

## Joint Letter

### ELTIF funds and Fintech investments

If the European Union wants its innovative businesses to deliver the digital and green transitions, one of the necessary steppingstones is to create the conditions for them to access long-term capital as easily as possible.

From that perspective, the currently ongoing European long Term Investment Fund (ELTIF) review is a unique opportunity. Recalibrating the conditions to operate under the voluntary label could make it easier for fund managers to channel long-term capital from investors to EU companies that require it, at the benefit of the entire European economic financing chain.

Unfortunately, **current ELTIF eligibility requirements still prevent ELTIF capital to be committed into the fintech businesses** that could drive the EU's digital transition. This is the direct result of a provision, set in Article 10 of the Regulation, that prohibits ELTIFs to commit capital to financial undertakings as a whole.

According to Invest Europe data, venture and growth funds invested around €1,5 billion in 2020 only in financial undertakings, a vast majority of which were innovative fintech businesses offering new digital solutions to clients.

During the last years FinTechs have revolutionised the traditional financial services industry, providing access to new and more convenient financial solutions to all Europeans and fostering financial inclusion. FinTechs have not only gained traction with European consumers, but also the attention of investors in Europe. This is reflected in the appetite of investors to channel their funds into the different business models that the FinTech industry represents to encourage further growth of the European FinTech industry, generating new technical jobs and the capacity for smaller European players to scale-up across borders.

If EU policymakers want to support the development of the European digital economy, steps must be taken as part of the ongoing ELTIF negotiations for **investors to also commit capital into fintech start-ups and scale-ups through ELTIF structures**.

While we understand that it should not be the label's purpose to support investments into large, well-established financial institutions, amendments could be introduced to the ELTIF framework to **ensure that only certain types of financial start-ups and scale-ups could become eligible**, either based on their size or on the nature of the businesses.

The future ELTIF framework could for example allow investments in companies that qualify as "fintech" as long as it is established that the company's objective is to improve and automate the delivery and use of financial services.

When assessing the current rules, policymakers should be mindful of at least **two negative consequences of not allowing ELTIFs to invest into fintechs**. First, this will naturally **reduce the attractiveness of ELTIFs** for managers who may not wish to deprive themselves from investment opportunities. Second, this will limit the **ability of EU fintechs to find capital** that could help them face their global counterparts in a highly competitive market.

We stay at the disposal of policymakers to demonstrate the relevance of such change from both the perspective of fintechs and managers, and on solutions to make an appropriate distinction between fintechs and more traditional financial institutions.

Yours sincerely,



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Invest Europe



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President  
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### **About Invest Europe**

Invest Europe is the association representing Europe's private equity, venture capital and infrastructure sectors, as well as their investors.

Our members take a long-term approach to investing in privately held companies, from start-ups to established firms. They inject not only capital but dynamism, innovation and expertise. This commitment helps deliver strong and sustainable growth, resulting in healthy returns for Europe's leading pension funds and insurers, to the benefit of the millions of European citizens who depend on them.

Invest Europe aims to make a constructive contribution to policy affecting private capital investment in Europe. We provide information to the public on our members' role in the economy. Our research provides the most authoritative source of data on trends and developments in our industry. Invest Europe is the guardian of the industry's professional standards, demanding accountability, good governance and transparency from our members.

Invest Europe is a non-profit organisation with 25 employees in Brussels, Belgium.

For more information, please visit [www.investeurope.eu](http://www.investeurope.eu). or follow [@InvestEuropeEU](https://twitter.com/InvestEuropeEU) on Twitter

### **About European FinTech Association**

The European FinTech Association (EFA) is a not-for-profit organization representing leading FinTech companies of all sizes from across the EU. It brings together a diverse group of 35+ FinTech providers ranging from payments, to lending, banking, robo-advice, investment as well as software-as-a-service for the finance sector, with a clear focus on enabling a single market for digital financial services.

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