

Final Report

Draft regulatory technical standards under the revised ELTIF Regulation

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1 Executive Summary

Reasons for publication

The revised ELTIF Regulation¹ provides that ESMA shall develop draft regulatory technical standards (RTS) to determine the following:

- criteria for establishing the circumstances in which the use of financial derivative instruments solely serves hedging purpose;
- the circumstances in which the life of a European long-term investment fund (“ELTIF”) is considered compatible with the life-cycles of each of the individual assets, as well as different features of the redemption policy of the ELTIF;
- the circumstances for the use of the matching mechanism, i.e. the possibility of full or partial matching (before the end of the life of the ELTIF) of transfer requests of units or shares of the ELTIF by exiting ELTIF investors with transfer requests by potential investors;
- the criteria to be used for certain elements of the itemised schedule for the orderly disposal of the ELTIF assets; and
- the costs disclosure.

On 23 May 2023, ESMA published a Consultation Paper (CP) on the proposed draft RTS. The public consultation closed on 24 August 2023. This final report includes the revised RTS developed taking into account the feedback received to the consultation.

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Section 2 summarises the feedback received to the consultation that ESMA carried out and explains how ESMA has taken this feedback into account.

Annex I contains the legislative mandates to develop draft RTS.

Annex II sets out the cost-benefit analysis related to the draft RTS.

Annex III contains the full text of the draft RTS.

Next Steps

The draft RTS set out in this final report have been submitted to the European Commission for adoption. From the date of submission, the European Commission shall take a decision on whether to adopt the RTS within three months. The Commission may extend that period by one month.

2 Feedback from the public consultation

1. On 23 May 2023, ESMA published a CP on the proposed draft RTS under the revised ELTIF Regulation. The consultation closed on 24 August 2023.
2. ESMA received 23 responses, from asset managers (and their associations), investment services companies, banking institutions and one Central Securities Depository. The non-confidential responses are available on ESMA's website².
3. ESMA consulted the Securities and Markets Stakeholders Group (SMSG), but the SMSG chose not to opine on these RTS.
4. The content of the responses and ESMA's feedback is outlined in the Feedback Statement below, question by question.

Q1. Do you agree with the proposed approach in relation to the RTS under the abovementioned Articles 9(3), 21, and 26(2) of the ELTIF Regulation?

5. The majority of respondents agreed with ESMA's approach in relation to the RTS under the abovementioned Articles 9(3), 21, and 26(2) of the ELTIF Regulation.
6. However, in relation to Article 9(3) of the ELTIF Regulation, three respondents stressed that the requirement for the use of financial derivative instruments to result in "*verifiable and objectively measurable reduction*", currently included in the ELTIF Delegated Regulation 2018/480³, might lack clarity. They suggested that ESMA replace this requirement with the conditions for using financial derivative products included in Article 11 of Commission Directive 2007/16/EC of 19 March 2007, which foresee the following criteria:
 - Financial derivative products are economically appropriate in that they are realised in a cost-effective way;
 - They are entered into for one or more of the following specific aims:
 - (i) Reduction of risks
 - (ii) Reduction of cost.
7. Lastly, in relation to Article 21 of the ELTIF Regulation, on the disposal of ELTIF assets, one respondent mentioned that the 6-month window for asset valuation, referred to in Article 11(1)(b) of the draft RTS might need to be reviewed and suggested that for given and well-justified circumstances, it should be allowed to prevent the application of this absolute limit.

¹ [Publications Office \(europa.eu\)](https://publications.europa.eu)

² <https://www.esma.europa.eu/press-news/consultations/consultation-draft-regulatory-technical-standards-under-revised-eltif>

³ <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32018R0480>

ESMA's response: ESMA took note of the general support expressed by respondents for the proposed approach in relation to the RTS under the abovementioned Articles 9(3), 21, and 26(2) of the ELTIF Regulation.

The corresponding articles 1, 10 and 11 of the RTS were simplified, in particular, regarding articles 10 and 11, with a view to delete the requirements which were already included in the corresponding Article 21 of the revised ELTIF Regulation, that stated that the requirements related to the itemised schedule only apply if the competent authority of an ELTIF requests the ELTIF to adopt such an itemised schedule for the orderly disposal of its assets.

With respect to Article 9(3) of the ELTIF Regulation, on the circumstances in which financial derivative instruments solely serve the purpose of hedging, and the corresponding article 1 of the RTS, the proposal from some stakeholders to replace the words "*verifiable and objectively measurable reduction*" with requirements included in Article 11 of Commission Directive 2007/16/EC of 19 March 2007 was not taken on board, given it was considered that the meaning would be different, and potentially not clearer than the existing one.

Q2. Do you agree that the abovementioned pieces of legislation and regulatory material are relevant for the purpose of the RTS on Article 25(3) of the ELTIF Regulation? Which other pieces of legislation and regulatory material do you consider relevant for that purpose)?

8. The majority of respondents agreed that the list of legislative and regulatory pieces referred to in the CP was relevant. One respondent raised doubts on the relevance of reassessing the rules on cost disclosure under the revised ELTIF Regulation, since discussions have already taken place on this topic in 2019.
9. In addition, some respondents pointed to the following pieces of legislation that they deemed relevant:
 - The MiFID II ex-ante and ex-post cost disclosure provisions;
 - The investor disclosure requirements set out in Article 23 of the AIFMD;
 - The format for the presentation of costs reflected in Annex II of the Delegated Regulation (EU) 2017/565;
 - Chapter V, Section I of the Commission Delegated Regulation (EU) No 231/2013.
10. On substance, several respondents made targeted comments on the scope of the costs to be clarified in the draft RTS:
 - One respondent recommended a careful approach regarding the reference to the disclosure of costs under the PRIIPs Regulation. According to this respondent, the PRIIPs Regulation was developed with a focus which is different from the ELTIF one, given in particular the scope of eligible assets for ELTIFs, which entail a different cost

structure, including costs that may not be known by the fund manager prior to the investment (e.g. broker dealer costs, origination or transaction fees). Therefore, the respondent recommended clarifying that only costs which are known by the manager, or costs known prior to subscription, are disclosed to investors.

- Similarly, another respondent stressed that costs of an ELTIF are not easy to estimate or to anticipate and vary between asset classes, and also recommended that acquisition costs referred to in Article 25(1)(b) of the ELTIF Regulation on cost disclosure should include both due diligence and transaction costs.
- One respondent underlined that the specific costs of real estate funds (e.g. maintenance costs, refurbishment investments, etc.) should be clearly distinguished from the costs and fees related to the management of a fund *per se* (e.g. management fees, depositary fees, entry fees, etc.).
- While the KID could serve as a basis for the cost disclosure of ELTIFs distributed to retail investors, some information should be tailored to the needs of retail investors or to certain types of funds, such as venture capital and private equity funds.
- Although it is relevant to implement common rules applicable to all ELTIFs to create a level-playing field, a one-size-fits-all approach may not be possible given the diversity of funds, which have different cost structures.

11. Finally, some respondents encouraged ESMA to consider the broader discussions held under the Retail Investment Strategy and the discussions on due and undue costs held under the AIFMD review.

ESMA's response: ESMA took note of the general support expressed by respondents for the proposed approach in relation to the pieces of legislation and regulatory material that are considered relevant for the purpose of the RTS on Article 25(3) of the ELTIF Regulation.

Given this feedback and the explicit requirement included in Article 25(3) of the ELTIF Regulation to take into account the cost disclosure framework under the PRIIPs Regulation, ESMA has confirmed its approach described in the consultation paper, which focusses on seeking consistency with the presentation and methodologies of the PRIIPs KID cost disclosure, while taking also into account the specificities of investment funds, and certain cost metrics included in the UCITS KII.

With respect to the ongoing discussions on cost disclosure and undue costs in the context of the recent Retail Investment Strategy proposal put forward by the Commission, given the legislative negotiations are still ongoing, and their outcome is still uncertain at the date of this report, and given also ESMA is to deliver the ELTIF RTS to the Commission by 10 January 2024, ESMA has not sought to anticipate this outcome in the context of the RTS under Article 25(3) of the ELTIF Regulation.

With respect to the specific costs of real estate funds, given this issue is especially relevant in

the context of the PRIIPs KID, the scope of which is broader than the ELTIF Regulation, and which includes specific methodologies for the calculation of costs, which are not only relevant for investment funds, but also for other categories of PRIIPs, ESMA has considered that this issue should be better addressed in the context of discussions on Q&As related to the cost section of the PRIIPs KID under the PRIIPs Regulation.

Q3. Do you agree with the abovementioned assumptions? In relation to the ELTIF cost ratio figures to be expressed as yearly percentages (of the capital of the ELTIF), would you see merit in expressing it instead in terms of maximum percentages (and, in the prospectus, only refer to the corresponding yearly figures included in the KID, or in the annual report of the ELTIF)?

12. Several respondents agreed with ESMA's assumptions but other respondents expressed diverging views and made the following comments:

- Two respondents disagreed with the proposal which requires managers to explain the difference between the PRIIPs overall RIY figure and the ELTIF overall cost ratio figure explanation in the ELTIF prospectus, arguing that this would require explaining the different regulatory approaches between the PRIIPs and ELTIF regulations.
- One respondent also stressed that consistency with the cost disclosure under the PRIIPs regulation should only target ELTIFs that are made available to retail investors and pointed that there was a risk of redundancy between the ELTIF documentation and the PRIIPs KID regarding costs.
- Two respondents outlined that the cost ratio figures could be confusing for investors since they may not fit all ELTIFs, with closed-ended ELTIFs that acquire assets during a certain period and open-ended ELTIFs that may acquire and sell assets during their whole lifetime.
- Several respondents mentioned that the use of percentages could be misleading since the actual cost figures would depend on the size of the ELTIF's capital or could change during the lifetime of the ELTIF, in particular before and after the investment period. In this context, one respondent suggested allowing explanatory disclosures to enhance cost transparency.

13. Regarding the consistency of presentation of costs across offering documents, one respondent insisted that the information on costs should be consistent between the KID and the ELTIF prospectus so that investors may compare and understand all costs related to the investment into the ELTIF. Another respondent also stressed the need to ensure homogeneity of cost disclosure and the methods of determination of costs across the various legal texts. Another respondent agreed with ESMA's suggestion to refer, within the ELTIF prospectus, to the corresponding yearly figures included in the KID and/or in the annual report of the ELTIF.

14. Some respondents made the following remarks regarding the presentation of costs:
- Subscription costs should be spread over the recommended holding period;
 - The cost-ratio disclosure should include the ex-ante disclosure of the PRIIPs documentation regarding the expected costs and fees and their impact on the return on investment, as well as clear information on maximum costs for each cost components in the prospectus documentation (which could be expressed in range) and yearly disclosure of the actual costs in the annual report;
 - The numerator of the cost ratio should include an estimated maximum yearly average over the recommended holding period;
 - The denominator of the cost ratio should include the capital of the ELTIF gross of the fees, charges and expenses which are directly or indirectly borne by investors.
15. Finally, two respondents expressed a preference for the second option proposed by ESMA, namely expressing the cost ratio in terms of maximum percentages by indicating in the statement the corresponding maximum costs included in the KID or ELTIF annual report, since this would allow disregarding certain costs charges such as the entry costs.

ESMA's response: ESMA took note of the variety of views expressed by respondents in relation to the proposed approach on the ELTIF cost ratio figures.

While ESMA acknowledges the potential benefits of the use of maximum or expected percentages, instead of yearly figures, underlined by certain respondents, given certain cost elements are, per se, uncertain, ESMA is also of the view that the use of such maximum or expected percentages would be that the information on cost figure might be less informative for investors (as emphasised by one respondent) and that the different costs figures included in the table on the presentation of costs could not be added anymore to obtain the value of the overall cost ratio. In addition, it may be questionable whether such formulation of maximum or expected percentages would be in line with Article 25(1) of the ELTIF Regulation which refers to the "level of costs", and not to the "expected or maximum level of costs".

Finally, ESMA has sought to ensure consistency between the presentation of costs in the ELTIF cost disclosure framework, and in the PRIIPs KID, as requested by Article 25(3) of the ELTIF Regulation, and this consistency would not be ensured, if the use of maximum or expected percentages were to be used.

On a separate issue, ESMA agreed to allow for narratives to better explain the contents of each of the cost elements, and a dedicated column was included in the table on the presentation of costs in the Annex of the draft RTS.

Q4. Do you agree that the types of cost mentioned in the present paragraph are annual costs that could be expressed as a percentage of the capital? What are

your views on the list of “other costs” referred to above in paragraph 31(b) which are suggested to be added, as compared to the list of “other costs” referred to in Article 25(1)(e) of the ELTIF Regulation?

16. Respondents generally agreed with ESMA’s approach of expressing costs as a percentage of the capital. Several respondents also agreed with the proposal to align the ELTIF cost disclosure with the existing cost disclosure requirements in other regulatory frameworks to the extent possible and with the proposed list of annual costs. However, one of these respondents disagreed with the addition of a list of “other costs” as it could never be exhaustive and could prove confusing. One respondent supported the list developed by ESMA as being exhaustive but insisted that it should be the manager’s responsibility to ensure that all applicable costs are disclosed to investors and that the list drawn in the RTS should be indicative.
17. As regards the list of costs to be disclosed, one respondent stressed that some costs may not be known prior to the investment and suggested specifying that the disclosure requirements concern only costs known to the ELTIF manager prior to the subscription by investors. Another respondent mentioned that the list of costs included in the draft RTS should be reduced and be replaced by broader concepts in order to increase flexibility. Three respondents were also of the view that consolidating several types of costs within a single figure could over-simplify the presentation of costs and could be misleading for investors, thus suggesting expressing each type of cost according to its nature, or disclosing estimates per category of costs.
18. One respondent outlined that ELTIFs may be subject to different costs compared to PRIIPs given the difference in the underlying assets of both products and indicated that the PRIIPs KID fee disclosure may not contain the most relevant information regarding the ELTIF eligible assets.
19. Some respondents made the following comments:
- The “other costs” associated with the investment in an ELTIF are not sufficiently clear, in particular regarding whether operating costs incurred at the level of the asset and interest payments for debt financing should be included in this category.
 - Contrary to the requirements set out in the PRIIPs delegated Regulation, which imposes that carried interest is disclosed among costs pertaining to management fees and performance fees, the draft RTS should require a separate presentation of carried interest and performance fees since carried interest is not paid annually, but only when the fund has exceeded a certain performance indicator.
 - The reason for making a distinction between “management and performance related fees” and “other costs” are unclear, since the latter should include administrative costs that may not be defined in the same way in different Member States. This could hamper

comparisons or prove misleading, and would not be consistent with the KID where all these costs are consolidated under a single category.

ESMA's response: ESMA took note of the general support expressed by respondents for the proposed approach in relation to the definition of cost ratio as a percentage of the capital and the proposal to align the ELTIF cost disclosure with the existing cost disclosure requirements in other regulatory frameworks to the extent possible.

ESMA confirmed its approach with respect to the “other costs”, since the list of costs included in the draft RTS cannot be exhaustive, and the draft RTS needs to allow for the possibility to take into account other costs than those explicitly listed in the RTS, such as costs that would be related to services, techniques or assets that are currently not used by ELTIFs, but which may be used in the future.

In relation to carried interest and performance fees, ESMA amended its proposal on the presentation of costs so that these two categories of costs can be more easily distinguished.

Q5. Do you agree that the types of cost mentioned in paragraph 32 are fixed costs and that an assumption on the duration of the investment is necessary to calculate these costs in the numerator of the overall cost ratio mentioned in Article 25(2), provided that this overall ratio is a yearly ratio? Would you see merit in specifying what is to be meant by the “setting-up” of the ELTIF, as referred to in Article 25(1)(a) of the ELTIF Regulation? If yes, could you indicate which elements of the “setting-up” of the ELTIF should be clarified?

20. Respondents generally agreed with ESMA's approach as regards fixed costs.
21. However, some respondents stressed that some ongoing distribution costs may be charged to investors through the management fee, or directly by distributors, and should be considered as ongoing costs. One respondent also disagreed with the list of costs labelled by ESMA as fixed costs and argued that the assumptions on the duration of an investment could be misleading since ELTIF managers may prolong the life cycles of the fund. One respondent also mentioned that the costs of setting-up the ELTIF should be included in the ongoing costs if they are paid by the ELTIF. Other respondents insisted that there may not be a “one size fits all” approach to fixed costs given the diversity of ELTIFs.
22. On the terminology used, one respondent mentioned that the costs referred to by ESMA should be labelled as “one-off costs” rather than “fixed costs” since they may vary from one fund to another and from one jurisdiction to another. The same respondent also suggested that the concerned costs are not labelled “entry costs”, as this wording relates only to the costs that investors must pay to access a fund.
23. Three respondents urged ESMA to specify what the “costs for setting-up an ELTIF” are since ELTIFs may be restructured and have numerous life cycles under the revised

Regulation. Other respondents suggested that the “setting-up costs” are defined as the costs linked to the launch of the fund and could include costs relating to the fund structuring and offering, filings, licenses, registrations, capital-raising, printing, legal, regulatory compliance and other organisational expenses. On the contrary, two respondents argued that further defining the “setting-up costs” could prove difficult and would not be necessary.

ESMA response: ESMA took note of the general support expressed by respondents for the proposed approach in relation to the categorisation of fixed costs.

ESMA amended its approach regarding distribution costs to allow for a more flexible categorisation of this type of costs, which might be, partly, categorised as ongoing costs.

Given the variety of feedback received from respondents on the concept of “costs for setting-up ELTIF”, ESMA did not seek to further define or detail this concept in the context of the RTS. ESMA is of the view that this type of specification might indeed, if deemed relevant, be better suited in the context of level 3 work, such as Q&As.

Q6. Do you agree that the types of costs mentioned in paragraph 35 may be considered as fixed costs in the case of an ELTIF?

24. Respondents generally agreed with ESMA’s approach disagreed with the approach relating to acquisition costs and mentioned the following:

- A respondent stressed that the costs related to the acquisition of assets are not fixed as they depend heavily on the underlying asset class and suggested including an estimate of these costs in the table of “ex-ante estimated costs” and the actual costs in the ELTIF’s annual report.
- A respondent argued that, depending on the duration of the ELTIF and its portfolio diversification, the concept of “main asset” may not be predictable and a new investment cycle may take place, and that this would incur new acquisition costs.
- A respondent mentioned that, in case the costs of acquisition of assets include fees and remunerations to professional advisors, the relevant amounts are generally fixed or expressed as a percentage of the investment value, which would require expressing such costs as a maximum percentage of the investment value in the ex-ante disclosure and as an actual amount in the ex-post disclosure.
- A respondent argued that assets may be acquired or sold during the life of an ELTIF, which would not be reflected in a meaningful manner compared to other costs and suggested that these costs are treated like management and performance fees. This respondent also disagreed with ESMA’s statement according to which the acquisition of the main assets of the ELTIF’s portfolio exceeds the part of these costs that are ongoing charges, since this may not be true in all cases.

- A respondent provided clarifications for venture capital and private equity funds, for which the costs of acquisition of underlying assets (which are mainly SMEs) are not fixed and vary depending on the relevant transactions, so that the acquisition costs are specific to each transaction.
 - A respondent suggested differentiating between types of funds, as the costs relating to the acquisition of assets may not be one-off costs for evergreen funds, but may rather be recurring and difficult to predict at inception. The respondent suggested ESMA to be more open in distinguishing between one-off costs and ongoing costs, depending on the characteristics of the fund, to ensure that acquisition costs are disclosed under the most relevant category.
25. One respondent specified that the fixed costs should correspond to due diligences, advice and tax, which are related to the acquisition or disposal of assets, that are generally set as a fixed amount or as a percentage of the investment value. The same respondent also suggested that these fixed costs are expressed as a maximum of the investment value and mentioned that the actual fees would need to be disclosed in the ELTIF's annual report.
26. One respondent asked ESMA to review the approach relating to the disclosure of acquisition costs in order to reflect the divergences existing between asset classes and the different categories of ELTIFs (e.g. open-ended, closed-ended). This respondent suggested allowing explanatory disclosures rather than fixed cost disclosures in order to enhance transparency for investors. Finally, this respondent argued that it would be difficult for managers to assess acquisition costs as a fixed and pre-determined amount, which would result in artificially increasing the figures disclosed to investors and could reduce the attractiveness of ELTIFs.
27. Finally, one respondent called for a holistic approach to costs disclosure across various pieces of EU legislation to ensure clarity, consistency and soundness.

ESMA's response: ESMA took note of the general support expressed by respondents for the proposed approach in relation to fixed costs, and of the disagreement generally expressed by respondents in relation to the categorisation of acquisition costs.

ESMA accordingly amended its approach regarding acquisition costs so as to allow for a more flexible categorisation of this type of costs, which might be, partly, categorised as ongoing costs.

Q7. Would you see merit in including a specific grand-fathering clause (in relation to the RTS under Article 25(3) of the ELTIF Regulation) for ELTIFs benefitting from the grand-fathering clause provided for in Article 2 of Regulation 2023/606?

28. Several respondents were in favour of inserting a grand-fathering clause in relation to the RTS developed under Article 25(3) of the ELTIF Regulation.
29. Only one respondent expressed a preference not to include such a grand-fathering clause.

ESMA's response: ESMA took note of the general willingness expressed by respondents to be granted a specific grand-fathering clause in relation to the RTS under Article 25(3) for ELTIFs benefitting from the grand-fathering clause provided for in Article 2 of Regulation 2023/606.

However, setting such a grand-fathering clause in the draft ELTIF RTS would not be compatible with the requirements of the level 1 ELTIF Regulation. Indeed, ESMA has no mandate to include such a grand-fathering clause in the draft RTS, and the grand-fathering clause included in the level 1 ELTIF Regulation only applies where applicable. In particular, the RTS on cost disclosure under Article 25(3) of the ELTIF Regulation were not introduced by the revised ELTIF Regulation 2023/606.

Q8. Do you agree with the proposed amendment to the existing RTS under the first paragraph of Article 18(6) of the ELTIF Regulation?

30. A majority of respondents agreed with ESMA's proposed amendment.
31. Some respondents made the following comments:
 - Three respondents stressed that certain circumstances referred to in Article 2 of the draft RTS, on the circumstances in which the life of an ELTIF is considered compatible with the life-cycles of each of the individual assets of the ELTIF, may be difficult to foresee since ELTIFs are long-term investments and the behaviour of investors could not be used as a reference for the calculation of the portfolio model and the liquidity approach.
 - One respondent mentioned that the words "on a weighted basis" in point (a) of Article 2 of the draft RTS were not necessary since this expression was not defined and the reference to the liquidity profile of the ELTIF should be sufficient.
 - One respondent mentioned that on valuation, the reference to a reliable and sound valuation should be sufficient.
32. Some respondents also made the following comments regarding the general approach developed in Article 2 of the draft RTS:
 - One respondent suggested that ESMA clarify that the list of circumstances in which the life of an ELTIF is considered compatible with the life cycles of each of its individual

assets is not an exhaustive list since there may be other factors that could impact such compatibility.

- Two respondents referred to the case of evergreen funds. One of these respondents insisted that real estate ELTIFs have a permanent lifetime and hold assets for a period of time that is inferior to the lifetime of the fund. Hence, the respondent suggested clarifying that a permanent lifetime (i.e. 99 years) meet the compatibility requirement between the life of the ELTIF and the life-cycle of each individual assets of the ELTIF.
- Two respondents asked ESMA to clarify that the criteria included in the list are not cumulative.
- One respondent stressed that the liquidity conditions announced by managers are under their responsibility.

ESMA's response: ESMA took note of the general support expressed by respondents for the proposed approach in relation to the proposed amendment to the existing RTS under the first paragraph of Article 18(6) of the ELTIF Regulation.

ESMA clarified that the list of circumstances in which the life of an ELTIF is considered compatible with the life cycles of each of its individual assets is not an exhaustive list since there may indeed be other factors that could impact such compatibility.

ESMA also further slightly detailed and amended the exact drafting of the circumstances and criteria (a) to (g), as referred to in Article 2 of the RTS, so that these requirements are clearer, and less prone to interpretation.

Q9. Do you agree with the proposed criteria to determine the minimum holding period (referred to in point (a) of paragraph 2 - Article 18(6)(a)) of the ELTIF Regulation? What are your views on the setting of a minimum of X years for all ELTIFs, irrespective of their individual specificities (with X equal to 3, for example), with respect to the abovementioned minimum holding period?

33. Respondents generally agreed on the criteria to determine the minimum holding period.

34. However, respondents were generally not in favour of setting a fixed minimum holding period, since the appropriate period may depend on the individual characteristics of each ELTIF and a fixed period may be, in the view of these respondents, arbitrary. Some respondents suggested that providing for a fixed minimum holding period is not foreseen in the level 1 ELTIF Regulation. Some respondents argued that the minimum holding period should be fixed by the manager on a case-by-case basis if necessary, also based on provisions of national law that could grant tax benefits depending on a minimum holding period, while another respondent pointed that the variety of ELTIFs calls for common standards based on qualitative rather than quantitative criteria.

35. One respondent stressed that the drafting proposal included in the CP did not provide supervisory guidance that would prevent divergence in supervisory practices among NCAs. The respondent illustrated this comment with the example of ELTIFs established in different Member States open to retail investors, which invest in commercial real estate, that would be subject to diverging national rules regarding the minimum holding period. In light of this example, the respondent called for more legal certainty regarding minimum holding periods, in particular for ELTIFs investing into very illiquid assets, to ensure uniform supervisory practices, while maintaining an adequate level of flexibility for ELTIF managers.
36. Additionally, the following comments were made in relation to the effects of setting a minimum holding period:
- Several respondents stressed that it could jeopardise the success of the ELTIF since it may result in ELTIFs being unattractive to retail investors or pension schemes who may not wish, or be permitted to, invest in an ELTIF with a lock-up or minimum holding period of X years. Such period could also result in additional costs and complexities.
 - One respondent outlined that setting a minimum holding period could prevent ELTIFs from being marketed by insurance companies using unit-linked products, which are subject to specific legal and contractual liquidity rules.
 - One respondent argued that it could create operational challenges regarding the custody of assets.
37. On the contrary, one respondent suggested setting a fixed minimum holding period of 5 years, which is already foreseen in Italian law. Another respondent suggested a minimum holding period of 4 years.
38. Some respondents made a link with the PRIIPs Regulation, arguing that the latter already foresees a recommended holding period and that imposing a minimum holding period for ELTIFs could be confusing for investors.
39. Regarding the list of criteria set out in Article 3(1) of the draft RTS, the following comments were made:
- One respondent indicated that the reference to the investor base of the ELTIF included in Article 3(1)(b) was not appropriate since managers may have target investors and sales objectives but cannot predict the outcome and success of their marketing activities. In light of this, the respondent suggested that the redemption policy should be aligned with and designed according to the investment strategy and the investment universe of the ELTIF, together with the defined liquidity management tools disclosed in the ELTIF prospectus.
 - Two respondents pointed to the difficulty for fund managers to monitor the concept of “aggregated concentration” of retail and/or professional investors, which is referred to

in Article 3(1)(b) of the draft RTS, and suggested an alternative drafting that takes into account the “expected” aggregated concentration “in conformity with the target market” set out in the fund’s documentation.

- Two respondents found it difficult to justify the criterion set out in Article 3(1)(d) of the draft RTS since it may be difficult to establish a link between the frequency of assets’ valuation and the minimum holding period.
40. One respondent suggested alternative criteria to determine the minimum length of the minimum holding period, including the features and characteristics of the assets (in particular their liquidity), the strategy of the ELTIF (e.g. venture capital, private equity, etc.) and the expected portfolio, the life of the ELTIF, the date on which the portfolio composition and diversification rules apply, the characteristics of the liquidity management put in place at the level of the fund, and the existence of redemption limits.
41. Should a minimum holding period be imposed, one respondent asked that a grandfathering clause is inserted to specify that funds existing on the date of entry into force of the revised ELTIF Regulation would not be subject to the obligation of setting a minimum holding period.
42. Finally, some respondents suggested clarifying the link between the minimum holding period and the ramp-up period, in particular to specify that redemptions may take place before the ramp-up period in case it is longer than the minimum holding period and in case the ELTIF prospectus does not provide for a minimum holding period.

ESMA’s response: ESMA took note of the general support expressed by respondents for the proposed approach in relation to the criteria to determine the minimum holding period.

ESMA also further detailed and amended the exact drafting of the circumstances and criteria (a) to (l), as referred to in Article 3 of the RTS, so that these requirements are clearer, less prone to interpretation, and not redundant with the requirements already included in the level 1 ELTIF Regulation. This is for example the case in relation to the requirement (d) related to the disclosure of the investor base of the ELTIF.

ESMA took note that respondents were generally not in favour of setting a fixed minimum holding period, since the appropriate period may depend on the individual characteristics of each ELTIF, and because a fixed minimum holding period could prevent the marketing of ELTIFs through certain distribution channels.

Taking into account this feedback from stakeholders, ESMA replaced this requirement with the obligation for the ELTIF manager to demonstrate to the competent authority of the ELTIF, on the basis of the criteria set out in paragraph 1 of Article 3 of the RTS, the appropriateness of the duration of the minimum holding period of the ELTIF and its compatibility with the valuation procedures and the redemption policy of the ELTIF.

Q10. Do you agree with the proposed approach in relation to the minimum information to be provided to the competent authority of the ELTIF (referred to in point (b) of paragraph 2 - Article 18(6)(b) of the ELTIF Regulation)?

43. Respondents generally agreed with ESMA's proposed approach.
44. However, some respondents asked for more flexibility to provide updated information to NCAs as the foreseen timeframe of 10 days may not be sufficient, suggesting that this timeframe is extended to 30 days or that this timeframe of 10 days' is deleted. On the contrary, two respondents suggested replacing the 10 calendar days timeframe by a 10 business days timeframe. On the same topic, some respondents urged ESMA to delete the obligation to provide information that "should have become known" to the manager.
45. On the contrary, some respondents found the list of information to be provided to NCAs to be excessive, in particular given the characteristics of certain funds, such as real estate funds or given the difference between open-ended and closed-ended funds.
46. Regarding the content of the information to be provided, the following comments were made:
- One respondent argued that the proposed standards went beyond what should be required, and that the information to be submitted to NCAs should be aligned with the information requested from AIFs and UCITS.
 - One respondent argued that part of the information foreseen in the draft RTS would be difficult to provide in advance and also suggested deleting the possibility for NCAs to be provided with "any other information [it deems] necessary" in order to ensure a greater level of harmonisation.
 - One respondent commented on the information to be provided regarding the ability of ELTIFs to demonstrate their capacity to maintain their investment strategy under stressed market conditions. According to this respondent, the issue is not so much about ensuring that managers are able to follow the investment strategy under stressed market conditions, but rather to protect them from inappropriate liquidity outflows. Hence, the respondent argues that the issue is mainly about the existence of an adequate redemption policy to prevent such inappropriate liquidity outflows.
 - One respondent argued that the requirement to provide information on "a description of the procedures used to prevent redemptions causing dilution effects for investors" is unclear and not always appropriate, in particular for venture capital and private equity funds which have liquid assets pockets.
 - One respondent asked that the information to be provided under Article 3(1)(b) of the draft RTS is provided "as relevant".

- One respondent asked that the words “any possible” are removed from Article 3(3)(a) of the draft RTS regarding the information to be provided on the valuation of assets, since it may be read as an obligation for managers to consider all possible options, which could prove burdensome for the use of liquidity provisions.

ESMA’s response: ESMA took note of the general support expressed by respondents for the proposed approach in relation to minimum information to be provided to the competent authority of the ELTIF.

ESMA also took note of the call from the majority of respondents for more flexibility when providing updated information to NCAs as the foreseen timeframe of 10 days may, in their views, not be sufficient. ESMA replaced this timeframe of 10 days with a timeframe of 20 business days.

On the other side, ESMA strengthened the requirements for the manager of the ELTIF to inform the competent authority of the ELTIF, as soon as practically possible when a material change to the information initially provided becomes known, given ESMA considers this is a key aspect of the supervision of ELTIFs, which may be marketed to retail investors.

ESMA also further detailed and amended the exact drafting of the information to be provided to the competent authority (a) to (k), as referred to in Article 4 of the RTS, so that these requirements are clearer, less prone to interpretation, and less redundant with the requirements already included in the level 1 ELTIF Regulation. This is for example the case in relation to the information on stress tests and on the valuation of assets.

Q11:

a) Do you agree with the proposed approach in relation to the requirements to be fulfilled by the ELTIF in relation to its redemption policy and liquidity management tools, referred to in points (b) and (c) of Article 18(2) - Article 18(6)(c) of the ELTIF Regulation)?

47. Two respondents agreed with ESMA’s approach, which consists in particular in relying on several factors to align the liquidity profile of an ELTIF to the liquidity risk management tools and processes to be applied in respect of the fund. One of these respondents agreed with ESMA regarding the fact that the redemption policy should be assessed against the composition of the fund’s portfolio, the number and liquidity of the assets, the requirements for redemptions and the available liquidity management tools.

48. In addition, the following comments were made:

- Three respondents mentioned that a sound and reliable liquidity risk management system relies on the correct articulation of a fund’s assets, liabilities and redemption policy, along with the liquidity profile of the ELTIF, which should be considered

altogether holistically. One of these respondents stressed that it is the fund manager's responsibility to demonstrate to the relevant NCA that the redemption policy and the liquidity management tools put in place at the level of the fund are appropriate. The respondent outlined that setting concomitant and additive limits for each of the redemption frequency, notice period of minimum amount of liquid assets is not the right approach, since these should be only part of a broader toolkit, and that it should be for NCAs to assess on a case-by-case basis the global design of an ELTIF.

- One respondent found it unclear how ESMA's proposal would treat funds which would implement periodic redemption windows to cap the amount of liquidity at particular dealing points. In particular, the respondent wondered whether this would be qualified as redemption gates and, in this case, suggested not limiting the use of this tool to only "exceptional circumstances", but rather allowing it to be used whenever needed. In this respondent's view, this would need to be clearly disclosed to investors, in particular so that retail investors may manage their liquidity expectations.
- One respondent stressed that the redemption policy of an ELTIF should be defined based primarily on the allocation of liquidity pockets and the life cycles of the invested assets. The respondent called for a flexible approach to redemption policies and liquidity management tools to foster the development of diversified ELTIFs.
- One respondent agreed with ESMA's distinction between anti-dilution liquidity management tools and quantity-based liquidity management tools, also because they are consistent with the distinction identified in the work carried out by the IOSCO and the FSB, also outlining that both types of liquidity management tools often coexist within the same fund in order to ensure financial stability in the long term.
- Two respondents agreed with the approach taken in Article 5(2) of the draft RTS regarding the disclosure to investors of the redemption policy of the ELTIF. However, one of these respondents suggested that the RTS provide ELTIFs the flexibility to manage subscriptions and redemptions while maintaining liquidity consistent with their redemption terms, which will differ from one ELTIF to another depending on the investment objective and strategy. Both respondents stressed that imposing restrictive timelines for redemption procedures would be overly cumbersome on the ELTIF and increase costs, making it a less attractive option for fund managers. Finally, the respondent outlined that the redemption policy is determined at the beginning of the fund's life, when it would be difficult to assess the portfolio composition and all of the fund's assets, that the investment strategy would be the most appropriate criterion to consider.
- One respondent suggested limiting the level of transparency imposed to fund managers, in order to avoid disclosures that could potentially lead to redemption runs, such as the level of unsatisfied redemption requests that should not have to be published on the manager's website.

49. Regarding redemption policies, one respondent mentioned that they should be set in coherence with the asset allocation of the ELTIF and suggested they should be limited to a percentage of the liquidity pocket of the fund.
50. Regarding redemption gates, two respondents outlined the importance of this tool and stressed that they should be allowed when they are triggered by the occurrence of objective circumstances detailed in the fund documentation and not only under exceptional circumstances. On the contrary, these respondents suggested that, if gates are implemented following exceptional circumstances, additional gates should not be mandatory. Another respondent suggested to grant ELTIF managers with additional flexibility by allowing them to adopt quantity-based liquidity management tools other than gates in any case indicated in Annex V of text proposed in the AIFMD review, such as the suspension of redemptions and subscriptions and the extension of the notice period.
51. Regarding liquidity management tools, several respondents urged to maintain a certain degree of flexibility, whereby managers should be able to choose the most appropriate liquidity management tool (e.g. suspension of redemptions, subscriptions and extension of the notice period) depending on the ELTIF's structure and on a case-by-case basis, rather than imposing a given liquidity management tool, also based on other factors such as the fund's distribution channel and local regulations. One of these respondents referred to the model of the UK Long-Term Asset Fund, the attractiveness of which rests in part on the ability of the manager to determine a redemption policy and liquidity management tools that are appropriate depending on the investment objective and strategy of the fund.

ESMA's response: ESMA took note that certain respondents agreed with the general approach taken by ESMA in relation to the redemption policy and liquidity management tools, but ESMA also acknowledged that the majority of respondents were not in favour of the proposed approach in relation to the setting of liquidity management tools, and in particular the proposal to mandate the implementation of at least one anti-dilution tool (among anti-dilution levies, swing pricing and redemption fees), as well as gates, in exceptional circumstances only.

ESMA took note that the variety of assets in which an ELTIF may invest, as well as the variety of ELTIF strategies, which may also be linked to different types of investor bases, may trigger the need, in some cases, for other sets of liquidity management tools. As a consequence, ESMA included a derogation allowing the ELTIF manager to deviate from the requirement to implement at least one anti-dilution tool, provided adequate justifications are provided to the competent authority of the ELTIF.

In relation to gates, ESMA also acknowledged that gates may be used not only in exceptional circumstances, and therefore accordingly amended the corresponding requirement to specify that gates may be used by ELTIF managers in different situations, not limited to exceptional ones.

Finally, ESMA removed the references to the requirements on liquidity management tools under the proposed revised text of the AIFM Directive, since this proposal is to be formally adopted yet and the revised Directive will need to be transposed, and is currently not applicable.

b) What are your views on the setting of a maximum redemption frequency on a quarterly basis, for all ELTIFs, irrespective of their individual specificities, as suggested in paragraph 83?

52. Several respondents agreed with ESMA's proposal for a maximum quarterly redemption. It was indicated that this is consistent with existing market practice or that there is generally no need for more frequent redemptions. Three of those respondents who agreed with ESMA's proposal outlined that quarterly redemptions may be a maximum subject to the possibility, as foreseen in the ESMA's proposal, for exemptions where the ELTIF manager can justify more frequent redemptions due to the characteristics of the relevant ELTIF.

53. However, a majority of respondents disagreed with this proposal. The following points were raised:

- The redemption frequency should be determined on a case-by-case basis and under the responsibility of the manager and should accommodate investors' needs, in particular for open-ended funds.
- Some existing ELTIFs have set a higher redemption frequency and they have not encountered any liquidity issues, as this is the case, e.g., with some French real estate funds that have two-weeks or fortnight redemption frequencies.
- The adequate redemption frequency depends on the characteristics of the fund, such as the assets held, the target markets, the investment holding period, or the subscriptions that may facilitate managers to meet redemption requests. Hence, flexibility is needed to determine the redemption frequency.
- More frequent redemptions should be allowed, whether daily, monthly or even weekly, in particular for open-ended or evergreen funds.
- The alignment of the redemption frequency with a "substantial, relevant, reliable and up-to-date valuation" does not necessarily imply that a physical valuation (in case of real estate) should be carried out at each redemption date.
- As outlined by the IOSCO and the FSB, liquidity management is linked to a fund's assets, liabilities and redemption policies, which should be taken into account using a

holistic approach. Hence, the determination of redemption frequency should also take into account the fund's liquidity profile and the existing liquidity management tools.

- A maximum quarterly redemption would not be aligned with certain other international standards, in particular with UK Long-Term Asset Funds, which are subject to a redemption frequency of one-month with a notice period of 90 days.

ESMA's response: ESMA took note that the majority of respondents were not in favour of the proposed approach in relation to the setting of a maximum redemption frequency on a quarterly basis for all ELTIFs, while several respondents, however, agreed with this approach.

ESMA took note of the information provided by certain respondents that a maximum quarterly redemption frequency would be consistent with the existing market practices for several types of ELTIFs. ESMA also took note of the comments made by several respondents according to which there might be different types of ELTIFs for which a maximum quarterly redemption frequency would, on the other hand, not be appropriate.

Taking into account this feedback from stakeholders, ESMA confirmed the proposed approach mandating a maximum quarterly redemption frequency, but also confirmed the possibility to derogate from this norm, in which case the ELTIF manager should justify to the competent authority of the ELTIF why a higher frequency would be more appropriate, on the basis of the individual features of the ELTIF and the actual possibility to have a reliable, sound and updated valuation of the assets of the ELTIF.

c) What are your views on the setting of a notice period of Y months for all ELTIFs (with Y equal to 12, for example)? What are your views on the options 1 and 2, set out in paragraphs 87 to 90, in relation to the specific requirements/circumstances where the notice period could be less than one year, and the numerical values of the parameters Z(1) to Z(4), under option 1, and Y, under option 2?

54. Two respondents agreed that imposing a notice period could be appropriate.

55. However, the majority of respondents generally disagreed with ESMA's proposal to set a mandatory notice period for ELTIFs. Several respondents reiterated the comment according to which fund managers should be responsible to determine the most appropriate liquidity management tools, including the most appropriate duration for a notice period, based on the characteristics of the funds they manage, such as the fund's assets' nature and liquidity, the investor base and needs, or the overall investment strategy and objectives. Some respondents believed that the use of a minimum notice period may not be appropriate given the possibility left to ELTIFs to invest into a wide range of assets, and despite the usefulness of notice periods as a tool to manage the fund's liquidity risk. One respondent stressed that the use of a prescribed formula to determine notice periods or other liquidity management tools was not appropriate. One respondent mentioned that neither approach (option 1 or option 2) suggested by ESMA would be necessary to ensure that ELTIFs have

robust liquidity management practices in place. Finally, one respondent mentioned that imposing a common standard timeframe for redemption notices on all ELTIFs would be restrictive as it would not take into account each fund's strategy. This respondent also disagreed with ESMA's assessment of the time needed to sell eligible assets to meet redemption requests, pointing to evergreen funds that usually rely on available cash or full waterfall of redemption sources, which makes it easier to meet these requests.

56. Several respondents feared that the introduction of a mandatory minimum notice period would make ELTIFs a less attractive product for fund managers and for investors since it would restrict the universe of assets into which an ELTIF may invest, while some other respondents were of the view that mandating a 12 months' notice period along with a quarterly redemption basis would be confusing for investors. One respondent stressed that a mandatory notice period could prevent ELTIFs to be included into insurance-based products and thus hamper the success of ELTIFs. Two respondents also argued that the calibrations suggested by ESMA could be too strict and exclude some retail AIFs from the ELTIF label, hence reducing the success of this label.
57. Should a minimum notice period be implemented by ESMA in the final version of the draft RTS to be submitted to the European Commission, some respondent asked for the implementation of flexibility, whereby such notice period should be subject to the ability for ELTIF managers to deviate from it when justified by the profile of a given ELTIF, or granting the fund manager with discretion to set the notice period.
58. As regards option 1, several respondents argued that a 12 months' notice period would be too lengthy, in particular since ELTIFs already have sufficient liquidity management tools to manage their liquidity without relying on such a long notice period. Two of these respondents mentioned that a high percentage of liquid assets could be inadequate for ELTIFs as it could restrict the investment universe and not be fit for retail distribution, thus hindering the success of ELTIFs. One respondent also indicated that the portion of liquid assets held by ELTIFs should depend on the fund's investment strategy rather than the need to meet redemption requests, while another respondent indicated that the purpose of the notice period is to provide fund managers with enough time to process redemption requests as opposed to processing the sale of illiquid assets.
59. As regards option 2, two respondents argued that it was not optimal since it could be confused with redemption gates as both methods provided for the limitation of redemptions within a maximum percentage during a given time window, although two respondents admitted that this option would be more consistent with existing market practice if no specific numbers or timeframes were established. One respondent indicated that this option was not appropriate since the number of redemption requests could be subject to various external factors aside from the ELTIF's expected cash flows and liabilities. However, some respondents expressed a preference for this option 2, arguing that it was more in line with existing market practice or that it would provide ELTIF managers with more flexibility than a prescriptive approach on minimum amounts of liquid assets to be held.

ESMA's response: ESMA took note that the majority of respondents were not in favour of the proposed approach to set a mandatory notice period for ELTIFs, given in particular the variety of ELTIF strategies and assets in which an ELTIF may invest.

However, given the illiquid nature of certain assets in which an ELTIF may invest, the fact that ELTIFs could be marketed to retail investors, and in line with the international work on liquidity management conducted in particular at the FSB and IOSCO, ESMA is of the view that a certain level of prescriptiveness is needed in relation to the requirements on the notice period of an ELTIF.

ESMA therefore put forward an option under which, depending on the length of the notice period, ELTIF managers shall hold a minimum percentage of liquid assets, and, at the same time, different percentages of maximum amount of liquid assets that can be redeemed are also applied to them.

In the view of ESMA, this would still allow to take into account the specificities of different types of ELTIFs while, at the same time, ensure investors, including remaining investors of ELTIFs, are adequately protected.

d) In your view, how do these requirements on the redemption policy and liquidity management tools of the ELTIF would compare to those applying to existing long-term investment AIFs which would be similar to ELTIFs (e.g. in terms of eligible assets)?

Where possible, please support your answers by providing examples of current liquidity set-up for similar long-term funds marketed to retail investors, analyses of the data available to assess the value of ELTIF long term assets and the length of the valuation process.

60. Several respondents indicated that there should be no difference between long-term AIFs, subject to the AIFMD requirements, and ELTIFs in terms of liquidity management, although, according to some of them the possibility to market ELTIFs to retail investors make the issue of the redemption policy and liquidity management more sensible. Similarly, another respondent indicated that the new ELTIF framework would not be appropriate to compare existing long-term AIFs with ELTIFs, since the latter were designed in order to be distributed to retail investors. Hence, this respondent stressed that the responsibility for managing liquidity lies with the fund manager and must be demonstrated to NCAs, so that there may not be a one-size-fits-all approach. In this context, one respondent argued that it would not be appropriate to introduce requirements to implement both a notice period and another anti-dilution liquidity management tool in ELTIFs since this is not the case under the AIFMD review.

61. One respondent referred to provisions of Italian law which permit closed-ended AIFs to allow early redemptions under certain limited circumstances, i.e. at the initiative of the manager on a pro-rata basis, or upon request of individual investors for an amount not

exceeding the value of new subscriptions or the value of money borrowed by exchange-traded funds. Italian law does not require managers to implement additional liquidity management tools, since early redemptions are subject to certain ceilings.

62. One respondent pointed to an existing practice for AIFs that are similar to ELTIFs to implement a fund-level cap on the percentage of NAV that is available for redemption, which allows managers to control the liquidity risk in the portfolio.

ESMA response: ESMA took note of the general information and national examples provided by respondents in relation to the proposed approach on liquidity set-up for long-term investment products marketed to retail investors, and the corresponding approach on the valuation related issues.

ESMA took in particular note of the functioning of the different types of long-term investment vehicles set under national law, and how it compares with the corresponding rules governing the functioning of ELTIFs, in particular on redemption or valuation related issues.

In relation to the requirements on liquidity management tools in the ELTIF RTS, please see the ESMA response to question 11 a).

Q12. Do you agree with the proposed criteria to assess the percentage referred to in point (d) of Article 18(2) – Article18(6)(d)?

63. Four respondents agreed with the list of criteria set out in Article 6 of the draft RTS to assess the percentage referred to in point (d) of Article 18(2). However, one respondent expressed reservations regarding the length of the list, indicating that the number of criteria may trigger difficulties as it might be difficult to interpret some of its elements. On the contrary, four respondents were of the view that the definition of the percentage should be under the responsibility of the fund manager and should be determined with NCAs on a case-by-case basis, while one of these respondents believed that the level 1 ELTIF Regulation is detailed enough to allow for the determination of the liquid pocket and the respective cash flow on which the redemption would be calculated. One respondent also suggested that the limit on allowed redemptions should be removed for closed-ended funds.
64. Three respondents mentioned that the percentage referred to in Article 18(2)(d) of the ELTIF Regulation should be considered as a permanent liquidity cap that applies on each window of redemption and that it is consistent with the existent standard market practice whereby the fund manager determines the maximum number of redemption orders that may be processed by the next redemption date, based on the available liquidity.
65. Three respondents outlined that the assets to be used to meet redemption requests are not only the fund's liquid assets, but also the other assets, as well as other sources of liquidity, such as loans or subscriptions. Hence, one of these respondents suggested that the liquidity pocket amount should be calibrated according to the level of gating

implemented. Two other respondents expressed doubts on the interpretation of Article 6(2) of the draft RTS, on the criteria to assess the percentage of redemptions referred to in Article 18(2)(d) of the ELTIF Regulation, stressing that the purpose of the concerned assets of an ELTIF was to serve as an additional source of liquidity in case a significant number of redemptions started jeopardizing the ELTIF's liquidity. Another respondent suggested that the amount of liquid assets should be set at the launch of the fund, in line with the investment strategy and the liquidity stress tests, and to remove the words "used up" in Article 6(2) of the draft RTS. Finally, two respondents stressed that it should be possible to use up in full the liquid asset pocket to meet redemption requests.

66. Regarding the activation of the mechanism, one respondent was of the view that the liquidity buffer referred to in Article 9 of the ELTIF Regulation was intended to satisfy redemption requests, provided that the conditions outlined in Article 18(2) of the Regulation are satisfied. Three other respondents stressed that this cap should not be considered as a mechanism that needs to be "activated", as it should rather be applicable in the normal conduct of business without the need for prior disclosure to the NCA or to investors. These respondents also stressed that there should not be any obligation to disclose the occurrence when the cap is reached in order to avoid redemption runs. The same respondents, along with another respondent called for some flexibility in the determination of the percentage of redemptions to be allowed, since this percentage could vary, based for example on the life cycle of the fund's assets. Therefore, these respondents pointed that the computation should not be conducted at the beginning of the life of the ELTIF, but rather in accordance with the timing of redemptions. However, one respondent insisted that ELTIF managers should not frequently change the percentage of allowed redemptions since this could lead to uncertainty and may trigger redemptions.

67. Regarding the changes to be taken into account pursuant to Article 6(4) of the draft RTS, one respondent suggested adding the expected inflows, since the corresponding cash-flows will be available to the fund manager in order to satisfy possible redemption requests, so that these inflows should be included in the calculation of the percentage of allowed redemptions. On the same provision, two respondents suggested clarifying that the fund manager is not required to verify that the percentage initially defined remains relevant during the life of the ELTIF, and invited clarifying that the percentage should be fixed in advance in order to grant investors with clarity on the redemptions requests that could be met. On the contrary, one respondent found that the obligation to verify changes between the date of the assessment and the applicable redemption date could be very burdensome and should be replaced with an obligation to verify, during the life of the ELTIF, if the percentage of redemptions allowed that was initially defined remains relevant.

ESMA response: ESMA took note that several respondents agreed on the list of criteria set out in Article 6 of the draft RTS to assess the percentage referred to in point (d) of Article 18(2).

With respect to the possible figures of this percentage referred to in point (d) of Article 18(2), as indicated in the response to question 11 c), ESMA put forward an option under which,

depending on the length of the notice period, ELTIF managers shall hold a minimum percentage of liquid assets, and at the same time, being allowed to redeem only a maximum percentage of liquid assets, as referred to in point (d) of Article 18(2). This would allow to take into account the specificities of different types of ELTIFs while, at the same time, ensure investors, including remaining investors of ELTIFs, are adequately protected.

Q13. Do you agree with the principle-based approach suggested above, in relation to the ESMA RTS under Article 19(2a)?

68. All respondents to this question supported the principle-based approach suggested above, in relation to the ESMA RTS under Article 19(2a) on the matching mechanism.
69. A limited number of respondents were of the view that the specifications of the circumstances for the use of matching should be even less prescriptive than in the draft RTS included in the ESMA CP. Two respondents also clarified that the matching mechanisms should never be mandatory.
70. Other respondents concurred that the matching mechanism would, in their view, work in conjunction with the redemption policy described in Article 18(2) of the ELTIF Regulation and that it provides investors with greater liquidity. Two respondents shared their expectations that for retail investors looking to exit long-term investments, the ELTIF redemptions will, however, continue to be the principal source of liquidity. In their view, the opportunity for ESMA to review the RTS on the matching arrangements will arise as the secondary market grows along with ELTIF funds and investors.
71. In addition, some respondents suggested that the matching mechanism should include certain features such as allowing processing orders in a chronological manner, rather than merely proportionally, and always implying a match between subscriptions and redemptions. In the view of these respondents, the quantity of shares that may be traded on the secondary market should be at the manager's discretion. To avoid fund NAV distortion, transactions in a dark pool should be possible.

ESMA response: ESMA took note of the general support expressed by respondents for the proposed principle-based approach in relation to the ESMA RTS under Article 19(2a) on the matching mechanism and confirmed this approach in the corresponding RTS included in this final report.

ESMA also further simplified and amended the exact drafting of the requirements on the role of the manager of the ELTIF when transfers are matched as referred to in Article 19(2a), so that these requirements are clearer, less prone to interpretation, and not redundant with the requirements already included in the level 1 ELTIF Regulation. This is for example the case in relation to the requirements on the processing of orders, to be conducted on a pro rata basis, but which could also be, in some specific situations which would need to be duly justified, processed in another way, as requested by certain respondents.

Q14. Do you agree with the proposals suggested above and corresponding draft RTS, in relation to the transfer process for both exiting and potential investors, and the role of the manager of the ELTIF or the fund administrator in conducting transfers, and the matching of respective requests?

72. Most respondents welcomed the proposals included in the ESMA consultation, and the corresponding draft RTS, in relation to the transfer process for both exiting and potential investors, the role of the manager of the ELTIF or the fund administrator in conducting transfers, and the matching of respective requests.
73. Some respondents concurred with the abovementioned proposal as they appear to give ELTIF managers the appropriate degree of flexibility in establishing and implementing a matching policy, as long as investors are given appropriate disclosures.
74. One respondent indicated that it is in their view needed to clarify in RTS that the application of the matching mechanism does not restrict private transfers between investors and third parties.
75. Some respondents highlighted the need to specify in RTS that the matching mechanism is not applicable to secondary markets.
76. Lastly, a few respondents suggested that the costs related to the subscription of orders should be related to the NAV.

ESMA response: ESMA took note of the general support expressed by respondents for the proposed approach in relation to the transfer process for both exiting and potential investors, the role of the manager of the ELTIF or the fund administrator in conducting transfers, and the matching of respective requests, and confirmed this approach.

ESMA also further simplified and amended the exact drafting of the corresponding requirements included in Article 8 of the RTS, so that these requirements are clearer, less prone to interpretation, and not redundant with the requirements already included in the level 1 ELTIF Regulation. This is for example the case in relation to the requirements on the execution price, and its interaction with the NAV of the ELTIF.

Finally, ESMA has specified in a recital that the matching mechanism under Article 19(2a) of the ELTIF Regulation should not be considered as multilateral system under MiFID II.

Q15. Do you agree with the proposed approach and corresponding draft RTS, in relation to the periods of time during which exiting and potential investors may request transfer of shares or units of the ELTIF? If both systems under Article 18(2) and 19(2a) coexist, how could the risk of arbitrage between different prices in the primary and the secondary markets be, in your view, mitigated? How could (retail) investors be ensured that the purchase or sale of shares on the secondary market

will be executed at prices that reflect the value of the ELTIF?

77. The vast majority of respondents were in agreement with the proposed approach and corresponding draft RTS, in relation to the periods of time during which exiting and potential investors may request transfer of shares or units of the ELTIF. It was pointed out by certain respondents that it must be clearly disclosed, in the prospectus, for the matching requests and specifying the client's valid or pending time for deal fulfilment. In contrast, there was one respondent who disagreed with the concept of issuing units/shares at a specific price if the ELTIF units are listed on a regulated market.
78. Some respondents agreed with ESMA's proposal: to align the matching mechanism with the valuation dates of the ELTIF if the execution price is based on the NAV and, conversely, to implement it outside the valuation dates of the ELTIF if it is not based on the NAV and the manager ought to develop in the matching policy certain windows of time, if necessary.
79. One respondent believed that the two mechanisms should not operate simultaneously unless they use the same exit value.
80. One respondent proposed the following approach in order to ensure the purchase or sale of shares on the secondary market will be executed at prices that reflect the value of the ELTIF: i) Let ELTIF managers have the discretion to opt to forbid "market" restrictions. ii) Establish restrictions based on the last available NAV. Iii) Give the possibility to the ELTIF managers to implement a potential price limit feature to prevent matching prices outside of a specific range around the most recent NAV.

ESMA response: ESMA took note of the general support expressed by respondents for the proposed approach in relation to the periods of time during which exiting and potential investors may request transfer of shares or units of the ELTIF, and the interaction between the requirements under Article 18(2), on redemptions, and 19(2a), on the matching mechanism, of the ELTIF Regulation, and confirmed this approach.

ESMA also further simplified and amended the exact drafting of the corresponding requirements included in Article 9 of the RTS, so that these requirements are clearer, less prone to interpretation, and less redundant with the requirements already included in the level 1 ELTIF Regulation. This is for example the case in relation to the level of details of the rules on the pro rata conditions included in Article 9.

Q16. Do you agree with the proposals above and the corresponding draft RTS, in relation to the determination of the execution price and the proration conditions and the level of the fees, costs and charge, if any, related to the transfer process?

81. The majority of respondents agreed with the proposals and the corresponding draft RTS, in relation to the determination of the execution price and the proration conditions and

the level of fees, costs and charge, if any, related to the transfer process. However, one respondent indicated that the matching rules should not be included in the rules or instruments of incorporation of the ELTIF but in the accompanying matching policy.

82. One respondent wished to ensure the rules included in the RTS on the execution price align with their national law, secondary market price determination, and compensation mechanism related to existing real estate vehicles, and another respondent requested ESMA to specify the conditions under which a NAV is "not reliable".

Q17. Do you agree with the proposals above, and the corresponding draft RTS, in relation to the timing and the nature of the disclosure of information with respect to the transfer process conditions?

83. All respondents, except one, agreed with the proposals above, and the corresponding draft RTS, in relation to the timing and nature of the disclosure of information with respect to the transfer process conditions. There were two respondents who suggested including the matching rules in the accompanying matching policy instead of in the instruments of incorporation of the ELTIF.

ESMA response (Q16 and Q17): ESMA took note of the general support expressed by respondents for the proposed approach in relation to the determination of the execution price and the proration conditions and the level of the fees, costs and charge, and in relation to the timing and the nature of the disclosure of information with respect to the transfer process conditions and confirmed this approach.

ESMA further simplified and amended the exact drafting of the corresponding requirements included in the RTS, so that these requirements are clearer, less prone to interpretation, and not redundant with the requirements already included in the level 1 ELTIF Regulation.

Q18. Are you of the view that any of the requirements of the draft RTS under the amending ELTIF Regulation should be adjusted to take into account the specificities of listed ELTIF? If yes, could you specify which requirement should, in your view, be amended?

84. The majority of respondents considered no adjustments of the draft RTS were needed to consider the specificities of listed ELTIF. However, two respondents highlighted that in their view it is crucial to ensure the final RTS distinguishes clearly between pieces of legislation that apply to matching and those that apply to secondary markets.

ESMA response: ESMA took note of the views expressed by the majority of respondents that no adjustment of the RTS are needed to consider the specificities of listed ELTIFs, and agreed with this approach.

For the sake of clarity, ESMA specified in a recital that the matching mechanism under Article 19(2a) of the ELTIF Regulation should not be considered as multilateral system under MiFID II.

Q19. Do you agree with the above-mentioned reasoning in relation to the possible costs and benefits of the option taken by ESMA as regards the redemption policy of ELTIF under Article 18(2) of the ELTIF Regulation? Which other types of costs or benefits would you consider in this context?

Q20. Do you agree with the above-mentioned reasoning in relation to the possible costs and benefits of the option taken by ESMA as regards the matching mechanism of ELTIF under Article 19(2a) of the ELTIF Regulation? Which other types of costs or benefits would you consider in this context?

Q21. Do you agree with the above-mentioned reasoning in relation to the possible costs and benefits of the option taken by ESMA as regards common definitions, calculation methodologies and presentation formats of costs of ELTIFs? Which other types of costs or benefits would you consider in this context?

85. While the vast majority of respondents did not provide an answer to these questions, a limited number of them did not agree with the reasoning in relation to the possible costs and benefits of the option taken by ESMA as regards the redemption policy of ELTIF under Article 18(2) of the ELTIF Regulation. In their view, the ESMA proposals on certain key issues (such as the minimum holding period, and liquidity management tools) would indeed limit the ELTIF's managers flexibility, which is- key, given the variety of ELTIFs to be launched under the revised ELTIF Regulation. They suggest that ESMA ought to strive for a more adaptable framework that strikes the right balance between investor liquidity requirements and larger financial stability concerns.

86. Regarding possible costs and benefits of the option taken by ESMA on the matching mechanism under Article 19(2a) of the ELTIF Regulation, the majority of respondents concurred with ESMA.

87. Finally, in relation to the possible costs and benefits of the option taken by ESMA as regards common definitions, calculation methodologies, and presentation formats of costs of ELTIFs, the vast majority of respondents had no comments on the proposals by ESMA. However, two of them indicated that the approach ESMA took in the CP in relation to cost disclosure may be difficult to apply and might confuse certain investors, hence ELTIF managers should have more flexibility to adapt their disclosure framework. At the same time, another respondent indicated that more harmonisation on cost disclosure frameworks across EU pieces of legislation is needed, so that compliance costs are lowered, and should be promoted.

ESMA response: ESMA took note of the views expressed by several respondents on the possible costs and benefits of the options taken by ESMA in relation to cost disclosure, redemption related issues (RTS under Article 18(2)) and matching related issues (RTS under Article 19(2a)).

Given these RTS were amended, as compared to the ones included in the ESMA CP, to allow for more flexibility on certain requirements, such as the setting of the recommended holding period referred to in Article 18(2), the corresponding cost-benefit analysis was accordingly amended, in line with the comments formulated by certain respondents.

3 Annexes

3.1 Annex I

Legislative mandate to develop technical standards:

Article 18(6) of the ELTIF Regulation

“ESMA shall develop draft regulatory technical standards specifying the circumstances in which the life of an ELTIF is considered compatible with the life- cycles of each of the individual assets of the ELTIF, as referred to in paragraph 3.

ESMA shall also develop draft regulatory technical standards specifying the

following:

(a) the criteria to determine the minimum holding period referred to in paragraph 2, first subparagraph, point (a);

(b) the minimum information to be provided to the competent authority of the ELTIF under paragraph 2, first subparagraph, point (b);

(c) the requirements to be fulfilled by the ELTIF in relation to its redemption policy and liquidity management tools, referred to in paragraph 2, first subparagraph, points (b) and (c); and

(d) the criteria to assess the percentage referred to in paragraph 2, first subparagraph, point (d), taking into account amongst others the ELTIF’s expected cash flows and liabilities.

ESMA shall submit the draft regulatory technical standards referred to in the first and second subparagraphs to the Commission by 10 January 2024 .”

Article 19(5) of the ELTIF Regulation

“ESMA shall develop draft regulatory technical standards specifying the circumstances for the use of matching provided for in paragraph 2a, including the information that ELTIFs need to disclose to investors.

ESMA shall submit the draft regulatory technical standards referred to in the first subparagraph to the Commission by 10 January 2024.”

Article 21(3) of the ELTIF Regulation

“ESMA shall develop draft regulatory technical standards specifying the criteria to be used for the assessments in point (a) and the valuation in point (c) of paragraph 2”

Article 25(3) of the ELTIF Regulation

“ESMA shall develop draft regulatory technical standards to specify the common definitions, calculation methodologies and presentation formats of the costs referred to in paragraph 1 and the overall ratio referred to in paragraph 2.

When developing these draft regulatory technical standards, ESMA shall take into account the regulatory technical standards referred to in points (a) and (c) of Article 8(5) of Regulation (EU) No 1286/2014.”

3.2 Annex II

Cost-benefit analysis

1. Introduction

88. The ELTIF Regulation sets out a comprehensive framework for the regulation of ELTIFs within Europe. ELTIFs are EU AIFs that are managed by alternative investment fund managers (AIFMs) authorised in accordance with Directive 2011/61/EU.

89. The ELTIF Regulation establishes uniform rules regarding the operation of ELTIFs, in particular on the composition of their portfolio and the investment instruments that they are allowed to use in order to gain exposure to long-term assets. It mandates ESMA to develop RTS on certain aspects of its functioning.

90. This final report sets out proposals for the RTS required in particular under Articles 18(6), 19(5) and 25(3) of the ELTIF Regulation which relate to the redemption policy of the ELTIF, the circumstances for the use of the matching mechanism, and the costs disclosure (calculation methodologies for costs borne by investors, as well as presentation of cost disclosures).

91. This CBA is qualitative in nature. However, specific questions had been introduced in the ESMA consultation paper on the draft RTS under the revised ELTIF Regulation in order to elicit market participants' input on the quantitative impact of the proposals. ESMA has taken into account this input when finalising the CBA detailed in the following paragraphs.

2. Technical options on the redemption policy (RTS under Article 18(2) of the ELTIF Regulation)

92. The following options were identified and analysed by ESMA in order to address the policy objectives of the RTS required under Article 18(2) of the ELTIF Regulation.

93. In identifying the options set out below and choosing the preferred ones, ESMA was guided by the relevant provisions of the ELTIF Regulation.

Policy Objective Under Article 18(2), the ELTIF Regulation indicates that by way of derogation from paragraph 1 of this Article, the rules or instruments of incorporation of an ELTIF may provide for the possibility of redemptions during the life of the ELTIF provided that all of the conditions specified in Article 18(2) are fulfilled.

Under Article 18(6), ESMA is requested to develop draft regulatory technical standards specifying i) the circumstances in

	<p>which the life of an ELTIF is considered compatible with the life-cycles of each of the individual assets of the ELTIF, and ii) the following:</p> <ul style="list-style-type: none"> - the criteria to determine the minimum holding period referred to in Article 18(2); - the minimum information to be provided to the competent authority of the ELTIF under Article 18(2)(b); - the requirements to be fulfilled by the ELTIF in relation to its redemption policy and liquidity management tools, referred to in Article 18(2)(b) and (c); and - the criteria to assess the percentage referred to Article 18(2)(d), taking into account amongst others the ELTIF's expected cash flows and liabilities.
<p>Baseline scenario</p>	<p>The baseline scenario should be understood for this CBA as the application of the requirements in the Level 1 Regulation (i.e. the provisions of Article 18(2) of the ELTIF Regulation) without any further specification. This would leave discretion to ELTIF managers to determine all the specificities of the redemption policy referred to in Article 18(2). This could clearly lead to a lack of harmonisation in the application of a key provision of the ELTIF Regulation. Indeed, the investors of an ELTIF would not be able to compare, and understand the way the redemption policy is implemented by ELTIFs, since the way the redemption policy would be presented in the documentation of the ELTIF would likely to differ significantly, at least from one Member State to another.</p> <p>Uncertainty on the above-mentioned item could for instance lead to a situation where some managers of ELTIFs would adopt stricter rules than others on the redemption policy, leading to greater uncertainty for investors of ELTIFs in the different Member States. For instance, some managers of ELTIF could consider very different types of information to be disclosed to investors in relation to the redemption policy, and very different liquidity management tools and use of this redemption opportunities, which would be particularly problematic for the functioning of the EU passport, and in order to preserve financial stability in the EU markets.</p>
<p>Options</p>	<p>The RTS aim to promote the objectives of the Level 1 Regulation by clarifying the scope of application of certain of its provisions. This should contribute to the creation of a level playing field across Member States, which will help ensure that the</p>

	<p>redemption policy under Article 18(2) is consistently applied. This should reduce the scope for regulatory arbitrage, which could otherwise hamper the key objectives of the Level 1 Regulation.</p> <p>In order to address this issue and comply with the objectives identified above, ESMA not only considered the idea of providing clarification on the criteria which may be extracted from the Level 1 provisions, but also specified the interlinkage between those criteria, as follows:</p> <ul style="list-style-type: none"> - The extent to which the RTS on the specifications of the redemption policy should be more or less prescriptive; - The extent to which managers of ELTIFs, who are also managers of AIFs, are already subject to existing requirements on the redemption policy and liquidity management tools; - The extent to which ELTIF, as a specific type of AIFs that can be marketed to retail investors, and which may offer redemptions (under Article 18(2) of the ELTIF Regulation), while investing in illiquid assets, may raise specific investor protection related issues.
Preferred Option	<p>ESMA decided to opt for an option in which the level of prescriptiveness of the measures related to the redemption policy and the liquidity features of the ELTIF is high enough to ensure an adequate level of investor protection, in the context of the requirements set in the level 1 ELTIF Regulation and the corresponding RTS empowerments for ESMA, while taking into account the variety of investment strategies that may be chosen by ELTIF managers, and the corresponding variety of assets in which ELTIFs may invest. ESMA therefore included certain prescriptive measures, such as setting of a maximum of quarterly redemption frequency, while allowing ELTIF managers to deviate from this norm, provided they sent detailed justifications to the Competent Authority of the ELTIF.</p>

3. Assessment of the impact of the various options on the redemption policy (RTS under Article 18(2) of the ELTIF Regulation)

Options	Qualitative description
Benefits	The main benefits of the options proposed are to standardise the operational and regulatory processes that the managers of an ELTIF will set up to determine the redemption policy they will put in place under the requirements of Article 18(2) (lowering the costs related to cross-border marketing), while ensuring an adequate level of investor protection, without going against the CMU objectives of the revised level 1 ELTIF Regulation.
Costs	ESMA assessed whether the proposed approach would lead to significant additional costs, to the extent that it provided clarifications on the Level 1 provisions and does not impose additional significant obligations beyond those already set by the ELTIF Regulation, except in relation to the setting of certain LMTs. Given ELTIFs are AIFs, these funds would in any case be subject to the revised requirements on LMTs included in the revised AIFMD, the additional costs imposed to ELTIF managers might therefore be, in this respect, low, as compared to the clear benefit of the use of such tools for the benefit of investor protection. As compared to the baseline scenario, it is also unlikely that: i) at their own initiative and without further coordination, managers of ELTIFs across all Member States implement in the same way the redemption policy requirements of Article 18(2) of the ELTIF Regulation; and ii) this same approach would prove to be less costly for the manager of the ELTIF than the approach taken by ESMA in the present final report.
Costs to regulator	The proposed approach will lead to additional costs for regulators, in particular with respect to the initial and ongoing supervision of the liquidity and redemption features of ELTIF but the benefits of such tasks, in terms of mitigation of any investor protection and financial stability related issues related to ELTIFs, clearly outweigh these costs.
Compliance costs	Compared with the current framework, the proposed approach will add certain compliance costs for managers of ELTIFs, in particular in relation to the supervision of their redemption policy and liquidity features, but the benefits of such duties, in terms of mitigation of any investor protection and financial stability related issues related to ELTIFs, clearly outweigh these costs.
ESG-related aspects	ESG-related aspects are not of direct relevance to the specific nature of the proposed RTS on redemption policy.

Innovation-related aspects	Innovation-related aspects are not of direct relevance to the specific nature of the proposed RTS on redemption policy
Proportionality-related aspects	The identified benefits outweigh the comparably limited costs, hence no proportionality-related aspects are expected to be impacted by this option (limited derogations to some of the requirements on redemption policy, as included in the RTS, are considered to address those issues).

4. Technical options on the matching mechanism (RTS under Article 19(2a) of the ELTIF Regulation)

94. The following options were identified and analysed by ESMA to address the policy objectives of the RTS required under Article 19(2a) of the ELTIF Regulation.
95. In identifying the options set out below and choosing the preferred ones, ESMA was guided by the relevant provisions of the ELTIF Regulation.

Policy Objective	<p>Under Article 19(2a), the ELTIF Regulation indicates that the rules or instruments of incorporation of an ELTIF may provide for the possibility, during the life of the ELTIF, of full or partial matching of transfer requests of units or shares of the ELTIF by exiting investors with transfer requests by potential investors, provided that all of the conditions specified in Article 19(2a) are fulfilled.</p> <p>Under Article 19(5), ESMA is requested to develop draft regulatory technical standards specifying the circumstances for the use of matching provided for in Article 19(2a), including the information that ELTIFs need to disclose to investors.</p>
Baseline scenario	The baseline scenario should be understood for this CBA as the application of the requirements in the Level 1 Regulation (i.e. the provisions of Article 19(2a) of the ELTIF Regulation) without any further specification. This would leave discretion to ELTIF managers to determine all the specificities of the matching policy referred to in Article 19(2a). This could clearly lead to a lack of harmonisation in the application of a key provision of the ELTIF Regulation. Indeed, the investors of an ELTIF would not be able to compare, and understand the way the matching policy is implemented by ELTIFs, and enforced, since the way the matching policy would be presented in the documentation of the ELTIF would likely to differ significantly, at least from one Member State to another. The way the matching policy would be

	<p>implemented would also likely to differ significantly from one Member State to another.</p> <p>Uncertainty on the above-mentioned item could for instance lead to a situation where some managers of ELTIFs would adopt stricter rules than others on the matching policy, leading to greater uncertainty for investors of ELTIFs in the different Member States. For instance, some managers of ELTIF could consider very different types of information to be disclosed to investors in relation to their matching mechanism, which would be particularly problematic in the context of the EU passport.</p>
<p>Options</p>	<p>The RTS aim to promote the objectives of the Level 1 Regulation by clarifying the scope of application of certain of its provisions. This should contribute to the creation of a level playing field across Member States, which will help ensure that the way the matching mechanism under Article 19(2a) is consistently applied is harmonised. This should reduce the scope for regulatory arbitrage, which could otherwise hamper the key objectives of the Level 1 Regulation.</p> <p>In order to address the problem and comply with the objectives identified above, ESMA not only considered the idea of providing clarification on the criteria which may be extracted from the Level 1 provisions, but also identified some topics for which additional guidance could be beneficial for the purposes of harmonised application of the ELTIF Regulation. These topics were as follows:</p> <ul style="list-style-type: none"> - The extent to which the RTS on the specifications of the matching mechanism should be more or less prescriptive; - The extent to which there has been some precedent in the fund space on the application of any similar matching mechanism.
<p>Preferred Option</p>	<p>ESMA decided to opt for an option in which the RTS on the specifications of the matching mechanism should be principle-based, given in particular there has not been precedent in the EU regulatory fund space on the application of any similar matching mechanism.</p>

5. Assessment of the impact of the various options on the matching mechanism (RTS under Article 19(2a) of the ELTIF Regulation)

Options	Qualitative description
Benefits	<p>The main benefits of the option proposed are to standardise the operational and regulatory processes that the managers of an ELTIF will set up to determine the matching mechanism they will put in place under the requirements of Article 19(2a). However, ESMA decided to propose RTS on the specifications of the matching mechanism which would be principle-based, given in particular there has been no precedent in the EU regulatory fund space on the application of any similar matching mechanism. Any prescriptive approach would have led to additional costs related to the necessary adjustment of the rules (set at level 2, and therefore not straightforward to amend rapidly), when there would have been more experience on the practical implementation of this new mechanism.</p>
Costs	<p>ESMA took the view that the proposed approach was unlikely to lead to significant additional costs to the extent that it provided clarifications on the Level 1 provisions, that it is a principle-based approach, and that it does not impose additional obligations beyond those already set by the ELTIF Regulation.</p> <p>As compared to the baseline scenario, it is also unlikely that: i) at their own initiative and without further coordination, managers of ELTIFs across all Member States implement in the same way the matching mechanism under Article 19(2a) of the ELTIF Regulation; and ii) this same approach would prove to be less costly for the manager of the ELTIF than the approach taken by ESMA in the present final report.</p>
Costs to regulator	<p>The proposed approach will lead to additional costs for regulators, in terms of initial and ongoing supervision of ELTIF managers, with respect to the implementation of the matching mechanism, but given the proposed approach is principle-based, these costs would be limited (as compared, for example, to the costs related to the approach set out under Article 18(6) of the ELTIF Regulation).</p>
Compliance costs	<p>Compared with the current framework, the proposed approach will lead to additional costs for managers of ELTIFs, in relation to the initial and ongoing supervision of the ELTIF they manage, with respect to the implementation of the matching mechanism, but also in relation to disclosure requirements vis a vis their</p>

	investors. However, given the proposed approach is principle-based, these costs would be limited.
ESG-related aspects	ESG-related aspects are not of direct relevance to the specific nature of the proposed RTS on matching mechanism.
Innovation-related aspects	Innovation-related aspects are not of direct relevance to the specific nature of the proposed RTS on matching mechanism
Proportionality-related aspects	The identified benefits outweigh the comparably limited costs, hence no proportionality-related aspects are expected to be impacted by this option.

6. Technical options on the common definitions, calculation methodologies and presentation formats of costs (RTS under Article 25 of the ELTIF Regulation)

96. The following options were identified and analysed by ESMA to address the policy objectives of the RTS required under Article 25 of the ELTIF Regulation.

97. In identifying the options set out below and choosing the preferred ones, ESMA was guided by the relevant provisions of the ELTIF Regulation.

Policy Objective	<p>Under Article 25, the ELTIF Regulation indicates that the prospectus of the ELTIF shall prominently inform investors as to the level of the different costs borne directly or indirectly by the investors. The ELTIF Regulation specifies that the different costs shall be grouped according to the following headings:</p> <ul style="list-style-type: none"> a. costs of setting up the ELTIF; b. the costs related to the acquisition of assets; c. management and performance related fees; d. distribution costs; e. other costs, including administrative, regulatory, depositary, custodial, professional service and audit costs. <p>Under Article 25(3) of the ELTIF Regulation ESMA is requested to develop draft RTS to specify:</p>
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	<ul style="list-style-type: none"> a. the common definitions; b. calculation methodologies [of the costs referred to in paragraph 1 of Article 25]; c. presentation formats of the costs referred to in paragraph 1 of Article 25; d. and the overall cost ratio referred to in paragraph 2 of Article 25.
Baseline scenario	<p>The baseline scenario should be understood for this CBA as the application of the requirements in the Level 1 Regulation (i.e. the provisions of Article 25 of the ELTIF Regulation) without any further specification. This would leave discretion to ELTIF managers to determine the definitions, calculation methodologies, and presentation formats of the different types of cost mentioned above, as well as the calculation methodology of the overall ratio referred to in paragraph 2 of Article 25. This could clearly lead to a lack of harmonisation in the application of a key provision of the ELTIF Regulation. Indeed, the investors of an ELTIF would not be able to compare the costs of different ELTIFs, since the cost disclosure as presented in the prospectus of the ELTIF would be likely to differ, at least from one Member State to another.</p> <p>Uncertainty on the above-mentioned item could for instance lead to a situation where some ELTIFs in some Member States would adopt stricter rules than others on cost disclosure, leading to greater uncertainty for investors of ELTIFs in the different Member States who would not know the extent to which the costs of the ELTIF as presented in the prospectus reflect a specific feature of the ELTIF in which they would invest or to a certain extent a specific feature of the cost disclosure regulatory framework in place in the Member State of this ELTIF. For instance, some Member States could consider that only some types of cost should be disclosed or aggregated in the above-mentioned overall ratio, while other Member States would consider that all types of cost should be disclosed and included in this overall ratio. This would clearly lead to a situation where the cost figures of the prospectus of ELTIFs of different Member States would not be comparable, which would be particularly problematic in the context of the EU passport.</p>
Options	<p>The RTS aim to promote the objectives of the Level 1 Regulation by clarifying the scope of application of certain of its provisions. This should contribute to the creation of a level playing field across Member States, which will help ensure that the cost</p>

	<p>disclosure information as presented in the prospectus of the ELTIF is harmonised. This should reduce the scope for regulatory arbitrage, which could otherwise hamper the key objectives of the Level 1 Regulation.</p> <p>In order to address the problem and comply with the objectives identified above, ESMA not only considered the idea of providing clarification on the criteria which may be extracted from the Level 1 provisions, but also identified some topics for which additional guidance could be beneficial for the purposes of harmonised application of the ELTIF Regulation. These topics were as follows:</p> <ul style="list-style-type: none"> - The extent to which the cost disclosure framework could be strictly aligned with the cost disclosure information that is requested by the PRIIPs Regulation; - The extent to which the cost disclosure information as requested by the ELTIF Regulation could be similar to the cost disclosure information as presented in the PRIIPs KID, but also in other pieces of EU legislation, such as the UCITS KIID.
Preferred Option	<p>ESMA decided to opt for an option in which the cost disclosure information as requested by the ELTIF Regulation is similar to the cost disclosure information as presented in the PRIIPs KID, but also in other pieces of EU legislation, such as the UCITS KIID, notably because the cost disclosure framework as requested by the PRIIPs Regulation is not entirely consistent with the purpose of Article 25 of the ELTIF Regulation. However, parts of the section on cost disclosure of the PRIIPs Delegated Regulation is referred to in the ELTIF RTS.</p>

7. Assessment of the impact of the various options on the common definitions, calculation methodologies and presentation formats of costs (RTS under Article 25 of the ELTIF Regulation)

Options	Qualitative description
Benefits	The impact of the final RTS should not be material in most of the Member States, since ESMA's proposal is to consider that the scope of risks to be covered by the manager of an ELTIF should

	<p>be similar to the cost disclosure information as presented in the PRIIPs KID and the UCITS KIID.</p> <p>The main benefits of the option proposed are to: i) standardise the operational and regulatory processes that the managers of an ELTIF will set up to disclose the costs for the ELTIF in the prospectus, as well as to standardise the cost disclosure information in itself for the investors of the ELTIF; and ii) take advantage of the existing cost disclosure framework under the PRIIPs KID and the UCITS KIID.</p>
Costs	<p>ESMA took the view that the proposed approach was unlikely to lead to significant additional costs to the extent that it provided clarifications on the Level 1 provisions and does not impose additional obligations beyond those already set by the ELTIF Regulation, except the clarification that the cost disclosure information mentioned in the ELTIF Regulation should be similar to the cost disclosure information as presented in the PRIIPs KID and the UCITS KIID.</p> <p>As compared to the baseline scenario, it is indeed unlikely that: i) on their own initiative and without further coordination, all Member States implement in the same way the cost disclosure requirements of Article 25 of the ELTIF Regulation; and ii) this same approach would prove to be less costly for the manager of the ELTIF than the approach taken by ESMA in the present final report.</p>
Costs to regulator	<p>It is unlikely that the proposed approach would lead to additional significant costs for regulators. The costs for regulators would be limited to the supervision of the cost disclosure section of the prospectus of ELTIFs.</p>
Compliance costs	<p>Compared with the current framework, the proposed approach would not cause additional material costs to managers of ELTIFs, to the extent that it provided clarifications on the Level 1 provisions and does not impose additional obligations beyond those already set by the ELTIF Regulation, except the clarification that the cost disclosure information mentioned in the ELTIF Regulation should be similar to the cost disclosure information as presented in the PRIIPs KID and the UCITS KIID.</p>
ESG-related aspects	<p>ESG-related aspects are not of direct relevance to the specific nature of the proposed RTS on the disclosure of information.</p>

Innovation-related aspects	Innovation-related aspects are not of direct relevance to the specific nature of the proposed RTS on matching mechanism
Proportionality-related aspects	The identified benefits outweigh the comparably limited costs, hence no proportionality-related aspects are expected to be impacted by this option.

3.3 Annex III

Draft regulatory technical standards

COMMISSION DELEGATED REGULATION (EU) .../..

of [...]

supplementing Regulation (EU) 2015/760 of the European Parliament and of the Council with regard to regulatory technical standards specifying obligations concerning hedging derivatives, redemption policy and liquidity management tools, trading and issue of units or shares of an ELTIF, and transparency requirements and repealing Delegated Regulation (EU) 2018/480

(Text with EEA relevance)

THE EUROPEAN COMMISSION,

Having regard to the Treaty on the Functioning of the European Union,

Having regard to Regulation (EU) 2015/760 of the European Parliament and of the Council of 29 April 2015 on European long-term investment funds, and in particular Article 9(3), third paragraph, Article 18(6), fourth subparagraph, Article 19(5), third subparagraph, Article 21(3), third subparagraph and Article 25(3), fourth subparagraph thereof,

Whereas:

(1) With respect to the specification of the criteria for establishing the circumstances in which the use of financial derivative instruments can be considered to solely serve the purpose of hedging the risks inherent to the investments of an ELTIF, as referred to in Article 9(2), point (d), of Regulation 2015/760, the financial derivative instruments that should be considered are those the underlying of which corresponds to the assets to which an ELTIF has or would have

exposures and, where the exposure to such an asset is not available, the underlying of which corresponds to the asset class to which an ELTIF has or would have exposure. That is in particular because in certain cases a financial derivative instrument to hedge an exposure to a specific item is not available, but rather as an item among others included in an index which is the underlying of a financial derivative instrument. In addition, the use of financial derivative instruments might in some cases serve the purpose of hedging the risks inherent to the investments of an ELTIF only where such strategy is combined with trades in certain assets. In order to ensure that the use of financial derivative instruments solely serves the purpose of hedging the risks inherent to the investments of an ELTIF, the financial derivative instruments should reduce effectively the relevant risk. The reduction of risk should be verifiable through systems identifying the risks intended to be mitigated and the way in which the derivative would mitigate such risk.

(2) When assessing whether the life of an ELTIF is compatible with the life cycles of each of the individual assets of the ELTIF, as referred to in Article 18(3) of Regulation (EU) 2015/760, the manager of an ELTIF should consider, given the long-term nature of the ELTIF, the liquidity profile of each of the ELTIF's individual assets, the liquidity profile of the ELTIF's portfolio on a weighted basis, the criteria on the timing of acquisition of those assets, and their valuation. During that assessment, given its interaction with the liquidity of the ELTIF, the manager of an ELTIF should also consider, where the ELTIF provides for the possibility of redemptions during the life of the ELTIF, the redemption policy of the ELTIF.

(3) The criteria to determine the minimum holding period referred to in Article 18(2), first subparagraph, point (a), of Regulation (EU) 2015/760 should ensure that the length of such minimum holding period is consistent with the time necessary to complete the investment of the ELTIF's capital contributions. It follows that the longer that time, the longer the minimum holding period should generally be. That minimum holding period is a period that locks the capital at investor level and which the ELTIF applies at the beginning of its life. However, to ensure fair treatment of investors and financial stability, ELTIF managers should be able to implement lock-up periods for subsequent investors and apply the same abovementioned criteria.

(4) The criteria to determine the minimum holding period should also take into account whether the ELTIF concerned allows for redemptions throughout the life-cycles of the assets, the life of the ELTIF, the redemption policy, the valuation procedure and other circumstances and conditions under which the ELTIF may allow redemptions, including the investor base of the ELTIF.

(5) To ensure investor protection and financial stability, the information referred to in Article 18(2), first subparagraph, point (b), of Regulation (EU) 2015/760 should relate in particular to the valuation procedures of the ELTIF, the liquidity stress tests conducted by the manager of the ELTIF including the methodology and parameters used in that stress test, the procedures detailing which liquidity management tools are available, and the calibration and activation of those liquidity management tools. To facilitate and improve the supervision of ELTIFs, the

competent authority of the home Member State of the manager of the ELTIF, where different from the competent authority of the ELTIF, should supplement and integrate the set of information provided by the manager of the ELTIF when so requested by the competent authority of the home Member State of the ELTIF.

(6) The redemption policy of the ELTIF and the use of liquidity management tools imply, given an ELTIF is an AIF according to the requirements of Directive 2011/61/EU, the availability of the valuation procedures for the redemptions and subscriptions in line with the requirements set out in that Directive. The manager of the ELTIF should be able to perform a reliable, sound and updated valuation of the assets of the ELTIF. The redemption policy and the valuation procedures of an ELTIF should also ensure a level of liquidity of the ELTIF's underlying assets that is appropriate to avoid liquidity mismatches. The manager of an ELTIF should put in place a notice period for allowing redemptions of the ELTIF's units or shares.

(7) To ensure a fair treatment of remaining and redeeming investors, the valuation should ensure that the redemption prices reflect the fair value of underlying assets at all times. The manager of an ELTIF should also ensure consistency between the frequency of calculation of the net asset value of the ELTIF, the availability of a reliable, sound, and updated valuation of ELTIF's assets, and the frequency of redemptions during the life of the ELTIF.

(8) To avoid dilution of remaining investors in the ELTIF, and mitigate any potential risk to financial stability, that may be driven by first mover advantage related issues, the manager of an ELTIF should select and implement at least one anti-dilution liquidity management tool, which could be anti-dilution levies, swing pricing or redemption fees.

(9) To reduce the probability of suspension of an ELTIF, the manager of an ELTIF should be able to implement redemption gates. The use of gates should relate to different types of situations, including to stressed market situations. Such stressed market situations may comprise situations where there are numerous or voluminous redemption requests at the same redemption point and the sale of assets to meet the requests is either impossible or implies a sale at a highly discounted price.

(10) The criteria to assess the redemption percentage referred to in Article 18(2), point (d), of Regulation (EU) 2015/760 should ensure that that percentage takes into account the variety of ELTIFs, their liquidity profile, the notice period, the planned and expected frequency of redemptions of the ELTIF, and the financial performance of the ELTIF.

(11) Providing for the possibility of using the matching mechanism under Article 19(2a) of Regulation (EU) 2015/760, during the life of the ELTIF, should not be deemed to prohibit other forms of secondary transfers if this is explicitly agreed between the transferring investors and the rules or instruments of incorporation of the ELTIF do not prohibit such transfers.

(12) In relation to the matching mechanism referred to in Article 19(2a) of Regulation (EU) 2015/760, that for the purpose of this Regulation should not be considered a multilateral

system, and the possibility of redemptions during the life of the ELTIF referred to in Article 18(2) of that same Regulation, it is important to specify certain requirements to clarify the functioning of this newly established mechanism. The circumstances for the use of matching requirements should relate to the transfer process for both exiting and potential investors, the role of the manager of the ELTIF in conducting transfers, the matching of respective requests, the requirements on the determination of the execution price and the proration conditions, the level of the fees, costs and charges related to the transfer process, and the timing and the nature of the disclosure of information to investors, which should be published on the website of the manager of the ELTIF, with respect to the transfer conditions. In order to avoid any arbitrage, where the execution price is not based on the net asset value of the ELTIF, the execution price should be implemented outside the valuation dates of the ELTIF. In relation to the rules on proration conditions, where unexecuted requests are not automatically carried over to the next exit date, investors should be offered an opportunity to take any of the following actions: restate their orders; leave their residual matching requests in place in anticipation of future matching; or withdraw their residual/outstanding matching interest.

(13) The assessment of the market for potential buyers to be included in the schedule for the orderly disposal of the assets of the ELTIF, as referred to in Article 31(2), point (a), of Regulation (EU) 2015/760, should take into account market risks, and thus assess, inter alia, whether potential buyers are dependent on obtaining loans from third parties, whether there is a risk of illiquidity of the assets before sale, whether there are risks associated with political changes or legislative changes, including fiscal reforms, and whether there is a risk of deterioration of the economic situation in the market which is relevant to the ELTIF assets.

(14) The valuation of the assets to be included in the schedule for the orderly disposal of the assets of the ELTIF should be carried out at a moment in time that is sufficiently close to the beginning of the disposal of the assets. An ELTIF that has already valued those assets in accordance with Directive 2011/61/EU of the European Parliament and of the Council⁴ at a moment in time that is sufficiently close to the beginning of the disposal of those assets should not be required to revalue those assets.

(15) Article 21(1) of Regulation (EU) 2015/760 was amended by Regulation (EU) 2023/606 of the European Parliament and the Council⁵ to replace the obligation for an ELTIF to submit to its competent authority an itemised schedule for the orderly disposal of its assets at the latest one year before the end of the life of the ELTIF, with an obligation to submit such schedule when requested to do so. It follows that there should no longer be any references to the

⁴ Directive 2011/61/EU of the European Parliament and of the Council of 8 June 2011 on Alternative Investment Fund Managers and amending Directives 2003/41/EC and 2009/65/EC and Regulations (EC) No 1060/2009 and (EU) No 1095/2010 (OJ L 174, 1.7.2011, p. 1)

⁵ Regulation (EU) 2023/606 of the European Parliament and of the Council of 15 March 2023 amending Regulation (EU) 2015/760 as regards the requirements pertaining to the investment policies and operating conditions of European long-term investment funds and the scope of eligible investment assets, the portfolio composition and diversification requirements and the borrowing of cash and other fund rules (OJ L 80, 20.3.2023, p. 1, ELI: <http://data.europa.eu/eli/reg/2023/606/oj>).

mandatory disclosure of the itemised schedule for the orderly disposal of the assets of the ELTIF.

(16) To ensure a common approach to the application of Regulation (EU) 2015/760 in relation to costs disclosure, it is necessary to lay down that such disclosure of costs encompasses all costs borne directly or indirectly by investors.

(17) Pursuant to Article 4(1) of Regulation (EU) No 1286/2014 of the European Parliament and of the Council⁶, units or shares in a retail ELTIF qualify as packaged retail investment product. It follows that, pursuant to Article 5(1) of that Regulation, the manager of an ELTIF has to draw up a key information document disclosing the costs related to such ELTIFs, and provide prospective retail investors with that document, in addition to the prospectus.

(18) In the interest of clarity, coherence and legal certainty, it is appropriate to repeal Delegated Regulation (EU) 2018/480, and integrate those provisions of Delegated Regulation (EU) 2018/480 that do not need to be amended or deleted in light of Regulation (EU) 2023/606.

(19) This Regulation is based on the draft regulatory technical standards submitted to the Commission by the European Securities and Markets Authority (ESMA).

(20) ESMA has conducted open public consultations on the draft regulatory technical standards on which this Regulation is based, analysed the potential related costs and benefits and requested the advice of the Securities and Markets Stakeholder Group established by Article 37 of Regulation (EU) No 1095/2010 of the European Parliament and of the Council⁷.

(21) It is necessary that this Regulation enters into force on the day following that of its publication, given it is important that that enters into force as soon as possible after the date when Regulation (EU) 2023/606 enters into force,

HAS ADOPTED THIS REGULATION:

Article 1

The use of financial derivative instruments for hedging purposes

⁶ Regulation (EU) No 1286/2014 of the European Parliament and of the Council of 26 November 2014 on key information documents for packaged retail and insurance-based investment products (PRIIPs) (OJ L 352, 9.12.2014, p.1, ELI: <http://data.europa.eu/eli/reg/2014/1286/oj>).

⁷ Regulation (EU) No 1095/2010 of the European Parliament and of the Council of 24 November 2010 establishing a European Supervisory Authority (European Securities and Markets Authority), amending Decision No 716/2009/EC and repealing Commission Decision 2009/77/EC (OJ L 331, 15.12.2010, p. 84).

The use of financial derivative instruments shall be considered as solely serving the purpose of hedging the risks inherent to other investments of the European long-term investment fund (ELTIF) as referred to in Article 9(2), point (d), of Regulation (EU) 2015/760, where all of the following conditions are fulfilled:

- (a) the use of the financial derivative instruments is economically appropriate for the ELTIF at the ELTIF level and is both cost-effective and consistent with the risk-profile of the ELTIF;
- (b) the use of the financial derivative instruments aims at a verifiable and objectively measurable reduction of the risks at the ELTIF level, including in stressed market conditions;
- (c) the underlying of the financial derivative instrument is an asset to which an ELTIF has or would have exposures, and where the exposure to such an asset is not available the underlying of the financial derivative instruments the asset class to which an ELTIF has or would have exposures.

Article 2

Circumstances in which the life of an ELTIF is to be considered compatible with the life-cycles of each of its individual assets

When assessing whether the life of an ELTIF is compatible with the life cycles of each of the individual assets of the ELTIF, as referred to in Article 18(3) of Regulation (EU) 2015/760, the manager of an ELTIF shall consider at least all of the following:

- (a) the liquidity profile of each of the individual assets of the ELTIF and the liquidity profile of the ELTIF's portfolio on a weighted basis;
- (b) the timing of the acquisition and the disposal of each of the individual assets of the ELTIF, assessed against the background of the economic life cycle of the assets, and the life of the ELTIF;
- (c) the stated investment objective of the ELTIF;
- (d) where the rules or instruments of incorporation of an ELTIF stipulate that redemptions are possible during the life of the ELTIF, the redemption policy of the ELTIF;
- (d) the cash management needs and expected cash-flow and liabilities of the ELTIF;
- (e) the possibility to roll over or terminate the exposure of the ELTIF to the individual assets of the ELTIF;
- (f) the availability of a reliable, sound and up-to-date valuation of the assets in the ELTIF's portfolio;

(g) the portfolio composition and the life-cycle management of the ELTIF's assets throughout the life of the ELTIF.

Article 3

Criteria to determine the minimum holding period referred to in Article 18(2), first subparagraph, point (a), of Regulation (EU) 2015/760

1. A manager of an ELTIF shall, when determining the minimum holding period referred to in Article 18(2), first subparagraph, point (a), of Regulation (EU) 2015/760 consider at least all of the following:

(a) the long-term nature and investment strategy of the ELTIF;

(b) the underlying asset classes of the ELTIF, their liquidity profile and their position in their life cycle;

(c) the ELTIF's investment policy and the extent to which the ELTIF takes part in the investment policy and governance of the underlying assets in which the ELTIF invests;

(d) the investor base of the ELTIF and, where the ELTIF can be marketed to retail investors, the expected aggregate concentration of retail investors and, where the ELTIF can solely be marketed to professional investors, information on the degree of concentration of the ownership of the professional investors in the ELTIF;

(e) the liquidity profile of the ELTIF;

(f) the valuation of the ELTIF's assets and the time needed to produce a reliable, sound and up-to-date valuation of the investments;

(g) the extent to which the ELTIF lends or borrows cash, grants loans, or enters into securities lending, securities borrowing, repurchase transactions or any other agreement which has an equivalent economic effect and poses similar risks;

(h) the portfolio composition and diversification of the ELTIF;

(i) the average and mean length of life of the assets of the portfolio of the ELTIF;

(j) the duration and the characteristics of the life-cycle of the ELTIF and the ELTIF's redemption policy;

(k) the timeframe for the investment phase of the strategy of the ELTIF;

(l) whether the minimum holding period is consistent and commensurate with the time necessary to complete the investment of the ELTIF's capital contributions, in particular,

whether that minimum holding period covers at least the initial investment phase of the ELTIF and, unless duly justified by the manager of the ELTIF, whether the minimum holding period lasts at least until the ELTIF's aggregate capital contributions have been invested.

2. The manager of the ELTIF shall be able to demonstrate to the competent authority of the ELTIF, on the basis of the criteria set out in paragraph 1, the appropriateness of the duration of the minimum holding period of the ELTIF and its compatibility with the valuation procedures and the redemption policy of the ELTIF.

Article 4

Minimum information to be provided by the manager of an ELTIF to the competent authority of the ELTIF under Article 18(2), first subparagraph, point (b), of Regulation (EU) 2015/760

1. Where the rules or instruments of incorporation of an ELTIF provide for the possibility of redemptions during the life of the ELTIF, the manager of an ELTIF shall provide the competent authority of the ELTIF, at the time of authorisation of the ELTIF, with all of the following information:

- (a) the redemption policy of the ELTIF;
- (b) information on the periodicity and the duration of the redemptions;
- (c) the conditions and procedures for requesting redemptions and for processing the redemption requests received;
- (d) the persons or entities responsible for managing the redemption process and the systems used to document the redemptions;
- (e) a description of how the assets and liabilities of the ELTIF are adequately managed in case of redemptions;
- (f) a description of the procedures to prevent redemptions causing dilution effects for investors;
- (g) a description of the valuation procedures of the ELTIF demonstrating that at each valuation date the ELTIF has substantial, reliable, sound and up-to-date data on each of its assets;
- (h) the results, assumptions and inputs used for liquidity stress tests, where such liquidity stress tests ought to be carried out in accordance with Articles 15(3)(b) or 16(1) of Directive 2011/61/EU, demonstrating whether and how, in severe but plausible scenarios, the ELTIF is able to deal with redemption requests;
- (i) the liquidity offered to investors of the ELTIF and the liquidity profiles of the assets of the ELTIF under stressed conditions;

(j) a description of the available liquidity management tools, the procedures for implementing and calibrating them, and the conditions for their activation;

(k) any other information that the competent authority of the ELTIF considers necessary to assess whether the redemption policy of the ELTIF and the liquidity management tools meet the requirements set out in Regulation (EU) 2015/760.

For the purpose of point (h), the results, assumptions and inputs used for carrying out liquidity stress tests shall include the stress scenarios for the assets and liabilities, including redemption and collateral shocks, and the decrease in the value of the assets.

2. The manager of the ELTIF shall inform the competent authority of the ELTIF, as soon as practically possible and not later than within 3 business days from the date the material change to the information provided in paragraph 1 became known or should have become known to the manager of the ELTIF, whenever there is a material change to that information, or whenever there are material changes to any other elements that may affect the redemption policy, including:

(a) the results of liquidity stress tests conducted after the authorisation of the ELTIF;

(b) the implementation of the liquidity management tools after the authorisation of the ELTIF;

(c) the implementation of the derogation referred to in Article 18(2) of Regulation (EU) 2015/760.

In such a case, the manager of the ELTIF shall provide to the competent authority of the ELTIF an updated version of the information set out in paragraph 1 within 20 business days.

3. Throughout the life of the ELTIF, the manager of an ELTIF shall also provide all of the following information, upon request from the competent authority of the ELTIF:

(a) updated information on the valuation of assets and on whether and how that valuation is sufficiently substantive, reliable, and in line with the redemption policy of the ELTIF to prevent any possible dilution effects for remaining investors in the ELTIF;

(b) updated and detailed information on whether the liquidity management tools of the ELTIF have been activated and used to manage redemption requests, and if so, in which circumstances and how;

(c) the updated results of the liquidity stress tests, as well as the updated assumptions and inputs used for carrying out the liquidity stress tests performed, under normal and exceptional and stressed market conditions.

Article 5

Requirements to be fulfilled by the ELTIF in relation to its redemption policy and liquidity management tools, as referred to in Article 18(2), first subparagraph, points (b) and (c), of Regulation (EU) 2015/760

1. An ELTIF shall make the redemption policy referred to in Article 18(2), first subparagraph, points (b) and (c), of Regulation (EU) 2015/760 available to its investors at all times. The redemption policy of the ELTIF shall contain all of the following elements:

(a) the conditions under which and the time window within which redemptions can be granted during the life of the ELTIF;

(b) the frequency or periodicity at which redemptions can be granted;

(c) the procedures that need to be followed, the requirements that need to be fulfilled and timing limitations, if any, applicable to the redemptions, including:

(i) the procedures, notice period and frequency or periodicity of requests for redemptions;

(ii) the role and responsibilities of the entities and persons involved in the procedures and the requirements for the granting of redemptions;

(d) a description of the method and internal processes for the valuation of the assets of the ELTIF throughout the life of the ELTIF;

(e) whether the requests for redemptions that have not been fully satisfied, due to the application of pro-rata, will automatically be cancelled or whether they will be still valid, for the remaining part, and count for future redemptions;

(f) a description of how and within which time investors will be repaid;

(g) where the ELTIF rules or instruments of incorporation provide for the possibility of repayments in kind out of ELTIF's assets, as referred to in Article 18(5), of Regulation (EU) 2015/760, the most recently available valuation of those assets at the moment of their delivery to investors as repayments;

(h) the minimum holding period established by the ELTIF manager in accordance with Article 3;

(i) a description of the available liquidity management tools and of the conditions for their activation. Where ELTIF are marketed to retail investors, the description of the liquidity management tools shall be explained in non-technical terms in an effort to maximise retail investors' understanding of the tools;

(j) the percentage referred to in Article 18(2), first subparagraph, point (d), of Regulation (EU) 2015/760.

2. When adopting the redemption policy of an ELTIF, the manager of the ELTIF shall take into account all of the following features of the ELTIF, which shall also constitute information to be provided to the competent authority of the ELTIF, as referred to in Article 4(1), to assess the liquidity profile of the ELTIF:

(a) the composition of the portfolio of the ELTIF, including the assets referred to in Article 9(1), point (b) of Regulation (EU) 2015/76;

(b) the life of the ELTIF;

(c) the liquidity profile of the ELTIF and methods and the documented process for the valuation of the assets of the ELTIF;

(d) the market conditions and material events that may affect the possibility of the manager of the ELTIF to implement the redemption policy;

(e) the minimum holding period established by the ELTIF manager pursuant to Article 3 and the criteria used by the manager of the ELTIF to determine that minimum holding period;

(f) the available liquidity management tools, of their calibration and of the conditions for their activation;

(g) the percentage referred to in Article 18(2), first subparagraph, point (d), of Regulation (EU) 2015/760, together with the criteria used by the manager of the ELTIF to determine that percentage;

(h) if and how redemptions occur on a pro rata basis;

(i) the liquidity stress tests, where such liquidity stress tests ought to be carried out in accordance with Articles 15(3)(b) and 16(1) of Directive 2011/61/EU, and their results, and of how the interests of investors will be protected.

3. Throughout the life of the ELTIF, the redemption policy shall be sound, well-documented and consistent with the ELTIF's investment strategy and the liquidity profile of the ELTIF. The different features of the redemption policy, including the redemption frequency, the minimum holding period, the period referred to in Article 17(1), point (a) of Regulation (EU) 2015/760, and the notice period referred to in paragraph 6 shall be consistent with the nature and the level of liquidity of the ELTIF's underlying assets.

The information that a manager of an ELTIF shall provide throughout the life of the ELTIF shall also include the information referred to in paragraph 2 of this Article, which shall take into account the results of the back-testing performed and the new information acquired by the manager of the ELTIF throughout the life of the ELTIF.

4. In accordance with Article 19 of Directive 2011/61/EU, the manager of the ELTIF shall be able to perform a reliable, sound and updated valuation of the assets of the ELTIF at each redemption point of the units or shares of the ELTIF. To that end, the manager of the ELTIF shall ensure that:

(a) the frequency of redemptions is consistent with the actual possibility to have a valuation of assets that is reliable, sound and up-to-date;

(b) when valuating the assets in which the ELTIF invests, all reasonably available data are used including the financial information of the qualifying portfolio undertakings, where available;

(c) the costs of the asset valuation and the impact of the disposal of assets on the ELTIF are taken into account.

4a. The frequency of redemptions shall be, as a maximum, quarterly, except where the manager of the ELTIF can justify to the competent authority of the ELTIF a higher frequency, on the basis of the individual features of the ELTIF referred to in paragraph 2 of this Article and the actual possibility to have a reliable, sound and updated valuation of the assets of the ELTIF.

5. Redemptions shall only be possible after a notice period is given by each investor. The manager of the ELTIF shall determine the length of that notice period based on the liquidity profile of the underlying assets of the ELTIF, and the time it takes to sell those assets under normal and stressed market conditions.

5a. The notice period shall be a minimum of 12 months.

6. Notwithstanding paragraph 5a of this Article, an ELTIF may allow investors to redeem their shares with a notice period of less than 12 months. In such case, the notice period shall be calibrated based on the minimum liquid assets as referred to in Article 9(1), point (b) of Regulation (EU) 2015/760, and taking into account the maximum percentage referred to in Article 18(2), first subparagraph, point (d), of Regulation (EU) 2015/760, in accordance with the table below:

Redemption Notice period	Minimum percentage of liquid assets	Maximum percentage referred in Article 18(2)(d)
Less than 1 year to 9 months (included)	13%	50%
Less than 9 months to 6 months (included)	27%	45%
Less than 6 months to 3 months (included)	40%	40%

Less than 3 months to 1 month (included)	40%	35%
Less than 1 month	40%	20%

Where the amount of liquid assets of the ELTIF breaches the requirements set out in the first subparagraph, the ELTIF manager shall, within an appropriate period of time, take such measures as are necessary to reconstitute the minimum percentage of the liquid assets, taking due account of the interests of the investors in the ELTIF.

Where the notice period is less than 3 months, the manager of the ELTIF shall provide the competent authority of the ELTIF with a justification why the notice period is less than 3 months and how that notice period is consistent with the requirements laid down in the first subparagraph of this paragraph and the interest of investors of the ELTIF.

7. The manager of the ELTIF shall select and implement at least one anti-dilution liquidity management tool, among anti-dilution levies, swing pricing and redemption fees. In addition to that or those anti-dilution tool(s), the manager of the ELTIF may also select and implement other liquidity management tools.

By way of derogation to the first subparagraph, in specific circumstances, the manager of the ELTIF may select and implement other liquidity management tools than those referred to in the first subparagraph, in which case the manager of the ELTIF shall provide the competent authority of the ELTIF with information to justify why, on the basis of the individual features of the ELTIF set out in paragraph 2, the liquidity management tools referred to in the first subparagraph are not adequate for this specific ELTIF and why another set of liquidity management tools would be more appropriate, and taken due account of the interests of investors.

8. The manager of an ELTIF shall also implement redemption gates in accordance with the table set in paragraph 6, first subparagraph, as well as in certain specific circumstances, including situations where redemptions gates are needed to mitigate any potential risk to financial stability and, in stressed market conditions, where numerous or voluminous redemption requests could be received by the manager of the ELTIF at the same redemption point and where the sale of assets to meet those requests is either impossible or implies a sale at a highly discounted price.

9. The manager of an ELTIF shall implement detailed policies and procedures for the activation and deactivation of any selected liquidity management tool and the operational and administrative arrangements for the use of any selected liquidity management tool. The liquidity management tools that the manager of an ELTIF puts in place as well as their calibration and the conditions under which the manager of the ELTIF would activate those tools

shall be clearly described in the rules of the ELTIF or in its instruments of incorporation and in the prospectus of the ELTIF.

10. ELTIFs that can solely be marketed to professional investors may ask the competent authority of the ELTIF to be exempted from providing the competent authority with the information referred to in paragraph 6, third subparagraph, and 7, second subparagraph

Article 6

Criteria to determine the percentage referred to in Article 18(2), first subparagraph, point (d), of Regulation (EU) 2015/760

1. When determining the percentage referred to in Article 18(2), first subparagraph, point (d), of Regulation (EU) 2015/760, the manager of an ELTIF shall take into account all of the following elements:

(a) the liquidity profile of the ELTIF, the assets and liabilities of the ELTIF, the risk of liquidity mismatches and the expected inflows and outflows of the ELTIF;

(b) the life cycle of the assets of the ELTIF, the life of the ELTIF, the overall stability of the investment strategy of the ELTIF throughout its life and the potential market events that may affect the ELTIF;

(c) the planned and expected frequency of redemptions of the ELTIF and the risks of dilution effects of such redemptions for investors;

(d) the availability and nature of existing liquidity management tools;

(e) the financial performance of the ELTIF, including the free cash flows and the balance sheet of the ELTIF;

(f) potential market circumstances and conditions that would affect the ELTIF when the percentage is set or the extent to which the units or shares of the ELTIF can be redeemed;

(g) the availability of reliable information on the valuation of the assets of the ELTIF;

(h) the stability and the investment strategy of the ELTIF and its portfolio composition following the potential redemptions throughout the life cycle of the ELTIF to ensure that the interests of the remaining investors are protected;

(i) any other information necessary to determine that percentage in stressed market conditions and normal market conditions.

2. The percentage of allowed redemptions referred to in Article 18(2), point (d), of Regulation (EU) 2015/760 may vary depending on the lifecycle of the assets of the ELTIF and the life of the ELTIF and shall be determined in accordance with the redemption policy, the valuation procedures of the ELTIF and the limits set out in the table in Article 5(6), first subparagraph, of this Regulation.

Article 7

Matching of transfer requests as referred to in Article 19(2a) of Regulation (EU) 2015/760

1. The rules and the procedures for the full or partial matching of transfer requests as referred to in Article 19(2a) of Regulation (EU) 2015/760 shall be set out in the rules or instruments of incorporation or in the prospectus of the ELTIF. Those rules and procedures shall contain all of the following:

- (a) the format, process and the timing of the matching;
- (b) the frequency or periodicity of the matching window and the duration of that window;
- (c) the dealing dates;
- (d) the requirements for the submission of purchase and for the exit requests deadlines;
- (e) the deadlines for the submission of purchase and exit requests;
- (f) the settlement and pay-out periods;
- (g) the safeguards to avoid any potential arbitrage against investors' interest due to the asymmetry of information inherent to the matching of transfer requests
- (h) where the ELTIF manager imposes a notice period for receiving purchase and exit requests, the details regarding such a notice period.

Where the rules or instruments of incorporation of an ELTIF also provide for the possibility of redemptions during the life of the ELTIF as referred to in Article 18(2) of Regulation (EU) 2015/760, the rules or instruments of incorporation of the ELTIF shall clearly set out the differences between such redemptions and the matching referred to in Article 19(2a) of that Regulation, in particular as regards the frequency, periods, execution price, and notice period for such matching, and shall contain the specific criteria for the determination of the execution price in case of matching.

2. The rules and procedures for matching requests shall be sound, appropriate for the ELTIF, and calibrated and shall aim at preventing, managing and monitoring conflicts of interest.

Article 8

The determination of the execution price and the pro-ratio conditions where transfers are matched as referred to in Article 19(2a) of Regulation (EU) 2015/760, and the level of the fees, costs and charges, if any, related to the transfer

1. The rules or instruments of incorporation of an ELTIF shall set out the rules to determine the execution price related to the matching of transfer requests as referred to in Article 19(2a) of Regulation (EU) 2015/760. Where the net asset value is not reliable or appropriate for the ELTIF, the manager of the ELTIF may determine the execution price using other tools, provided that the fair treatment of all investors, including exiting and remaining investors of the ELTIF, is ensured, in particular where the ELTIF allows for redemptions as referred to in Article 18(2) of Regulation (EU) 2015/760.

For the purpose of the first subparagraph, the rules or instruments of incorporation of an ELTIF shall set out the rules to determine the execution price related to the matching of transfer requests as referred to in Article 19(2a) of Regulation (EU) 2015/760.

2. Where the execution price related to the matching of transfer requests as referred to in Article 19(2a) of Regulation (EU) 2015/760 is based on the net asset value, such matching shall be aligned with the valuation dates of the ELTIF. Where such execution price is not based on the net asset value, such matching shall be implemented outside the valuation dates of the ELTIF.

3. The rules or instruments of incorporation of an ELTIF shall set out the rules determining any exit or purchase fee related to the matching of transfer requests.

4. With respect to pro rata conditions, the rules or instruments of incorporation of the ELTIF shall contain clear rules on how the manager of the ELTIF will deal with any transfer requests to ensure the fair treatment of investors. To that end, those rules or instruments shall establish all of the following:

(a) where there are purchasing orders but no sale orders, or vice versa, whether the requests are cancelled or carried over;

(b) where exit orders are lower than purchasing orders, that exit orders are carried out and that purchasing orders that are to be satisfied are selected on the basis of the criterion established by the manager of the ELTIF and whether the excess purchasing orders are carried over;

(c) where exit orders are higher than purchasing orders, that the manager of the ELTIF executes the exit orders on the basis of the criterion established by the manager of the ELTIF and whether the excess exit orders are carried over and, if so, for how long.

Except if duly justified by the manager of the ELTIF taking into account the specificities of the ELTIF, the rules determining the pro rata conditions shall be based on the size of each exit order and take into account the available assets of the ELTIF at the time of the proposed transfer.

Article 9

Information that ELTIFs need to disclose to investors when transfers are matched as referred to in Article 19(2a) of Regulation (EU) 2015/760 and the timing of such disclosure

1. When matching transfers as referred to in Article 19(2a) of Regulation (EU) 2015/760, the manager of the ELTIF shall provide to investors all of the following information, as applicable, depending on whether the execution price is based on net asset value or not:

- (a) predefined dealing dates and settlement/pay-out periods;
- (b) deadlines for the submission of purchase or exit forms;
- (c) the frequency at which the matching is available;
- (d) where the execution price is calculated by using methods or tools that are different, and may deviate, from the net asset value and, if so, the specific criteria on the basis of which the execution price is determined and the manner in which investors will be clearly informed thereof;
- (e) any exit or subscription fees and charges or costs borne by existing or potential investors related to the matching of transfer requests;
- (f) any notice period for receiving purchase and exit orders;
- (g) by when, whom and how the new investors will be informed of the fact that they have acquired the units or shares of the ELTIF and when and how the exiting investors will receive the corresponding amount for their units or shares of the ELTIF;
- (h) the rules on the pro rata conditions;

Where the rules or instruments of incorporation of an ELTIF also provide for the possibility of redemptions during the life of the ELTIF, as referred to in Article 18(2) of Regulation (EU) 2015/760, the ELTIF manager shall provide investors with clear information about the differences between such redemptions and the matching referred to in Article 19(2a) of that Regulation, and in particular, as regards the frequency, periods, execution price and notice period for such mechanism.

2. Where the information referred to in paragraph 1 is not in the prospectus of the ELTIF, the prospectus of the ELTIF shall contain a direct link to a webpage, or another place, where that information can be found. The key information document of the ELTIF shall also contain a direct link to the webpage where that information can be found.

3. The manager of the ELTIF shall keep the information referred to in paragraph 1 up-to-date.

Article 10

Criteria for the assessment of the market for potential buyers

1. For the purposes of Article 21(2), point(a), of Regulation (EU) 2015/760, the manager of an ELTIF shall assess all of the following elements in relation to each asset in which the ELTIF invests:

(a) whether one or more potential buyers are present in the market;

(b) whether the manager of the ELTIF, based on an assessment conducted with due skill, care and diligence at the time of the completion of the itemised schedule referred to in Article 21(1) of Regulation (EU) 2015/760, expects potential buyers to be dependent on external financing for buying the asset concerned;

(c) where there are no potential buyers for an asset, the length of time likely to be necessary to find one or more buyers for that asset;

(d) the specific maturity profile of the asset;

(e) whether the manager of the ELTIF, based on an assessment conducted with due skill, care and diligence at the time of the completion of the itemised schedule referred to in Article 21(1) of Regulation (EU) 2015/760, expects the following risks to materialise:

(i) a risk associated with legislative changes that could affect the market for potential buyers;

(ii) a political risk that could affect the market for potential buyers;

(f) whether the elements listed under points (a) and (b) may be impacted adversely during the disposal period by overall economic conditions in the market or markets relevant to the asset.

Article 11

Criteria for the valuation of the assets to be divested

1. For the purposes of Article 21(2), point (c), of Regulation (EU) 2015/760, an ELTIF shall start the valuation of the assets to be divested well in advance of the deadline referred to in Article 21(1) of Regulation (EU) 2015/760 and shall be finalised within no more than 6 months of that deadline.

2. An ELTIF may take into account valuations made in accordance with Article 19 of Directive 2011/61/EU where such valuation has been finalised no more than 6 months before the deadline referred to in paragraph 1 of this Article.

Article 12

Common definitions, calculation methodologies and presentation formats of costs

1. The costs of setting up the ELTIF as referred to in Article 25(1), point (a), of Regulation (EU) 2015/760 shall comprise all administrative, regulatory, depositary, custodial, professional service and audit costs related to the setting up of the ELTIF irrespective of whether they are paid to the manager of the ELTIF or to a third party.
2. The costs related to the acquisition of assets as referred to in Article 25(1), point (b) of Regulation (EU) 2015/760 shall comprise all administrative, regulatory, depositary, custodial, professional service and audit costs related to the acquisition of the assets of the ELTIF, irrespective of whether those costs are paid to the manager of the ELTIF or to a third party. Those costs shall be calculated in accordance with the methodology set out in points 19(b) and 20 of Annex VI to Commission Delegated Regulation (EU) 2017/653⁸.
3. The costs laid down in paragraphs 1 and 2 shall be expressed as a percentage of the capital of the ELTIF.
4. The management and performance related fees referred to in Article 25(1), point (c) of Regulation (EU) 2015/760 shall comprise all payments to the manager of the ELTIF, including payments to any person to whom the corresponding function has been delegated, except any fees that are related to the acquisition of the assets referred to in paragraph 2. Those costs shall also include carried interest, as referred to in point 25 of Annex VI to Delegated Regulation 2017/653.
5. The management fees shall be expressed as a percentage of the capital of the ELTIF over a one-year period.
6. The performance related fees and carried interest shall be calculated in accordance with points 24 and 25 of Annex VI to Delegated Regulation (EU) 2017/653 and expressed as a percentage of the capital of the ELTIF over a one-year period.
7. The distribution costs referred to in Article 25(1), point (d), of Regulation (EU) 2015/760 shall comprise all administrative, regulatory, professional service and audit costs related to distribution.
8. The distribution costs referred to in paragraph 7 shall be expressed as a percentage of the capital of the ELTIF.

⁸ Commission Delegated Regulation (EU) 2017/653 of 8 March 2017 supplementing Regulation (EU) No 1286/2014 of the European Parliament and of the Council on key information documents for packaged retail and insurance-based investment products (PRIIPs) by laying down regulatory technical standards with regard to the presentation, content, review and revision of key information documents and the conditions for fulfilling the requirement to provide such documents (OJ L 100, 12.4.2017, p. 1, ELI: http://data.europa.eu/eli/reg_del/2017/653/oj).

9. Other costs, as referred to in Article 25(1), point (e) of Regulation (EU) 2015/760, shall comprise all of the following:

(a) payments to the following persons or entities, including any person to whom those persons or entities have delegated any function:

(i) the depositary;

(ii) the custodian(s);

(iii) any investment adviser;

(iv) providers of valuation, fund accounting services and fund administration;

(v) providers of property management and similar services;

(vi) other providers that trigger transaction costs;

(vii) prime-brokerage service providers;

(viii) providers of collateral management services;

(ix) securities lending agents;

(x) provisioned fees for specific treatment of gains and losses;

(xi) operating costs under a fee-sharing arrangement with a third party;

(b) all payments to legal and professional advisers;

(c) audit, registration and regulatory fees.

The costs referred to in the first subparagraph shall not include the costs related to the setting up of the ELTIF, the up-front part of the costs related to the acquisition of assets referred to in paragraph 2, the up-front part of the distribution costs referred to in paragraph 7 and the management and performance related fees.

10. The costs referred to in paragraph 9 shall be expressed as a percentage of the capital of the ELTIF over a one-year period.

11. The overall cost ratio of the ELTIF as referred to in Article 25(2) of Regulation (EU) 2015/760 shall be the ratio of the total costs to the capital of the ELTIF and shall be calculated as follows:

(a) the overall cost ratio of the ELTIF shall be expressed as a percentage to two decimal places;

(b) the overall cost ratio of the ELTIF shall be calculated at least once a year;

(c) the overall cost ratio of the ELTIF shall equal the sum of the management and performance related fees as referred to in paragraph 4 and the other costs as referred to in paragraph 9, plus the sum of the costs of setting up the ELTIF as referred to in paragraph 1, the costs related to the acquisition of assets as referred to in paragraph 2 and the distribution costs as referred to in paragraph 7, divided by the recommended holding period of the ELTIF, as referred to in Article 8(3), point (g)(ii), of Regulation (EU) 1286/2014;

(d) where one type of cost is covered by two or more types of costs as referred to in paragraphs 1 to 9 of this Article, that type of cost shall only be accounted for once in the calculation of the overall cost ratio of the ELTIF;

(e) the capital of the ELTIF shall relate to the same period as the costs;

(f) until the capital of the ELTIF has been determined, the capital shall be the minimum target capital below which the ELTIF may not start operations;

(g) the overall cost ratio of the ELTIF shall be based on the most recent cost calculations by the manager of the ELTIF;

(h) the costs shall be assessed on an 'all taxes included' basis.

12. The costs section of the prospectus of the ELTIF shall contain a presentation of costs in the form laid down in the Annex.

13. In the case of ELTIFs subject to the requirements of Regulation (EU) No 1286/2014, the prospectus of the ELTIF shall contain narratives presenting both the PRIIPs overall reduction in yield figure and the ELTIF's overall cost ratio and explanations of any potential differences between those figures.

Article 13

Repeal

Delegated Regulation (EU) 2018/480 is repealed with effect from....

References to Delegated Regulation (EU) 2018/480 shall be construed as references to this Regulation.

Article 14

Entry into force and application

This Regulation shall enter into force on the day following that of its publication in the *Official Journal of the European Union*.

It shall apply from [...]

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels,

[For the Commission

The President

[...]

ANNEX

FORMAT FOR THE PRESENTATION OF COSTS

One-off costs	Expressed as	Nature of the cost
The costs of setting up the ELTIF (in %)	% (of capital)	Accompanying explanation detailing the content of the costs
The costs related to the acquisition of assets (in %)	% (of capital)	Accompanying explanation detailing the content of the costs
Distribution costs (in %)	% (of capital)	Accompanying explanation detailing the content of the costs

Ongoing costs	Expressed as	Nature of the cost
Management fees (in %)	yearly % (of capital, over a one-year period)	Accompanying explanation detailing the content of the costs
Other costs (in %)	yearly % (of capital, over a	Accompanying explanation detailing the

	one-year period)	content of the costs
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Incidental costs	Expressed as	Nature of the cost
Performance fees (and carried interest) (in %)	yearly % (of capital, over a one-year period)	Accompanying explanation detailing the content of the costs, including the potential application of high watermark

Aggregated costs (one-off costs, ongoing costs, and incidental costs)	Expressed as
Overall cost ratio (in %)	yearly % (of capital, over a one-year period)