

## European venture capital funds and European social entrepreneurship funds

2016/0221(COD) - 30/03/2017 - Committee report tabled for plenary, 1st reading/single reading

The Committee on Economic and Monetary Affairs adopted the report by Sirpa PIETIKÄINEN (EPP, FI) on the proposal for a regulation of the European Parliament and of the Council amending Regulation (EU) No 345/2013 on European venture capital funds (EuVECA) and Regulation (EU) No 346/2013 on European social entrepreneurship funds (EuSEF).

The committee recommended that the European Parliaments position, adopted at first reading following the ordinary legislative procedure, should amend the Commission proposal as follows:

**Investment thresholds:** a threshold of EUR 100 000 minimum entry ticket for non-professional investors is maintained for investing in EuVECA funds. The amended text stated that due to their long-term and illiquid nature, venture capital funds are not directly suitable for retail investors other than those described in this Regulation, even in the case where investor protection rules would be strengthened.

On the other hand, for EuSEF funds, the threshold of EUR 100 000 should, in any case, be lowered to EUR 50 000. This would increase access to funding, in particular for smaller and socially engaged firms which are less bankable. It would also allow the spectrum of investment possibilities for non-professional investors to be widened and would allow such investors to support firms with a positive social impact.

**Own funds:** the amended text provides that the venture capital funds and the social entrepreneurship funds, whether they are managed internally or externally, shall be provided with an initial capital of EUR 30 000.

Own funds shall always amount to at least one eighth of the fixed overheads incurred by a manager in the preceding year.

It is necessary to invest own funds in liquid assets or assets that can be readily converted into cash in the short term. Own funds shall not include speculative positions.

At all times, managers of qualifying venture capital funds shall have sufficient own funds to maintain the continuity of the operations.

**Investor information:** managers of funds shall inform their investors of the non-qualifying investments which it intends to make, including the criteria and guidelines which govern the selection of such investments.

Managers of qualifying social entrepreneurship funds shall provide a description of how environmental and climate factors are considered in the investment approach of the qualifying social entrepreneurship fund and in particular, information about its exposure to assets whose value may be negatively impacted by legislation necessary to meet the Union's climate targets.

**Supervision:** Members introduced more stringent provisions on surveillance at EU level in order to avoid excessive risk-taking and instability in financial markets and to facilitate cross-border operations.

The text provides that the fund managers who intend to use the EuVECA and EuSEF labels for the marketing of their funds shall inform the relevant competent authority of their home Member State and the European Securities and Markets Authority (ESMA).

ESMA shall develop draft regulatory technical standards to specify the information to be provided to the competent authorities and itself in the application for registration of fund managers.

ESMA shall perform a coordination and oversight role in order to ensure that a consistent approach is taken by competent authorities in relation to the registration process. ESMA may issue recommendations to competent authorities to change their registration processes.

ESMA shall maintain a central database accessible by competent authorities of the home and host Member States for the purposes of the facilitation of the notification process and the required exchange of information.

It shall perform an oversight role in order to ensure that a consistent approach is taken by competent authorities in relation to the use of the supervisory and investigatory powers.

**Management passport:** the Commission shall analyse the appropriateness of introducing a management passport for managers of the qualifying venture capital funds and qualifying social entrepreneurship funds and the suitability of the definition of marketing for venture capital. Following the review, the Commission shall submit a report to the European Parliament and to the Council, accompanied, if appropriate, by a legislative proposal.