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France Invest's comments on the European Commission's proposals in relation to the draft RTS under revised ELTIF Regulation

France Invest warmly welcomes the much-needed improvements introduced in the revised European Long Term Investment Fund (ELTIF) Regulation. The new framework will represent an opportunity for our members, venture capital and private equity (VC/PE) players, to use this label and offer their products more widely to both professional and retail investors throughout the EU. Their expectations are high as this new framework has the potential to both facilitate investments in companies and long-term investment projects, thus fostering smart, sustainable and inclusive growth, and encourage retail participation to capital markets. It is of the utmost importance that the development of the delegated acts provided for in the ELTIF Regulation is carefully thought through, so that the benefits of the advances introduced at level 1 are not undermined at level 2.

We would like to thank the Commission for the opportunity to comment on its amendment proposals to ESMA final report. **We strongly support that the different forms of ELTIFs - i.e traditional long-term closed-ended funds with no redemption rights and evergreen semi-liquid structures with rolling subscriptions and redemptions - are taken into account**.

The Commission's proposals include much welcome improvements to ESMA's final report and will certainly contribute to the successful implementation of the ELTIF Regulation. In order to go one step further, we would suggest some additional amendments. In particular, we propose to replace options 2 and 3 of Annex 1 with a general principle making it possible to calibrate the maximum amount of redemptions on an aggregate basis of up to 3 months of redemption frequency.

Comments on article 1

We do not have any specific comment on the Commission's proposals, which seem helpful.

Comments on article 2

The Commission does not offer any amendments to article 2. We would however suggest:
- further clarifying some of the criteria listed in the draft RTS;
- setting out an exhaustive list of criteria;
- specifying that the criteria to be taken into account are not cumulative;
- removing "at least all of".

Comments on article 3

We fully support the removal of a minimum holding period. We agree that it should be the responsibility of the AIFM to determine the relevance and length of any minimum holding period, on a case-by-case basis, depending on the fund's specificities.

We welcome that the ELTIF manager should be able to justify to the competent authority of the ELTIF the appropriateness of the duration or the minimum holding period only upon request by the latter.

In addition to these much welcome amendments, we would suggest:
- Clarifying that these criteria are not cumulative and do not have to be all considered and removing "at least all of".
- Removing any link between minimum holding period on one hand and valuation procedures and the redemption policy of the fund on the other hand. Indeed, we do not understand to what extent those criteria would influence the length of the minimum holding period or vice versa.

Comments on article 4

We support the amendments proposed by the Commission, in particular the rewording of letter f of paragraph 1 and the removal of:
- paragraph 2;
- the obligation for the ELTIF manager to provide the competent authority of the ELTIF throughout the life of the ELTIF with updated information on the valuation of assets (paragraph 3).

In addition to these much welcome amendments, we would suggest:
- Removing "any other information considered necessary by the competent authority". We believe that the provision of information to the national competent authorities should be harmonized throughout the EU and that their requests for information should be clearly and explicitly set out in the RTS;
- Adding "if relevant", as the requirement to provide the national competent authority with "a description of the procedures used to prevent redemptions causing dilution effects for investors" is not very clear and not always appropriate in all circumstances.

Comments on article 5

As a general comment, we strongly support that the different forms of ELTIFs - i.e traditional long-term closed-ended funds with no redemption rights and evergreen semi-liquid structures with rolling subscriptions and redemptions - are taken into account.

- Paragraph 1

We welcome the flexibility allowed to make the redemption policy available on the manager's website.

However, in addition, a clear distinction should be made between information provided to retail investors and information provided to professional investors. To this end, we suggest specifying that the elements are not required in a prescriptive manner (as the elements listed are those expected in relation to open ended funds).

- Paragraph 4a

We welcome that ELTIFs whose redemption frequency is over 3 months do not have to justify the appropriateness of the redemption policy to the competent authority.

- Paragraphs 5 and 5a

We strongly support the removal of the requirement for a justification of the length of the notice period (NB: the ELTIF manager has to justify a notice period shorter than 3 months). Indeed, the notice period is one liquidity management tool among others, the relevance of which should be determined at the discretion of the manager on a case-by-case basis (it might not be necessary in all instances, in particular when it is not consistent with regulatory restrictions applicable to the investors of the ELTIF or in the case of closed ended ELTIFs).

- Paragraph 6

We agree that the maximum percentage of liquid assets shall be calibrated at the discretion of the ELTIF manager and welcome the flexibility offered by the different options proposed by the Commission.

- « as the case can be, is to be assessed on a forecasted basis for a period of 12 months » should be clarified. We suggest adding as an alternative the minimum pocket of liquid assets set out in the prospectus.
- The options set out in annex I and annex II could at first glance appear as more complex than EMAS's proposal, especially the 3 options set out in annex I. We suggest simplifying the wording of annex I by explaining the principle of appreciating the maximum of article 18. 2 d) on an aggregate basis. We would also welcome that such aggregate basis principle could be extended to ELTIFs where the redemption frequency is equal to or less than three months.
- We also draw your attention on the removal of the paragraph (under the table) which provides for a principle of recovery in case of breach: "Where the amount of liquid assets of the ELTIF breaches the requirements set out in the first subparagraph, the ELTIF manager shall, within an appropriate period of time, take such measures as are necessary to reconstitute the minimum percentage of the liquid assets, taking due account of the interests of the investors in the ELTIF." This paragraph should be maintained at least for the functioning of the option proposed in annex II.

France Invest would like to propose the following amendments to the Commission's proposals (see also our amendment proposal of Annex I of the RTS):

> The maximum percentage referred to in Article 18(2), first subparagraph, point (d), of Regulation (EU) 2015/760 shall be an integral part of the redemption policy of the ELTIF and shall be calibrated at the discretion of the manager of the ELTIF based upon either:
> (a) the redemption frequency and the extended notice period of the ELTIF, in accordance with either option 1, **which sets out an exact maximum percentage for each redemption frequency**, or option 2, **where the maximum percentage is determined on an aggregate basis over several redemption periods, ~~or option 3~~** as set out in Annex I, or
> (b) the redemption frequency and the minimum percentage of liquid assets referred to in Article 9(1), point (b) as set out in Annex II.
>
> **Where the amount of liquid assets of the ELTIF breaches the requirements set out in the first subparagraph, the ELTIF manager shall, within an appropriate period of time, take such measures as are necessary to reconstitute the minimum percentage of the liquid assets, taking due account of the interests of the investors in the ELTIF.**
>
> The maximum percentage referred to in Article 18(2), first subparagraph, point (d), of Regulation (EU) 2015/760 of the ELTIF set out in Annex I or Annex II to this Regulation, as the case can be, is to be assessed on a forecasted basis for a period of 12 months.
>
> Where the notice period is less than 3 months, the manager of the ELTIF shall provide the competent authority of the ELTIF with a how that notice period is consistent with the individual features of the ELTIF and the interest of investors of the ELTIF.

- Paragraph 7

We welcome the flexibility introduced regarding the selection and implementation of an anti-dilution liquidity management tool.

- Paragraphs 8 and 9

We welcome the removal of paragraphs 8 (redemption gates) and 9 (activation and de-ativation of liquidity management tools).

Comments on article 6

We do not have any specific comments on article 6. The Commission's amendment proposals ensure consistency.

Comments on article 12

We welcome the removal of:
- the obligation to express the costs, management fees and distribution costs as a percentage of the capital of the ELTIF.
- details on the calculation of the overall costs.
- paragraphs 12 and 13.

Comments on article 13

We welcome that the rules will be applicable 2 days after their publication in the Official Journal.

About France Invest

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 roughly 400 management firms and 180 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 2023, French private equity and infrastructure players invested €31 billion in 2,700 companies and infrastructure projects. They raised €33 billion from investors, half of which abroad (just under one third at EU level excluding France), which will be invested over the next 5 years[1]. In addition to that, in 2023, private debt players (structures financing companies and infrastructure projects) invested €14 billion in 387 transactions and raised €10 billion that will finance new transactions in the coming years[2]. European companies, in particular start-ups and SMEs, are the main recipients of our members' investments. Over the 2017- 2022 period, over 330 000 jobs were created in companies backed by French venture capital and private equity[3].

In particular, during the pandemic, the venture capital and private equity industry has demonstrated its adaptability, supporting existing portfolio companies as and when needed, while continuing to invest in new businesses that require capital and operational expertise to grow.

[1] https://www.franceinvest.eu/activite-du-capital-investissement-francais-en-2023/
[2] https://www.franceinvest.eu/activite-des-fonds-de-dette-privee-en-france-en-2023/
[3] https://www.franceinvest.eu/croissance-et-creation-demplois/

Annex I
Determination of the maximum percentage referred to in Article 18(2), first subparagraph, point (d) of Regulation (EU) 2015/760 as function of the redemption frequency and the extended notice period of the ELTIF

Option 1: Baseline option

Notice period/ Redemption frequency	No Notice period	2 weeks notice period	1 month notice period	3 months notice period	6 months notice period	9 months notice period	12 months notice period
12 months	100%	100%	100%	100%	100%	100%	100%
6 months	50%	52,2%	54,5%	66,7%	100%	100%	100%
3 months	25%	26,1%	27,3%	33,3%	50%	100%	100%
2 months	16,7%	17,4%	18,2%	22,2%	33,3%	66,7%	100%
1 month	8,3%	8,7%	9,1%	11,1%	16,7%	33,3%	100%
Bi-weekly	4,2%	4,3%	4,5%	5,6%	8,3%	16,7%	100%
Weekly	1,9%	2,0%	2,1%	2,6%	3,8%	7,7%	100%

Option 2: Aggregation ~~**on a one month basis**~~ **of the percentage of redemption on a one, two or three month basis if the redemption frequency is respectively equal or more frequent than one, two or three months**

The manager chooses one of the following aggregate bases.

Notice period/ Redemption frequency	No Notice period	2 week notice period	1 month notice period	3 month notice period	6 month notice period	9 month notice period	12 month notice period
3 months or more frequent than 3 months	**On an aggregate basis, over 3 months:** 25%	**On an aggregate basis, over 3 months:** 26,1%	**On an aggregate basis, over 3** months: 27,3%	**On an aggregate basis, over 3 months:** 33,3%	**On an aggregate basis, over 3 months**: 50%	**On an aggregate basis, over 3 months**: 100%	**On an aggregate basis, over 3 months**: 100%
2 months or more frequent than 2 months	**On an aggregate basis, over 2 months:** 16,7%	**On an aggregate basis, over 2 months:** 17,4%	**On an aggregate basis, over 2 months:** 18,2%	**On an aggregate basis, over 2 months:** 22,2%	**On an aggregate basis, over 2 months:** 33,3%	**On an aggregate basis, over 2 months:** 66,7%	**On an aggregate basis, over 2 months:** 100%
1 month or more frequent than 1 month	On an aggregate basis, over 1 month: 8,3%	On an aggregate basis, over 1 month: 8,7%	On an aggregate basis, over 1 month: 9,1%	On an aggregate basis, over 1 month: 11,1%	On an aggregate basis, over 1 month: 16,7%	On an aggregate basis, over 1 month: 33,3%	On an aggregate basis, over 1 month: 100%

~~**Option 3 – Aggregation on a two months basis**~~