BF BETTER FINANCE
The European Federation of Investors and Financial Services Users
Fédération Européenne des Épargnants et Usagers des Services Financiers

**PRESS RELEASE**

# Ensure a Level Playing Field for ELTIFs to Take Off

16 December 2020 – With merely 22 active funds, of which just a handful are marketed and distributed to individual, non-professional ("retail") investors, the EU Long-Term Investment Funds (ELTIF) market is still struggling to develop more than five years after the adoption of its Regulation.[1] The uptake of ELTIFs by investors is hampered by similar but more attractive domestic labels, a lack of public promotion, a shortage of "affluent" investors and more stringent investment rules compared to other funds of the same type.

A research and policy report by BETTER FINANCE into the underdeveloped EU market for long-term investment funds set out to identify what deterred investors from pooling capital into this safe, long-term investment vehicle. The report gathers views from BETTER FINANCE's members and evidence from desk research on what hampered the development of the ELTIF market and what can be done to ensure that this fund label also turns into a success story, like the UCITS.[2]

The ELTIF was created to address the lack of available financing for private equity, infrastructure, or sustainable projects (such as renewable energy, climate change or eco-friendly technologies). Such projects, by their nature, are far less liquid than other investments and require large-scale financing and "patient capital" (long-term commitments). Creating a safe vehicle for investments in riskier, illiquid assets at EU level is very difficult, especially since some national laws "compete" with each other through various types of tax-incentivised private equity funds.

Besides the challenges of setting up such a vehicle, another factor affecting the development of the ELTIF market is simply the lack of an "affluent "retail investor base, due to low financial literacy, awareness and trust in capital markets . Finally, the more stringent investment rules for ELTIFs, and the lack of tax incentives, can deter even asset managers from setting up such long-term funds.

Among other recommendations in its report, BETTER FINANCE pleads for granting ELTIFs the most favourable tax regime for "retail" investment products investing in illiquid assets across the EU and making listed small cap equity an eligible asset class. A swift follow-up to the Recommendations of the Final Report of the High-Level Forum on the Future of the Capital Markets Union pertaining to ELTIFs is also key.

Guillaume Prache, Managing Director of BETTER FINANCE, states that "*unfortunately, this EU label faces uneven competition from domestic products at national level, putting cross-border investments at a disadvantage and holding back the creation of a true internal market for capital and financial services. EU Member States must – at the very least – not hamper the uptake of EU-regulated investment vehicles, such as the ELTIF, and grant them the same treatment*".

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[1] Regulation (EU) 2015/760 on European long-term investment funds, see https://ec.europa.eu/info/law/european-long-term-investment-funds-eltifs-regulation-eu-2015-760/law-details_en.

[2] UCITS is the acronym for Undertaking for Collective Investment in Transferable Securities and represents the "EU name" for mutual investment funds.