs, in order to allow investment in private-equity schemes;

- authorise ELTIFs dedicated only to professional investors, providing them with a more flexible structure including, for example, the possibility of using derivatives or creating master-feeder structures;
- remove the minimum entry threshold of €10,000 per retail investor, while maintaining the regulatory requirements to advise and conduct suitability tests prior to any marketing to retail investors;
- maintain the closed-ended nature of ELTIFs to ensure consistency between the redemption policy and the liquidity profile of underlying assets, but consider periodic liquidity mechanisms and promote trading venues that are likely to offer secondary markets for ELTIFs;
- should the co-legislators decide to allow ELTIFs to offer more frequent redemptions and therefore switch from closed-end to open-end fund status, provide for strict liquidity management requirements and entrust the supervision of ELTIFs to ESMA.

About the AMF

The AMF is an independent public authority responsible for ensuring that savings invested in financial products are protected and that investors are provided with adequate information. The AMF also supervises the orderly operations of markets. Visit our website <https://www.amf-france.org> URL = [https://www.amf-france.org/]

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