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COVER NOTE

From:	Secretary-General of the European Commission, signed by Ms Martine DEPREZ, Director
date of receipt:	25 November 2021
To:	Mr Jeppe TRANHOLM-MIKKELSEN, Secretary-General of the Council of the European Union
No. Cion doc.:	SWD(2021) 343 final
Subject:	COMMISSION STAFF WORKING DOCUMENT EXECUTIVE SUMMARY OF THE IMPACT ASSESSMENT Accompanying the Proposal for a Regulation of the European Parliament and of the Council amending Regulation (EU) 2015/760 as regards the scope of eligible assets and investments, the portfolio composition and diversification requirements, the borrowing of cash and other fund rules and as regards requirements pertaining to the authorisation, investment policies and operating conditions of European long-term investment funds

Delegations will find attached document SWD(2021) 343 final.

Encl.: SWD(2021) 343 final

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Brussels, 25.11.2021
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COMMISSION STAFF WORKING DOCUMENT

EXECUTIVE SUMMARY OF THE IMPACT ASSESSMENT

Accompanying the

Proposal for a Regulation of the European Parliament and of the Council

amending Regulation (EU) 2015/760 as regards the scope of eligible assets and investments, the portfolio composition and diversification requirements, the borrowing of cash and other fund rules and as regards requirements pertaining to the authorisation, investment policies and operating conditions of European long-term investment funds

{COM(2021) 722 final} - {SEC(2021) 571 final} - {SWD(2021) 342 final}

Executive Summary Sheet
Impact assessment on a Proposal for a Regulation amending Regulation 2015/760 on European long-term investment funds
A. Need for action
Why? What is the problem being addressed?
The problem facing the ELTIF regulatory framework is low uptake. The ELTIF industry is relatively small and is concentrated in only four Member States. There is an untapped potential to establish an additional channel to mobilise capital for the financing of long-term projects. This adversely affects project owners, businesses and SMEs, investors and ELTIF managers and impairs pursuit of the goals of the Capital Markets Union to establish more diverse sources of long-term finance in Europe.
What is this initiative expected to achieve?
This initiative's main objective is to help the ELTIF market reach sufficient scale in order to deliver the intended benefits for the EU economy and for the European investors of the original proposal.
What is the value added of action at the EU level?
The ELTIF Regulation's objectives cannot be sufficiently achieved by Member States alone. Due to the scale and effects of the objectives, they can be better achieved at Union level. In line with the principles of subsidiarity and proportionality, the ELTIF Regulation does not go beyond what is necessary to achieve those objectives.
B. Solutions
What legislative and non-legislative policy options have been considered? Is there a preferred choice or not?
The ELTIF regulatory framework sets out detailed fund rules on eligible assets and investments, diversification and portfolio composition, leverage limits and marketing. This initiative explores and identifies preferred options in the following areas: adopting lighter fund rules for professional only ELTIFs; removing restrictions for investors to access ELTIFs; establishing an optional liquidity window mechanism; and targeting overly restrictive fund rules that disproportionately limit the available investment universe, fund structures and investment strategies.
Who supports which option?
Stakeholders are critical of the overly restrictive ELTIF fund rules and support the broader scope of eligible assets and investments, the easing of rules around fund structuring and the pursuit of more diverse investment strategies. Market participants also advocate reducing the barriers to entry for retail investors while setting out sufficient safeguards to protect investors.
C. Impacts of the preferred option
What are the benefits of the preferred option?
The proposal is designed to make ELTIFs more appealing to managers and investors. Managers will be able to tailor ELTIF structures to the investment strategies that meet investors' needs, and achieve cost efficiencies. Investors will be able to meet their long-term saving and investment needs. The increased number of investors would allow funds to scale up in size and realise economies of scale. Removing duplicate procedures and inflexible fund rules will reduce costs for ELTIF managers. The proposed changes will make ELTIFs better positioned to achieve the original objectives of establishing a new source of long-term finance in Europe.
What are the costs of the preferred option?
No significant negative economic, social or environmental impacts or costs are expected. Potential cost impacts on investors, on ELTIFs and their managers and on NCAs should be negligible.
How will businesses, SMEs and micro-enterprises be affected?
The review is expected to have positive indirect impacts for the financing of SMEs and enterprises, social and transport infrastructure, and long-term projects contributing to environmental or social objectives such as clean energy.
Will there be significant impacts on national budgets and administrations?
No significant impacts are expected.
Will there be other significant impacts?
Increasing the number and size of ELTIFs could also channel capital towards long-term projects focused on environmental or social goals, such as clean energy, housing infrastructure or facilities.

D. Follow up
When will the policy be reviewed?
In 5 years following the entry into application of the amendments to the legal framework.