

Implementation of the European Long Term Investment Funds Regulation

HM Treasury

RPC rating: confirmed as low-cost regulation

Description of proposal

The directly applicable European Long Term Investment Fund (ELTIF) Regulation creates a new European framework for managers of investment funds investing in illiquid long term assets, such as infrastructure and real estate. This provides rules and operating conditions that will enable new alternative investment funds (AIFs) meeting the relevant requirements to be marketed across Europe, if the fund manager chooses to take advantage of the new regime. The Department proposes to introduce domestic regulation to provide the Financial Conduct Authority (FCA) with the necessary powers of direction and enforcement. The FCA will make limited changes to FCA rules and will charge businesses seeking ELTIF authorisation.

Impacts of proposal

Marketing a fund as an ELTIF is optional, and authorisation will only be pursued by fund managers when they expect it to be beneficial. The department, therefore, expects, at worst, no net cost to business as a result of the changes.

The gross cost identified by the department, and used to assess eligibility for the fast track, is the cost of the FCA charges levied against new AIFs and 'umbrella' schemes applying to be authorised under the ELTIF regime. The FCA has indicated that the charges for firms seeking authorisation are likely to be £2,400 for an AIF, and £4,800 for collective 'umbrella' schemes. Data on the number of AIF and umbrella scheme authorisations in the past five years show that the highest numbers of AIFs and 'umbrella' schemes authorised in one year was 32 and 12 respectively. In this high end scenario the cost to business of seeking authorisation from the FCA would total around £100,000; significantly below the £1 million threshold for the fast track.

Quality of submission

The RTA includes sufficient detail for the RPC to confirm the proposal as eligible for the fast track. The draft would, however, have been improved by providing:


- a clearer separation between the domestic changes and those resulting from the directly applicable regulation; and
- an explanation of whether there are any expected benefits for existing AIFs.

Initial departmental assessment

Classification	Out of scope (EU)
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RPC assessment

Classification	Out of scope (EU)
Small and micro business assessment	Not required (fast track low-cost regulation)



Michael Gibbons CBE, Chairman