

**Invest Europe's response to European Commission's  
PUBLIC CONSULTATION ON THE EU VENTURE AND GROWTH CAPITAL  
FUNDS REFORM**

**1. To what extent do you agree with the following statement? 'EU venture and growth capital fund managers struggle to reach sufficient scale and to remain competitive.' (Answer options: 5: 'Fully agree', 4: 'Agree', 3: 'Neutral', 2: 'Disagree', 1: 'Fully disagree'). Please explain and provide examples, including quantifiable evidence where possible.**

Slightly agree.

As a background, this response should be seen as a complement to the full targeted response. It is voluntarily more general and more strategic – for data and evidence, please see our full response.

We believe the proposed question is based on something of two fundamental misconceptions of the EU VC market:

- the idea is that there is no “VC” problem in the EU, only a scale-up problem
- the concept that EU venture capital funds all need to scale to be competitive

The problem we have in Europe is **as much the number of VC funds – i.e.: having more small and large funds - than their size, i.e.: making sure all funds are bigger**. Many small VC funds are competitive because they are investing in small, local companies – and not all of these would need to become larger to make a difference.

As seen in this study by the [IMF](#), the EU VC problem goes from seed to growth – and is not only a scale-up issue.

The US venture ecosystem, with whom we traditionally like to compare ourselves, still consists of a multitude of small and medium-sized managers, whose very existence allow the larger structures to thrive. According to NVCA data<sup>1</sup>, 87% of the US VC funds are smaller than \$500 million – and there are around a thousand funds below the very small \$25 million mark in the country. In other words, **it is the entire EU VC ecosystem that could grow: not only the scale-up end of the market**.

To a certain extent, we argue we are as much missing as many small VC managers than we are missing large growth managers, as all of these are tailored to fund specific needs.

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<sup>1</sup> The NVCA is the trade association representing US venture capital managers

VC managers on average refuse the vast majority of the requests of financing they receive from portfolio companies. The fact that most start-ups in general surveys do not list “lack of financing” as their core concern can also be seen from the perspective of the “survivor bias”, i.e.: the only companies answering those questions are those that still exist.

The litmus test, in terms of ambition, should be whether the European Commission is content with the fact that most EU markets still virtually have no VC ecosystem (as a % of VC per GDP) and when they do it is only thanks to the support of the public, through EIF funds (see data on overall amount of VC as % of GDP per EU country in our fill response).

In that context, lack of ambition in fostering a small VC ecosystem would be a sorely missed opportunity, irrespective of the laudable political objectives in supporting the scale-up ecosystem.

**2. To what extent do you see scope for simplification and burden reduction in the EU regulatory framework for venture and growth capital fund managers to enable greater scale, efficiency and capacity to invest in the EU economy? (5: ‘A very large extent’, 4: ‘A large extent’, 3: ‘A moderate extent’, 2: ‘Some extent’, 1: ‘Negligible or non-existent extent’). Please explain and provide examples.**

A very large extent.

As we explain in our full response, the challenges differ depending on the size of the manager, but they point in the same direction.

- **Small managers are often confronted with complex and ill-adapted national requirements.** In several Member States, venture capital ecosystems remain underdeveloped, largely because national competent authorities struggle to understand the operating model of small and mid-sized VC managers and apply rules originally designed for liquid AIFs.
- **Mid-sized managers, in turn, face significant difficulties in complying with the full AIFMD framework.** A number of requirements – including depositary obligations, own funds, remuneration rules and reporting – are poorly suited to their business model and create disproportionate operational and cost burdens.

We do not argue that changes to these rules would, on their own, represent a panacea. **Unlocking new sources of capital remains equally essential.** However, more proportionate and better-targeted regulatory requirements would already make a material difference by allowing managers to focus resources on fundraising, investment and supporting the growth of European companies, rather than on compliance for its own sake.

**3. Are there significant obstacles that hinder EU venture and growth capital funds from operating effectively on a cross-border basis and reaching sufficient scale? If**

**so, what are these obstacles, how significant are they and how could they be removed or mitigated?**

Yes.

**Putting ourselves in the position of a venture capital or growth manager, several structural factors explain why many EU managers struggle to reach scale:**

- **Limited access to capital**, as potential investors are often discouraged from investing in the asset class by regulatory, prudential or policy-driven disincentives.
- **Disproportionate national regulatory requirements**, which force managers to devote excessive time and resources to compliance rather than to fundraising and identifying the most promising companies to support.
- **Deliberate constraints on growth**, with some managers choosing not to scale in order to avoid becoming subject to onerous AIFMD requirements.
- **Reluctance to market funds cross-border**, driven in particular by:
  - the limited effectiveness of EuVECA as a light-touch passport, due to additional and often inconsistent requirements layered onto it at national level;
  - the absence, or progressive erosion, of national private placement regimes in several Member States.

These barriers can be addressed through legislation, but doing so requires an **ambitious and holistic approach**, combining targeted changes to EU law with improved national transposition and more proportionate implementation of existing EU rules.

**4. What are the main cost drivers for (a) small-size AIFMs and (b) mid-size AIFMs in the EU? Please specifically indicate the costs stemming from regulation and provide a quantitative estimate where possible.**

- **For small managers**, the most problematic constraints stem from additional and often inconsistent requirements imposed at national level, which go beyond EU rules and disproportionately affect early-stage VC activity.
- **For mid-sized managers**, depositary costs and own-funds requirements represent a significant burden that could be alleviated.
- **For all other private equity managers, including mid-size ones such as large VC and growth funds**, many AIFMD rules are widely perceived as insufficiently connected to their business model – this includes reporting, operational obligations, conflicts-of-interest rules, asset-stripping provisions and remuneration requirements,.

These issues are analysed in detail in our full response, which sets out the main regulatory cost drivers and their cumulative impact across manager categories.

**5. What specific regulatory measures and adjustments applicable to (a) small-size AIFMs and (b) mid-size AIFMs would result in the greatest reduction in burdens for these managers while maintaining investor protection safeguards, effective supervision and overall integrity of the market?**

See response above and full response.

**6. To what extent does the requirement to quickly adopt full-scope AIFMD obligations once assets under management exceed EUR 500 million discourage small-size AIFMs from growing beyond a limited size?**

To a very large extent.

There are many stories of managers deciding not to scale to avoid being AIFMD authorised and being subject to more complex requirements. Making the transition easier, by making rules more fit for purpose for both small and mid-sized managers, would help greatly.

**7. Would you agree that the following aspects relating to the registration, set-up and operation of small-size AIFMs with assets under management below EUR 500 million and the marketing of funds they manage are limiting the scaling-up and competitiveness of these fund managers?**

Lack of standardisation of national registration requirements across Member States, including registration documents and registration deadlines	Agree	Yes, although the problem is often less the lack of standardisation than the complexity of some national processes.
The absence of an EU management passport for small-size AIFMs	Disagree	Most VC and growth managers can use EuVECA when made possible by national rules
The absence of an EU marketing passport for small-size non-EuVECA AIFMs operating under national legal frameworks.	Agree	This can be solved by targeted changes to EuVECA, which, we understand, can already be used by most VC and growth managers.
The functioning of the marketing provisions under the EuVECA Regulation	Fully agree	Marketing, and in particular pre-marketing, provisions are particularly problematic. We argue that the CBDF review several years ago created more problems than solutions.
Being subject to ongoing reporting requirements, reporting frequency and templates	Fully agree	Especially in Member States that goldplated AIFMD (see our examples in full response)

Being subject to national measures and discretions relating to registration requirements	Fully agree	This is repeatedly flagged by our membership as a key issue. In some countries, especially in Southern Europe, a manager is only authorised after more than a year.
Being subject to national measures and discretions relating to own funds or capital buffer requirements	Fully agree	Only in MS that goldplated AIFMD: Own fund requirements are one of the top concerns cited by our sub-threshold members
Being subject to national depositary-related requirements		Only in MS that goldplated AIFMD: Depositary requirements are one of the top concerns cited by our sub-threshold members
Being subject to national measures and discretions relating to compliance reviews, audit, etc.	Agree	As other requirements, these can cause concerns when they are not applied proportionally.
Being subject to national registration and oversight-related fees, stamp duties and charges	Agree	It is usually less the cost of the fee and more the cost of the process (and the multiplication of fees for managers with an EU wide strategy) that causes an issue.
Being subject to national requirements for risk management	Agree	Only in MS that goldplated AIFMD: not usually named as the first issue
Being subject to national requirements for valuation functions	Fully agree	Only in MS that goldplated AIFMD
Being subject to national requirements for conflicts of interest	Fully agree	Only in MS that goldplated AIFMD
Being subject to national discretions and measures in other areas eroding the advantage of being sub-threshold (please list the most burdensome ones in the comments field)	Agree	Main issues have already been identified but other concerns are detailed in our full response
Difficulty in raising institutional capital due to the frequent requirement by institutional investors to have full-scope AIFMD compliance, depositary oversight and robust reporting and a governance framework	Disagree	This has never been raised as an issue by our members. Institutional investors do demand certainty but they do not necessarily link it to regulatory framework – and more to reporting requirements to them as part of the limited partnership agreement.
Other regulatory factors (please list them in the comments field)		

**8. Would you agree that the following aspects relating to the authorisation and the operational conditions and requirements applicable to mid-size AIFMs are limiting the scaling-up and competitiveness of these fund managers? (Answer options: 5: ‘Fully agree’, 4: ‘Agree’, 3: ‘Neutral’, 2: ‘Disagree’, 1: ‘Fully disagree’):**

Full-scope AIFMD authorisation process and resulting compliance costs relating to the legal drafting, documentation and record-keeping requirements of organisational manuals and internal policies (such as on risk, conflict of interest, valuation, remuneration)	Fully agree	The problem is not so much the principle of the rules but the fact these are too complex for their purpose. We suggest that rules could be simplified, especially for certain types of managers. Remuneration rules are a good example of this: largely copy-pasted from the banking world, they do not acknowledge long-term features of fund, in particular the carried interest model.
Own funds requirements and/or professional indemnity insurance requirements	Fully agree	As we explain in the full response, private equity funds have a lower risk profile from a prudential point of view – and a lot of investable capital is lost in own funds.
Depositary requirements (e.g. safekeeping, cash monitoring, oversight) and the resulting fees	Fully agree	As we explain the full response, depositary requirements can constitute a significant cost for smaller managers.
Reporting requirements, particularly those in AIFMD Annex IV, auditing and annual report requirements, etc.	Fully agree	Yes, in particular when it comes the frequency of requirements and the simplification of details fields.
Remuneration rules and policies	Fully agree	Remuneration rules should both be simplified for mid-size managers and made proportional for all long-term equity funds (treatment of carried interest)
Marketing and cross-border distribution-related issues, in particular local requirements and rules (such as prospectus translations, local counsel filings, local agent appointment), investor eligibility checks and requirements, distributor-related eligibility checks	Fully agree	Marketing rules (including pre-marketing rules) have been one of the top concerns of managers.
Taxation and taxation procedures	Fully agree	N/A
Cross-border structuring, including rules on the use of aggregators and special purpose vehicles	Agree	These rules are relevant but are not causing problems as such at the moment.
Investor transparency-related requirements	Neutral	Managers are already reporting significant detailed information to their investors: legislation is not impacting this significantly. Undue costs rules recently set in RIS are one of the exceptions.
Environmental, social and governance rules and sustainability-related disclosures	Neutral	See our general Invest Europe comments on SFDR
Regulatory uncertainty and enforcement risks resulting in	Fully agree	Regulatory uncertainty is always a concern for fund managers.

disproportionate compliance burdens		
Other regulatory factors or matters		

**9. Are there any areas where additional or more stringent requirements on small-size AIFMs and/or mid-size AIFMs would be needed to mitigate possible risks, such as those relating to EU economic security and technology transfers? [textbox]**

No.

EU economic security is crucial – but in a context where most of the capital raised by EU funds is raised from outside Europe, “risk mitigation” measures put in place by the EU can have an unintended effect. Recent changes to the FDI regimes, including the IAA, which are aimed at preventing foreign entities seeking operational control over critical assets, can drive non-EU investors away from the continent. The EU should redefine foreign investment rules to acknowledge characteristics of private equity fund structures – and ensure these structures are not unduly covered by these rules.

**10. What types of regulatory actions and/or changes, if any, would you support regarding the regulatory issues set out in questions 7 and 8? Please elaborate on the expected impacts of addressing these issues (particularly those with the most impact), including potential negative impacts or trade-offs. [textbox]**

As explained in our full response, the European Commission should be ambitious in simplifying rules across the board, from the smallest VC managers subject to complex national requirements to the largest growth fund managers subject to onerous AIFMD rules.

Depending on the size of managers, answers would be different:

- for sub-threshold managers, we invite the Commission to apply significant pressure on Member States to simplify their national frameworks and allow the use of EuVECA in all cases
- for AIFMD-authorized managers, a full revision of the Directive is needed to make sure rules are **proportionate not only based on the size of the manager but based on their activities**

**11. Overall, do you see any major trade-offs, drawbacks or risks from simplifying and streamlining regulatory requirements for small-size AIFMs and mid-size AIFMs? For example, could there be negative impacts on the effectiveness of supervision, level playing field, the integrity of the market or investor protection?**

The European Commission should focus on adjustments based on **fund structures and investment strategies**, rather than on size alone. This targeted approach would be most

effective in ensuring that simplification does not weaken market integrity and, at the same time, allows for more effective and proportionate supervision.

Overall, we consider that changes calibrated to the **nature of the activities carried out by the manager** are far more likely to make the regime fit for purpose than reforms based solely on quantitative thresholds.

For example, it is more coherent to remove own-funds or depositary requirements for a large venture capital manager engaged exclusively in long-term equity investments than to remove those same requirements for a small but highly leveraged hedge fund manager. Similarly, “value for money” rules make limited sense for sophisticated investors in closed-ended private equity funds, who typically negotiate their entry conditions, while such rules may be highly relevant for mass-marketed investment products.

We therefore argue that certain regulatory alleviations should be linked exclusively to **fund type or investment strategy**. For instance, elements of the remuneration or valuation frameworks could be meaningfully adapted for specific categories of long-term equity funds without undermining supervisory objectives.

Ultimately, the European Commission should be ambitious in making the AIFMD framework more nuanced and sophisticated than it is today. The regime should be designed to genuinely *fit* the entities it supervises, even where this requires rules that are tailored to specific asset classes.

**12. Has the EuVECA regulatory regime delivered on its objective to facilitate SMEs equity financing and reduce financing costs? Yes/No/Don't know. Please explain. [textbox]**

Yes—but only in markets where it was effectively *usable*.

We suggest that the European Commission should, beyond a purely legislative review, deploy political capital to prevent Member States from undermining the practical use of the EuVECA framework. Ensuring that EuVECA can be effectively used across the Union would make a significant difference and should be a central priority of any EuVECA strategy.

**13. Would targeted amendments to the EuVECA Regulation be justified to address operational shortcomings, improve consistency in its application and strengthen its role in financing the EU economy and fostering innovation? Yes/No/Don't know. If yes, please elaborate on which EuVECA rules should be revised. [textbox]**

At present, the EuVECA eligibility criteria are too narrow to accommodate the investment practices of typical venture capital and growth funds.

**Evolution, rather than revolution**, could go a long way toward making EuVECA the passport of choice for growth funds. Targeted adjustments—such as allowing follow-on

investments in previously supported start-ups, clarifying the treatment of quasi-equity instruments, post-IPO holdings, fintech activities, or certain infrastructure-related projects—could materially improve the regime without turning EuVECA into a broader or fundamentally different framework.

At the same time, we caution the Commission against extending the passport beyond equity strategies, or at least against doing so without creating a clearly separate compartment (for example if venture debt were to be included).

In broadening the scope of the passport, the Commission should remain mindful that **increasing the complexity of the regime could have severe unintended consequences on the VC ecosystem**: hundreds of small venture capital funds could lose their EuVECA status and, with it, their ability to raise capital cross-border. Such an outcome would have significant adverse effects on the financing of early-stage and small innovative companies.

We also suggest for the EuVECA name to be changed into EuGrowth to reflect its new mandate.

**14. Has the European social entrepreneurship fund (EuSEF) regulatory regime delivered on its intended objectives, particularly the objective to increase investments in social enterprises? Yes/No/Don't know. Please explain. [textbox]**

No. We understand EuSEF has barely been used.

**15. Would a targeted review of the EuSEF regime significantly improve the functioning of this fund segment and scale up its investments? Yes/No/Don't know. Please explain. [textbox]**

No. We suggest the EuSEF should rather be replaced by a Venture debt label.

**16. Should potential regulatory alleviations under this initiative be in principle investment-style neutral (i.e. applied to a broad range of investment strategies) or should they rather be targeted specifically at EU fund managers operating in the venture and growth capital fund segments? Yes (investment-style neutral) / No (specific targeting / Don't 'know. Please explain. [textbox]**

As explained in our response to Question 11, it is important to have passports and label that fit with the realities of fund structures and fund strategies.

Turning the EuVECA into a “generalist” label could have significant negative consequences on VC managers using it, as these managers would end up being subject to requirements that are irrelevant to them. This would recreate the many failings of AIFMD as a “catch-all” legislation and affect negatively the VC market.

Reversely, we suggest that AIFMD itself should be adapted, not necessarily to specific segments, but to specific activities which require specific legislation.

Any other approach could mean this proposed review would fail to meet the competitiveness objectives set within the Savings and Investments Union. In other words, the “venture and growth” review should start by focusing on venture and growth specificities and not try to harmonise existing rules.

**17. Would you support more substantial regulatory alleviations specifically for EU investment fund managers whose strategies are primarily focused on investing in the EU priority areas (e.g. defence, the digital and green transitions), in particular those fund managers who attracted investments or co-investments from a publicly supported body or programme, such as InvestEU? Yes/No/Don't know. Please outline any potential benefits and drawbacks. [textbox]**

No. Changes should be sector-neutral. In practice, there is already a strong correlation between EuVECA as a vehicle and the EIF investment policy.

**18. The Commission has identified strategic sectors of the EU economy that require significant additional financing to strengthen EU competitiveness. In your opinion, in which strategic sector(s) do companies face the greatest need for sector-focused risk capital provided by EU fund managers?**

All sectors noted are important from our perspective.

**19. From the perspective of companies in strategic sectors of the EU economy, what specific barriers prevent them from attracting and accessing risk capital provided by EU fund managers?**

N/A

**20. How could the EU further support companies in strategic sectors to access risk capital from EU fund managers? [textbox]**

It is crucial to help innovative companies that can drive EU competitiveness without restricting the support to specific sectors. Please see our response to the EU Start-Up and Scale-up strategy – as well as our position on the EU SME definition.

**21. Are there particular regulatory obstacles to investments or co-investments by business angels, including in a cross-border context, or to their involvement or participation in venture capital investments? Do you see scope for any specific adjustments either under the AIFMD or EuVECA frameworks or beyond that could remove these obstacles? Please elaborate on relevant measures and their expected impacts. [textbox]**

Business angels are not fund structures, but they can be investors in funds.

The question of access to investors to certain asset classes – and perhaps even more relevant than AIFMD-related questions surrounding marketing of funds and rules governing the managers' operations.

We reiterate here our ask to create a “one off” category (or a de minimis test) to allow sophisticated investors, including business angels, to commit capital to EuVECAs - marketing by EuVECAs to these investors is allowed, but this marketing remains subject to complex retail rules at fund and manager level- and to the wider AIFMD ecosystem.

**22. Do you have any other comments, evidence or suggestions on the effectiveness, proportionality or future direction of this policy initiative? Are there any other important issues that should be covered by this initiative? [textbox]**

It is crucial for the European Commission to amend existing legislation and perpetuate the EuVECA framework so that the specificities of private equity and venture capital funds are accounted for in EU legislation.

The European venture and growth capital market is a fraction of its US counterpart. In Europe, only Luxembourg has a - slightly- larger % of VC investments per GDP than the US over the past 5 years. Countries like Italy or the Baltics have on average VC markets **10 times smaller** than in the US (Invest Europe Activity Data, 2025). Without significant changes to legislation, including national legislation for sub-threshold managers, objectives will never be met.