RESPONSE TO THE TARGETED CONSULTATION ON THE EU VENTURE AND GROWTH CAPITAL FUNDS REFORM

Important considerations

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.

This consultation response advocates for measures to simplify the registration, reporting, governance and operational requirements applicable to small and mid-sized AIFMs, including EuVECA, and for greater harmonisation across Member States. These proposals are limited to procedural and regulatory consistency and do not entail 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.

Effective supervision of VC and growth funds requires consistent supervisory practices combined with an in-depth understanding of local market conditions and the specifics of each asset class. Enhancing cooperation among NCAs would improve consistency while maintaining the advantages of proximity to market participants. Within the existing framework, meaningful progress can be made by avoiding a one-size-fits-all approach. This will ensure that the implementation of rules remains tailored to market structures and the specifics of different asset classes. Enhanced dialogue between the EU and national authorities would reduce fragmentation, support competitiveness and reinforce the legitimacy and effectiveness of the regulatory framework.

Response to consultation

1. General assessment

1.1. If you are a fund manager, to what extent do you consider it challenging to raise capital from professional investors in the fund segments you operate in? (5: "To a very large extent", 4: "To a large extent", 3: "To moderate extent", 2: "To some extent", 1: "Negligible or non-existent extent"). Please explain, including the main reasons if you answered that it is challenging.

"To a large extent"

Raising capital from professional investors in the venture and private equity segments is inherently challenging, shaped by both structural and cyclical factors.

Establishing a fund is itself a significant hurdle. The process requires substantial upfront investment in legal, regulatory and operational infrastructure before any fundraising or marketing activities can begin. This creates a high barrier to entry, especially for the new fund managers.

In addition, market cycles and the presence or absence of vibrant exit channels play a decisive role. In boom periods, capital flows more freely, but this can lead to inflated valuations and undisciplined investment. Conversely, in downturns – such as the post-2022 environment – capital becomes scarce, and only the most robust funds and projects attract interest. The European venture capital ecosystem is particularly sensitive to these swings, as evidenced by 2025 being the lowest year for venture capital fundraising since 2015. While raising capital for the venture capital industry remains challenging, it is important to strike the right balance between fostering the development and growth of EU fund managers and investor protection.

Furthermore, regulatory and cultural factors add friction. The EU's precautionary regulatory approach, while well-intentioned, often stifles innovation and increases costs, especially during the pre-marketing and fundraising phases. Local interpretations of regulations further complicate cross-border fundraising. Additionally, the risk-averse culture among European institutional investors – particularly pension funds and insurance companies – limits their appetite for venture capital and private equity, especially for smaller or de minimis funds. Finally, the structure of the investor base in Europe lags behind Anglo-Saxon markets. Pension funds, for example, are far less active in allocating to alternative assets compared to their US or UK counterparts.

Streamlining registration processes and reducing unnecessary documentation could help managers focus on fundraising, but this must be balanced with maintaining robust supervisory standards.

In summary, the challenge lies in striking the right balance: ensuring sufficient capital to foster innovation and competition, without creating excess that erodes discipline and returns. Any new regulatory or market initiative should be evaluated through this lens to support a healthy, sustainable ecosystem.

1.2. Do you consider that the requirements under the current AIFMD framework adequately take into account the diversity of business models and risk profiles of small and mid-sized AIFMs? Yes/No/Don't know. Please explain.

"No"

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.

First, the current framework applies a "one-size-fits-all" approach that does not adequately reflect the diversity of fund structures and investment strategies. Applying the same rules to fundamentally different business models – ranging from large, liquid hedge funds to smaller, long-term venture or growth funds – creates disproportionate regulatory burdens. Regulatory requirements should instead be tailored to the nature, scale, and risk profile of each fund type, ensuring that rules are

proportionate, enable innovation, and support different investment strategies without imposing unnecessary constraints.

Second, the complexity and administrative burden of AIFMD requirements are not calibrated to the size or risk profile of smaller managers. Local interpretations of reporting, leverage, and look-through rules create additional friction and inconsistency, further hampering operations. The issue is not capital requirements, but the sheer volume and complexity of compliance demands, which divert resources away from core investment activities.

Third, the AIFMD thresholds and reporting requirements need revision. Thresholds should be recalibrated based on cost basis AuM to avoid cliff-edge effects driven by unrealised market movements (please refer to our answer to question 2.2). Annex IV reporting, while important for systemic oversight of large managers, is disproportionately burdensome for above-threshold but still small managers, and its policy rationale is questionable for funds that pose no systemic risk.
In addition, persistent challenges relating to taxonomy and data classification make it difficult to map certain assets into the AIFMD reporting framework. This leads to inconsistencies across reporting periods, thereby increasing the compliance burden without enhancing supervisory clarity.

In conclusion, the AIFMD framework should be reformed to better reflect the diversity of AIFMs, with proportionality at its core. This would preserve effective oversight while reducing unnecessary burdens on small and mid-sized managers, particularly in the venture capital space.

1.3. Do the current national regimes applicable to nationally registered, small-size AIF managers (AuM < EUR 500 million) need a more proportionate regulatory approach? Yes/No/Don't know. Please explain.

"Yes"

The current regimes for sub-threshold AIFMs (including EuVECA) require a more proportionate and targeted regulatory approach.

The venture capital industry operates on a high-risk, high-reward model, where a small number of outlier successes typically drive fund returns, while 70-90% of investments may result in losses. This statistical reality is intrinsic to the asset class and cannot be altered by additional layers of regulation. While the AIFMD passport and common framework provide clear benefits, the current depth and complexity of regulations – such as compliance and governance requirements – add little value for investors or the broader European economy. Instead, they impose disproportionate burdens on small managers, diverting resources from investment activities to administrative tasks.

The balance between investor protection and industry competitiveness is not well reflected. Investor protection should focus on preventing fraud and ensuring transparency about the risk of total loss, not on constraining managerial creativity or strategy. Overregulation risks stifling innovation and reducing Europe's attractiveness as a destination for venture capital.
Recent developments in key markets underscore these challenges, and create additional barriers for small managers and contribute to regulatory fragmentation across the EU.

To support the growth and competitiveness of Europe's venture capital ecosystem, a more proportionate, harmonised and innovation-friendly approach is essential. This should entail standardising marketing practices and regulatory expectations across Member States, particularly in order to address the significant disparities between northern and southern EU countries.

1.4. Do AIFMD provisions applicable to mid-size AIFMs (AuM > EUR 500 million) need a more proportionate regulatory approach? Yes/No/Don't know. Please explain.

"Yes"

We welcome the idea of introducing a new chapter to the AIFMD dedicated to mid-sized AIFMs. As with sub-threshold AIFMs, the aim should be to identify areas of the directive that would not apply to these mid-sized AIFMs, such as the full set of reporting requirements.

Additionally, we recognise the need for a more gradual, operationally feasible transition pathway for mid-sized AIFMs becoming full-scope AIFMs. The current 30-day cliff-edge period should be replaced with a transition period of at least 12 to 18 months (please refer to our answer to question 2.2 for further details).

1.5. Are there restrictions in EU or national legislation that in your view directly or indirectly impose undue constraints on investment strategies of EU venture and growth capital fund managers or their limited partners (e.g. stage restrictions, sector limitations, geographic limitations, ownership restrictions)? If so, what constraints are most significant?

While there are no outright restrictions on investment strategies for EU venture and growth capital fund managers or their limited partners, several legislative and regulatory constraints – both direct and indirect – create undue limitations and inefficiencies. Some of these constraints arise from local laws in individual EU countries, while others stem from licensing regimes such as the EuVECA Regulation.

1. <u>Operational and legal complexities</u>
   Investing in companies in certain EU jurisdictions can be disproportionately burdensome due to corporate law requirements and notarisation processes. These administrative hurdles, while not formal restrictions, add friction and cost, particularly for cross-border investments.
2. <u>EuVECA limitations</u>
   The EuVECA framework, while well-intentioned, imposes constraints that may not align with the realities of modern venture capital. For example:
   - Employee thresholds for SME qualification, originally designed for traditional industries, can be misaligned with capital-intensive, deep tech, or defence tech start-ups – even as AI reduces headcount needs in some sectors. Building globally competitive players in these fields often requires substantial capital and talent, which current limits may inadvertently restrict.
   - Qualifying investments rules are overly prescriptive, making it difficult for EuVECA managers to pursue certain strategies, such as fund-of-funds structures, that are standard practice for AIFMD managers. This lack of harmonisation between EuVECA and AIFMD creates unnecessary barriers and limits strategic flexibility.
3. <u>M&A and antitrust scrutiny</u>

The EU's antitrust regime has become a significant constraint on M&A activity, which is critical for venture capital exits and the development of a vibrant internal market. Overly stringent scrutiny has slowed deal flow, often to the detriment of European strategic autonomy. European corporates are fewer active acquirers than their US counterparts, partly due to weaker capital markets and persistent under-pricing of European assets. As a result, many of Europe's most innovative start-ups are acquired by non-European buyers, often at higher valuations.

4. Foreign Direct Investment (FDI) rules
   FDI screening mechanisms, while important for security, can add layers of uncertainty and delay, particularly for investments in sensitive sectors. The lack of consistency and transparency across Member States further complicates cross-border investment.
5. Instrument and business model recognition
   Current rules do not always account for the diversity of financial instruments and business models used by start-ups, especially in emerging sectors. This can limit fund managers' ability to structure deals optimally or to support innovative companies effectively.
6. Need for harmonisation
   There is a clear need for greater alignment between EuVECA, sub-threshold AIFMD, and full AIFMD regimes, at least for closed-end funds (VC and PE). Harmonisation would reduce regulatory arbitrage, streamline compliance, and ensure that all managers operate under a more consistent and proportionate framework.

In summary, while no formal restrictions exist, the cumulative effect of these constraints – operational, legal, and strategic – hampers the ability of EU venture and growth capital managers to deploy capital efficiently and compete globally. Targeted reforms, particularly in EuVECA rules, M&A policy, and cross-border harmonisation, would go a long way towards fostering a more dynamic and autonomous European innovation ecosystem.

1.6. To what extent do cross-border regulatory obstacles hinder investments by business angels in the EU? (5: "To a very large extent", 4: "To a large extent", 3: "To moderate extent", 2: "To some extent", 1: "Negligible or non-existent extent"). Please provide examples of such obstacles and suggest potential measures to mitigate them.

"To moderate extent"

Significant tax incentives in several Member States are designed to encourage investment in local businesses and structures. While business angels could, in principle, invest in foreign vehicles, the availability of domestic tax relief creates a strong disincentive to do so, thereby limiting cross-border capital flows.
In addition, cultural, tax-related and legal obstacles at the target vehicle level add further complexity. Fund managers are often required to develop bespoke solutions to accommodate the regulatory and structural requirements of different jurisdictions, which increases costs and reduces efficiency.
Although robust AML/KYC procedures are essential, the requirements applicable to high-net-worth individuals can be particularly extensive. Where applied in a strictly uniform manner without sufficient risk-based proportionality, such requirements may create unnecessary friction without materially enhancing the overall effectiveness of anti-money laundering controls.

1.7. Given your assessment of the problems faced by the EU venture and growth capital fund managers, to what extent do you agree that the following overarching policy objectives should guide the EU venture and growth capital fund managers reform?

	Fully disagree	**Disagree**	**Neutral or no opinion**	**Agree**	**Fully agree**	**Comments and evidence**
Improving the cost-efficiency of the operation of AIFMs and simplification					x	This is key in our view. Notably DORA and reporting requirements are overly burdensome and generate undue complexity and cost.
Supporting cross-border scaling			x			The EuVECA model supports cross-border scaling perfectly well. The same conclusion holds for above-threshold AIFMs.
Improving investor access to relevant fund vehicles				x		
Reducing regulatory fragmentation			x			In particular with regard to DORA
Strengthening the overall competitiveness of the EU venture and growth capital fund managers					x	Notably by de-regulation
Mobilising private capital for EU priorities (e.g. defence, digital and green transitions)					x	But we believe this can hardly be achieved through regulation
Other policy objectives						There is a

[textbox, max 1000 characters]						need to improve access for non-EuVECA vehicles

2. Assessment and calibration of the AIFMD threshold(s)

Currently, the AIFMD scope is defined by an applicable threshold based on AuM, differentiated depending on the use of leverage, i.e. fund managers below EUR 100 million in leveraged funds or EUR 500 million in non-leveraged funds are subject to national registration.

2.1. Do you find the current AIFMD framework – featuring two separate AuM thresholds (EUR 100 million for leveraged AIFs and EUR 500 million for unleveraged AIFMs), both incorporating leverage in the calculation – appropriate? Yes/No/Don't know. Please explain.

"Yes"

The use of leverage remains a key factor in determining whether a fund of a certain size should be subject to the full AIFMD framework. However, there is a lack of understanding of the concept of leverage, including on how it is calculated, which leads to incorrect interpretations that affect threshold computation.

The current AIFMD threshold system would benefit from simplification and targeted revision to better reflect the realities of modern fund structures and investment strategies. A revised threshold system would enhance proportionality and support the diverse needs of both fund managers and investors. Further details are included in our answer to question 2.2.

It is worth noting that, in addition to quantitative thresholds, factors such as the investor base, capital requirements and business models could also be taken into consideration. However, we fear that incorporating such criteria could result in a more complex framework, which is as such not wanted.

2.2. Is the current EUR 500 million AuM threshold as triggering the requirement to obtain an AIFM license appropriate, particularly considering market evolution, inflation, effective oversight and other factors? Please explain and provide evidence. Consider the pros and cons and indicate particularly the possible impact national discretions have on the single market. Yes/No/Don't know. Please explain.

"No"

The AIFMD thresholds have historically been set at a level that is particularly challenging to maintain for smaller but above-threshold managers. Moreover, they do not consider inflation, market growth and the costs for setting up and managing AIFs. Accordingly, we consider that an increase to EUR 800m (60%) would be appropriate to reflect the cumulative erosion of purchasing power.

The existing €100 million threshold for semi-liquid products and its five-year lock-up requirement are outdated. The significant growth of semi-liquid private funds in recent years makes a more flexible approach necessary. Reducing the lock-up period from five to three years would better align with market practice and investor expectations while maintaining appropriate safeguards.

Additionally, thresholds should be measured on an investment-cost basis AuM rather than on fair value, so as to prevent breaches caused by market volatility unrelated to systemic risk or investor protection. The use of fair market value to define the thresholds is inappropriate (although different

approaches are currently applied across Member States), as it creates unnecessary stress for smaller managers who temporarily breach the thresholds solely because an asset has appreciated in value and has not yet been realised. The calculation method should instead be based on investment cost, as this reflects the conditions under which the manager initially operates. There is no justification for imposing additional requirements as a consequence of an event outside the manager's control that has no systemic impact or adverse implications for investor protection.

Finally, we clearly recognise the need for a more gradual and operationally feasible transition pathway for mid-sized AIFMs becoming full-scope AIFMs, enabling managers to adapt to the applicable requirements as they scale. The current 30-day cliff-edge period is operationally unviable. Key hurdles include the onboarding of service providers, the appointment of depositaries for illiquid or non-custodial assets, and the adoption of new policies and procedures — all within a compressed timeframe. The period should be extended to a transition period of at least 12 to 18 months, covering at least one full financial year. Audited financial statements could serve as further confirmation of whether the thresholds have been exceeded on a sustained basis.

2.3. In your view, what upper AuM threshold(s) should apply, if any, to mid-size AIFMs? Please explain and, if possible, provide an estimate of possible cost savings or resource implications.

Please select the threshold you would consider most appropriate.	**Please explain your choice of the threshold and include any relevant evidence.**
500 million (implying no regulatory change)	
750 million	
1 billion	
1.5 billion	
2 billion	
3 billion	
4 billion	
5 billion	Subject to our comments on the right calculation base in our answer to question 2.2, we are of the view that the threshold for below-threshold AIFMs should be raised by 60% from 500m EUR to 800m EUR to consider inflation, market developments and high costs of compliance under the AIFMD. Then, mid-sized AIFMs with AuM between 800m EUR and 5 bn EUR should also benefit from lighter requirements. Managers and funds subject to the EuVECA Regulation should focus on growth capital, which should be provided by European investors to make Europe more independent and competitive as requested by the Draghi report.
7.5 billion	
10 billion	
Higher (please specify)	
Other (please specify)	We want to see a thriving investment ecosystem with more creativity and the possibility for new players to emerge. While not contributing to increased systemic risk, venture capital

	and growth capital carry a high degree of risk for investors; these may lose everything, but they may also generate substantial returns. This is the nature of innovation. We must encourage risk-taking and accountability.

2.4. To what extent do you agree that the following possible measures in AIFMD would promote legal certainty, ease of application and effective supervision? Please explain and, where possible, support your statements with evidence or examples:

	Fully disagree	**Disagree**	**Neutral or no opinion**	**Agree**	**Fully agree**	**Comments and evidence**
Static fixed numeric threshold(s)	x					These would be outdated only after a few years
Fixed threshold(s) reviewed regularly over a period of time (several years) based on objective criteria, such as inflation					x	A periodic review every 5 years would be appropriate (Level 2). We refer to our comments in the answer to question 2.2 as regards the right calculation basis.
Dual or combined thresholds, e.g. at AIFM level and at AIF level		x				This may make the system more complex.
Formulating the calculation of the AuM threshold as (weighted) average AuM (over a period of time rather than an absolute AuM)			x			
Combining the numeric threshold(s) with other factors, such as temporal conditions and/or the characteristics of the AIFM				x		This would prevent volatility-driven breaches and enable operationally feasible transitions while ensuring proportional supervision.

						However, we fear that this would lead to a more complex approach, which is as such not wanted.
Applying principles-based or risk-based proportionate regulation of AIFMs (i.e. instead of fixed thresholds, relying on individual risk metrics, such as liquidity profile, leverage, etc.)		x				This would be more complex to monitor
Change in the methodology for calculating the threshold(s) setting (AuM, NAV, capital, etc.)					x	Please refer to our answer to question 2.2.
Alternative regulatory approach(es) to threshold-setting – please describe: [textbox]						

2.5. Which other regulatory changes, if any, do you consider necessary in the context of establishing and operationalising thresholds under AIFMD?

As we mentioned in our answers to questions 2.2 and 2.3, future regimes should overall distinguish between four categories, each of which should be subject to a set of proportionate regulatory requirements tailored to its size and strategy.

- AIFMD framework:
    - Small-sized AIFMs: below 800m EUR of investment-cost basis AuM
      These should not be required to have a depositary or an auditor. They should also only be subject to very limited reporting requirements, and marketing should be facilitated.
    - Mid-sized AIFMs: between 800m EUR and 5bn EUR of investment-cost basis AuM
      These should not be required to have a depositary for the AIFs they manage. They should also only be subject to very limited reporting requirements, and current cross-border marketing notifications should be facilitated.
      The audit requirement at level of the AIF should be triggered when capital contributions have been received by such AIF. Mid-sized AIFMs should be exempt from an audit requirement.
    - Full-scope AIFMs: above 5bn EUR of investment-cost basis AuM

- EuVECA or "EU growth" managers: below 800m EUR of investment-cost basis AuM:
  The EuVECA framework needs to be revised to become more successful.

As already mentioned, there is a need for a more gradual and operationally feasible transition pathway for sub-threshold AIFMs becoming mid-sized AIFMs, and for mid-sized AIFMs becoming full-scope AIFMs, allowing managers to adapt to new requirements as they scale. The current 30-day cliff-edge period should be replaced with a transition period of at least 12 to 18 months. Audited financial statements could provide further confirmation as to whether or not the relevant thresholds are exceeded. A similar approach should be adopted where a sub-threshold AIFM becomes a mid-sized one.

2.6. What are the impacts of the transition from small-size AIF managers to full scope AIFMD in terms of, among others, impacts on costs and staffing, effectiveness of regulatory oversight, investor confidence? Please include any relevant cost figures or estimates, if possible.

The transition from the small-size AIFMD regime to full-scope AIFMD compliance presents several significant challenges and impacts, particularly in terms of costs, staffing, regulatory oversight, and investor confidence.

1. Costs and staffing

Cliff-edge compliance: The 30-day period for full compliance is widely regarded as unrealistic and unviable. Please refer to our answer to question 2.2.

Significant cost increases: Managers face steep fixed costs even before AIFMD compliance, with additional layers of expense for dedicated compliance, risk management, valuation, depositary services, and enhanced reporting. The transition to full AIFMD adds further costs for governance and compliance infrastructure.

Staffing requirements: The need for dedicated compliance and risk management personnel, as well as enhanced reporting capabilities (e.g., under DORA), places additional strain on resources.

The volume of internal policies and procedures is expected to increase by approximately 40%, without a corresponding improvement in investor confidence.

2. Effectiveness of regulatory oversight

Increased reporting and disclosure: The expanded reporting and disclosure obligations, while intended to improve transparency, may not necessarily enhance the effectiveness of regulatory oversight. The administrative burden could divert resources from core investment activities, potentially reducing the overall quality of oversight.

National interpretations: Divergent national implementations of AIFMD can create additional compliance challenges, further complicating the regulatory landscape and increasing costs for cross-border managers.

3. Investor confidence

Loss of economic viability: The increased costs and operational complexity may erode the economic viability of smaller funds, potentially deterring managers from scaling or using structures like EuVECA. This could indirectly reduce investment capacity and limit the availability of capital for investors.

Indirect barriers: The transition may create indirect barriers that reduce the ability of managers to attract and retain investors, particularly if the perceived benefits of full AIFMD compliance do not outweigh the added costs and complexity.

4. Capital requirements and scaling

Deterrence to scaling: The additional capital requirements and compliance burdens may discourage managers from expanding their operations, limiting growth opportunities and potentially stifling innovation in the alternative investment sector.

In summary, the transition to full-scope AIFMs imposes substantial costs and operational challenges, with uncertain benefits for regulatory oversight and investor confidence. The cliff-edge compliance timeline, increased staffing and reporting requirements, and potential loss of economic viability are key concerns for managers. Addressing these issues will be critical to ensuring a smooth transition and maintaining the attractiveness of the EU alternative investment market.

2.7. Which regulatory measures and policy approaches could enable small-size AIF managers managing less than EUR 500 million in AuM to scale up without facing abrupt administrative or compliance requirements, whilst maintaining a coherent and proportionate regulation and effective oversight?

To enable small-size AIFMs managing less than EUR 500 million in AuM to scale up without facing abrupt administrative or compliance burdens, the following regulatory measures and policy approaches could be implemented.

Small-size AIFMs should benefit from a full passport, allowing them to market and manage funds across the EU without the need for full AIFMD compliance. This would reduce barriers to cross-border activity and support growth, while maintaining national oversight for smaller managers.

In addition, a revised categorisation system that tailors regulatory requirements to the size, complexity, and risk profile of AIFMs should be introduced, please refer to our answer to question 2.5 for further details.

It is also necessary to raise the AuM thresholds at which full AIFMD compliance becomes mandatory, as discussed in responses to questions 2.3 and 2.5. This would give managers more room to grow before facing the full regulatory burden, supporting their economic viability during the scaling phase.

Finally, there is a need to provide the option to reduce reduced the AIFMD Annex IV reporting frequency to annual, e.g. for managers of illiquid strategies while they remain small or mid-sized. This would ease the administrative burden and reduce costs, without compromising the quality of oversight for less liquid funds.

These measures would create a more supportive regulatory environment for small-size AIFMs, enabling them to scale up gradually and sustainably. By introducing a full management passport, tailored requirements, increased thresholds, and simplified reporting, regulators can strike a balance between effective oversight and proportionate regulation, fostering growth and innovation in the alternative investment sector.

3. Small-size AIF managers managing less than EUR 500 million in AuM

3.1. Which specific regulatory requirements or conditions linked to the registration, organisation, operation, and ongoing oversight of small-size nationally registered AIF managers managing less than EUR 500 million in AuM (excluding EuVECA managers) hamper their ability to scale up and remain competitive?

Small-size AIFMs managing less than EUR 500 million in AuM face several regulatory and operational challenges that impede their ability to scale up and remain competitive. These barriers are linked to registration, organisation, operation, and ongoing oversight:

Divergent and burdensome registration regimes

Lack of harmonisation: Divergent national registration regimes and the absence of a passporting mechanism create significant administrative hurdles and limit cross-border fundraising.
It is worth noting that any suggestion of harmonisation should avoid taking a one-size-fits-all approach, as this would overlook the intrinsic features and specificities of the VC and growth funds ecosystem. It will indeed be important to ensure that the implementation of rules remains tailored to market structures and the specifics of different asset classes.

The registration process can take 2–3 months (or longer, up to 6+ months in some cases), especially if documentation is incomplete or issues arise. This delays market entry and fundraising efforts. The process often resembles a full authorisation, with scrutiny disproportionate to the risks posed by small managers.

High reporting and compliance burdens

Compliance roles (e.g. Responsable de la Conformité/Compliance Officer, Risk Manager) often have disproportionate fixed costs, and reporting requirements are often not scaled to fund size, placing a heavier burden on smaller managers.

Divergent interpretations and supervisory models across Member States increase compliance complexity and costs, particularly for cross-border operations.

Restrictive and inflexible regulatory framework

The process for transitioning between unleveraged and leveraged strategies is unclear and inflexible, failing to accommodate evolving fundraising needs.

Regulatory constraints limit the range of investment strategies available to small managers, reducing their ability to attract diverse investor bases.

Strict and diverging national interpretations and marketing barriers

Some Member States impose additional, often disproportionate, marketing barriers and compliance obligations, further increasing costs and complexity.

Inconsistent supervisory practices across jurisdictions limit the ability of small managers to operate effectively across borders.

Operational and organisational pressures

The cumulative effect of the aforementioned requirements places significant strain on small teams, diverting resources from core investment and fundraising activities. Streamlining the registration process – such as defining a maximum number of required documents – would allow managers to concentrate on raising capital from professional, non-retail investors, without compromising supervisory responsibilities.

Addressing these barriers requires a more harmonised, proportionate, and flexible regulatory approach. Simplifying registration, reducing compliance burdens, clarifying transition processes, and minimising national discretion would enable small-size AIFMs to scale up more effectively and remain competitive in the EU market. At the same time, harmonisation should be accompanied by strengthened consistency of supervisory practices and dialogue between EU and national authorities. This will ensure that the implementation of rules remains tailored to market structures and the specifics of different asset classes.

3.2. What are the principal cost drivers (including legal, auditing, depositary, reporting, supervisory fees, etc.) for sub-EUR 500 million threshold AIF managers? To what degree are these costs fixed? Please provide any available cost estimate, even if indicative.

For AIFMs managing less than EUR 500 million in AuM, the cost structure is heavily weighted towards fixed expenses, regardless of fund size. These costs are driven by regulatory, operational, and compliance requirements, and can significantly impact the economic viability of smaller managers.

A. Human resources and infrastructure

- Senior staff and personnel: Salaries for compliance, risk management, and senior management roles are fixed and represent a significant portion of overheads.
- Premises and IT: Office space, technology infrastructure, and cybersecurity measures are essential but do not scale with fund size.
- Compliance roles (RR/RC): Dedicated compliance officers (Responsable de la Conformité/ Compliance Officer, Risk Manager) are mandatory, adding to fixed personnel costs.

B. Legal, compliance and documentation

- Legal and compliance documentation: Ongoing costs for maintaining AML, valuation, and regulatory documentation in line with standards such as IPEV/IVS.
- Business plan and capital planning: Regulatory requirements for detailed business plans and capital adequacy planning incur fixed legal and advisory fees.

C. Professional service fees

- Audit fees.
- Administrative, depositary, and other fund services cost, usually borne by the fund.

- Compliance and AML: Annual costs for compliance and AML services.

D. Regulatory reporting and systems

- Reporting requirements: Technical submissions for regulatory reports often require external service providers, adding to fixed costs.
- Systems and controls: Investment in regulatory technology (RegTech) and internal controls is necessary but does not vary with fund size.

E. Supervisory and banking fees

- Regulatory fees: Supervisory fees and banking/filing costs are fixed and can vary by jurisdiction, especially where national gold-plating increases overheads.

Additional requirements imposed by certain Member States further increase fixed costs, reducing the competitiveness of smaller managers.

In summary, the fixed-cost structure for sub-EUR 500 million AIFMs is a significant barrier to scalability and economic viability. Addressing these cost drivers – through harmonisation, proportionate regulation, and reduced gold-plating – would help smaller managers remain competitive and support their growth within the EU alternative investment landscape.

3.3. Considering that small-size AIF managers with less than EUR 500 million in AuM cannot manage funds in other Member States outside that of their original registration, would a full-scope management passport facilitate the operation of those managers on a cross-border basis? Yes/No /Don't know/ Other [textbox]. Please explain, including potential conditions or scope of such passporting.

"Yes"

We support a full management passport with proportional requirements. Cross-border management, distribution and deployment of capital are essential elements for enhancing the competitiveness of smaller players on the global landscape.

Certain regulators already accept cross-border management of EuVECA funds on a case-by-case basis, illustrating the need for a more harmonised approach to foster pan-European activities of compliant smaller fund managers.

3.4. Would a marketing passport or other improvements facilitating the cross-border marketing of AIFs for small-size AIF managers improve their access to investors in other Member States and under which conditions? Yes (a limited marketing passport)/ Yes (tailored or partial marketing passport)/ Yes (simplified cross-border notification regime)/ Yes (full-scope marketing passport)/ None/ Don't know/ Other [textbox]. Please explain.

"Yes (full scope marketing passport)"

Small AIFMs should benefit from a full marketing passport, which would facilitate access to professional investors. There should be no barriers, costs or local interpretations hampering cross-border marketing.

3.5. Considering the wide national discretion in defining national registration requirements for small-size AIF managers with less than EUR 500 million in AuM, would greater harmonisation of national registration procedures, including templates, deadlines and other formalities improve the cost-effectiveness of small-size AIF managers? Yes/No/Don't know. Please explain and indicate which particular elements of standardisation you would prioritise.

In terms of registration, we support the harmonisation of templates and deadlines across all the EU Member States, as well as the adoption of harmonised national supervisory practices. Currently, the regulatory landscape remains fragmented due to divergent national requirements imposed by the Member States.

To effectively address too strict and diverging national interpretations, we propose establishing a negative list of items that National Competent Authorities should be prohibited from requesting. This list could include, for example:

- Additional capital requirements beyond those specified in AIFMD or EuVECA;
- Internal policies and procedures that exceed regulatory requirements;
- Depositary requirements not mandated by the directive/regulation; and
- Registration deadlines extended beyond a clearly defined maximum period.

s

3.6. Considering that small-size AIF managers may be subject to national rules and measures similar to the full-scope AIFMD, would a further harmonisation of permitted national measures facilitate the operation of those managers? Yes/No/Don't know. Please explain.

"Yes"

We believe that national discretion should be limited and defined in order to prevent local interpretations that hinder cross-border business. This can be achieved by codifying the minimum and maximum content of manager-level obligations for sub-threshold AIFMs (governance, policies, reporting, etc.), and by prohibiting the transposition of full-scope AIFMD burdens in practice.

3.7. Which specific national requirements typically create the highest administrative burden and disincentives for sub-threshold AIFMs, and how could these be simplified, harmonised, or removed without lowering investor protection, market integrity or other legitimate policy objectives?

In our view, the highest administrative burdens for sub-threshold AIFMs arise from: (i) quasi-full-scope prudential and governance requirements, (ii) fragmented national marketing regimes, (iii) divergent AML/CFT frameworks, and (iv) duplicative service provider obligations.

First, in several Member States, sub-threshold AIFMs face capital, depositary, reporting and governance requirements that closely mirror full AIFMD standards. These obligations are often disproportionate to the size, risk profile and professional investor base of these managers. Greater

application of the proportionality principle – including calibrated capital requirements, simplified depositary oversight focussed on cash monitoring, or for professional-only funds, and streamlined reporting templates – would reduce burdens without weakening investor protection.

Second, fragmented national marketing rules create a significant disincentive to cross-border fundraising. Divergent notification procedures, additional documentation requirements and strict national interpretations impede efficient access to professional investors. Targeted harmonisation – common EU templates, limits on national add-ons and clearer definitions of marketing – would restore genuine EU-wide operability while maintaining investor safeguards. At the same time, harmonisation should be accompanied by strengthened consistency of supervisory practices and dialogue between EU and national authorities. This will ensure that the implementation of rules remains tailored to market structures and the specifics of different asset classes.

Third, AML/CFT requirements remain highly fragmented across Member States, leading to duplication and legal uncertainty. The establishment of AMLA should result in a truly harmonised and directly applicable EU AML framework, with consistent KYC standards and supervisory expectations across jurisdictions.

Finally, in some jurisdictions sub-threshold AIFMs must engage multiple external service providers to meet overlapping compliance requirements. Greater flexibility – including recognition of internal compliance capabilities and cross-border service provision – would reduce fixed costs without compromising oversight.

Overall, simplification, harmonisation and consistent application of proportionality would materially reduce unnecessary barriers while preserving investor protection, market integrity and other legitimate policy objectives.

3.8. To what degree would you expect possible measures in the areas outlined in this section of the consultation to lead to the following types of impacts? ("1: "Negligible impact", 2: "Limited impact", 3: "Moderate impact", 4: "Large impact", 5: "Very large impact")

	1	**2**	**3**	**4**	**5**	**Comments and evidence**
Lower cost of operating investment fund vehicles				x		
Faster processes, leading to faster deployment of capital					x	
Greater cross-border fundraising activity					x	
Greater cross-border investments (in underlying markets)					x	
As a second-order effect, increased investments into EU real economy					x	
As a second-order effect, reduced fees for end investors / limited partners				x		

Potential adverse impacts on legal certainty or market integrity	x					
Potential adverse impacts on effectiveness of supervision	x					
Potential adverse impacts on investor protection	x					
Potential adverse impacts on level playing field	x					
Other impacts - please specify, including potential negative impacts						

4. Proportional requirements for mid-size EU venture and growth capital fund managers managing more than EUR 500 million in AuM

This section concerns mid-size AIFMs operating above EUR 500 million and under full scope AIFMD obligations. These fund managers may find themselves being subject to many obligations designed primarily for large, institutional managers, while lacking the economies of scale, operational resources and compliance budgets needed to absorb these burdens efficiently. Given this, it is appropriate to get additional insights and evidence on which regulatory obligations can be safely simplified or removed for mid-sized AIFMs, to promote the scaling up and the competitiveness of EU venture and growth capital fund managers, while considering potential trade-offs with other policy objectives. Respondents are invited to focus their submissions on those topics which are not already addressed in the market integration and supervision package, especially regarding AIFMD.

4.1. Which AIFMD provisions, if any, do you consider impose disproportionate administrative or operational burdens on mid-sized AIFMs, and where would targeted proportionality measures most improve efficiency without reducing investor protection or effective oversight?

We are of the view that there is a need to tailor the AIFMD regime to mid-sized AIFMs. The following requirements impose disproportionate administrative or operational burdens on mid-sized AIFMs:

- Reporting requirements;
- Depositary requirements;
- IT governance/DORA requirements;
- Audit requirements, in particular internal and external audit requirements which largely overlap and therefore create unnecessary operational burden;
- Need to establish certain organisational measures to separate risk and portfolio management.

Specifically, as regards DORA, the burden on mid-sized AIFMs should be specifically be adjusted as follows:

- Medium-Sized AIFMs shall be subject to the same alleviations as microenterprises.

  The otherwise applicable DORA requirements in particular in relation to IT/ICT governance and supervisory reporting appear disproportionate given that Medium-Sized AIFMs do generally not operate on the basis of an overly complex IT infrastructure. A requirement to have dedicated management functions and internal audit assessments appears disproportionate.

- Art. 16 DORA (Simplified ICT Risk Management Framework) shall apply for Medium-Sized AIFMs;

- Chapters III, IV, Articles 28 (4) b-e, 5-7, 29, 30 of DORA, and Art. 28 (2) e and g, Articles 29, 31, 32, 34 to 40 of CDR 2024/1774 shall not apply to critical or important ICT functions that are delegated to/supported by Critical ICT third-party service providers designated per Art. 31 DORA, or third-party ICT services providers that are subject to licensing/prudential supervision for the provision of such services.

Given that such critical and/or supervised ICT third party providers are already subject to reinforced oversight and assessment on ICT risk, the quoted provisions of DORA and CDR 2024/1774 appear redundant. Moreover, Medium-Sized AIFMs do generally not have access to information to perform risk management/assessments as required by such provisions without engaging specialist staff or third-party providers for making such assessments, that appear to bring little added mitigation of ICT risks.

It is in practice illusional to believe that MS AIFMs will have audit and inspection rights, or material capacity to negotiate contractual terms with regards to such third-party ICT providers.

We would also like to put emphasis on organisational structure mandates, which impact e.g. processes and the independence of functions.

4.2. To what extent could the depositary requirements under AIFMD be adapted for mid-sized AIFMs (e.g. simplified oversight tasks, proportionate capital or liability requirements, more proportionate rules for certain assets, removing duplicative prospectus rules, prospectus requirements for closed-ended funds, etc.) while keeping relevant safeguards seeking to ensure effective regulatory oversight, integrity of the market and the effective protection of investors? Please explain.

The depositary requirements under the AIFMD could be adapted for mid-sized AIFMs through a more proportionate, risk-based approach while maintaining core safeguards. Similar to the EuVECA model, mid-sized AIFMs – particularly those managing illiquid, closed-ended funds marketed to professional investors – should be exempt from a full depositary regime. For non-custodial and illiquid assets. A proportionate alternative focused on cash flow monitoring and general oversight should be maintained for non-custodial and illiquid assets, as these measures provide adequate safeguards regarding fraud prevention. However, depositary duties regarding asset and share valuation, subscriptions and redemptions, the timely settlement of transactions and income distribution do not appear to add substantial added value for such closed-ended funds investing in illiquid assets. The strict custody and liability standards for such assets should also be reviewed.

Oversight tasks should be simplified to avoid duplication, including reliance on external audits for asset verification and valuation controls, focussing on cash monitoring for instance.

Where a depositary is not appointed, practical solutions should ensure continued access to banking services.

Finally, when transitioning to full-scope status, the depositary obligation should apply only once a clear materiality threshold is exceeded, with a structured phase-in period of at least 12 to 18 months to ensure orderly compliance.

4.3. Could additional proportionality be introduced to risk-management, liquidity-management or stress-testing requirements of AIFMD for mid-sized AIFMs, with stable, low-turnover and/or closed-ended strategies? Yes/No/Don't know. If so, which specific obligations warrant adjustment?

"Yes"

The risk management requirements of the AIFMD could be adapted for mid-sized AIFMs through a more proportionate, risk-based approach, while maintaining core safeguards. This approach could be modelled on the EuVECA model. In particular, the liquidity management processes should be further streamlined for closed-ended strategies.

4.4. Which elements of the Annex IV AIFMD reporting, leverage reporting and regulatory disclosures could be streamlined for mid-sized AIFMs to reduce recurring compliance costs while preserving effective supervisory oversight and the integrity of the market? Please explain.

We welcome the EU legislator's intention to introduce more tailored rules for small and medium-sized AIFMs. In terms of reporting, the rules could be eased to make them less burdensome.

We recommend reducing the reporting frequency to at least annually, i.e. annual reporting with the option of opting in to more frequent reporting (e.g. to align with reporting requirements in the UK). It is worth noting that an annual reporting frequency would not be suitable for larger AIFMs that are close to the applicable threshold (currently EUR 500m). On the other hand, quarterly reporting of the same information (annual valuation) is not meaningful, regardless of the AIFM's size.

The reporting frequency could also differentiate between liquid (UCITS-like) and illiquid funds. Illiquid, closed-ended funds with no investor redemption rights should be allowed to submit Annex IV reports only on an annual basis, supplemented by event-driven reporting in the case of material changes. By contrast, liquid funds with redemption features should continue to report quarterly, subject to supervisory discretion to escalate reporting frequency on a temporary basis in stressed conditions.

As such, we believe it would be good to streamline data fields, and to enable consolidated reporting pretty much in line with what is expected for sub-threshold AIFMs today. However, before doing so, it would be important to check with ESMA how the received data is used and what information is required from a supervisory perspective. In particular, data points for AIFs managed by small and medium-sized AIFMs required under Annex IV reporting items 11-17 (main instruments traded/markets, investment and investor concentration, etc) may be removed, as it can be argued that such AIFs/AIFMs do not materially contribute to systemic risks. Overall, no additional requirements should be introduced, in line with the objective of this initiative.

Last but not least, it would be important to clarify which licences are needed for the different sub-strategies in the so-called 'Other/Other' category.

4.5. Would proportional adjustments to valuation requirements, such as simplified policies for illiquid assets, reduced documentation requirements or greater flexibility in selecting external valuation systems, improve efficiency and competitiveness for mid-sized AIFMs? Yes/No/Don't know.

"Yes"

Proportionate adjustments to valuation requirements would improve efficiency and competitiveness for mid-sized AIFMs, particularly those managing venture capital and other illiquid strategies. Current AIFMD valuation rules are not always well suited to VC investments, which typically rely on market multiples, milestone-based assessments and internationally recognised methodologies.

Greater flexibility to apply established standards such as the IPEV Guidelines, rather than prescriptive or overly formalistic documentation requirements, would better reflect market practice. Documentation obligations should be limited to what is relevant for the specific assets managed, avoiding unnecessary administrative burden.

Such adjustments would maintain robust valuation standards and investor protection, while aligning regulatory requirements with the economic realities of illiquid and growth-oriented investments.

4.6. Which AIFMD remuneration-related requirements, if any, disproportionately affect mid-sized AIFMs, and how? Which proportionality measures, if any, warrant particular consideration and what cost savings would they imply?

In our opinion, these requirements should not apply to mid-sized AIFMs, or if they do, they should be significantly reduced.

4.7. How could the current authorisation requirements for mid-size AIFMs, such as organisational structure, key personnel, systems, etc. be adapted or streamlined for mid-size AIFMs, without undermining investor protection or the effectiveness of regulatory oversight? Which adjustments, if any, would you find most appropriate and what cost savings would they imply?

Authorisation requirements for mid-sized AIFMs could be streamlined through a more proportionate and standardised EU framework, without weakening investor protection or supervisory effectiveness.

First, the process itself could be accelerated through a simplified authorisation procedure with clear timelines (e.g. deemed approval if no objection is raised within one month), supported by standardised EU templates and reduced documentary duplication. While a mere registration regime would likely be insufficient if a passport is granted, a lighter authorisation model – similar in spirit to the EuVECA framework – would be appropriate.

Second, organisational and internal policy requirements could be streamlined. Mid-sized AIFMs should face simplified governance and record-keeping obligations, avoiding excessive documentation where risks are limited and investors are professional. Duplicative reporting – particularly where national requirements overlap with EU rules – should be eliminated, with a clear focus on harmonised EU-level reporting.

Third, systems and key personnel requirements should remain robust but proportionate. Flexibility in combining functions (where conflicts are appropriately managed) and reduced prescriptive policy requirements would lower fixed compliance costs.

Fourth, marketing notifications shall be uniform across host states. Under current practice, certain host states require regulatory fees to be paid upfront, including proof of payment in the notification packet (which triggers the need for separate notification models. Also, certain Member States require specific information about how persons involved in the placement of the fund been informed about the placement rules in the host state to be included in the marketing notification. This requires a distinct notification for such a Member State.

Finally, if an external AIFM is appointed, it would be helpful if General Partners and appointed investment managers and advisors were able to pre-market and market their own funds and those they manage and advice to professional investors. These entities and firms have in-depth product knowledge.

Cost savings would primarily arise from reduced legal and advisory fees during authorisation, lower ongoing compliance staffing needs, and fewer external consultancy and reporting expenses. This would particularly benefit emerging managers while maintaining effective oversight and investor protection.

4.8. Would a lower frequency or amended scope of audits compared to the current AIFMD requirements be appropriate for mid-sized AIFMs, notably those investing in private assets such as unlisted companies? Yes/No/Don't know. Which adjustments, if any, would you find most appropriate and what cost savings would they imply?

"Yes"

In our view, the audit requirement at level of AIFs should not apply unless capital contributions have been received by such AIF.

If there is an audit requirement, mid-sized AIFMs should be exempt from reporting requirements.

4.9. Would you see significant burden reduction potential for mid-size AIFMs with regard to AIFMD governance-related provisions (other than remuneration)? Yes/No/Don't know. Which adjustments, if any, would you find most appropriate and what cost savings would they imply?

Please refer to our answer to question 4.7 concerning the streamlining of authorisation requirements.

Organisational and internal policy requirements could be streamlined. Mid-sized AIFMs should face simplified governance – for instance, more proportionate board compositions and committee structures – and record-keeping obligations, avoiding excessive documentation where risks are limited and investors are professional. Duplicative reporting – particularly where national requirements overlap with EU rules – should be eliminated, with a clear focus on harmonised EU-level reporting.

4.10. Please rate the potential measures mentioned in this section based on how positive or negative of an impact on the scaling up and cross-border activity (where applicable) of mid-size fund managers you would expect from them. Please rate each item from -2 to 2, with -2 standing for "significant negative impact", 0 for "no impact" and 2 for "significant positive impact":

	-2	-1	0	1	2	Don't know	**Comments and evidence** (incl. cost figures or estimates where available)
Simplified and more proportionate depositary requirements					x		This would reduce cost and complexity; NCAs should do ex-post controls
More proportionate authorisation requirements, e.g. adapted to the size, risk profile and/or other factors of mid-size AIFMs					x		
Additional proportionality in risk-management					x		
Additional proportionality in liquidity management requirements					x		
Additional proportionality in stress-testing requirements					x		
Streamlined Annex IV reporting, leverage reporting and regulatory disclosures					x		
Proportional adjustments to valuation requirements					x		
Simplified remuneration requirements					x		
Streamlined or adapted authorisation requirements					x		
Lower frequency or amended scope of audits				x			We agree with the annual audit of financial statements. There should be greater reliance on audits, and no additional

							national rules on internal audits.
Simplified governance-related provisions (other than remuneration)					x		
Other measures; please elaborate [textbox]					x		There should be some kind of streamlining between the AIFMD and AML framework.

4.11. How do the EU and national cumulative regulatory costs faced by mid-sized EU AIFMs compare to those of non-EU competitors, which provisions are responsible for the largest part of these costs, and which targeted alleviations would most improve the international competitiveness of such EU-based managers?

Mid-sized EU AIFMs face higher cumulative regulatory costs than comparable US and UK managers.

Generally, the main cost drivers for managers are depositary requirements, reporting obligations and organisational/ governance requirements.

These EU-level costs are further compounded by stricter or diverging national interpretations and additional registration fees. This fragmentation weakens the passport and places EU managers at a disadvantage compared to more centralised regimes such as the US.
In our view, regulatory registration and supervisory fees should be streamlined, e.g. NCAs should be required to justified fees.

4.12. To what degree would more proportionate requirements applicable to mid-size AIFMs (assuming the elements mentioned in this section of the consultation were revised) lead to the following impacts? ("1: "Negligible impact", 2: "Limited impact", 3: "Moderate impact", 4: "Large impact", 5: "Very large impact")

	1	**2**	**3**	**4**	**5**	**Comments and evidence**
Lower cost of operating investment fund vehicles				x		
Faster processes, leading to faster deployment of capital			x			
Greater cross-border fundraising activity					x	
Greater cross-border investments (in underlying markets)				x		
As a second-order effect, increased			x			

investments into EU real economy						
As a second-order effect, reduced fees for end investors / limited partners			x			
Potential adverse impacts on legal certainty or market integrity	x					
Potential adverse impacts on effectiveness of supervision	x					
Potential adverse impacts on investor protection	x					
Potential adverse impacts on level playing field	x					Partly on the effectiveness of supervision
Other impacts - please specify, including potential negative impacts						

5. Functioning of the EuVECA and EuSEF frameworks

5.1. To what extent do you agree with the following statements regarding the functioning of the EuVECA framework? ("-2: "Fully disagree", -1: "Disagree", 0: "Neutral or no opinion", +1: "Agree", +2: "Fully agree"). Please explain and where possible, support your statements with evidence or examples:

	-2	-1	0	+1	+2	Comments and evidence
The EuVECA framework has been successful in achieving its objective of creating a European system for the cross-border fundraising of venture capital funds		x				The registration process is in many countries rather an authorisation process.
The costs of launching and operating a EuVECA and the regulatory and administrative burdens are appropriate		x				
The requirements imposed on EuVECA managers are proportionate to the benefits of having a marketing passport.				x		
The original objective of the EuVECA Regulation to create a European system for the cross-border fundraising of venture capital funds remains relevant today					x	
The EuVECA framework generally reflects well the needs of small-size AIF managers			x			
The EuVECA framework generally reflects well the needs of fund managers with AIFMD licence			x			
The EuVECA framework offers sufficient incentives for sub-threshold fund managers to launch and operate EuVECAs	x					It is difficult to launch additional funds without crossing the threshold.
The introduction of EuVECA framework, viewed in hindsight, has brought added value compared to national frameworks.				x		
Distinct types of rules in the EuVECA framework (e.g. eligible assets, passporting, own funds, investor protection) are coherent with each other				x		The eligible assets and passporting rules are

						coherent. However, national measures and discretions relating to own funds or capital buffer requirements constrain the scaling-up and competitiveness of small-size AIFMs below EUR 500 million AuM.
The legal requirements for cross-border marketing / placement of EuVECAs on a cross-border basis is adequate and appropriate				x		
The absence of the management passport for EuVECA managers is appropriate	x					A management passport should be introduced.
The scope of eligible investment assets under the EuVECA regime is appropriate (including the geographical limitations, the scope and concept of "qualifying venture capital fund", "qualifying portfolio undertaking", "qualifying investments", etc.)		x				The scope is not appropriate, the review current framework must be reviewed, and a more dynamic approach in terms of investments should be adopted.
Own-fund, capital buffer or bank guarantee/insurance indemnity requirements applicable to EuVECAs are coherent and adequate				x		

EuVECA's conflict of interests and co-investment rules are coherent and adequate				x		
National measures and discretions and supervisory fees/charges charged to EuVECAs play a positive role in the functioning of the EuVECA regime			x			National fees and charges should be streamlined.
EuVECA fund rules are consistent with the current EU policy objectives, notably to increase financing available for startups and scaleups		x				Widening of the scope of investable assets and strategies.
The EuVECA Regulation grants EuVECA managers sufficient flexibility to pursue a broad range of investment strategies to finance EU innovation and growth		x				
Supervisory practices within Member States, including fees and charges, pose hurdles to the operation of EuVECAs			x			

5.2. To what extent do you agree that the following provisions or elements of the current EuVECA regime require legislative review? ("-2: "Fully disagree", -1: "disagree", 0: "Neutral or no opinion", +1: "Agree", +2: "Fully agree")? Please explain and where possible, support your statements with evidence or examples:

	-2	**-1**	**0**	**+1**	**+2**	**Comments and evidence (notably with regard to expected impact)**
EuVECAs should be able to reach a higher AuM before being subjected to a full-scope AIFMD licensing requirement					x	Below 800m EUR of investment-cost basis AuM.
EuVECAs should have a broader flexibility to invest, including the ability to invest across the capital structure, fund-of-fund investments, indirect investments, investments in AIFs, employing master-feeder structures, etc.					x	

EuVECAs should have a broader flexibility to invest in, directly or indirectly, real assets, infrastructure, patents, intellectual property rights and any other assets related to and/or owned by eligible undertakings				x		
EuVECA managers would benefit substantially from the standardisation of registration requirements (e.g. pre-determined templates, deadlines, procedures, etc.)			x			The process should be standardised, but we do not want additional rules (principle-based approach).
EuVECA managers would greatly benefit from the reduced ability of Member States to exercise national discretions			x			The possibility to introduce stricter or diverging national rules should be limited.

5.3. With regards to the potential widening of the scope of investable assets and strategies under the EuVECA regime, how would you rate the expected overall impact of the following amendments? Please rate each item from -2 to 2, with -2 standing for "significant negative impact", 0 for "no impact" and 2 for "significant positive impact":

	-2	**-1**	**0**	**1**	**2**	**Comments and evidence**
Broadening the scope of qualifying venture capital funds under EuVECA regulation					x	
Removing or relaxing the 70% (qualifying investments) and 30% (other assets) thresholds and allowing more concentrated investments				x		It is more important to broaden the scope of investments
Allowing to also invest in quasi-equity				x		
Allowing to also invest in debt (e.g. venture debt and mezzanine financing)					x	
Allowing EuVECAs to invest in related infrastructure, including those supporting, serving, or relating to the				x		

business or activities of qualified venture capital undertakings and innovative undertakings						
Allowing EuVECAs to hold a certain share in listed companies, notably to continue holding an exposure following an IPO of one of more of portfolio companies				x		
Allowing EuVECAs to invest in any AIFs				x		
Allowing for master feeder structures and EuVECA funds of funds.					x	
In connection to potential changes above, substituting the "EuVECA" designation and replacing it with a broader and more inclusive fund designation			x			
Other adjustments to scope of assets and strategies, if so which ones: [textbox up to 2000 characters]						

5.4. What specific changes in applicable rules for EuVECA managers would you consider most appropriate and impactful and why? Please include any relevant cost figures or estimates, where available.

The most impactful changes would notably focus on:

- Broadening investment flexibility to better reflect modern venture and growth financing structures. This is being achieved through a revision of eligible assets and a single, generally applicable definition of "qualifying portfolio undertakings", with the aim of enhancing scalability and attractiveness for investors.
- Introducing a management passport for sub-threshold EuVECA managers; ensuring that the passport is valid in all jurisdictions, eliminating the need for additional host-state notification or authorisation.
- Reducing duplication of compliance and registration requirements.
- Introducing a clear possibility to exit the EuVECA regime, with well-defined transitional provisions to avoid unnecessary regulatory costs and ongoing compliance burdens.

In addition, national divergences ('gold plating') should be minimised to prevent fragmentation, and the registration process should be streamlined to achieve a harmonised procedure applicable across all Member States. National supervisory practices should be coherent and consistent.

5.5. To what degree do you agree with the following statements regarding the European Social Entrepreneurship Funds (EuSEF) framework? ("-2: "Fully disagree", -1: "disagree", 0: "Neutral or no opinion", +1: "Agree", +2: "Fully agree")

	-2	-1	0	+1	+2	Textbox

The EuSEF framework has been successful in achieving its objectives		x				
The regulatory and administrative burdens and the associated costs of operating a EuSEF are appropriate			x			
The EuSEF framework reflects well the needs of small-size AIF managers focused on achieving social impact			x			
Targeted amendments to EuSEF framework would not prove to be particularly impactful			x			
Due to the poor uptake, it is appropriate to consider the repeal of the EuSEF regime			x			The label should only be assessed once the review of SFDR is completed.

6. Closing questions

6.1. What specific challenges or inefficiencies within the current regulatory framework (outside the scope of the market integration and supervision package which reviews the AIFMD regarding fund managers operating in a group structure, passporting for depositary services and improved cross-border marketing of funds) have not been addressed in this consultation, and should be considered by the Commission in the EU venture and growth capital funds reform?

1. AML/KYC fragmentation

Although robust AML standards are crucial, divergent national AML/KYC requirements, including differences in mandatory reporting obligations (often linked to AIFM categorisation under AIFMD) and duplicative onboarding procedures cause delays and hinder fundraising. A more harmonised, risk-based and proportionate approach, tailored to the nature of the VC and growth funds ecosystem, would reduce inefficiencies without weakening safeguards.

2. Cross-border SPV structuring and tax inconsistencies

Inconsistent national approaches to SPVs and the tax treatment of cross-border structures generate complexity and increase structuring costs. Greater coordination would improve operational efficiency.

3. Distribution beyond the AIFMD marketing passport

Facilitating the distribution of funds to retail and semi-professional investors that fall outside the AIFMD marketing passport would enhance fundraising opportunities.
A more consistent and proportionate EU framework would reduce fragmentation, avoid parallel national regimes and support broader access to venture and growth strategies, while maintaining appropriate investor protection standards.

4. Product-specific requirements and audit alignment

National product-specific requirements and audit procedures may result in overlapping or duplicative reporting.
Greater alignment and harmonisation at EU level would reduce administrative burdens, enhance legal certainty and prevent unnecessary 'gold plating'.

6.2. Which regulatory issues should be considered to ensure the coherent interaction and application of the rulebook for AIF, EuVECA, ELTIF and EuSEF managers, including enabling ELTIF and EuVECA managers to benefit from the potential AIFMD alleviations, allowing for grandfathering/transition to a potential new legal framework, etc.?

1. Clarify and strengthen the proportionality principle

This 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.

2. Ensure coherent interaction and alignment

EuVECA, EuSEF and ELTIF managers should benefit from relevant AIFMD simplifications, where possible, avoiding duplicative or conflicting requirements. This is particularly important given the consultation's stated objective of streamlining requirements across the AIFMD and the other label frameworks to ensure regulatory alignment and legal certainty for market participants. The consultation highlights the challenges of crossing the threshold and moving rapidly to full AIFMD compliance. A harmonised, time-bound transition (with phased compliance and data/reporting relief) should apply to AIFMD transitions but also to any migration between EuVECA, EuSEF and ELTIF.

3. Provide clear grandfathering and transition mechanisms

Any reform should include robust grandfathering provisions and clear transition pathways to avoid the 'cliff effect' of sudden regulation changes.

Overall, we support a unified approach that enhances proportionality, coherence, and legal certainty.

6.3. Are there areas where technological innovation (e.g. digitalisation, tokenisation, etc.) should be better reflected or supported in the EU venture and growth capital funds reform?

Yes, the reform should better reflect digitalisation and tokenisation, as well as the broader use of distributed ledger technologies (DLT), in asset structuring, distribution and secondary market activity. Technological innovation does not alter the nature of venture investment. Rather, it modernises the operational "engine" of a fund. With the right support, it can reduce costs, improve cross-border fundraising, increase liquidity options, and enhance supervisory transparency, all while maintaining strong investor protection.

Five areas are particularly important:

1. Tokenisation and DLT-based registries offer significant benefits

- They can improve investor accessibility, reduce total issuance and ownership costs, and alleviate lifecycle frictions relating to access, deployment, and fund flows.
- Recognising DLT as a valid ownership registry is critical. This eliminates the need for parallel off-chain investor registers and enables real-time settlement and fully on-chain ownership tracking. In this respect, while existing MiCA and MiFID II guidance confirms that tokenised securities remain securities, a clear statement allowing DLT to act as the ownership registry is essential. Coordination with CSD regulations will be necessary to ensure that DLT can perform equivalent functions.

2. Evolving role of custodians

- In tokenised finance, the role of custodians shifts from traditional safekeeping to transaction validation and token recovery.
- DLT-based registries provide an immutable record of ownership, reducing the need for reconciliation. Smart contracts can link tokens to investor identity, enabling secure token recovery between wallets with custodian validation.

3. Secondary liquidity and controlled Decentralised Finance (DeFi) connectivity

- Controlled digital secondary platforms for professional investors could reduce the illiquidity discount of private funds without compromising the long-term strategy. Tokenised interests could be traded within regulated environments and in accordance with EuVECA and professional investor limits. Connecting to DeFi protocols (e.g. collateralised lending) could unlock further value by enabling these interests to be used as collateral.
- However, without clear regulatory guidance on DeFi functions, the liquidity and market adoption of tokenised assets may remain limited, which could prevent the ecosystem from reaching critical mass.

4. Digital onboarding and cross-border fund raising

- Secure digital identity solutions can streamline KYC/AML checks (such eKYC), eliminate duplication between service providers and speed up cross-border fundraising.

5. Regulatory harmonisation and digital processes

- Harmonised EU standards would provide legal certainty for digital issuance, custody, transferability, and investor onboarding, while enabling more efficient cross-border marketing and modernised distribution channels.
- A streamlined digital process for authorisation, passporting and marketing notifications, potentially based on an ESMA-managed central database (in line with proposals made for above-threshold AIFMs in the Market Integration and Supervision Package), could reduce delays, errors, and inconsistent host-state practices, while maintaining effective oversight.
- A consistent EU framework would prevent fragmentation, foster innovation, and maintain robust investor protection and regulatory safeguards.

By integrating these five elements – tokenisation, digital administration, secondary liquidity platforms, digital onboarding and enhanced supervisory transparency – along with proper pilots and safe regulatory sandbox frameworks, the EU can:

- Make venture and growth funds easier to launch and operate;
- Improve cross-border participation;
- Strengthen investor protection;
- Keep Europe competitive with the US and other global markets.

6.4. In the context of the EU venture and growth capital funds reform, which potential non-legislative measures (such as guidance to Member States on relevant matters falling under national competence) could support the possible legislative actions?

Non-legislative actions could significantly improve outcomes. These include:

- ESMA guidelines that clarify proportionality: clear mapping of proportionate AIFMD measures (e.g., adapted valuation, governance, and streamlined reporting) for small- and mid-sized managers onto the EuVECA and EuSEF frameworks. This would help ensure that national competent authorities (NCAs) apply equivalent measures across labels without creating duplicative, conflicting, or overlapping obligations;
- Guidance to Member States on harmonised registration processes;
- Supervisory convergence initiatives to reduce divergent practices;
- Interpretative guidance to limit the use of national discretions.
- Financial education and industry guidance: clear explanatory materials outlining the characteristics and operational realities of VC and growth funds. These materials would help regulators, investors and market participants to better understand fund operations, risks, and proportional treatment.

These non-legislative measures would complement legislative reforms, ensuring that regulatory outcomes are consistent, proportionate, and supportive of the EU venture and growth fund ecosystem.

6.5. To what degree do you consider the findings of the above-mentioned study (such as obstacles to marketing, burdensome and lengthy authorisation process, burdens stemming from reporting, etc.), which focused on venture and growth capital funds, to be also applicable to other small and mid-size AIF managers? ("5: "Fully applicable", 4: Largely applicable", 3: "Neutral", 2: "Not very applicable", 1: "Not applicable at all"). Please explain

"4: Largely applicable"

The core findings of the study, including lengthy and inconsistent authorisation and registration processes, as well as fragmented and restrictive cross-border marketing practices, do not arise from strategy-specific risk. This means they affect most small and mid-size AIFMs, not just those in the VC and growth sectors. Overall, the obstacles are systemic and scale-sensitive rather than sector-specific, meaning the findings can be applied more widely across small and mid-size AIFMs. These issues are also experienced by managers of private credit, mature private equity and infrastructure growth funds.

6.6. Is there a need for regulatory action to promote the availability of exit options for investors in private markets to help venture and growth capital funds achieve their investment returns and free up capital available for financing innovative companies?

For capital recycling to be effective, a well-functioning exit environment is essential. Supporting measures for secondary markets – considering the options discussed in the current consultation on PE Exits, continuation funds and the harmonised treatment of transfers and restructurings would improve liquidity, enhance return visibility and increase capital formation for innovative companies.

Key elements to strengthen exit pathways include:

- Incentives for fund acquisitions: These include improved infrastructure, tax incentives, and risk reduction measures, which are intended to encourage funds to acquire European target companies.

- Harmonised Foreign Direct Investment (FDI) approval processes: Current national FDI approval processes can block exit opportunities depending on geopolitical considerations. Harmonised EU-level procedures that take European strategic interests into account would provide greater predictability and reduce barriers to exit.

- Predictable and efficient merger assessments in digital markets: Digital markets are characterised by increasing returns, network effects, and scale-driven efficiencies. To support venture capital, Europe needs:
    - Faster and more predictable merger review processes;
    - Clear distinction between anti-competitive conduct and pro-competitive scale formation;
    - Consideration of global competitive dynamics to enable the creation of scale-driven European champions.

- Strategic recognition of scale: If Europe is to build globally competitive digital companies, scale must be treated as a strategic asset rather than a regulatory liability. This approach strengthens the venture/growth ecosystem, enhances capital formation, and improves Europe's global competitiveness.

6.7. Do you have any additional observations or evidence, with relevance for EU venture and growth capital fund managers, not explicitly covered in this consultation?

Efforts to reform the EU venture and growth capital framework should remain firmly focused on proportionality, flexibility, and competitiveness.

Key priorities include:

- Simplification of rules and frameworks: Streamlining legal and regulatory requirements, subject to thorough cost-benefit analyses, to reduce administrative burdens and improve speed-to-market, particularly for smaller and mid-sized managers.
- Deregulation where appropriate: Removing unnecessary or duplicative obligations that do not contribute to investor protection, enabling managers to focus on investment and value creation.
- Promotion of alternative investments in private pensions/retirement plans: Encouraging the inclusion of VC, growth, and other alternative funds in long-term savings vehicles would broaden the investor base, enhance capital formation, and support the financing of innovative European companies.

By combining these measures, reforms would strengthen the EU's venture and growth ecosystem, making it more attractive for investors and managers while maintaining robust safeguards.