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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

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

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.