

European Commission
BRUXELLES

Milan, 25 March 2022

The reform of ELTIF Regulation plays an important role, given that ELTIFs didn't spread as expected.

We warmly welcomed the innovations set forth by the remarkable "Proposal for a regulation" and we bring to your attention some additional proposals.

The current Regulation provides for a quite lengthy and complex authorisation process (i.e. two months plus suspension periods, if any) and this could be one of the main reasons that prevent asset managers from establishing ELTIFs, especially when compared to the timing required to establish an AIF. In this respect, the innovation facilitates the authorisation of the ELTIF and streamline the separation between provisions that address the authorisation of the ELTIF and those relating to the authorisation of the AIFM. It would be also worth reducing the timing for the authorisation in order to improve the competitiveness of ELTIFs (e.g. one month instead of two months).

The Proposal broadens the scope of eligible investment assets in a manner that is both suitable for the optimal execution of investment strategies by ELTIF managers and consistent with the goal of long-term sustainable growth. In this respect, we would suggest some additional changes aimed at further improve the effectiveness vis-à-vis SMEs.

We would suggest including among the eligible investment assets all forms of 'credit' (i.e. "loan origination", "loan participation", or "loan restructuring"). In addition to loans granted by the ELTIF it would be useful to include existing loans originated by third parties and receivables, as from a pay-off perspective, all these activities are aimed at providing credits to SMEs. For example, please consider that the long-term of the ELTIFs may be used to extend the duration of existing loans moving the relevant underlying towards patient capital. Please also consider that has been noted a significant interest from institutional investors in the market of commercial receivables of SMEs. This mechanism provides liquidity to the undertakings against the sale of the commercial receivables instead of seeking financing.

It would be useful to include within the list of eligible investment assets participations, debt instruments in qualifying portfolio undertakings, loans provided to them both in the form of loan participation and loan origination and receivables (of which the qualifying portfolio undertaking is a creditor).

It was very much appreciated that the Proposal sets out changes reducing the value of individual real asset from EUR 10.000.000 to EUR 1.000.000. It could be also useful to include within that the capital expenditures in relation to the construction, development, reconversion, restructuring and restoration of the real estate assets. In addition, it would be useful to specify that the above investment limit (EUR 1.000.000) refers to all the properties belonging to the same compendium properties subject to a functional destination of use.

We take this opportunity to reiterate – within the Capital Market Union implementation process – that the need to increase the number of clients eligible for illiquid instruments (in particular for AIFs reserved to professional clients which represent a broader category that includes closed-end funds on which the same mechanism of ELTIF does not seem to be replicable through the creation of retail funds) would be facilitated by the recognition of an autonomous positive target market substantially coinciding with private banking clients, allowing the allocation of illiquid products to the new category of semi-professional investors. We hope that the future revision of AIFMD and MIFID 2 frameworks would consider the reform of the client categories, assigning the right value and weight to the target market representing private banking clients (minimum portfolio > 500.000,00 €; provision of advanced advisory or portfolio management services; assistance from adequately trained professional staff).