France Invest
Association des investisseurs pour la croissance

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France Invest's comments on the European Commission's Inception Impact Assessment on ELTIF review

Established nearly 40 years ago, France Invest brings together venture capital, private equity, infrastructure and private debt teams based in France, as well as the associated professions which support them. Its membership currently counts 340 management firms and 170 associate members.

Private equity supports unlisted companies for a fixed period of time and provides them with the equity capital, through the acquisition of minority or majority stakes in their capital, needed to finance growth and transformation projects. It supports the creation of start-ups (venture capital), participates in the growth and transformation of many regional SMEs and mid-caps (growth capital) and contributes to the transfer of companies (replacement capital).

France Invest's members represent one of the main growth drivers for the French and European economy and support a significant portion of employment in France and Europe. In 2019, its members raised 41 bn EUR to finance companies, both through equity and debt, and infrastructure projects, over the coming 5 years. French private equity is no1 in the EU27 in terms of funds raised, capital invested, and number of companies funded. About half of the funds raised by French private equity players come from abroad, and European companies, in particular start-ups and SMEs, are the main recipients of their investments. In 2018, companies backed by French private equity created 75,000 jobs.

At the time, France Invest supported the creation of ELTIF, as our members saw it as an opportunity to encourage investors to commit their capital for the long term. Indeed, **private equity is a long-term investment**: the average length of an investment into companies (the "holding period") is around 6 years.

However, we believe that ELTIF has not fulfilled its ambitions and therefore welcome the Commission's proposal for a Regulation amending Regulation (EU) 2015/760 of the European Parliament and of the Council of 29 April 2015 on European long-term investment funds.

France Invest strongly supports the Commission's general objective to foster investments in companies and long-term investment projects. We agree that effective tools are needed to channel savings towards long term investments and concur with the Commission's assessment that the enhancement of the ELTIF vehicle will contribute to smart, sustainable and inclusive growth. Moreover, we share the Commission's assessment of the reasons as to why the ELTIF market has not developed to a larger scale.

We agree with the Commission that limitations on the supply side should be removed and, more specifically, that « financial undertakings » should be included in the assets eligible to ELTIF.

Indeed, the fact that they cannot fulfil structural obligations related to the financing of projects, such as infrastructure projects, is a strong hindrance to the development of ELTIF.

In addition, we believe that the development of ELTIF was hampered by the **lack of clarity regarding key concepts** such as eligible investments (“real assets”) and the of the notion of “benefitting the European economy”.

France Invest is open to the Commission’s proposal to reduce the demand side barriers to investment in ELTIF impacting retail and institutional investors. **We are not against the participation from a wider range of investors and, in particular, the lowering of the minimum entry ticket for retail investors, provided this does not imply overly burdensome obligations**.

In addition, **we call for prudential requirements applicable to institutional investors (e.g. pension funds and insurance companies) to be made appropriate to ELTIF’s long-term equity investment horizon**. In other words, we are of the opinion that no institutional investor should be disincentivised to invest in a ELTIF vehicle due to its long-term nature.

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