EUROPEAN PARLIAMENT 2009 - 2014

Committee on Economic and Monetary Affairs

2013/0214(COD)

13.11.2013

***I
DRAFT REPORT

on the proposal for a regulation of the European Parliament and of the Council on European Long-term Investment Funds
(COM(2013)0462 – C7-0209/2013 – 2013/0214(COD))

Committee on Economic and Monetary Affairs

Rapporteur: Rodi Kratsa-Tsagaropoulou

Symbols for procedures

*	Consultation procedure
***	Consent procedure
***I	Ordinary legislative procedure (first reading)
***II	Ordinary legislative procedure (second reading)
***III	Ordinary legislative procedure (third reading)

(The type of procedure depends on the legal basis proposed by the draft act.)

Amendments to a draft act

Amendments by Parliament set out in two columns

Deletions are indicated in ***bold italics*** in the left-hand column. Replacements are indicated in ***bold italics*** in both columns. New text is indicated in ***bold italics*** in the right-hand column.

The first and second lines of the header of each amendment identify the relevant part of the draft act under consideration. If an amendment pertains to an existing act that the draft act is seeking to amend, the amendment heading includes a third line identifying the existing act and a fourth line identifying the provision in that act that Parliament wishes to amend.

Amendments by Parliament in the form of a consolidated text

New text is highlighted in ***bold italics***. Deletions are indicated using either the ▌ symbol or strikeout. Replacements are indicated by highlighting the new text in ***bold italics*** and by deleting or striking out the text that has been replaced.
By way of exception, purely technical changes made by the drafting departments in preparing the final text are not highlighted.

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DRAFT EUROPEAN PARLIAMENT LEGISLATIVE RESOLUTION

on the proposal for a regulation of the European Parliament and of the Council on European Long-term Investment Funds
(COM(2013)0462 – C7-0209/2013 – 2013/0214(COD))

(Ordinary legislative procedure: first reading)

The European Parliament,

– having regard to the Commission proposal to Parliament and the Council (COM(2013)0462),

– having regard to Article 294(2) and Article 114 of the Treaty on the Functioning of the European Union, pursuant to which the Commission submitted the proposal to Parliament (C7-0209/2013),

– having regard to Article 294(3) of the Treaty on the Functioning of the European Union,

– having regard to the opinion of the European Economic and Social Committee of 16 October 2013[1],

– having regard to Rule 55 of its Rules of Procedure,

– having regard to the report of the Committee on Economic and Monetary Affairs and the opinion of the Committee on Budgets (A7-0000/2013),

1. Adopts its position at first reading hereinafter set out;

2. Calls on the Commission to refer the matter to Parliament again if it intends to amend its proposal substantially or replace it with another text;

3. Instructs its President to forward its position to the Council, the Commission, the European Investment Bank, the European Securities and Markets Authority and the national parliaments.

[1] Not yet published in the Official Journal.

Amendment 1

Proposal for a regulation
Recital 1

Text proposed by the Commission	*Amendment*
(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) Long-term finance is a crucial enabling tool for putting the European economy on a path of sustainable, smart and inclusive growth***, high employment and competitiveness 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***, unlisted or listed*** companies***, particularly small and medium-sized enterprises (SMEs),*** 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 ***real economy of the Union***.

Or. en

Amendment 2

Proposal for a regulation
Recital 2

Text proposed by the Commission	*Amendment*
(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 liquidiy 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	(2) On the demand side, ELTIFs can provide a steady ***and safe*** income stream for pension administrators, insurance companies and other entities that face regular and recurrent liabilities. While providing less liquidiy than investments in transferable securities, ELTIFs can provide a steady ***and safe*** income stream for individual investors that rely on the regular cash flow that an ELTIF can produce.

opportunities for capital appreciation over time for those investors not receiving a steady income stream.	ELTIFs can also offer good opportunities for capital appreciation over time for those investors not receiving a steady ***and safe*** income stream.

Or. en

Amendment 3

Proposal for a regulation
Recital 4

Text proposed by the Commission	*Amendment*
(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.	(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***, apart from special cases for retail investors***. 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 ***specific*** cases, of the possibility, for some ***professional*** 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.

Or. en

Amendment 4

Proposal for a regulation
Recital 4 a (new)

Text proposed by the Commission	*Amendment*
	(4a) In order to make ELTIFs a feasible and attractive choice for institutions for occupational retirement provision and insurance companies, it is important that necessary adjustments are made to their regulatory capital requirements, within the framework of Directive 2009/138/EC of the European Parliament and of the Council[7a], in order to provide flexibility in the case of ELTIFs as regards the high capital requirements for investments in illiquid assets. Moreover, any additional national regulatory constraints should be thoroughly assessed, if necessary. ______________ ***[7a.] Directive 2009/138/EC of the European Parliament and of the Council of 25 November 2009 on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II) (recast) (OJ L 335, 17.12.2009, p. 1).***

Or. en

Amendment 5

Proposal for a regulation
Recital 7

Text proposed by the Commission	*Amendment*
(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	(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.	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 ***unlisted companies, listed SMEs,*** 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. ***Moreover, coordination among tax frameworks of Member States is necessary to ensure a level playing field in terms of investor attractiveness and convergence of national policies is required to establish similar conditions in terms of investment climate in order to address imbalances among Member States.***

Or. en

Amendment 6

Proposal for a regulation
Recital 10

Text proposed by the Commission	*Amendment*
(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.	(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. ***However, third-country investors should also be encouraged to invest in ELTIFs given the valuable capital they can contribute towards projects in the Union.***

Or. en

Amendment 7

Proposal for a regulation
Recital 16

Text proposed by the Commission	*Amendment*
(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.	(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***, apart from specific cases and under certain conditions***.

Or. en

Amendment 8

Proposal for a regulation
Recital 21

Text proposed by the Commission	*Amendment*
(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	(21) The use of financial undertakings ***is*** necessary in order to ***effectively market ELTIFs to investors as well as*** pool and organise the contributions of different investors, including investments of a public nature, into infrastructure projects. ELTIFs

investment assets by means of financial undertakings, so long as these undertakings are dedicated to financing long-term projects.	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 ***and the growth of SMEs***.

Or. en

Amendment 9

Proposal for a regulation
Recital 22

Text proposed by the Commission	*Amendment*
(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.	(22) Qualifying portfolio undertakings ***should*** include infrastructure projects, investment in unlisted companies ***and listed SMEs*** seeking growth and investments in ***real property*** or other real assets that could be suitable for long term investment purposes.

Or. en

Amendment 10

Proposal for a regulation
Recital 24

Text proposed by the Commission	*Amendment*
(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.	(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.	Because such instruments are by their nature long-term investments they require patient capital that ELTIFs can provide. ***Moreover, listed undertakings, and particularly SMEs, often face significant obstacles in acquiring long-term financing and ELTIFs may provide valuable alternative sources of funding.***

Or. en

Amendment 11

Proposal for a regulation
Recital 31 a (new)

Text proposed by the Commission	*Amendment*
	(31a) The end of life of the ELTIF should be fixed at a specific date. However, under exceptional circumstances specified within the rules of incorporation, the lifecycle could be extended or reduced to allow for more flexibility, where, for instance, a project is completed later or earlier than expected.

Or. en

Amendment 12

Proposal for a regulation
Recital 36

Text proposed by the Commission	*Amendment*
(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	(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***, particularly for retail investors***. Thus, facilities should be made available

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.	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***, such as redemption rights before the end of the lifecycle under certain circumstances***.

Or. en

Amendment 13

Proposal for a regulation
Recital 39 a (new)

Text proposed by the Commission	*Amendment*
	(39a) The provision of tax incentives, at national level, relating to long-term investments via ELTIFs can play an important role in directing the current available resources to the financing of long-term projects in the Union, particularly focusing on projects which are beneficial to society and to the environment. For that reason, it could be assessed whether project bonds should also be considered to be eligible assets, with the aim of ensuring economies of scale and encouraging synergies between Union investment tools. Member States that are facing the consequences of fiscal adjustment are encouraged to provide state guarantees and favourable tax treatments such as tax deductions for investors who participate in ELTIFs.

Or. en

Amendment 14

Proposal for a regulation
Recital 39 b (new)

Text proposed by the Commission	*Amendment*
	(39b) Member States, as well as regional and local authorities have a significant responsibility in effectively promoting and marketing ELTIFs to investors, as well as providing specific information to citizens and consumers about the benefits offered by that new framework.

Or. en

Amendment 15

Proposal for a regulation
Recital 39 c (new)

Text proposed by the Commission	*Amendment*
	(39c) It is crucial to encourage a number of semi-professional investors in the Union, such as mid-tier pension schemes, insurance companies, municipalities, churches, charities and foundations, that may have sufficient capital and certain expertise, to invest in ELTIFs.

Or. en

Amendment 16

Proposal for a regulation
Recital 40 a (new)

Text proposed by the Commission	*Amendment*
	(40a) An ELTIF should not invest in an eligible investment asset in which the manager has or takes a direct or indirect interest other than by holding units or

	shares of the ELTIF it manages. Guarantees should also be in place in order to avoid practices that distort competition or create barriers to entry.

Or. en

Amendment 17

Proposal for a regulation
Article 1 – paragraph 1 – subparagraph 1a (new)

Text proposed by the Commission	*Amendment*
	The objective of this Regulation is to raise and channel capital towards the real economy, in line with the objectives of a smart, sustainable and inclusive growth.

Or. en

Amendment 18

Proposal for a regulation
Article 2 – paragraph 1 – point 1 a (new)

Text proposed by the Commission	*Amendment*
	(1a) 'retail investor' means an investor who is not a professional client, in accordance with Section I of Annex II to Directive... /.../EU [new Mifid];

Or. en

Amendment 19

Proposal for a regulation
Article 2 – paragraph 1 – point 1 b (new)

Text proposed by the Commission	Amendment
	(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 that Directive;

Or. en

Amendment 20

Proposal for a regulation
Article 2 – paragraph 1 – point 4 a (new)

Text proposed by the Commission	Amendment
	(4a) 'EU AIF' means EU AIF as defined in Article 4(1)(k) of Directive 2011/61/EU;

Or. en

Amendment 21

Proposal for a regulation
Article 2 – paragraph 1 – point 4 b (new)

Text proposed by the Commission	Amendment
	(4b) 'EU AIFM' means EU AIFM as defined in Article 4(1)(l) of Directive 2011/61/EU;

Or. en

Amendment 22

Proposal for a regulation
Article 2 – paragraph 1 – point 6 a (new)

Text proposed by the Commission	*Amendment*
	(6a) 'competent authorities of the ELTIF manager" means the competent authority of the home Member State of the EU AIFM as defined in in Article 4(1)(q) of Directive 2011/61/EU

Or. en

Amendment 23

Proposal for a regulation
Article 2 – paragraph 1 – point 6 b (new)

Text proposed by the Commission	*Amendment*
	(6b) "repurchase agreement" means any agreement in which one party transfers securities or any rights related to that title to a counterparty, subject to a commitment to repurchase them at a specified price on a future date specified or to be specified

Or. en

Amendment 24

Proposal for a regulation
Article 2 – paragraph 1 – point 6 c (new)

Text proposed by the Commission	*Amendment*
	(6c) 'short selling' means the uncovered sale of assets.

Or. en

Amendment 25

Proposal for a regulation
Article 2 – paragraph 1 – point 6 d (new)

Text proposed by the Commission	*Amendment*
	(6d) 'securities lending' and 'securities borrowing' mean a transaction in which an institution or its counterparty transfers securities subject to a commitment that the borrower will return equivalent securities at some future date or when requested to do so by the transferor, that transaction constituting securities lending to the transferor and securities borrowing to the transferee.

Or. en

Amendment 26

Proposal for a regulation
Article 3 – paragraph 1

Text proposed by the Commission	*Amendment*
1. Only EU AIFs shall be eligible ***for*** authorisation as an ELTIF.	1. Only EU AIFs shall be eligible ***to apply for and to be granted*** authorisation as an ELTIF.

Or. en

Amendment 27

Proposal for a regulation
Article 3 – paragraph 2 – subparagraph 1

Text proposed by the Commission	*Amendment*
2. An ELTIF shall only be marketed in the Union ***where*** it has been authorised in	2. An ELTIF ***may***be marketed in the Union ***provided that*** it has been authorised in

accordance with this Regulation.	accordance with this Regulation.

Or. en

Amendment 28

Proposal for a regulation
Article 3 – paragraph 3

Text proposed by the Commission	*Amendment*
3. ***A collective investment undertaking*** shall only use the designation 'ELTIF' or '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.	3. ***An AIF*** 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.

Or. en

Amendment 29

Proposal for a regulation
Article 3 – paragraph 4 – subparagraph 1

Text proposed by the Commission	*Amendment*
4. The competent authorities of the ELTIF shall, on a quarterly basis, inform ESMA of authorisations granted or withdrawn pursuant to 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 ***and provide all necessary details on the ELTIF activities that ensure compliance with the provisions laid down in this Regulation***.

Or. en

Amendment 30

Proposal for a regulation
Article 4 – paragraph 1 – subparagraph 1

Text proposed by the Commission	*Amendment*
1. ***An ELTIF*** shall apply for authorisation to its competent authority.	1. ***An EU AIF*** shall apply for authorisation ***as ELTIF*** to its competent authority.

Or. en

Amendment 31

Proposal for a regulation
Article 4 – paragraph 2 – subparagraph 2 – introductory part

Text proposed by the Commission	*Amendment*
The application for ***authorisation as*** an ELTIF shall include the following:	The application for ***an approval to manage*** an ELTIF shall include the following ***documentation***:

Or. en

Amendment 32

Proposal for a regulation
Article 4 – paragraph 2 – subparagraph 3

Text proposed by the Commission	*Amendment*
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.	The competent authority of the ELTIF may ask the competent authority of the ***ELTIF manager*** 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 ***ELTIF manager*** shall provide an answer within 10 working days from the date it received the request submitted by the competent authority of the ELTIF.

Or. en

Amendment 33

Proposal for a regulation
Article 4 – paragraph 3

Text proposed by the Commission	*Amendment*
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.	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 ***and the approval to manage the ELTIF*** has been granted.

Or. en

Amendment 34

Proposal for a regulation
Article 5 – paragraph 1 – point a

Text proposed by the Commission	*Amendment*
(a) is satisfied that the applicant ELTIF is able to meet all the requirements of this Regulation;	(a) is satisfied that the applicant ELTIF is able to meet all the requirements of this Regulation ***and has approved the fund rules and the choice of the depositary***;

Or. en

Amendment 35

Proposal for a regulation
Article 5 – paragraph 1 – point b

Text proposed by the Commission	*Amendment*
(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***.	(b) has approved the application of an EU AIFM authorised in accordance with Directive 2011/61/EU to manage the ELTIF.

Or. en

Amendment 36

Proposal for a regulation
Article 5 – paragraph 1 a (new)

Text proposed by the Commission	*Amendment*
	1a. The competent authority shall provide the applicant ELTIF with an answer within one month.

Or. en

Amendment 37

Proposal for a regulation
Article 5 – paragraph 2 – subparagraph 1 – point b

Text proposed by the Commission	*Amendment*
(b) the EU AIFM does not comply with Directive 2011/61/EU;	(b) the EU AIFM does not comply with Directive 2011/61/EU***, as established in cooperation with the competent authority of the ELTIF manager in accordance with the second subparagraph of Article 4(2) and with the supervisory cooperation arrangements laid down in Directive 2011/61/EU***;

Or. en

Amendment 38

Proposal for a regulation
Article 5 – paragraph 2 – subparagraph 1 – point c

Text proposed by the Commission	*Amendment*
(c) the EU AIFM is not authorised by its competent authority to manage AIFs that include funds of the type covered in this Regulation;	(c) the EU AIFM is not authorised by its competent authority to manage AIFs that include funds of the type covered in this Regulation***, as established in cooperation with the competent authority of the***

	ELTIF manager in accordance with the second subparagraph of Article 4(2) ;

Or. en

Amendment 39

Proposal for a regulation
Article 5 – paragraph 3

Text proposed by the Commission	*Amendment*
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.	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. The refusal shall apply in all Members States.***

Or. en

Amendment 40

Proposal for a regulation
Article 8 – paragraph 1 – introductory part

Text proposed by the Commission	*Amendment*
1. An ELTIF shall only invest in the following categories of assets and only under the conditions specified in this Regulation:	1. ***In accordance with the objectives of a smart, sustainable and inclusive growth,*** an ELTIF shall only invest in the following categories of assets and only under the conditions specified in this Regulation:

Or. en

Amendment 41

Proposal for a regulation
Article 9 – paragraph 1 a (new)

Text proposed by the Commission	*Amendment*
	In accordance with the objectives of a smart, sustainable and inclusive growth or within the Union regional policy, projects financed by a public private partnership shall be granted priority by the competent authorities when examining an application.

Or. en

Amendment 42

Proposal for a regulation
Article 10 – paragraph 1 – point b a (new)

Text proposed by the Commission	*Amendment*
	(ba) it is admitted to trading on a regulated market or on a multilateral trading facility and is considered to be an SME in accordance with Article 2(1) of the Annex to Commission Recommendation 223/361/EC[18a]; __________________ ***[18a] Commission Recommendation of 6 May 2003 concerning the definition of micro, small and medium-sized enterprises (L 124, 20.5.2003, p. 36).***

Or. en

Amendment 43

Proposal for a regulation
Article 10 – paragraph 2

Text proposed by the Commission	*Amendment*
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.	2. By way of derogation from paragraph 1(a) of this Article, a qualifying portfolio undertaking may be a financial undertaking that***, in accordance with the objectives of a smart, sustainable and inclusive growth,*** exclusively finances qualifying portfolio undertakings referred to in paragraph 1 of this Article or real assets referred to in Article 9.

Or. en

Amendment 44

Proposal for a regulation
Article 14 – paragraph 1 – point d

Text proposed by the Commission	*Amendment*
(d) it does not hinder the realisation of any asset held in the portfolio of the ELTIF;	***deleted***

Or. en

Amendment 45

Proposal for a regulation
Article 14 – paragraph 1 – point e

Text proposed by the Commission	*Amendment*
(e) it does not encumber the assets held in the portfolio of the ELTIF.	***deleted***

Or. en

Amendment 46

Proposal for a regulation
Article 14 – paragraph 1 a (new)

Text proposed by the Commission	*Amendment*
	The ELTIF manager shall inform the investors in advance about future borrowing needs that arise within the investment strategy.

Or. en

Amendment 47

Proposal for a regulation
Article 14 – paragraph 1 – point e a (new)

Text proposed by the Commission	*Amendment*
	(ea) it encumbers the assets that represent no more than 30 % of the capital of the ELTIF.

Or. en

Amendment 48

Proposal for a regulation
Article 15 – paragraph 1 – point c

Text proposed by the Commission	*Amendment*
(c) be temporarily suspended where the ELTIF raises additional capital, 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***, in particular in the case of an infrastructure investment***.

Or. en

Amendment 49

Proposal for a regulation
Article 16 – paragraph 1 – subparagraph 2

Text proposed by the Commission	*Amendment*
The end of life of the ELTIF shall be clearly indicated as a specific date in the ELTIF rules or instruments of incorporation and disclosed to investors.	The end of life of the ELTIF shall be clearly indicated as a specific date in the ELTIF rules or instruments of incorporation and disclosed to investors. ***In the case of exceptional circumstances, the manager of the ELTIF may decide to extend or reduce the life cycle of the ELTIF, to take into account the life cycles of different projects as well as the variation in terms of profitability among projects. The manager shall inform investors of the new end of life date upon such a decision being taken and in good time before that date.***

Or. en

Amendment 50

Proposal for a regulation
Article 16 – paragraph 1 – subparagraph 3

Text proposed by the Commission	*Amendment*
The 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.	The ELTIF rules or instruments of incorporation and disclosures to investors shall lay down the procedures for redemption and disposal of assets***, establish under which exceptional circumstances the life cycle of the ELTIF may be reduced or extended*** and state clearly that redemption to investors shall commence on the day following the date defining the end of life of the ELTIF. ***The rules or instruments of incorporation may also include a provision specifying under which conditions redemption before the end of the life of the ELTIF is permitted only for retail investors, such as possible***

	initial lock-up period, notification requirements, notification periods, the frequency of the exercise of the redemption rights. In such cases, ESMA and the competent authority of the ELTIF shall be notified regarding the specific provisions.

Or. en

Amendment 51

Proposal for a regulation
Article 21 – paragraph 3 – point e

Text proposed by the Commission	*Amendment*
(e) any other information considered by the competent authorities to be relevant for the purpose of paragraph 2.	***deleted***

Or. en

Amendment 52

Proposal for a regulation
Article 21 – paragraph 4 – subparagraph 2 – point d

Text proposed by the Commission	*Amendment*
(d) state that investors shall have no right to redeem their investment until the end of the life of the ELTIF;	(d) state that ***professional*** investors shall have no right to redeem their investment until the end of the life of the ELTIF;

Or. en

Amendment 53

Proposal for a regulation
Article 21 – paragraph 4 – subparagraph 2 – point d a (new)

Text proposed by the Commission	Amendment
	(da) state under which conditions redemption before the end of the life of the ELTIF is permitted for retail investors;

Or. en

Amendment 54

Proposal for a regulation
Article 21 – paragraph 4 – subparagraph 2 – point f a (new)

Text proposed by the Commission	Amendment
	(fa) inform investors about the strategy for qualifying unlisted companies to be admitted to trading in regulated markets;

Or. en

Amendment 55

Proposal for a regulation
Article 30 – paragraph 1 – point a

Text proposed by the Commission	Amendment
(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;***	(a) the impact of the provision in Article 16(1) that excludes ***professional*** investors from redeeming their units or shares before the end of life of the ELTIF.

Or. en

Amendment 56

Proposal for a regulation
Article 30 – paragraph 1 – point b

Text proposed by the Commission	*Amendment*
(b) 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;	(b) 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 ***professional*** investors be exempted from the prohibition on redeeming their units before the end of life of the ELTIF ***in specific cases***;

Or. en

Amendment 57

Proposal for a regulation
Article 30 – paragraph 1 – point c a (new)

Text proposed by the Commission	*Amendment*
	(ca) the extent to which the list of eligible assets and investments should be updated, as well as the diversification rules, portfolio composition and limits regarding the borrowing of cash;

Or. en

EXPLANATORY STATEMENT

The Rapporteur welcomes the Commission's proposal, to create a safe European regulatory framework for long term investments into companies and projects, given Europe's large-scale, capital needs for projects related to infrastructure, transport, energy, real estate development and SMEs. She believes that such an investment framework will constitute a valuable tool towards increasing available capital that has the potential to enhance the cross-border financing of the real economy in the EU and contribute to growth, competitiveness and cohesion, in line with the Europe 2020 objectives.

Current environment

Both savers and investors are currently experiencing high degrees of uncertainty, risk aversion and lack of confidence as a result of the weak macroeconomic situation and outlook. This may have lasting effects, creating more permanent barriers to the supply long-term financing, as well as affecting demand. Moreover, **many businesses, particularly SMEs, and projects are still facing severe difficulties in acquiring adequate finance from the banking system, which clearly illustrates the need for alternative sources of funding**. In March 2013 the Commission presented a Green Paper on the Long-term Financing of the European economy, highlighting that private investments in the E.U. during 2011 were far below the 2007 level, exceeding by 400% the drop of real G.D.P. within the same period. At the same time disparities and barriers related to Foreign Direct Investments inflows remain substantial across Member States. Furthermore, the European investment environment is characterized by the fiscal constraints that Member States face and the pressure on public investments, particularly countries of Southern Europe, the inability of the financial sector to channel savings to investment needs, the higher concentration of bank activities in home markets and the reduction of cross-border activities and investment imbalances across countries indicated by my initiative report on "the attractiveness of investing in Europe". On the other side, the life insurance sector seeks new funding sources in order to address potential shortfalls in the provision of services and benefits to the increasingly ageing population. At the same time citizens are looking for new sources of future income while there is a shift to new lending structures beyond the bank intermediation, aiming at overcoming the insecurity of pension systems. In this context, this legislative proposal addresses the significant gap that Europe currently faces in financing long-term investments, while investors and private institutions show increased interest for exploiting new sources of funding and risk.

According to the OECD, currently, pension funds, insurers, mutual funds and sovereign wealth funds hold more than USD 80 trillion in assets. Pension funds alone managed over USD 20 trillion in assets as of the end of 2012, with a net annual inflow of savings of over $1 trillion. But only 1% of those assets were invested in infrastructure projects, with an even smaller fraction in clean energy projects. According to the Commission, an estimated €1 500 to €2 000 billion will be needed to finance infrastructure project needs alone in Europe up to 2020 which indicates a need for large-scale financing.

In November 2012, the G20 called upon the Financial Stability Board (FSB) to make an initial assessment of factors likely to inhibit effective long-term investment financing in order to stimulate strong growth and jobs. At the G20 Summit in September 2013[1] the OECD Taskforce presented the High-Level Principles of Long-Term Investment Financing by Institutional Investors, setting out the preconditions to long-term investment, such as the need for stable macroeconomic conditions, a clear and transparent government plan for projects, as well as opportunities for private sector involvement via public procurement and public-private partnerships investment. The "Principles" also address specific policy actions, including: better incentives to mobilise higher levels of long-term savings, stronger governance of institutional investors to provide the right incentives for the adoption of a long-term perspectives and the management of often illiquid assets, tax and regulatory framework that reflects the particular risk characteristics of the investments, promotes long-term strategies and reduces barriers as well as adequate consumer information and education regarding the advantages of long-term saving.

European Added value

Therefore, the Rapporteur believes that a new funding vehicle functioning as a pool at European level, for raising capital for long term investments and enhancing access to finance for **SMEs**, should be at the heart of EU challenges. It is evident that this new funding mechanism should primarily meet the challenge of defining instruments that will bring added value to the European efforts for mobilizing capital resources for investments with economic, social and environmental return. Added value could be achieved not only by attracting more investments in E.U. but also by balancing existing disparities between Member States in terms of liquidity inflows. Furthermore, such a mechanism should address the lack of cross-border funding at European level, constituting a capital pool for long term investments and offering economies of scale and increased confidence. At the moment, relevant funds and incentives exist only in a few member states, investment opportunities are exploited only by large investors and regulatory fragmentation hampers the Single Market. The Commission's impact assessment sets out in great detail these inconsistencies in long-term fund regimes in Germany, UK, France, Ireland, Netherlands, Italy and Luxembourg. According to the Commission there is no agreed set of cross-border standards for what long-term assets and investments are, for whom they may be suitable and for how they function. Hence, it is clear that a fund such as ELTIF should capitalize all benefits deriving from the Single Market, given the increased competition by developing economies in attracting investments.

Current E.U. framework

The Rapporteur states that the ELTIF mechanism, founded on the key objective of the Single Market Act for boosting long-term investments in the real economy, should capitalize all available conclusions derived from existing instruments and frameworks such as UCITS or the AIFM Directive, complementing the Regulations on European Venture Capital Funds (EuVECA) and the European Social Entrepreneurship Funds (EuSEF) for the financing of the European economy. Currently, EU investment fund markets are dominated by funds operating under the UCITS (Undertakings in Collective Investments in Transferable Securities) Directive, first introduced in 1985. UCITS assets under management have now reached €6,697 billion. Given that the UCITS Directive contains a set of product rules which are used

[1] http://www.oecd.org/g20/meetings/saint-petersburg/leaders-endorse-new-g20oecd-principles-on-long-term-investment-financing.htm

by investment funds available to retail investors, but is focused on transferable securities for the purposes of ensuring adequate liquidity is available to support redemptions on demand, **UCITS are not able to contribute to the funding of patient capital commitments to infrastructure and other projects**. Moreover, recently, specific cross-border marketing frameworks for venture capital (EuVECA) and social business (EuSEF) have been designed, but both regulations set the minimum investment at €100 000 and hence these two types of funds are targeted at a very different set of more specialist investors who may be interested in investing, for example, in highly risky start-ups. The proposal on long-term investment funds (ELTIF) is an attempt to build on these new fund passports for alternative asset classes and allow cross-border fund-raising for collective investment schemes that invest in a much broader range of so-called 'long-term' assets. ELTIF has the potential, over the years, to develop into a second EU pass-porting scheme that is based on risk spreading and rigorous product requirements. Although the expectation is that mid-tier pension schemes, insurance companies, charities and foundations will initially form the core investor base for ELTIFs, although it is also suitable for retail investors.

Main points of the rapporteur's proposal

The Rapporteur shares the Commission's view that it is appropriate to address the issue with a **Regulation**, rather than a Directive, given that the establishment of ELTIFs does not replace existing national instruments but acts as a complementary mechanism at EU level which will operate cross-border and take advantage of ensuing economies of scale.

The Rapporteur believes that a **safe and attractive framework** is necessary for creating a "label" (ELTIFs) that can be easily understood and trusted by investors. Although, the majority of the capital is expected to be injected by professional investors, the Rapporteur supports the Commission's argument of **involving retail investors in ELTIFs** provided that ELTIFs are subject to a set of consumer protection rules, such as diversification requirements, limited leverage, a ban on short-selling and so on. In this context, the Rapporteur believes that the **banking system** can effectively contribute to effectively promoting ELTIFs to investors and clients.

In order though to achieve higher leverage, offer incentives and align interests of different groups of investors the Rapporteur acknowledges the fact that ELTIFs can invest up to a maximum threshold of 30 % of their capital in listed companies, but believes that **investments in listed SMEs should also be included in the eligible assets**.

The Rapporteur also stresses the possibility of **attracting investors from third countries** as they can contribute with valuable capital to fund large-scale projects in the EU, particularly due to the urgent need for economic recovery in Europe. Although the Regulation aims to mainly attract European private investors and capital available in the Union, promoting ELTIFs additionally to foreign investors should be seen as a long term objective with numerous benefits.

In this context, it is clear that the establishment of such a vehicle should be founded on **similar and coordinated incentives** for the potential investors that will encourage the attraction of specific large or small investor groups such as retail investors or will address the investment imbalances among Member States. The Rapporteur also believes that the Member

States should work towards the direction of taxing ELTIFs and investors fairly while at the same time providing incentives such lower taxation or further contribution through state guarantees particularly for socially and environmentally oriented investments. The Rapporteur also calls the Commission to explore possible incentives, which could be given to insurance companies within the ELTIF framework, related to the requirements set by the Solvency II Directive.

The Rapporteur believes that the focus on long-term investment should be maintained in order to achieve the objective of financing large investments such as infrastructure projects and the growth of SMEs. In order to attract a variety of investors (retail, semi-professional and institutional), the Rappporteur supports that there should be **opportunities for redemption before the end of the life cycle in specific cases**. Such cases should either be defined through the fund itself or be subject to specific requirements (e.g. possible initial lock-up period, notification requirements, notification periods, the frequency of the exercise of the redemption rights)

Regarding the **life cycle** the Rapporteur believes that although it should be defined as a specific date, under exceptional circumstances it could be extended or reduced to allow for more flexibility, in case, for instance, a project is completed later or earlier than expected.

Finally, the Rapporteur stresses the importance of **supporting the role and responsibilities of ELTIF managers**, as proposed by the Commission, in order to define the date of the end of the ELTIF life cycle, provide all necessary information to investors about the investment strategy and all the transparency aspects.

Conclusion

In the current European context, it is crucial to define an innovative, attractive, efficient, operational framework for a mechanism that can address the increased needs for the sustainability of SMEs and the funding of infrastructures. Addressing the long term investment challenges that Europe is facing represents a promising element for fully utilizing existing capital and assets, enhancing growth, employment and competitiveness and achieving a sustainable economic recovery.