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Additional Information

Level 1 Regulation
European Long-Term Investment Funds Regulation (ELTIF) Regulation (EU) 2015/760

Topic
ELTIF

Subject Matter
Redemption policy

Question
Should the ELTIF comply with the minimum liquid asset requirements referred to in Annex II of Commission Delegated Regulation (EU) 2024/2759 at all times, and if not, which types of “necessary measures”, as referred to in Article 5(7) of the Commission Delegated Regulation, and within which time frame, are expected to be implemented by the ELTIF manager?

Is the manager prevented from accepting redemptions if the minimum liquid asset requirement has not yet been entirely met?

ESMA Answer

14-03-2025

Original language

Answer provided by the European Commission

Under strict conditions set out in the ELTIF Regulation, the minimum percentage of assets referred to in Article 9(1)(b) of the ELTIF Regulation can temporarily be crossed and fall below the threshold set out in Annex II to Commission Delegated Regulation (EU) 2024/2759.

Subject to this, ELTIFs that have selected Annex II of the Commission Delegated Regulation to calibrate the percentage referred to in Article 18(2)(d) of the ELTIF Regulation must comply at each redemption date with the minimum level of liquid assets.

However, if the amount of liquid assets falls below the respective thresholds set out in Annex II, in accordance with Article 5(7) of Commission Delegated Regulation (EU) 2024/2759, read in conjunction with Recital (10) citing the plausibility of crossing the percentage due to market volatility and the impact of redemptions, the ELTIF manager shall “take the necessary measures to reconstitute the minimum percentage of the liquid assets, while maintaining the ability of investors to redeem their units or shares”.

These necessary measures to reconstitute or to replenish the liquid assets to the required minimum level should take place “within a period of time that is appropriate for that ELTIF” and “taking due account of the interests of the investors in the ELTIF”. Whilst the Commission Delegation Regulation does not impose a specific pre-determined “period of

time”, it should be expected that the “necessary measures” to reconstitute the positions of ELTIFs should enable it to comply with the minimum percentage by the next redemption date. Such “necessary measures” within the meaning of Article 5(7) may include retaining income and other proceeds received or expected to be received by the ELTIF, retaining incoming cash from new subscriptions, drawing on unfunded commitments of investors (if the ELTIF operates on a commitment basis), disposing of a portion of the long-term assets of the ELTIF’s portfolio and other measures.

In this connection, the ELTIF Regulation or the Commission Delegated Regulation do not prevent an ELTIF from accepting redemptions if the minimum level of liquid assets has not yet been entirely reconstituted.

Disclaimer

The answers clarify provisions already contained in the applicable legislation. They do not extend in any way the rights and obligations deriving from such legislation nor do they introduce any additional requirements for the concerned operators and competent authorities. The answers are merely intended to assist natural or legal persons, including competent authorities and Union institutions and bodies in clarifying the application or implementation of the relevant legal provisions. Only the Court of Justice of the European Union is competent to authoritatively interpret Union law. The views expressed in the internal Commission Decision cannot prejudge the position that the European Commission might take before the Union and national courts.