

## ICI Global Position Paper on the Review of the European Long Term Investment Fund Regulation

A well-designed framework for European Long Term Investment Funds (ELTIFs) will support the delivery of the Capital Markets Union by boosting finance to businesses, revitalising European economies and better equipping European citizens to reach their savings goals. ICI Global<sup>1</sup> supports reforms to enhance the attractiveness of ELTIFs for retail investors.

### Enhance retail investor access to ELTIFs

We strongly support the European Commission's proposals to:

- align the suitability and appropriateness requirements for ELTIFs with MIFID II;
- remove the minimum subscription thresholds and portfolio limits for lower net worth retail investors; and
- introduce flexibility for ELTIF managers to offer redemptions during an ELTIF's life.

European policymakers should pursue the following additional reforms to better support the cross-border distribution of ELTIFs to retail investors:

- **Ensure EU investors have access to a broad range of ELTIFs and can obtain the right investment advice** by improving the consistency in the application of the inducements framework under MiFID, including clarifying the treatment of distribution related fees. <sup>2</sup>
- **Better reflect the different ways in which investors might use ELTIFs and ensure investors are not prevented from accessing ELTIFs that may contribute positively to their overall portfolio.** This can be accomplished by clarifying the product governance obligations of fund managers and distributors and limiting fund managers' target market assessments to only complex ELTIFs sold on an execution-only basis.

European policymakers should also take forward the recommendations of the CMU High-Level Forum to clarify and simplify withholding tax procedures to enhance the after-tax value of ELTIFs for retail investors (e.g., through initiatives such as TRACE).

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<sup>1</sup> [ICI Global](#) carries out the international work of the [Investment Company Institute](#), the leading association representing regulated funds globally. ICI's membership includes regulated funds publicly offered to investors in jurisdictions worldwide, with total assets of \$41.6 trillion. ICI seeks to encourage adherence to high ethical standards, promote public understanding, and otherwise advance the interests of regulated investment funds, their managers, and investors. ICI Global has offices in London, Brussels, Hong Kong, and Washington, DC.

<sup>2</sup> See p6 of our response to the European Commission's Retail Investment Strategy consultation for a more detailed discussion of our recommendations, ("Retail Investment Strategy Response") available at <https://www.ici.org/system/files/2021-08/rifsfinal.pdf>

## Maximise investor choice of ELTIFs

European policymakers should pursue the following additional reforms to enhance the cross-border distribution of ELTIFs and reduce burdens and delays for ELTIF managers:

- **Enable the marketing passport for retail ELTIFs to be obtained through a single filing**, akin to the MiFID services passport and the approach for EuVECA and EuSEF using ESMA's new database of retail funds as a single filing "hub".
- **Develop a pan-European marketing regime for retail ELTIFs** to address divergent Member State approaches for overseeing marketing communications (e.g., financial promotions) and building on the recent cross-border fund distribution reforms.<sup>3</sup>

## Improve the subscription process for retail investors

European policymakers should pursue the following additional reforms to improve the process for retail investors when subscribing to an ELTIF:<sup>4</sup>

- Ensure retail investors receive the right vital information before buying an ELTIF by:
  - completing reforms to the PRIIPs KID, including introducing past investment performance information and revised transaction costs calculations; and
  - replacing the patchwork of cost categories in existing disclosures with a unified categorisation that is used across all investor disclosures and splits out distribution and management costs.
- Adapt disclosure requirements to accommodate and encourage the use of digital technology (e.g., virtual advice, online accounts/mobile apps), building on efforts in the MiFID quick fix and EIOPA's work on the digital delivery of the PEPP KID.

## Enhancing operating conditions and reducing administrative burdens of ELTIF managers

We support the European Commission's proposals to clarify that ELTIF managers are not required to establish physical investor facilities in host Member States. European policymakers should also pursue the following reforms:

- Introduce a pre-marketing framework for retail ELTIFs akin to EuVECAs and EUSEFs;
- Harmonize NCAs' authorisation processes for retail cross-border ELTIFs (e.g., through ESMA identifying good/best practice) to eliminate divergence in Member State approaches to the interpretation of investment terms and other restrictions; and
- Ensure the attractiveness of master/feeder structures by adopting a similar framework to UCITS.

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<sup>3</sup> See p7 of our Retail Investment Strategy Response for a more detailed discussion of our recommendations.

<sup>4</sup> See our response to ESMA's Call for Evidence on the European Commission Mandate on Certain Aspects relating to Retail Investor Protection for a more detailed discussion of our recommendations, available at <https://www.ici.org/system/files/2022-03/34000a.pdf>