Impact of other EU regulations on loan funds

ELTIF

The European Long-Term Investment Fund (ELTIF) framework became effective on 9 December 2015 and introduced a new long-term fund product that may be sold to professional and retail investors. ELTIFs must be managed by an authorised AIFM and respect specific investment and diversification rules.

The aim of ELTIFs is to increase the pool of capital available for long-term investment in the EU economy, and they must invest at least 70% of their capital in long-term assets such as infrastructure, private equity, and certain types of real estate, as well as listed SMEs and other types of funds.

In this respect, eligible assets include loans granted to qualifying portfolio undertakings with a maturity no longer than the ELTIF lifetime.

EuVECA/EuSEF

The European Venture Capital Funds (EuVECA) regulation intends to support venture capital by facilitating cross-border fundraising activities and increasing the number of funds available for venture capital in the EU. The aim of the European Social Entrepreneurship Funds (EuSEF) regulation is to support the provision of finance to social businesses in the EU by facilitating their fundraising activities. Qualifying investments include secured or unsecured loans to qualifying SMEs. These labels give qualifying managers the right to market to qualified investors throughout the EU using a passport without having to seek an AIFM license.

The EuVECA and EuSEF came into force on 22 July 2013 and were revised recently to make the framework more attractive. Appetite for these regimes has however been extremely limited at this stage.