



# **Market Integration and Supervision Package**

**Response to European Commission's call for feedback**

Submitted March 2026



## About LPEA

The Luxembourg Private Equity and Venture Capital Association (“**LPEA**”) aims at promoting and defending the interests of investors and professionals principally active in the field of Private Equity (“PE”) and Venture Capital (“VC”).

The Association is the trusted and relevant representative body of PE and VC practitioners with a presence in Luxembourg.

Created in 2010 by a leading group of PE and VC players, with more than 700 members, LPEA plays a leading role locally, actively promoting PE and VC in Luxembourg.

LPEA provides a dynamic and interactive platform, which helps investors and advisors to navigate through latest trends in the industry. International by nature, the Association allows members to network, exchange experience, expand their knowledge and grow professionally by attending workshops and trainings held on a regular basis.

## Towards a competitive EU Capital Market:

### LPEA views and industry perspectives

The LPEA believes that the EU Single Market is a key platform to shape and strengthen the growth and competitiveness of the EU Private Equity (PE) and Venture Capital (VC) industry. In this environment, it is key to note that PE/VC managers need to rely on efficient cross-border fundraising, a predictable and stable regulatory environment, and the flexible deployment of capital in order to be able to deliver value creation in the real economy, serve their investors, and help scale the next generation of European champions. As a result, and while the Association recognizes that the overarching concepts of the Market Integration and Supervision Package are important, the **proposed measures must remain targeted, proportionate, and tailored to the specific needs of the PE/VC industry, without introducing any new layer of oversight or unnecessary complexity.**

PE/VC sponsors operate in highly bespoke, often closed-ended fund structures, where fundraising windows are narrow and any unpredictability in supervisory oversight can materially affect capital deployment, investor commitments, and fund performance. Measures that could result in double supervision or overlapping responsibilities risk introducing additional costs, slowing down fundraising, and reducing time-to-market, particularly for managers with operating strategies across multiple jurisdictions. In this regard, we would like to highlight that any escalation or suspension powers granted to ESMA could affect business operations by inadvertently disrupting ongoing fundraising or portfolio management activities and should therefore be considered with caution.

We believe that supervisory convergence – aimed at preventing gold-plating obstacles without requiring direct or indirect centralised supervision – could be achieved through existing tools such as collaborative platforms, peer reviews, Q&As and clear guidelines, while keeping **competitiveness as a primary objective** and **strengthening coordination with national competent authorities (NCAs)**, whose proximity enables local dialogue and assessment, as well as a better understanding of individual business models.

In addition, it is important to consider that PE/VC sponsors face customized fund structures with diverse agreements, waterfalls, side letters, and arrangements. As a result, standardized EU templates and centralised marketing platforms may introduce challenges if they fail to accommodate these nuances. Full harmonisation of authorisation or marketing templates must be carefully tailored, avoiding the aggregation of all national requirements into a single, overly prescriptive EU standard. The heterogeneity of AIF structures and the diversity of marketing practices and investor bases must be acknowledged, as rigid templates could trigger back-and-forth with NCAs and cause delays to first closes, while uniform content and format rules may compress the tailored messaging institutional LPs expect on risk, fees, and performance, entrenching form-over-substance supervision. Reporting frameworks should prioritise platforms that

simplify compliance and reduce duplication, rather than introduce additional reporting layers or fees that could even more disproportionately affect smaller or mid-sized managers.

With regards to the delegation arrangements and group structures, it remains uncertain to the LPEA whether the proposal would deliver meaningful simplification in practice, as managers will remain fully responsible for the performance of delegated services and will have to comply with other requirements stemming from existing legislation and regulations. We believe that effective simplification of intra-group delegation could be achieved by explicitly recognizing in Article 20 of the AIFMD that AIFMs' NCAs may apply a proportionate, risk-based approach with respect to the oversight of delegates and delegation models.

As highlighted, the PE/VC industry is globally mobile and competitive. Any perception of regulatory unpredictability or additional administrative layers risks diverting capital away from the EU, undermining the EU's attractiveness as a global fund domicile. Any centralised oversight should be balanced by explicit competitiveness objectives and KPIs, ensuring that supervisory activity supports efficient capital formation, economic growth, and innovation. Supervisory measures should aim to reduce fragmentation and local gold-plating (notably the lack of eligibility of non-local ELTIFs in local life insurance policies or the requirement to appoint a local processing agent for retail funds – which, for the avoidance of doubt, a central supervisor may not necessarily be able to remedy, as some of these measures are enshrined in national legislation rather than stemming from supranational supervisory positions) without creating new hurdles, particularly for smaller and emerging managers who are key to maintaining diversity and innovation in the EU PE/VC ecosystem.

Finally, and to strengthen the EU Single Market, the LPEA would like to request that the **implementation focuses on protecting competitiveness, while ensuring proportionality, flexibility, and making the best use of existing tools**, supported by in-depth assessments of current mechanisms and careful consideration of costs, including preliminary cost-efficiency analyses. It is indeed essential that no additional costs, regulatory fees, or data collection burdens are imposed on managers so as not to hinder the competitiveness of EU PE/VC managers relative to non-EU jurisdictions.

We believe that any **envisaged measures should primarily and effectively reduce time-to-market and total operating costs while increasing legal certainty and recognizing that harmonisation does not automatically equate to simplification or competitiveness**. If the Market Integration and Supervision Package is intended to strengthen Europe's capital markets competitiveness, its success should be measured by **outcomes – such as capital raised, speed-to-market, scalability – with the creation of robust SMEs and EU – or international – champions, success stories across energy transition, job creation, technology, innovation, and global attractiveness – rather than by the density of supervisory processes**.

In this regard, any proposal should be designed to primarily and effectively support **competitiveness through those 3 key angles:**

- i) **who can invest - expanding the investor base.** Broadening access for sophisticated high-net-worth individuals could enhance the capital available to European Funds. In particular, creating an AIFMD passport for semi-professional investors, who could be defined as any retail investor investing at least EUR 200,000, or investing at least EUR 100,000 and whose financial instrument portfolio exceeds EUR 1 million, could help mobilise capital as referred to in the Draghi report and support more a level playing field with other jurisdictions (such as the US) in terms of ease of fundraising for managers. Alongside these measures, promoting the inclusion of PE/VC funds in private pension (such as the PEPP) and long-term retirement savings vehicles, in collaboration with the other ESAs, would further broaden the investor base, strengthen capital formation, and support the financing of innovative European companies.
- ii) **how efficiently capital can be pooled and deployed across borders.** Ensuring that capital can move and be allocated smoothly within the EU remains key to improving market efficiency and strengthening the scale of European investment platforms.
- iii) **whether operating models can scale globally without regulatory friction - clarifying the distribution framework.** We would welcome explicit confirmation from the European Commission that distribution carried out by authorised MiFID II or IDD firms does not constitute delegation. This approach could also be extended to non-EU regulated firms subject to equivalent supervisory frameworks. In addition, NCAs should be encouraged to reflect this clarification clearly in their outsourcing and delegation guidance.

*The LPEA remains available to engage in constructive dialogue with the European Commission and other stakeholders to contribute to strengthening the European Union's competitiveness.*



**LPEA** 