European Commission - Press release

Capital Markets Union: EU agrees to more support for venture capital and social enterprises

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Capital Markets Union: EU agrees to more support for venture capital and social enterprises

Small and growing companies and social enterprises will enjoy better access to finance, thanks to EU rules agreed today by the European Parliament, the Council and the Commission. The revamped rules are part of the Commission's drive to stimulate venture capital investments in the EU, a core objective of its Capital Markets Union (CMU) project.

The Commission proposed an overhaul of the existing European Venture Capital Funds (EuVECA) and the European Social Entrepreneurship Funds (EuSEF) regulations in 2016 as part of the CMU Action Plan. The objective of these reforms is to improve access to finance for small and growing companies and social enterprises to promote jobs and growth. The rules are also linked to the Investment Plan for Europe, which provides a comprehensive strategy to tackle the lack of finance that is holding back Europe's potential to grow.

Vice-President Valdis **Dombrovskis**, in charge of Financial Stability, Financial Services and Capital Markets Union, said: "*Today's agreement removes another barrier to venture investment at EU level. The reforms we have agreed – expanding investment possibilities for funds, broadening the range of eligible managers and simplifying administration - will help investor capital reach the SMEs that need it.*"

Today's agreement will open up EuVECA and EuSEF to fund managers of all sizes and will allow a greater range of companies to benefit from EuVECA investment. It will also improve access of investors to small and growing businesses and social ventures. Finally, it will make the cross border marketing of EuVECA and EuSEF funds less costly and will simplify registration processes.

Specifically, the agreement reached today:

- extends the range of managers eligible to market and manage EuVECA and EuSEF funds to larger fund managers, i.e. those with assets under management of more than €500 million. Large managers can provide economies of scale, passing benefits on to investors;
- expands the ability of EuVECA funds to invest in small mid-caps and SMEs listed on SME growth markets. This should increase the diversification possibilities offered by EuVECA and EuSEF funds and, therefore, make them more attractive to investors;
- decreases the costs by explicitly prohibiting fees imposed by competent authorities of host Member States where no supervisory activity is performed. It also simplifies the registration processes and determines the minimum capital necessary to become a manager.

The agreed text now follows ordinary legislative procedure before the final endorsements by the European Parliament and the Council of the EU.

Background

The European Venture Capital Funds (EuVECA) and European Social Entrepreneurship Funds (EuSEF) regulations set up two new types of collective investment funds to make it easier and more attractive for investors to invest in unlisted SMEs. Both regulations were adopted on 17 April 2013 and came into force on 22 July 2013.

The EuVECA and EuSEF label allows fund managers to market these funds across the EU to professional and non-professional investors able to commit a minimum of €100,000.

Given the importance of making progress towards the Capital Markets Union, the Commission decided to bring forward the general review originally planned for July 2017. It launched a consultation on 30 September 2015 to ask whether targeted changes to the regulations could boost the take-up of these investment funds. The review identified a number of factors holding back the development of these funds.

These reforms are a part of a range of measures the European Commission is taking to stimulate venture capital in Europe. They include the use of EU budgetary support to attract capital from major institutional investors through a pan-European venture capital fund of funds, as well as promoting best practices in national tax incentives for venture capital to foster investment in SMEs and start-ups. The Commission will also provide technical assistance to those Member States who wish to develop market-based finance, such as venture capital.

As part of the wider CMU package to stimulate venture capital investments in the EU, a pan-European venture capital fund of funds will combine EU financial sources with greater volumes of private capital. This pan-European fund of funds should help to overcome market fragmentation and attract private investors to the EU venture capital asset class.

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