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ELTIF 2.0 - ESMA responds to the EU Commission's proposed amendments to the draft RTS

Regulatory & Compliance on **April 26, 2024**

On 22 April 2024, the European Securities and Markets Authority ("**ESMA**") provided its response to the European Commission's request on amendments to the draft regulatory technical standards ("**RTS**") in respect of Regulation EU/2023/606 relating to the European long-term investment fund ("**ELTIF 2.0**").

In the response, ESMA suggested that there should be some changes made to find the appropriate balance between protecting retail investors and contributing to the capital market union objectives. In summary, ESMA confirmed that it agreed with the majority of the changes to the draft TRS proposed by the European Commission in its March 2024 letter (in which the European Commission considered it necessary that ESMA take a more "proportionate approach" to the drafting of certain RTS provisions. However, ESMA has also proposed some limited changes to the approach suggested by the European Commission including, for example, in respect of redemption gates and minimum redemption notice periods.

The European Commission will now be required to consider the revised RTS proposed by ESMA in its latest letter. This latest development is broadly seen as a step in the right direction, but we are yet to see whether there will be a large uptake from sponsors in the use of ELTIFs, arising from ELTIF 2.0.

Fund sponsors should continue to monitor these developments, which will be of particular interest to those seeking to market alternative assets via private wealth and retail channels. Please reach out to the Proskauer UK Regulatory team if you have any questions.

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