



FINANCIAL SERVICES

EuVECA and EuSEF Regulation amendments making their way through the European Parliamentary Process

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Proposed amendments to EuVECA and EuSEF Regulations look to facilitate the supply of capital for venture capital and social enterprise funds

Proposals have been published by the EU Commission to stimulate interest in line with the Europe 2020 Strategy. The EU Commission published the European Venture Capital Funds Regulations (EU) No. 345/2013 (EuVECA) and the European Social Entrepreneurship Funds Regulations (EU) No. 346/2013 (EuSEF).

The Regulations came into force in July 2013, but they have not attracted much success or attention so far. The European Securities and Markets Authority (ESMA) has only been notified of seventy EuVecas and four EuSEFs registrations. The low level of registrations is surprising when one considers the advantages that these funds have over other alternative investment funds:

- They may be marketed to non-professional investors.
- They are not limited in terms of where they may market their shares, as they can avail of the AIFMD marketing passport.
- They are subject to less onerous supervisory provisions and no minimum capitalization for registered alternative investment fund managers (AIFMs).
- There is no obligation to publish a prospectus.
- There is no depositary required.
- There are no set rules for the valuation of assets.

The Commission's proposals for changes to the existing Regulations were published on 14 July 2016. National parliaments had the opportunity to express subsidiarity concerns by 17 October 2016, but none did so, which means that the proposals will now proceed to committee discussion within the European Parliament.

The Commission's Proposals

1. To allow all AIFMs (not just those managing less than €500m in AUM) to use the EuVECA and EuSEF designations when marketing such funds in the EU. This measure ought to increase investor confidence due to the involvement of better resourced and more experienced fund managers.
2. To widen the potential investment universe of EuVECAs beyond the current limitation to SMEs.

EuVECA will be allowed to invest in larger unlisted companies employing less than 500 and SMEs listed on growth markets with a market capitalization not exceeding 200 million euro.

3. To entrust ESMA with the responsibility for drafting regulatory standards to determine what constitutes "sufficient own funds" for managers of EuVECA and EuSEFs to ensure that member states do not impose different standards across the EU.
4. To streamline cross-border marketing and cross-border registration. At present EuVECA and EuSEF funds may be subject host member states charging fees for the marketing of funds in their jurisdiction as well as having to comply with host member states administrative procedures.

These proposals were made outside of the agreed scheduled reviews of the effectiveness of the EuVeca and EuSEF Regulations and are encouraging because they demonstrate the readiness of the Commission to take steps to build the Capital Markets Union.

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About the Author