

ESMA PROPOSED CHANGES TO ELTIF

The European Securities and Markets Authority (“ESMA”) has issued a letter to the European Commission which sets out amendments proposed to the revised European Long Term Investment Fund (“ELTIF”) regulatory technical standards (“RTS”) relating in particular to redemption policies and liquidity management.

Background

The aim of the ELTIF framework is to increase European long-term investments in the real economy. This includes infrastructure projects, real estate and listed and unlisted SMEs. Regulatory updates pertaining to the ELTIF came into force in April 2023 - known as “ELTIF 2.0”. This revised regime significantly eased the restrictions on these vehicles. ESMA was responsible for preparing draft RTS in respect of various aspects of the new regime including the following areas:

- The circumstances in which the life of the ELTIF is seen as compatible with the life cycles of each of the individual assets;
- The various features of the ELTIF redemption policies; and
- Disclosure of Costs.

Amended RTS

ESMA submitted its final report on the draft RTS to the European Commission for adoption in December 2023. In March 2024, the European Commission informed ESMA that the RTS would be adopted, subject to amendments being made.

ESMA in turn has suggested that there should be a limited number of changes to the RTS to better ensure that the balance between safeguarding retail investors and meeting capital market union objectives is achieved.

The primary proposed amendments from ESMA relate in particular to:

- i) the notice period;
- ii) the maximum amount that can be redeemed; and
- iii) the liquidity management tools permitted.

Next Steps

The European Commission will now focus on the amendments proposed and may decide to either adopt the RTS with the amendments it considers relevant, or to reject it. The European Parliament and the Council may object to an RTS adopted by the European Commission within three months.

How Clerkin Lynch Can Help

The asset management team at Clerkin Lynch LLP can assist in advising on the establishment of ELTIFs under the new ELTIF II regime as well as the establishment of other Irish funds. Please feel free to contact us for more information.



Mark Browne
Partner
email: markbrowne@clerkinlynch.com
Phone: 01 611 4400

