



June 2013

## European Long Term Investment Funds (“ELTIFs”)

The European Commission defines long-term investment as investment that enhances the productive capacity of the economy. This can include energy, transport and communication infrastructures, industrial and service facilities, climate change and eco-innovation technologies, as well as education and research and development.

25 June, 2013 was the last day of a three month consultation period following the adoption by the Commission of a Green Paper on how to foster the supply of long-term financing and how to improve and diversify the system of financial intermediation for long-term investment in Europe.

The Commission believes that Europe must encourage ongoing large-scale long-term investment to support sustainable growth. Europe cannot depend on banks to provide loan financing as the financial crisis has affected the ability of European banks, in particular, to channel savings to long-term investment. European Long Term Investment Funds (“ELTIFs”) may help to rectify this funding deficit by channeling household savings, via pension investments, into long-term investment projects sponsored by governments and/or businesses.

The Commission plans to introduce ELTIFs by way of a regulation. That means that it will be directly applicable - the law of each Member State. That is also how the other niche investment products of EU Venture Capital Fund (EuVCF) and EU Social Entrepreneurship Fund (EuSEF) - are being introduced in July 2013.

It remains to be seen what the ELTIF regulation will look like but if the regulations for EuVCFs and EuSEFs are used as a template,

For further information on any of the issues discussed in this article please contact:



**Trevor Dolan**

DD:+ 353 (0)1 673 1850

[trevor.dolan@dilloneustace.ie](mailto:trevor.dolan@dilloneustace.ie)

there will be almost no third country element: ELTIFs will probably be targeted at EU investors, investing in EU jurisdictions via EU AIFMs.

What marks ELTIFs apart from EuVCFs and EuSEFs are two features:

- (i) managers of ELTIFs will have to be authorised as AIFMs (probably because an ELTIF funding a number of infrastructure projects would quickly cross the threshold referred to in point (b) of Article 3(2) of AIFMD i.e. a total AUM of less than EUR 500 million comprised of closed ended and unleveraged funds); and
- (ii) no minimum mandatory minimum investment of EUR 100,000 giving retail investors the opportunity to invest in ELTIFs without a self-imposed minimum investment.

No draft regulation is available yet but Ireland's Retail Investor Alternative Investor Fund ("RIAIF") should be attractive to ELTIF managers wishing to target retail investors because it combines the high level of investor protection built into Ireland's established fund structures with an innovative product, while the Qualifying Investor Alternative Investor Fund ("QIAIF") with minimum investment of EUR 100,000 and its fast track approval process would be more attractive to ELTIF managers wishing to target institutional investors/pension funds.

**Trevor Dolan**  
**Dillon Eustace**  
**27 June 2013**

## DILLON EUSTACE

### **Dublin**

33 Sir John Rogerson's Quay, Dublin 2, Ireland. Tel: +353 1 667 0022 Fax: +353 1 667 0042.

### **Cayman Islands**

Landmark Square, West Bay Road, PO Box 775, Grand Cayman KY1-9006, Cayman Islands. Tel: +1 345 949 0022 Fax: +1 345 945 0042.

### **Hong Kong**

604 6F Printing House, 6 Duddell Street, Central, Hong Kong. Tel: +852 352 10352.

### **New York**

245 Park Avenue, 39th Floor, New York, NY 10167, U.S.A. Tel: +1 212 792 4166 Fax: +1 212 792 4167.

### **Tokyo**

12th Floor, Yurakucho Itocia Building, 2-7-1 Yurakucho, Chiyoda-ku, Tokyo 100-0006, Japan. Tel: +813 6860 4885 Fax: +813 6860 4501.

### **DISCLAIMER:**

This document is for information purposes only and does not purport to represent legal advice. If you have any queries or would like further information relating to any of the above matters, please refer to the contacts above or your usual contact in Dillon Eustace.

### **Copyright Notice:**

© 2013 Dillon Eustace. All rights reserved.