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NOTE

From: Presidency
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Subject: Proposal for a Regulation of the European Parliament and of the Council on
European Long-term Investment Funds
- Presidency compromise proposal

Delegations will find attached a Presidency compromise proposal on the above Commission proposal, to be discussed at the meeting of 27 March.

Additions and changes to the Commission proposal are denoted by bold underlining and deletions by strikethroughs.

Proposal for a

REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

on European Long-term Investment Funds

(Text with EEA relevance)

THE EUROPEAN PARLIAMENT AND THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union, and in particular Article 114 thereof,

Having regard to the proposal from the European Commission,

After transmission of the draft legislative act to the national Parliaments,

Having regard to the opinion of the European Economic and Social Committee¹,

Acting in accordance with the ordinary legislative procedure,

Whereas:

- (1) Long-term finance is a crucial enabling tool for putting the European economy on a path of sustainable, smart and inclusive growth and for building tomorrow's economy in a way that is less prone to systemic risks and is more resilient. European long-term investment funds (ELTIFs) provide finance to various infrastructure projects or unlisted companies of lasting duration that issue equity or debt instruments for which there is no readily identifiable buyer. By providing finance to such projects, ELTIFs contribute to the financing of the Union economies.

¹ OJ C , , p. .

- (2) On the demand side, ELTIFs can provide a steady income stream for pension administrators, insurance companies and other entities that face regular and recurrent liabilities. While providing less liquidity than investments in transferable securities, ELTIFs can provide a steady income stream for individual investors that rely on the regular cash flow that an ELTIF can produce. ELTIFs can also offer good opportunities for capital appreciation over time for those investors not receiving a steady income stream.
- (3) Financing for projects, regarding transport infrastructure, sustainable energy generation or distribution, social infrastructure (housing or hospitals), roll-out of new technologies and systems that reduce use of resources and energy or the further growth of SMEs, can be scarce. As the financial crisis has shown, complementing bank financing with a wider variety of financing sources that better mobilise capital markets could help tackle financing gaps. ELTIFs can play a crucial role in this respect.
- (4) While individual investors may be interested in investing in an ELTIF, the illiquid nature of most investments in long-term projects precludes an ELTIF from offering regular redemptions to its investors. The commitment of the individual investor to an investment in such assets is by its nature made to the full term of the investment. ELTIFs should, consequently, be structured so as not to offer regular redemptions before the end of life of the ELTIF. A report, three years after the adoption of this Regulation, shall investigate whether this rule will have achieved the expected results in terms of ELTIF distribution or whether the introduction, in a limited number of cases, of the possibility, for some individual retail investors, to redeem their units or shares before the end of the ELTIF, may contribute to increase the distribution of ELTIF among the individual retail investors.
- (5) Long-term asset classes within the meaning of this Regulation should comprise non-listed undertakings that issue equity or debt instruments for which there is no readily identifiable buyer. This Regulation should also cover real assets that require significant up-front capital expenditure

- (6) In the absence of a Regulation setting out rules on ELTIFs, diverging measures might be adopted at national level, which are likely to cause distortions of competition resulting from differences in investment protection measures. Diverging requirements on portfolio composition, diversification and eligible assets, in particular the investment in commodities, create obstacles to the cross-border marketing of funds that focus on non-listed undertakings and real assets because investors cannot easily compare the different investment propositions offered to them. Divergent national requirements also lead to different levels of investor protection. Furthermore, different national requirements pertaining to investment techniques, such as the permitted levels of borrowing, use of derivative financial instruments, rules applicable to short selling or securities financing transactions lead to discrepancies in the level of investor protection. In addition, different requirements on redemption and/or holding periods impede the cross-border selling of funds investing in non-listed assets. By increasing legal uncertainty, those divergences can undermine the confidence of investors when considering investments in such funds, and reduce the scope for investors to choose effectively between various long-term investment opportunities. Consequently, the appropriate legal basis for this Regulation is Article 114 of the Treaty, as interpreted by consistent case law of the Court of Justice of the European Union.
- (7) Uniform rules across the Union are necessary to ensure that ELTIFs display a coherent product profile across the Union. In order to ensure the smooth functioning of the internal market and a high level of investor protection, it is necessary to establish uniform rules regarding the operation of ELTIFs, in particular on the composition of the portfolio of ELTIFs and the investment instruments that they are allowed to use in order to gain exposure to non-listed undertakings and real assets. Uniform rules on the portfolio of an ELTIF are also required to ensure that ELTIFs that aim to generate regular income maintain a diversified portfolio of investment assets suitable to maintain the regular cash flow.

- (9) The new rules on ELTIFs are closely linked to Directive 2011/61/EU of the European Parliament and of the Council of 8 June 2011 on Alternative Investment Fund Managers and amending Directives 2003/41/EC and 2009/65/EC and Regulations (EC) No 1060/2009 and (EU) No 1095/2010² since that Directive forms the legal framework governing the management and marketing of alternative investment funds (AIFs) in the Union. By definition ELTIFs are EU AIFs that are managed by alternative investment fund managers (AIFMs) authorised in accordance with Directive 2011/61/EU.
- (10) Whereas Directive 2011/61/EU also foresees a staged third country regime governing non-EU AIFMs and non-EU AIFs, the new rules on ELTIFs have a more limited scope emphasising the European dimension of the new long term investment product. Hence, only an EU AIF as defined in Directive 2011/61/EU is eligible to become an authorised ELTIF and only if it is managed by an EU AIFM that has been authorised in accordance with Directive 2011/61/EU.
- (11) The new rules applicable to ELTIFs should build on the existing regulatory framework established through Directive 2011/61/EU and the acts adopted for its implementation. Therefore, the product rules concerning ELTIFs should apply in addition to the rules laid down in the existing Union legislation. Particularly, the management and marketing rules laid down in Directive 2011/61/EU should apply to ELTIFs. Equally, the rules on the cross-border provision of services and freedom of establishment laid down in Directive 2011/61/EU should apply accordingly to the cross-border activities of ELTIFs. These should be supplemented by the specific marketing rules designed for the cross-border marketing of ELTIFs to both retail and professional investors across the Union.
- (12) Uniform rules should apply to all those EU AIFs that wish to market themselves as ELTIFs. EU AIFs that do not wish to market themselves as ELTIFs should not be bound by these rules, thereby also consenting not to benefit from the advantages that ensue. On the other hand, Undertakings for collective investment in transferable securities (UCITS) and non-EU AIFs would not be eligible for marketing as ELTIFs.

²

OJ L 174, 1.7.2011, p. 1.

- (13) In order to ensure the compliance of ELTIFs with the harmonised rules governing the activity of these funds, it is necessary to require that competent authorities authorise ELTIFs. The harmonised authorisation and supervision procedures for AIFMs under Directive 2011/61/EU should therefore be supplemented with a special authorisation procedure for ELTIFs. Procedures should be established to ensure that only EU AIFMs authorised in accordance with Directive 2011/61/EU and capable of managing an ELTIF may manage ELTIFs. All appropriate steps are taken to ensure that the ELTIF shall be able to comply with the harmonised rules governing the activity of these funds.
- (14) Given that EU AIFs may take different legal forms that do not necessarily endow them with legal personality, the provisions requiring ELTIFs to take action should be understood to refer to the manager of the ELTIF in cases where the ELTIF is constituted as an EU AIF that is not in a position to act by itself because it has no legal personality of its own.
- (15) In order to ensure that ELTIFs target long-term investments, rules on the portfolio of ELTIFs should require a clear identification of the categories of assets that should be eligible for investment by ELTIFs and of the conditions under which they should be eligible. An ELTIF should invest at least 70% of its capital in eligible investment assets. To ensure the integrity of ELTIFs it is also desirable to prohibit an ELTIF from engaging in certain financial transactions that might endanger its investment strategy and objectives by raising additional risks different to those that might be expected for a fund targeting long-term investments. In order to ensure a clear focus on long term investments, as may be useful for retail investors unfamiliar with less conventional investment strategies, an ELTIF should not be allowed to invest in financial derivative instruments other than for the purpose of hedging the duration and currency risk of the other assets. Given the liquid nature of commodities and financial derivative instruments that give an indirect exposure to them, investments in commodities do not require a long-term investor commitment and therefore should be excluded. This rationale does not apply to investments in infrastructure or companies related to commodities or whose performance is linked indirectly to the performance of commodities, such as farms in the case of agricultural commodities or power plants in the case of energy commodities.

- (16) The definition of what constitutes a long-term investment is broad. Without necessarily requiring long-term holding periods for the ELTIF manager, eligible investment assets are generally illiquid, require commitments for a certain period of time, and have an economic profile of a long-term nature. Eligible investment assets are non-transferable securities and therefore do not have access to the liquidity of secondary markets. They often require fixed term commitments which restrict their marketability. The economic cycle of the investment sought by ELTIFs is essentially of a long-term nature due to the high capital commitments and the length of time required to produce returns. As a result such assets do not suit investments with redemption rights.
- (17) An ELTIF should be allowed to invest in assets other than eligible investment assets, as may be necessary to efficiently manage its cash flow, but only so long as this is consistent with the ELTIF's long term investment strategy.
- (18) Eligible investment assets must be understood to include participations, such as equity or quasi-equity instruments, debt instruments in qualifying portfolio undertakings and loans provided to them. They should also include participation in other funds that are focused on assets such as investments in non-listed undertakings that issue equity or debt instruments for which there is not always a readily identifiable buyer. Direct holdings of real assets, unless they are securitised, should also form a class of eligible assets.
- (19) Quasi-equity instruments must be understood to comprise a type of financing instrument, which is a combination of equity and debt, where the return on the instrument is linked to the profit or loss of the qualifying portfolio undertaking, and where the repayment of the instrument in the event of default is not fully secured. Such instruments include a variety of financing instruments such as subordinated loans, silent participations, participating loans, profit participating rights, convertible bonds and bonds with warrants.

- (20) To reflect existing business practices, an ELTIF should be allowed to buy existing shares of a qualifying portfolio undertaking from existing shareholders of that undertaking. Also, for the purposes of ensuring the widest possible opportunities for fundraising, investments into other ELTIFs should be permitted. To prevent dilution of the investments into qualifying portfolio undertakings, ELTIFs should only be permitted to invest in other ELTIFs, provided that those ELTIFs have not themselves invested more than 10 % of their capital in other ELTIFs.
- (21) The use of financial undertakings can be necessary in order to pool and organise the contributions of different investors, including investments of a public nature, into infrastructure projects. ELTIFs should therefore be permitted to invest in eligible investment assets by means of financial undertakings, so long as these undertakings are dedicated to financing long-term projects.
- (22) In order to provide investors with the assurance that ELTIFs contribute directly to the development of long-term investments, ELTIFs should be limited to investments in undertakings that have not been listed. Therefore qualifying portfolio undertakings should not be listed on regulated markets. Qualifying portfolio undertakings include infrastructure projects, investment in unlisted companies seeking growth and investments in real estate or other real assets that could be suitable for long term investment purposes.
- (23) Due to the scale of infrastructure projects, these require large amounts of capital that have to remain invested for long periods of time. Such infrastructure projects include public building infrastructure such as schools, hospitals or prisons, social infrastructure such as social housing, transport infrastructure such as roads, mass transit systems or airports, energy infrastructure such as energy grids, climate adaptation and mitigation projects, power plants or pipelines, water management infrastructure such as water supply systems, sewage or irrigation systems, communication infrastructure such as networks and waste management infrastructure such as recycling or collection systems.

- (24) Unlisted undertakings can face difficulties accessing capital markets and financing further growth and expansion. Private financing through equity stakes or loans are typical ways of raising financing. Because such instruments are by their nature long-term investments they require patient capital that ELTIFs can provide.
- (25) Investments in real assets require patient capital due to the absence of liquid secondary markets. Investment funds represent an essential source of financing for assets that require large capital expenditure. For these assets, capital pooling is often necessary to achieve the desired level of funding. Such investments require long periods of time due to the generally long economic cycle attached to these assets. It generally takes several years to amortize the investment in large real assets. In order to facilitate the development of such large assets, ELTIFs should be able to invest directly in real assets with a value of more than €10 million . In practice this would include assets such as infrastructure, real estate, ships, aircraft or rolling stock. For these reasons it is necessary to treat direct holdings in real assets and investments in qualifying portfolio undertakings in like manner.
- (26) Where the manager holds a stake in a portfolio undertaking, there is a risk that the manager puts its interests ahead of the interests of investors in the fund. To avoid such conflict of interests, the ELTIF should only invest in assets that are unrelated to the manager.
- (27) In order to allow managers of ELTIFs a certain degree of flexibility in the investment of their funds, trading in assets other than long-term investments should be permitted up to a maximum threshold of 30 % of their capital.
- (28) In order to limit risk-taking by ELTIFs it is essential to reduce counterparty risk by subjecting the portfolio of ELTIFs to clear diversification requirements. All over-the counter (OTC) derivatives should be subject to Regulation (EU) No 648/2012 of the European Parliament and of the Council of 4 July 2012 on OTC derivatives, central counterparties and trade repositories³.

³ OJ L 201. 27.7.2012. p.1

- (29) In order to prevent the exercise of significant influence by an investing ELTIF over the management of another ELTIF or of an issuing body, it is necessary to avoid excessive concentration by an ELTIF in the same investment.
- (30) In order to allow ELTIF managers to raise further capital during the life of the fund, they should be permitted to borrow cash amounting to up to 30% of the capital of the fund. This should serve to provide additional return to the investors. In order to eliminate the risk of currency mismatches, the ELTIF should only borrow in the currency the manager expects to acquire the asset in.
- (31) Due to the long-term and illiquid nature of the investments of an ELTIF, the managers should have sufficient time to apply the investment limits. The time required to implement these limits should take account of the peculiarities and characteristics of the investments but should not exceed five years.
- (32) Notwithstanding the fact that ELTIFs do not offer redemption rights before the end of life of the ELTIF, nothing should prevent an ELTIF from seeking admission of these shares or units to a regulated market as defined in Article 4(14) of Directive 2004/39/EC of the European Parliament and of the Council of 21 April 2004 on markets in financial instruments,⁴ to a multilateral trading facility as defined in Article 4(15) of Directive 2004/39/EC, or to an organised trading facility as defined in point (...) of Regulation (...), thus providing investors with an opportunity to sell their units or shares before the end of life of the ELTIF. The rules or instruments of incorporation of an ELTIF should therefore not prevent units or shares from being admitted to or from being dealt in regulated markets, nor should they prevent investors from freely transferring their shares or units to third parties who wish to purchase those shares or units.

⁴ OJ L 145, 30.4.2004, p.1.

- (33) In order for investors to effectively redeem their units or shares at the end of the fund's life, the manager should start to sell the portfolio of assets of the ELTIF in good time to ensure the value is properly realised. In determining an orderly disinvestment schedule, the ELTIF manager should take into account the different maturity profiles of the investments and the length of time necessary to find a buyer for the assets in which the ELTIF is invested. Due to the impracticality of maintaining the investment limits during this liquidation period, they should cease to apply when the liquidation period starts.
- (34) The assets in which an ELTIF is invested may obtain a listing on a regulated market during the life of the fund. Where this happens, the asset would no longer comply with the non-listing requirement of this Regulation. In order to allow managers to disinvest from such an asset in an orderly manner, this asset could continue to count towards the 70% limit of eligible investment assets for up to three years.
- (35) Given the specific characteristics of ELTIFs, as well as the targeted retail and professional investors it is important that solid transparency requirements be put in place that are capable of allowing prospective investors to make an informed judgement and be fully aware of the risks implied. In addition to the transparency requirements contained in Directive 2011/61/EU, ELTIFs should publish a prospectus the content of which should necessarily include all information required to be disclosed by collective investment undertakings of the closed-end type in accordance with Directive 2003/71/EC of the European Parliament and of the Council⁵ and Commission Regulation (EC) No 809/2004.⁶ For the marketing of an ELTIF to retail investors it should be mandatory to publish a key information document (KID) in accordance with Regulation No [...] of [...] of the European Parliament and the Council. Furthermore, any marketing documents should explicitly draw attention to the risk profile of the ELTIF.

⁵ OJ L 345, 31.12.2003, p.64.

⁶ OJ L 149, 30.4.2004, p.1.

- (36) As ELTIFs target both professional and retail investors across the Union, it is necessary that certain requirements be added to the marketing requirements laid down in Directive 2011/61/EU in order to ensure an appropriate degree of investor protection. Thus, facilities should be made available for making subscriptions, making payments to unit- or shareholders, repurchasing or redeeming units or shares and making available the information which the ELTIF and its managers are required to provide. Moreover, in order to ensure that retail investors are not disadvantaged with respect to experienced professional investors certain safeguards have to be put in place when ELTIFs are marketed to retail investors.
- (37) The competent authority of the ELTIF should verify whether an ELTIF is able to comply with this Regulation on an on-going basis. As the competent authorities are already provided with extensive powers under Directive 2011/61/EU, it is necessary that such powers be extended in order to be exercised by reference to the new common rules on ELTIFs.
- (38) ESMA should be able to exercise all the powers conferred under Directive 2011/61/EU with respect to this Regulation.
- (39) The European Securities and Markets Authority (ESMA), established by Regulation (EU) No 1095/2010 of the European Parliament and of the Council of 24 November 2010 establishing a European Supervisory Authority (ESMA), amending Decision No 716/2009/EC and repealing Commission Decision 2009/77/EC,⁷ should play a central role in the application of the rules concerning ELTIFs by ensuring consistent application of Union rules by national competent authorities. As a body with highly specialised expertise regarding securities and securities markets, it is efficient and appropriate to entrust ESMA with the elaboration of draft regulatory technical standards which do not involve policy choices, for submission to the Commission, in respect of the circumstances in which the life of an ELTIF will be sufficient in length to cover the life-cycle of each of the individual assets of the ELTIF, the features of the schedule for the orderly disposal of ELTIF assets, the definitions, calculation methodologies and presentation of cost disclosures, and the characteristics of the facilities to be set up by ELTIFs in each Member State where they intend to market units or shares.

⁷ OJ L 331, 15.12.2010, p.84.

- (40) The new uniform rules on ELTIFs should comply with the provisions of Directive 95/46/EC of the European Parliament and of the Council of 24 October 1995 on the protection of individuals with regard to the processing of personal data and on the free movement of such data⁸ and with Regulation (EC) No 45/2001 of the European Parliament and of the Council of 18 December 2000 on the protection of individuals with regard to the processing of personal data by the Community institutions and bodies and of the free movement of such data⁹.
- (41) Since the objectives of this Regulation, namely to ensure uniform requirements on the investments and operating conditions for ELTIFs throughout the Union, while taking full account of the need to balance safety and reliability of ELTIFs with the efficient operation of the market for long-term financing and the cost for its various stakeholders, cannot be sufficiently achieved by the Member States and can therefore, by reason of its scale and effects, be better achieved at Union level, the Union may adopt measures in accordance with the principle of subsidiarity as set out in Article 5 of the Treaty on European Union. In accordance with the principle of proportionality, as set out in that Article, this Regulation does not go beyond what is necessary in order to achieve those objectives.
- (42) The new uniform rules on ELTIFs respect the fundamental rights and observe the principles recognised in particular by the Charter of Fundamental Rights of the European Union and notably consumer protection, the freedom to conduct a business, the right to remedy and to a fair trial, and the protection of personal data. The new uniform rules on ELTIFs should be applied in accordance with those rights and principles,

HAVE ADOPTED THIS REGULATION:

⁸ OJ L 281, 23.11.1995, p. 31–50

⁹ OJ L 8, 12.1.2001, p. 1–22

Chapter I

General provisions

Article 1

Subject matter

1. This Regulation lays down uniform rules on the authorisation, investment policies and operating conditions of EU alternative investment funds (AIFs) **or compartments of AIFs** that are marketed in the Union as European long-term investment funds (ELTIFs).
2. Member States shall not add any additional requirements in the field covered by this Regulation.

Article 2

Definitions

For the purposes of this Regulation the following definitions apply:

- (1) 'capital' means aggregate capital contributions and uncalled committed capital, calculated on the basis of amounts investible after deduction of all fees, charges and expenses which are directly or indirectly borne by investors;

(1a) 'retail investor' means an investor who is not a professional client, as defined in paragraph (1b);

(1b) 'professional investor' means an investor who is a professional client, in accordance with Section I of Annex II to Directive ..././EU [new Mifid], or who may, on request, be treated as a professional client in accordance with Section II of Annex II of such Directive;

(2) 'equity' means ownership interest in an undertaking, represented by the shares or other forms of participation in the capital of the qualifying portfolio undertaking issued to its investors;

(3) 'quasi-equity' means any type of financing instrument where the return on the instrument is linked to the profit or loss of the qualifying portfolio undertaking and where the repayment of the instrument in the event of default is not fully secured;

(4) 'financial undertaking' means any of the following:

(a) a credit institution as defined in point (1) of Article 4 **(1)** of **Regulation EU No 575/2013** of the European Parliament and of the Council¹⁰;

(b) an investment firm as defined in ~~point (12) of Article 4~~ (1) **(1)** of **Directive EC [new MiFID]** ~~Directive 2004/39/EC~~;

(c) an insurance undertaking as defined in point (1) of Article 13 of Directive 2009/138/EC of the European Parliament and of the Council¹¹;

(d) a financial holding company as defined in point ~~(19)~~**(20)** of Article 4 of **of Regulation EU No 575/2013** ~~Directive 2006/48/EC~~;

(e) a mixed-activity holding company as defined in point ~~(20)~~**(22)** of Article 4 of Directive 2006/48/EC;

(4a) 'Professional ELTIF' means an ELTIF eligible to be marketed only to professional investors.

(4aa) 'EU AIF' means EU AIF as defined in Article 4(1)(k) of Directive 2011/61/EU;

(4b) 'EU AIFM' means EU AIFM as defined in Article 4(1)(l) of Directive 2011/61/EU;

¹⁰ OJ L 177, 30.6.2006, p.1.

¹¹ OJ L 335, 17.12.2009, p.1.

- (5) 'competent authority of the ELTIF' means the competent authority of the home Member State of the EU AIF as defined in Article 4(1)(p) of Directive 2011/61/EU;
- (6) 'ELTIF home Member State' means the Member State where the ELTIF is authorised.
- (6a) 'competent authorities of the ELTIF manager' means the competent authority of the home Member State of the EU AIFM as defined in Article 4(1)(g) of Directive 2011/61/EU**

Article 3

Authorisation and use of designation

1. Only EU AIFs shall be eligible for authorisation as an ELTIF.
- 1a. An ELTIF can be either a professional ELTIF or an ELTIF where both professional and retail investors can participate.**
2. An ELTIF ~~may shall only~~ be marketed in the Union ~~where~~ **only if** it has been authorised in accordance with this Regulation **and the relevant AIF is consequently treated as an ELTIF.**

The authorisation as an ELTIF shall be valid for all Member States.

3. A collective investment undertaking shall only use the designation 'ELTIF' or '**European** long-term investment fund' in relation to itself or the units or shares it issues where it has been authorised in accordance with this Regulation.

4. The competent authorities of the ELTIF shall, on a quarterly basis, inform ESMA of authorisations granted or withdrawn pursuant to this Regulation.

ESMA shall keep a central public register identifying each ELTIF authorised under this Regulation, its manager and the competent authority of the ELTIF. The register shall be made available in electronic format.

Article 4

Application for authorisation as ELTIF

1. An EU ~~AIF LTF~~ shall apply for authorisation as ELTIF to its competent authority.

The application for authorisation as an ELTIF shall include the following:

- (a) the fund rules or instruments of incorporation;
- (b) information on the identity of the manager;
- (c) information on the identity of the depositary;
- (d) a description of the information to be made available to investors, **including a description of the arrangements for dealing with complaints submitted by retail investors;**
- (e) any other information or document requested by the competent authority of the ELTIF to verify compliance with the requirements of this Regulation.

2. An EU alternative investment fund manager (AIFM) authorised under Directive 2011/61/EU shall apply to the competent authority of the ELTIF for approval to manage an ELTIF that has submitted an application for authorisation in accordance with paragraph 1.

The application for managing the ELTIF shall include the following:

- (a) the written agreement with the depositary;
- (b) information on delegation arrangements regarding portfolio and risk management and administration with regard to the ELTIF;
- (c) information about the investment strategies, the risk profile and other characteristics of AIFs that the AIFM is authorised to manage.

The competent authority of the ELTIF may ask the competent authority of the EU AIFM for clarification and information as regards the documentation referred to in the second subparagraph or an attestation as to whether ELTIFs fall within the scope of the EU AIFM's authorisation to manage AIFs. The competent authority of the EU AIFM shall provide an answer within 10 working days from the date it received the request submitted by the competent authority of the ELTIF.

3. The ELTIF and the EU AIFM shall be informed within two months from the date of submission of a complete application whether authorisation of the ELTIF has been granted.
4. Any subsequent modifications of the documentation referred to in paragraphs 1 and 2 shall be immediately notified to the competent authority of the ELTIF.

Article 5

Conditions for granting the authorisation

1. An applicant ELTIF shall be authorised only where its competent authority:
 - (a) is satisfied that the applicant ELTIF is able to meet all the requirements of this Regulation;
 - (b) has approved the application of an EU AIFM authorised in accordance with Directive 2011/61/EU to manage the ELTIF, the fund rules and the choice of the depositary.

2. The competent authority of the ELTIF may refuse **to approve** the application of the EU AIFM to manage the ELTIF only where:
 - (a) the EU AIFM does not comply with this Regulation;
 - (b) the EU AIFM does not comply with Directive 2011/61/EU;
 - (c) the EU AIFM is not authorised by its competent authority to manage AIFs that include funds of the type covered in this Regulation;
 - (d) the EU AIFM has not provided the documentation referred to in Article 4(2).

Before ~~such refusing~~ **refusal**, an application the competent authority of the ELTIF shall consult the competent authority of the EU AIFM.

3. The competent authority shall not grant authorisation as an ELTIF if the applicant ELTIF is legally prevented from marketing its units or shares in its home Member State. **The competent authority shall communicate to the applicant ELTIF the reason for its refusal to grant authorisation.**

4. Authorisation as an ELTIF shall not be subject to a requirement that the ELTIF be managed by an EU AIFM authorised in the ELTIF home Member State or that the EU AIFM pursue or delegate any activities in the ELTIF home Member State.

Article 6

Applicable rules and liability

1. An ELTIF shall comply at all times with the provisions of this Regulation.
2. An ELTIF and its manager shall comply at all times with the requirements of Directive 2011/61/EU.
3. The manager of the ELTIF shall be responsible for ensuring compliance with this Regulation **and shall also be liable in accordance with the Directive 2011/61/EU**. The manager shall be **also** liable for any loss or damage resulting from non-compliance with this Regulation.

Chapter II

Obligations concerning the investment policies of ELTIFs

SECTION 1

GENERAL RULES AND ELIGIBLE ASSETS

Article 7

Investment compartments

Where an ELTIF comprises more than one investment compartment, each compartment shall be regarded as a separate ELTIF for the purposes of this Chapter.

Article 8

Eligible investments

1. An ELTIF shall only invest in the following categories of assets and only under the conditions specified in this Regulation:
 - (a) eligible investment assets;
 - (b) assets referred to in Article 50(1) of Directive 2009/65/EC of the European Parliament and of the Council.¹²

2. An ELTIF shall not undertake any of the following activities:
 - (a) short-selling of assets;
 - (b) taking direct or indirect exposure to commodities, including via derivatives, certificates representing them, indices based on them or any other means or instrument that would give an exposure to them;

¹² OJ L 302, 17.11.2009, p. 32.

- (c) entering into securities lending agreements, securities borrowing agreements, and repurchase agreements or any other agreement that would encumber the assets of the ELTIF;
- (d) using financial derivative instruments, except where ~~the underlying instrument consists of interest rates or currencies and it solely serves the purpose of hedging the duration and exchange risks inherent to other investments of the ELTIF.~~

2a. ESMA shall develop draft regulatory technical standards specifying: the criteria for establishing when derivative contracts are solely serving the purpose of as hedging the risks inherent to the investments referred to in paragraph 2 point d;

After conducting an open public consultation, ESMA shall submit those draft regulatory technical standards to the Commission by 3 months after entry into force of this Regulation.

Power is delegated to the Commission to adopt the regulatory technical standards referred to in the first subparagraph in accordance with Articles 10 to 14 of Regulation (EU) No 1095/2010.

Article 9

Eligible investment assets

An asset referred to in Article 8(1)(a) shall be eligible for investment by an ELTIF only where it falls into one of the following categories:

- (a) equity or quasi-equity instruments which have been:
 - (i) issued by a qualifying portfolio undertaking and acquired ~~directly~~ by the ELTIF from the qualifying portfolio undertaking **or from a third party via the secondary market;**

- (ii) issued by a qualifying portfolio undertaking in exchange for an equity instrument previously acquired ~~directly~~ by the ELTIF from the qualifying portfolio undertaking **or from a third party via the secondary market;**
 - (iii) issued by an undertaking of which the qualifying portfolio undertaking is a majority-owned subsidiary, in exchange for an equity instrument acquired in accordance with points (i) or (ii) by the ELTIF from the qualifying portfolio undertaking **or from a third party via the secondary market;**
- (b) debt instruments issued by a qualifying portfolio undertaking **with a maturity that does not exceed the life of the ELTIF;**
- (c) loans granted by the ELTIF to a qualifying portfolio undertaking **with a maturity that does not exceed the life of the ELTIF;**
- (d) units or shares of one or several other ELTIFs, European Venture Capital Funds (EuVEECAs) and European Social Entrepreneurship Funds (EuSEFs) provided that those ELTIFs, EuVEECAs and EuSEFs have not themselves invested more than 10% of their capital in ELTIFs, **EuVEECAs and EuSEFs;**
- (e) direct holdings **or indirect holdings via qualifying portfolio undertakings** of individual real assets that require up-front capital expenditure of at least EUR 10 million or its equivalent in the currency, and at the time, in which the expenditure is incurred.

Article 10

Qualifying portfolio undertaking

1. A qualifying portfolio undertaking referred to in Article 9(1) shall be a portfolio undertaking other than a collective investment undertaking, that fulfils all of the following requirements:
- (a) it is not a financial undertaking;
 - (b) it is not admitted to trading:
 - (i) on a regulated market as defined in Article (....) of Directive / /EC {MiFID II};
 - (ii) on a multilateral trading facility as defined in Article-(....) of Directive / /EC { MiFID II};
 - (iii) on organised trading facilities as defined in point [...] of of Directive / /EC { MiFID II} Regulation [...];
 - (c) it shall be established in a Member State, or in a third country provided that the third country:
 - (i) is not a high-risk and non-cooperative jurisdictions identified by the Financial Action Task Force (FATF);
 - (ii) has signed an agreement with the home Member State of the manager of the ELTIF and with every other Member State in which the units or shares of the ELTIF are intended to be marketed to ensure that the third country fully complies with the standards laid down in Article 26 of the OECD Model Tax Convention on Income and on Capital and ensures an effective exchange of information in tax matters, including any multilateral tax agreements.

2. By way of derogation from paragraph 1(a) of this Article, a qualifying portfolio undertaking may be a financial undertaking that exclusively finances qualifying portfolio undertakings referred to in paragraph 1 of this Article or real assets referred to in Article 9.
3. **By way of derogation from paragraph 1(b) of this Article, a qualifying portfolio undertaking may be a SME admitted to trading on a regulated market or on a multilateral trading facility that employs fewer than 250 persons and has an annual turnover not exceeding €50 million or an annual balance sheet total not exceeding €43 million.**

Article 11

Conflict of interest

An ELTIF shall not invest in an eligible investment asset in which the manager has or takes a direct or indirect interest, other than by **investing** units or shares of the ELTIF **EuVECAs and EuSEFs** it manages.

SECTION 2
PROVISIONS ON INVESTMENT POLICIES

Article 12

Portfolio composition and diversification

1. An ELTIF shall invest at least 70% of its capital in eligible investment assets.
2. An ELTIF shall invest no more than:
 - (a) 10% of its capital in assets issued by any single qualifying portfolio undertaking;
 - (b) 10% of its capital **directly or indirectly** in an individual real asset;
 - (c) 10% of its capital in units or shares of any single ELTIF, EuVECA or EuSEF;
 - (d) **510**% of its capital in assets referred to in Article 8(1)(b) where those assets have been issued by any single body.
3. The aggregate value of units or shares of ELTIFs, EuvECAs and EuSEFs in an ELTIF portfolio shall not exceed 20% of the value of its capital.
4. The aggregate risk exposure to a counterparty of the ELTIF stemming from over the counter (OTC) derivative transactions or reverse repurchase agreements shall not exceed 5% of its capital.
5. By way of derogation from paragraph 2(a) and 2(b), the ELTIF may raise the 10% limit referred to therein to 20%, provided that the aggregate value of the assets held by the ELTIF in qualifying portfolio undertakings and in individual real assets in which it invests more than 10% of its capital does not exceed 40% of the value of its capital.

6. Companies which are included in the same group for the purposes of consolidated accounts, as regulated by Seventh Council Directive 83/349/EEC¹³ or in accordance with recognised international accounting rules, shall be regarded as a single qualifying portfolio undertaking or a single body for the purpose of calculating the limits referred to in paragraphs 1 to 5.

Article 13

Concentration

1. An ELTIF may acquire no more than 25% of the units or shares of a single ELTIF, EuVECA or EuSEF.
2. The concentration limits laid down in Article 56(2) of Directive 2009/65/EC shall apply to investments in the assets referred to in Article 8(1)(b) of this Regulation.

Article 14

Borrowing of cash

An ELTIF may borrow cash provided that such borrowing fulfils all of the following conditions:

- (a) it represents no more than 30% of the capital of the ELTIF;
 - (b) it serves the purpose of acquiring a participation in eligible investment assets;
 - (c) it is contracted in the same currency as the assets to be acquired with the borrowed cash;
 - (d) ~~it does not hinder the realisation of any asset held in the portfolio of the ELTIF;~~
 - (e) it ~~does not encumber~~ solely the new assets acquired via the relevant borrowing.
- (ea) it has a maturity that does not exceed the life of the ELTIF;**

¹³ OJ L 193, 18.7.1983, p. 1.

Article 15

Application of portfolio composition and diversification rules

1. The investment limits laid down in Article 12(1) shall:
 - (a) apply by the date specified in the ELTIF rules or instruments of incorporation, where this date shall take account of the peculiarities and characteristics of the assets to be invested by the ELTIF and shall not be later than five years after the authorisation of the ELTIF. In exceptional circumstances, the competent authority of the ELTIF, upon submission of a duly justified investment plan, may approve an extension of this time limit by no more than one additional year;
 - (b) **be temporarily suspended** once the ELTIF starts to sell assets in accordance with its redemption policy as set out in Article 16, **so long as such a suspension lasts no longer than 12 months**;
 - (c) be temporarily suspended where the ELTIF raises additional capital, so long as such a suspension lasts no longer than 12 months;
 - (d) **cease to apply after the end life of the ELTIF**.
2. Where a long-term asset in which the ELTIF has invested is issued by a qualifying portfolio undertaking that no longer complies with Article 10(1)(b), the long-term asset may continue to be counted for the purpose of calculating the 70% referred to in Article 12(1) for a maximum of three years as of the date when the portfolio undertaking no longer fulfils the requirements in Article 10.

Chapter III

Redemption, trading and issue of ELTIF shares or units and distributions of income

Article 16

Redemption policy

1. Investors **of the professional ELTIF** shall not be able to ask for redemption of their units or shares before the end of life of the ELTIF. Redemption to investors shall be possible as of the day following the date defining the end of life of the ELTIF.

The end of life of the **professional** ELTIF shall be clearly indicated as a specific date in the ELTIF rules or instruments of incorporation and disclosed to investors.

The **professional** ELTIF rules or instruments of incorporation and disclosures to investors shall lay down the procedures for redemption and disposal of assets and state clearly that redemption to investors shall commence on the day following the date defining the end of life of the ELTIF.

1a **In case of an ELTIF where both retail and professional investors participate,** all investors shall be able to ask for redemption of their units or shares before the end of life of the ELTIF **provided that all of the following conditions are met:**

- (a) the time lapsed from the authorisation of the ELTIF exceeds the 2/3rds of its life;**
- (b) redemptions take place once per year;**
- (c) a six (6) months prior notice has been sent to the ELTIF manager;**
- (d) the total value of the requests received does not exceed a total maximum of 10 percent of the ELTIF capital per year. In case redemption requests exceed the aforementioned limit, they shall be satisfied on a pro rata basis;**

1b. The ELTIF rules or instruments of incorporation shall clearly indicate a specific date as the end of life of the ELTIF and may also indicate the right to temporarily extend the life of the ELTIF and the conditions to exercise such right.

2. The life of the ELTIF shall be sufficient in length to cover the life-cycle of each of the individual assets of the ELTIF, measured according to the illiquidity profile and economic life-cycle of the asset, and the stated investment objective of the ELTIF.
3. Investors may request the winding down of the ELTIF if their redemption requests **made in accordance with the ELTIF's redemption policy** have not been satisfied within one year after the **date when they have been made**~~end of life of the ELTIF~~.
4. Investors shall always have the option to be repaid in cash.
5. Repayment in kind out of the ELTIF's assets shall be possible only where all of the following conditions are met:
 - (a) the ELTIF rules or instrument of incorporation foresees this possibility, under the condition that all investors receive fair treatment;
 - (b) the investor asks in writing to be repaid through a share of the assets of the fund;
 - (c) no specific rules restrict the transfer of those assets.
6. ESMA shall develop draft regulatory technical standards specifying the circumstances in which the life of an ELTIF is sufficient in length to cover the life-cycle of each of the individual assets of the ELTIF.

ESMA shall submit those draft regulatory technical standards to the Commission by [...].

Power is delegated to the Commission to adopt the regulatory technical standards referred to in the first subparagraph in accordance with Articles 10 to 14 of Regulation (EU) No 1095/2010.

Article 17

Secondary market

1. The ELTIF rules or instrument of incorporation shall not prevent units or shares of an ELTIF from being admitted to trading on a regulated market as defined in Article 4(14) of Directive 2004/39/EC or on a multilateral trading facility as defined in Article 4(15) of Directive 2004/39/EC or on an organised trading facility as defined in point (...) of Regulation (...).
2. The ELTIF rules or instrument of incorporation shall not prevent investors from freely transferring their shares or units to third parties.

2a3. The ELTIF shall publish the market value of listed shares or units as well as the net asset value per share or unit.

Article 18

Issuance of new shares or units

1. An ELTIF may offer new issues of shares or units in accordance with its fund rules or instruments of incorporation.
2. An ELTIF shall not issue new shares or units at a price below its net asset value without a prior offering of those shares or units at that price to existing investors.

Article 19
Disposal of ELTIF assets

1. Each ELTIF shall adopt an itemised schedule for the orderly disposal of its assets in order to redeem investors after the end of life of the ELTIF **and shall disclose this to the competent authority of the ELTIF one year before redemptions are allowed in accordance with Article 16.**

2. The schedule referred to in paragraph 1 shall include:
 - (a) an assessment of the market for potential buyers;
 - (b) an assessment and comparison of potential sales prices;
 - (c) a valuation for the assets to be divested;
 - (d) **an indicative** precise timeframe for the disposal schedule.

- 2a. By way of derogation from paragraph 1, an ELTIF may reduce its capital on a pro rata basis in case of a disposal of an asset, provided that it takes place during the period when redemptions are allowed in accordance with article 16.**

- 3.** ESMA shall develop draft regulatory technical standards specifying the criteria to be used for the assessments in point (a) and valuation in point (c) of paragraph 2.

ESMA shall submit those draft regulatory technical standards to the Commission by [...].

Power is delegated to the Commission to adopt the regulatory technical standards referred to in the first subparagraph in accordance with Articles 10 to 14 of Regulation (EU) No 1095/2010.

Article 20
Distribution of income

1. An ELTIF may ~~regularly~~ distribute to investors the income generated by the assets contained in the portfolio. This income shall be composed of:
 - (a) any income that the assets are regularly producing;
 - (b) the capital appreciation realized after the disposal of an asset, but excluding the original capital commitments made.
2. The income shall not be distributed to the extent that it is required for future commitments of the ELTIF.
3. The ELTIF shall state in its fund rules or instruments of incorporation the distribution policy that it will adopt during the life of the fund.

Chapter IV

Transparency requirements

Article 21

Transparency

1. The units or shares of an authorised ELTIF shall not be marketed in the Union without prior publication of a prospectus.

The units or shares of an authorised ELTIF shall not be marketed to retail investors in the Union without prior publication of a key information document (KID) in accordance with Regulation No[...] of [...] of the European Parliament and the Council.¹⁴

2. The prospectus shall include the information necessary for investors to be able to make an informed judgement regarding the investment proposed to them, and, in particular, the risks attached thereto.
3. The prospectus shall contain at least the following:
 - (a) a statement setting out how the ELTIF's investment objectives and strategy for achieving these objectives qualify the fund as long term in nature;
 - (b) information to be disclosed by collective investment undertakings of the closed-end type in accordance with Directive 2003/71/EC of the European Parliament and of the Council¹⁵ and Commission Regulation (EC) No 809/2004¹⁶;
 - (c) information to be disclosed to investors pursuant to Article 23 of Directive 2011/61/EU, if it is not already covered under point(b) of this paragraph;

¹⁴ OJ Reference.

¹⁵ OJ L 345, 31.12.2003, p.64.

¹⁶ OJ L 149, 30.4.2004, p. 1.

- (d) prominent indication of the categories of assets the ELTIF is authorised to invest in;
- (e) any other information considered by the competent authorities to be relevant for the purpose of paragraph 2.

4. The prospectus, the KID and any other marketing documents shall prominently notify investors about the illiquid nature of the fund.

In particular, the prospectus, the KID, and any other marketing documents shall clearly:

- (a) inform investors about the long-term nature of the ELTIF's investments;
 - (b) inform investors about the end of life of the ELTIF **as well as the option to extend the life of the ELTIF, if this is provided, and the conditions thereof.** ;
 - (c) state whether the ELTIF is intended to be marketed to retail investors;
 - (d) **state the rights of the investors to redeem in accordance with Article 16 as well as the relevant conditions and requirements for the exercise of the redemption rights** ~~state that investors shall have no right to redeem their investment until the end of the life of the ELTIF;~~
 - (e) state the frequency and the timing of any income payments, if any, to the investors during the life of the fund;
 - (f) advise investors that only a small proportion of their overall investment portfolio should be invested in an ELTIF.
- (fa) inform investors about the hedging policy of the ELTIF.**

Article 22
Cost disclosure

1. The prospectus shall prominently inform investors as to the level of the different costs borne directly or indirectly by the investor. The different costs shall be grouped according to the following headings:
 - (a) costs of setting-up the ELTIF;
 - (b) the costs related to the acquisition of assets;
 - (c) management **and performance related** costs;
 - (d) distribution costs;
 - (e) other costs, including administrative, regulatory, **depository, custodial, professional service** and audit costs.
2. The prospectus shall disclose an overall ratio of the costs to the capital of the ELTIF.
3. The key information document shall reflect all of the costs outlined in the prospectus within its expression of total costs in monetary and percentage terms.

4. ESMA shall develop draft regulatory technical standards to specify:
- (a) the common definitions, calculation methodologies and presentation formats of the costs referred to in paragraph 1 and the overall ratio referred to in paragraph 2;
 - (b) the common definition, calculation methodology and presentation format of the expression of total costs in paragraph 3.

When developing these draft regulatory technical standards, ESMA shall take into account the draft regulatory standards referred to in point (...) of Regulation (...) [PRIPS].

ESMA shall submit those draft regulatory technical standards to the Commission by [...].

Power is delegated to the Commission to adopt the regulatory technical standards referred to in the first subparagraph in accordance with Articles 10 to 14 of Regulation (EU) No 1095/2010.

Chapter V

Marketing of units or shares of ELTIFs

Article 23

Facilities available to investors

1. The manager of an ELTIF, **other than a Professional ELTIF**, shall, in each Member State where it intends to market units or shares of that ELTIF, put in place facilities available for making subscriptions, making payments to unit- or shareholders, repurchasing or redeeming units or shares and making available the information which the ELTIF and its managers are required to provide.
2. ESMA shall develop draft regulatory technical standards to specify the types and characteristics of the facilities, their technical infrastructure and of the content of their tasks in respect of ELTIF investors referred to in paragraph 1.

ESMA shall submit those draft regulatory technical standards to the Commission by [...].

Power is delegated to the Commission to adopt the regulatory technical standards referred to in the first subparagraph in accordance with Articles 10 to 14 of Regulation (EU) No 1095/2010.

Article 24

Additional requirements for marketing to retail investors

The manager of an ELTIF shall be able to market the units or shares of that ELTIF to retail investors provided that all of the following additional requirements are fulfilled:

- (a) the ELTIF's rules or instruments of incorporation provide that all investors benefit from equal treatment and no preferential treatment or specific economic benefits are granted to individual investors or groups of investors;

- (b) the ELTIF ~~is not~~ **may be** structured as a partnership **if this does not lead to any further liability for the investor or require any additional commitments on behalf of such investor apart from the original capital commitment;**
- (c) retail investors may, during the subscription period and at least two weeks after subscription of units or shares of the ELTIF, cancel their subscription and have the money returned without penalty.
- (ca) the manager of the ELTIF shall establish appropriate procedures and arrangements to deal with retail investors' complaints. Those measures shall allow retail investors to file complaints in the official language or one of the official languages of their Member State;**

Article 25

Marketing of units or shares of ELTIFs

1. The manager of an ELTIF shall be able to market the units or shares of that authorised ELTIF to professional and retail investors in its home Member State upon notification in accordance with Article 31 of Directive 2011/61/EU.
2. The manager of an ELTIF shall be able to market the units or shares of that authorised ELTIF to professional and retail investors in Member States other than in the home Member State of the ELTIF manager upon notification in accordance with Article 32 of Directive 2011/61/EU.
3. The manager of the ELTIF shall in respect of each ELTIF specify to its competent authority whether or not it intends to market it to retail investors.

4. In addition to the documentation and information required pursuant to Articles 31 and 32 of Directive 2011/61/EU the manager of the ELTIF shall provide to its competent authority all of the following:
 - (a) the prospectus of the ELTIF;
 - (b) the key information document of the ELTIF in case of marketing to retail investors;
 - (c) information on the facilities referred to in Article 22.
5. The competences and powers of the the competent authorities pursuant to Articles 31 and 32 of Directive 2011/61/EU shall be understood to also refer to the marketing of ELTIFs to retail investors and to cover the additional requirements laid down in this Regulation.
6. In addition to its powers in accordance with Article 31(3) first paragraph of Directive 2011/61/EU, the competent authority of the home Member State of the ELTIF manager shall also prevent the marketing of an authorised ELTIF if the ELTIF manager does not or will not comply with this Regulation.
7. In addition to its powers in accordance with Article 32(3) first paragraph of Directive 2011/61/EU, the competent authority of the home Member State of the ELTIF manager shall also refuse the transmission of a complete notification file to the competent authorities of the Member State where the ELTIF is intended to be marketed, if the ELTIF manager does not or will not comply with this Regulation.

Chapter VI

Supervision

Article 26

Supervision by the competent authorities

1. The competent authorities shall supervise compliance with this Regulation on an on-going basis.
2. The competent authority of the ELTIF shall be responsible for supervising compliance with the rules laid down in Chapters II, III and IV.
3. The competent authority of the ELTIF shall be responsible for supervising compliance with the obligations set out in the fund rules or in the instruments of incorporation, and the obligations set out in the prospectus, which shall be consistent with this Regulation.
4. The competent authority of the manager of the ELTIF shall be responsible for supervising the adequacy of the arrangements and organisation of the manager so that the manager of the ELTIF is in a position to comply with the obligations and rules which relate to the constitution and functioning of all the ELTIFs it manages.

The competent authority of the manager shall be responsible for supervising compliance of the ELTIFs manager with this Regulation.

5. Competent authorities shall monitor collective investment undertakings established or marketed in their territories to verify that they do not use the ELTIF designation or suggest that they are an ELTIF unless they are authorised and comply with this Regulation.

Article 27

Powers of competent authorities

1. Competent authorities shall have all supervisory and investigatory powers that are necessary for the exercise of their functions pursuant to this Regulation.
2. The powers conferred on competent authorities in accordance with Directive 2011/61/EU shall be exercised also with respect to this Regulation.

Article 28

Powers and competences of ESMA

1. ESMA shall have the powers necessary to carry out the tasks attributed to it by this Regulation.
2. ESMA's powers in accordance with Directive 2011/61/EU shall be exercised also with respect to this Regulation and in compliance with Regulation (EC) No 45/2001.
3. For the purposes of Regulation (EU) No 1095/2010, this Regulation shall be included under any further legally binding Union act which confers tasks on the Authority as referred to in Article 1(2) of Regulation (EU) 1095/2010.

Article 29

Cooperation between authorities

1. The competent authority of the ELTIF and the competent authority of the manager, if different, shall cooperate with each other and exchange information for the purpose of carrying out their duties under this Regulation.
2. Competent authorities and ESMA shall cooperate with each other for the purpose of carrying out their respective duties under this Regulation in accordance with Regulation (EU) No 1095/2010.
3. *Competent authorities and ESMA shall exchange all information and documentation necessary to carry out their respective duties under this Regulation in accordance with Regulation (EU) No 1095/2010, in particular to identify and remedy breaches of this Regulation.*

Chapter VII

Final provisions

Article 30

Review

No later than three years after the entry into force of this Regulation, the Commission shall start a review of the application of this Regulation. The review shall analyse in particular:

- ~~(a)~~ the impact of the provision in Article 16(1) that excludes investors from redeeming their units or shares before the end of life of the ELTIF. The review, taking into account ELTIF's distribution to different investor categories, shall also assess whether exempting a limited number of individual retail investors from such a rule would have the effect of increasing demand for ELTIF amongst retail investors;
- ~~(b)~~ a the impact on asset diversification of the application of the minimum threshold of 70% of eligible investment assets laid down in Article 12(1), in particular to assess whether increased measures on liquidity would be necessary should a limited number of individual retail investors be exempted from the prohibition on redeeming their units before the end of life of the ELTIF;
- (c) the extent to which ELTIFs are marketed in the Union, including whether AIFMs falling under Article 3(2) of Directive 2011/61/EU might have an interest in marketing ELTIFs.

The results of this review shall be communicated to the European Parliament and the Council accompanied, where necessary, by appropriate proposals for amendments.

Article 31

Entry into force

This Regulation shall enter into force ~~on the twentieth day~~ **six months** following its publication in the *Official Journal of the European Union*.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels,

For the European Parliament

For the Council

The President

The President
