

**Submission Date**

14/03/2025

# ESMA\_QA\_2476

Status: Answer Published

## **Additional Information**

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### **Level 1 Regulation**

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

### **Topic**

ELTIF

### **Subject Matter**

Redemption policy

### **Question**

- a) What are the criteria to assess the “prudent” nature of the expected cash flows forecasted [...] over 12 months, as referred to in Article 5(6) of the ELTIF Delegated Regulation that could be added to the maximum size of redemption at a given redemption date?
- b) For private debt ELTIFs, what elements should be taken into account in the abovementioned "expected cash flows"?

## ESMA Answer

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14-03-2025

Original language

### ***Answer provided by the European Commission***

**Question a) What are the criteria to assess the “prudent” nature of the expected cash flows forecasted [...] over 12 months, as referred to in Article 5(6) of the ELTIF Delegated Regulation that could be added to the maximum size of redemption at a given redemption date?**

According to Article 5(6), subparagraph 2 of Commission Delegated Regulation (EU) 2024/2759, read in conjunction with Recital (8), an ELTIF manager should be in the position to “demonstrate that there is a high degree of certainty that [cash flows] will materialise”. The determination of the degree of certainty could, among others, be supported by the contractual provisions regarding the timing and/or the frequency of expected payments, the absence of provisions allowing for deferrals or cancellations of such payments, market circumstances potentially impacting such payments, etc.

**Question b) For private debt ELTIFs, what elements should be taken into account in the abovementioned "expected cash flows"?**

All expected cash flows generated by the loans, such as interest payments during or at the term of the loan, as well as principal repayments of maturing loans from non-defaulting issuers, among others, could be taken into account. The determination should consider the specific terms and conditions of the loan. In any case, "expected cash flows" is subject to a case-by-case analysis, and it is not possible to establish a list which will cover every ELTIF and every ELTIF strategy as this depends on the individual features of the potential cash income from assets. According to Article 5(6), subparagraph 2 of Commission Delegated Regulation (EU) 2024/2759, read in conjunction with Recital (8) which stipulates that expected cash flows should not take into account ‘the possibility that the ELTIF can dispose

of eligible long-term investment assets or the possibility that the ELTIF can raise capital through new subscriptions', an ELTIF manager should be in the position to "demonstrate that there is a high degree of certainty that [cash flows] will materialise".

Relevant data may include representative data on prior and ongoing portfolio performance, e.g. amortisations, repayments and interest income.

### ***Disclaimer***

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