



NOTE

The 3rd of February 2021

The Danish Government's response to the review of the European long-term investment funds (ELTIF)

The ELTIF framework has so far not been a major source for financing long-term projects in Denmark, as there are currently no ELTIFs.

The Danish Government therefore support a review of the rules to understand whether they are fit for purpose. Firstly, it is relevant to ask the fundamental question whether the lack of attractiveness of ELTIFs is because they are not suited for the vast majority of retail investors in the EU. Secondly, it is relevant to ask if professional investors prefer alternative investment funds (as defined in the AIFMD) compared to ELTIFs. If ELTIFs are to compete with AIFs as the chosen vehicle for illiquid infrastructure investments, the ELTIF regulation should be flexible enough to be able to cover a wide range of strategies and investor types, and it should be possible to manage ELTIFs commercially.

Investing directly in long-term illiquid assets requires a long-term commitment from the investor. Only few retail investors have the commitment and investment horizon for such long-term investments, and the product is therefore not well suited for their needs. Instead, it should be explored how to target retail investors indirectly via investments from pension funds.

However, if ELTIF is to target retail investors in the future, we need to preserve a strong focus on investor protection. In particular, investor protection rules at the same level as in the MiFID regulation should apply in full to ELTIFs, ensuring strong and coherent investor protection across all types of retail investment product in the EU. The current rules on access for retail investors should also be maintained.

Regarding the characteristics of ELTIFs, changing the fundamental characteristics significantly would not be of any purpose in our view. ELTIFs should continue to have long-term investments at its core and not allow shorter-term investments to make up a large share of the portfolio.

In addition to these key points, the Danish Government have submitted answers to the specific questions in the Commission consultation paper.

The Danish Government look forward to our continued dialogue regarding the future of the ELTIF regulatory framework, and we will gladly assist the Commission if further information are of request.