CALL FOR EVIDENCE ON THE EU VENTURE AND GROWTH CAPITAL FUNDS REFORM

With around 700 sub-threshold alternative investment fund managers (AIFMs) and 30 EuVECA funds/17 EuVECA managers, Luxembourg is a popular choice of domicile for small and mid-sized AIFMs in the EU. However, compared to the number of market participants operating in the US venture capital ecosystem (3'111 VC firms in 2024), the numbers in Europe are small overall. As well as having a well-functioning framework for full-scope AIFMs, it is crucial to enable smaller managers to set up and grow their businesses in order to create value for the European economy, which is facing many challenges and needs to be competitive. In the current economic environment, it is important to avoid introducing additional complexity or regulatory burden. Europe's growth, competitiveness and capacity for innovation would be best supported by a streamlined and proportionate regulatory framework, rather than by additional layers of administrative requirements, while continuing to ensure a high level of investor protection.

The current AIFMD framework does not adequately account for the diversity of business models and risk profiles among small and mid-sized AIFMs, particularly in the venture capital sector. We are calling for measures that would notably simplify the registration, reporting, governance and operational requirements for small and mid-sized AIFMs, including EuVECA, and for a more harmonised approach across Member States. We would like to emphasise that these proposals relate to procedural and regulatory consistency only and do not involve the creation of additional supervisory powers at the EU level. National Competent Authorities should retain full supervisory responsibility, while EU-level guidance, templates and convergence initiatives should serve to reduce fragmentation and improve clarity for managers.

To support the growth and competitiveness of Europe's venture capital ecosystem, a more proportionate, harmonised and innovation-friendly approach is essential. The proportionality principle should be applied consistently across regimes to ensure that smaller, non-systemic managers benefit from the reliefs available under the AIFMD. Any alleviations (e.g. in reporting, valuation, remuneration, risk and liquidity management, or depositary oversight) should apply in a coherent and consistent manner to managers under the EuVECA, EuSEF and ELTIF frameworks, without creating duplicative, overlapping or contradictory obligations.

The EU could further support companies in strategic sectors by making existing co-investment programs – both European and Member State initiatives – more accessible and easier to activate, with market-driven terms and streamlined processes. Currently, these programs often fail to support the most promising "champion" companies, particularly in the technology sector, due to restrictions embedded in the programs themselves. In particular, Member State initiatives could support innovation by acting as early buyers of EU-developed technologies (a Business-to-Government approach), using a transparent and accessible selection process to help scale promising innovations. Complementary measures include joint efforts between companies, universities, and research institutes, and promoting the integration of basic research with economic applications to bridge the gap between innovation and market-ready solutions.

Europe's ambition to strengthen strategic autonomy and digital sovereignty is broadly shared. Yet a structural tension exists between this goal and the current application of EU competition policy in the digital economy. If Europe aims to build globally competitive digital champions, competition policy must reflect the economics of increasing-returns industries. This does not require abandoning antitrust principles – but modernising them. The success of the Savings and Investment Union will depend not only on the mobilisation of capital, but also on whether scale is viewed as a strategic asset rather than a regulatory liability.