



## PRESS RELEASE

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## Industry welcomes European Parliament's vote on European long-term investment funds

The European Fund and Asset Management Association (EFAMA), the European Private Equity and Venture Capital Association (EVCA) and the Federation of European Securities Exchanges (FESE), three leading EU associations with members which actively promote the financing of long term investments, welcome the adoption by the European Parliament of its report on European Long-term Investment Funds (ELTIFs) on 17<sup>th</sup> April 2014.

We welcome the flexibility added in the proposal and in particular, the following features:

- **A flexible regime as to the lifetime** that allows the design of ELTIFs to be based on the concrete needs of investors and their investment strategy.
- **Inclusion of listed small and medium-sized enterprises up to 1 billion EUR market capitalisation in the scope of eligible investments.** There are thousands of small and mid-cap companies listed on European regulated markets and multilateral trading facilities which are crucial to the economic recovery of Europe. They create the largest number of new jobs and the backbone of sustainable and dynamic long-term investment. They represent the type of activity that should be encouraged by the ELTIF proposal. Their size also allows for a lower liquidity than blue chip companies and they would greatly benefit from the new investment pools that the ELTIF proposal will create.
- **Additional flexibility for professional investors and enhanced status for semi-professional investors.** Professional and retail investors have different needs and expectations when it comes to their investments; the creation of separate professional and retail ELTIFs will help in providing suitable investment vehicles for both categories by giving professional ELTIF managers the possibility to disapply the provisions that are fit mainly for retail investors. Moreover, the identification of the third category of semi-professional investors reflects the market needs of actors that currently have a greater interest in investing in long-term projects.
- **Maintenance of the "retail passport" for ELTIFs.** The European Parliament report keeps retail investors in the scope of eligible investors in the ELTIF framework which is welcome and will help to maximise the pool of investors.

**However, on a crucial point for investors, i.e. the right of investors in "retail ELTIFs" to redeem their shares prior to the end of the ELTIF's lifetime, the European Parliament report does not create an efficient framework.** This right should be left to the discretion of the ELTIF manager who should be provided with a list of available redemption policy tools while having the obligation to fully disclose the choice of these policy tools to the ELTIF investors. At the same time, the recognition by the European Parliament of the need to include redemption rights in the legislative text is a positive step which we hope will lead to a balanced redemption rights policy by the end of the legislative process.

**Peter De Proft**, Director General, **EFAMA** said: “EFAMA welcomes the adoption of the European Parliament report. It represents a vital first step towards building an EU label that could be an important source of financing of growth in the EU in the future. However, further steps are needed in order to ensure market success for the new product. We hope that discussions in the Council and the upcoming trilogues will ensure a more balanced and better-designed structure of ELTIFs, with the aim of matching investors’ needs and facilitating long term investment in the EU. If ELTIFs are to be successful, both of those objectives have to be fully respected.”

**Dörte Höppner**, **EVCA** Chief Executive, stated: “As long-term investors in European businesses, the private equity and venture capital industry sees the potential of this proposed regulation. We are pleased that the European Parliament has listened to the views of investors and decided to introduce some much-needed flexibility into the ELTIF framework. Further work is still needed, but the ELTIF vehicle could make a valuable contribution to improving the flow of long term investment into the European economy.”

**Judith Hardt**, Director General, **FESE**, commented, “As the operators of the European exchanges that have admitted to trading about 9,400 SMEs, our members are delighted that the ELTIF proposal will help boost the smaller companies’ liquidity by enabling more investors to invest in them. This will improve the conditions for future mid-cap IPOs and lower the cost of capital, while allowing European investors to benefit from long-term investments conducted by Europe’s most dynamic and rapidly growing companies.”

The associations congratulate the Rapporteur, Ms Kratsa-Tsagaropoulou (EPP), and the Shadow Rapporteurs, Messieurs De Backer (ALDE), El Khadraoui (S&D), Lamberts (Greens/EFA), Kamall (ECR), for their intensive work, which has resulted in a positive outcome before the end of the current European parliamentary term.

#### **Information for Editors:**

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**EFAMA** is the representative association for the European investment management industry. EFAMA represents through its 27 member associations and 62 corporate members about EUR 15 trillion in assets under management of which EUR 9.8 trillion managed by over 55,000 investment funds at end December 2013. Just over 35,600 of these funds were UCITS (Undertakings for Collective Investments in Transferable Securities) funds. For more information, please visit [www.efama.org](http://www.efama.org).

**EVCA** is the voice of European private equity. Our membership covers the full range of private equity activity, from early-stage venture capital to the largest private equity firms, investors such as pension funds, insurance companies, fund-of-funds and family offices and associate members from related professions. We represent 700 member firms and 500 affiliate members. For more information, please visit [www.evca.eu](http://www.evca.eu).

**FESE** represents 41 regulated exchanges in 30 European countries. The objectives of FESE's activities are to foster the global competitiveness of European exchanges and to reinforce the key importance of the exchanges for the European and global economy, including in times of regulatory change. At the end of 2013, FESE members had up to 8,950 companies listed on their markets, contributing towards the European integration and providing broad and liquid access to Europe’s capital markets. Many of our members also organise specialised markets that allow small and medium sized companies across Europe to access the capital markets; 1,478 companies were listed in these specialised markets/segments in equity, increasing choice for investors and issuers. For more information, please visit [www.fese.eu](http://www.fese.eu).

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