

[Press release](#)

Luxembourg, 25 November 2021

AIFMD and ELTIF review: European Commission's recommendations

ALFI statement following the publication of a draft directive¹ amending Directive 2011/61/EU on Alternative Investment Fund Managers and of a draft regulation² amending Regulation (EU) 2015/760 on European Long-Term Investment Funds.

Today, the European Commission published a legislative package aimed at revising the regulatory framework for managers of alternative investment funds (AIFMD) and European long-term investment funds (ELTIF Regulation).

Following dedicated consultations a year ago, the European Commission has submitted concrete recommendations for changes, which will be considered in the coming weeks by both the European Parliament and the Council of the EU, before trilogue negotiations may begin.

The proposal for a review of the AIFMD includes:

- Introducing new requirements for AIFMs of AIFs that perform loan granting activities;
- Ensuring the availability of liquidity management tools in exceptional circumstances;
- Further detail substance requirements (human and technical resources) and provide some new requirements in case of delegation (where managers delegate more portfolio or risk management functions outside of the EU than they retain, annual notifications by NCAs to ESMA of delegation arrangements with third country entities, peer review of application of the delegation regime);
- Postpone the concept of a depositary passport to a later stage.

It is worth noting that a number of proposals would also lead to changes to the UCITS Directive.

The review of the ELTIF Regulation aims primarily to increase the uptake of the ELTIF vehicle across the EU³.

The European Commission addresses in the redrafted ELTIF Regulation restrictive ELTIF fund rules and barriers to entry for retail investors. It also distinguishes requirements for ELTIFs dedicated to retail and professional investors.

The proposed changes focus in particular on:

- Targeted changes to fund rules by:
 - Broadening the scope of eligible assets and investments;
 - Allowing for more flexible fund rules including fund-of-fund strategies.
- Reducing the unjustified barriers preventing retail investors from accessing ELTIFs, by:
 - Removing the 10,000 minimum investment threshold;
 - Removing the maximum 10% aggregate threshold requirements; and
 - Aligning suitability assessment with MiFID II rules.
- Whilst easing selected fund rules for ELTIFs distributed solely to “Professional Investors”.

¹ Proposal for a directive of the European Parliament and of the Council amending Directives 2011/61/EU and 2009/65/EC as regards delegation arrangements, liquidity risk management, supervisory reporting, provision of depositary and custody services and loan origination by alternative investment funds ([link](#)).

² Proposal for a regulation of the European Parliament and of the Council amending Regulation (EU) 2015/760 as regards the scope of eligible assets and investments, the portfolio composition and diversification requirements, the borrowing of cash and other fund rules and as regards requirements pertaining to the authorisation investment policies and operating conditions of European long-term investment funds ([link](#)).

³ As at October 2021, there were merely 57 ELTIF that were launched across the EU (out of which 26 are domiciled in Luxembourg).

ALFI, which participated in the previous consultations⁴, will build up its position on the suggested changes in the weeks to come. The association is grateful to be able to source information and feedback from industry leading experts. Exchanges with other associations, authorities and regulators will also help to get a clear view on the specific implications of the draft directives and regulation, as well as subsequent compromise proposals and proposed amendments.

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Notes to editors:

[The Association of the Luxembourg Fund Industry \(ALFI\)](#) represents the face and voice of the Luxembourg asset management and investment fund community, championing mainstream, private assets and sustainable investing. ALFI seeks to promote Luxembourg's fund sector internationally, and to cultivate for the benefit of its members a collaborative, dynamic and innovative ecosystem underpinned by the most robust regulatory framework. ALFI's ambition is to empower investors to meet their life goals.

Created in 1988, the Association today represents over 1,500 Luxembourg domiciled investment funds, asset management companies and a wide range of business that serve the sector. These include depositary banks, fund administrators, transfer agents, distributors, legal firms, consultants, tax advisory firms, auditors and accountants, specialised IT and communication companies. Luxembourg is the largest fund domicile in Europe and a worldwide leader in cross-border distribution of funds. Luxembourg domiciled investment funds are distributed in more than 70 countries around the world.

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⁴ All responses are available on the ALFI [website](#).