

Channeling more savings toward innovation: Enhancing the EuVECA Regulation

France Invest's proposals

France Invest is committed to supporting investment in innovation and helping the EU regain its competitive edge. Strengthening the European regulatory framework could be a key lever to collect and channel more savings toward innovation — particularly through the revision of the EuVECA Regulation.

The EuVECA Regulation was introduced in 2013. However, only 708 EUVECA funds have been registered to date and their size is limited. France currently counts 5 EuVECA funds managed by 4 different asset management companies which are all members of France Invest.

One of the key benefits of the label, as highlighted by our members, is its user-friendliness and the absence of the requirement to notify the authorities of the Member States where EuVECAs are marketed. This helps reduce unnecessary administrative burdens and costs, particularly when investor interest declines. Additionally, EuVECAs can be passported to investors committing over EUR 100,000 i.e. they are not reserved to professional clients.

The EuVECA label has therefore the potential to grow substantially. In this context, we would like to propose some ideas — without precluding any future contributions from our members — that could fundamentally simplify and reshape it and significantly enhance its appeal to both managers and investors.

- Proposals pertaining to eligible assets and fund structuring

- Expand the label to a **“growth” label**: EuVECAs should be permitted to invest in companies that have recently grown rapidly, such as scale-ups that once were start-ups, for instance midcaps which employ less than 1,500 employees. While EuVECA fund managers can already make “follow-on” investments in their initial portfolio companies, in practice, later funding rounds often attract additional, typically larger, venture/growth capital firms alongside the original venture capital manager(s).
- Allow EuVECAs to **invest in fintechs**, in the same way as ELTIFs: enable EuVECA funds to diversify their portfolios and mitigate risk while providing long-term capital to companies driving financial innovation. This would align the ELTIF and EuVECA labels, ensuring continuous financing for the growth of these companies. In turn, it would support digital transformation and provide investors with the potential for higher returns.
- Permit EuVECAs to be structured as **funds of funds**: such structuring is crucial for the distribution of funds to investors committing over EUR 100k/30k, as it enhances risk diversification.
- Clarify that EuVECA can act as a **management passport**: allow EuVECA managers located in one Member State to manage funds domiciled in a different Member State.
- Replace the reference to OECD bilateral treaties by a **reference to the EU tax blacklist**: increase the EU framework's consistency.
- Increase (reasonably) **borrowing limits**: allow more diverse strategies and enhance potential returns for investors.

- Lower **own funds requirements**: reduce costs and increase potential returns for investors.
- Introduce a **de-labeling procedure**: enable managers which no longer wish to or are unable to successfully passport their funds to withdraw the label and be released from its associated requirements, as long as the fund has not been invested in yet.
- Alleviate some **reporting obligations**: in particular, abolish the requirement for quarterly NAVs which are not necessary for closed-ended or semi-liquid funds.
- Create a **platform-based solution** to support fund managers in scaling up their fundraising efforts and diversifying investments geographically. Currently, the EuVECA label mainly supports first-time innovation investment teams through a unified regulatory framework. A "EuVECA 2.0" version could introduce a European feeder fund pooling multiple managers (from at least two Member States) with rules promoting balanced investments: at least 50% of the indirect portfolio of this feeder fund would be invested in the EU. Such master funds could be labeled and supervised by a national competent authority or, if the managers opted for this choice, ESMA.
 - Proposals pertaining to investors and marketing
- Enlarge **investor eligibility**: allow investors to invest EUR 30k if they have already made an investment in a private equity fund.
- Streamline **investor disclosure requirements**: free EuVECAs from the KID. EuVECAs are mainly invested by sophisticated or near-professional investors and the KID is not totally adapted to these funds. The information set out in article 13 is sufficient for these investors.
- Introduce a **single document** for investment commitment and attestation that investors are aware of the risks of investing in EuVECAs: two different documents do not add any protection. They increase cost and complexity.
- Offer **tax incentives** for investment in EuVECAs: encourage Member States to apply the long-term EU investment label (which is expected to be developed in the context of the SIU) and offer fiscal reductions for investors which invest in such labelled EuVECAs or, at least, ensure that investments in such labelled EuVECAs benefit from the most preferential tax treatment.
- Introduce **prudential incentives** for insurers, banks and pension funds: in particular, ensure that the ongoing review of Solvency 2 facilitates insurers' investments into EuVECAs.
- Change the **name of the label**: make the name of the label more appealing and legible: it should better reflect its objective i.e. the financing venture and growth / innovation in the EU.

Finally, although the label offers significant advantages, its main challenge remains a lack of visibility. A concerted effort will be needed to **raise awareness and promote** it, particularly among European managers — including CFOs, compliance officers, and general secretaries — as well as investors and national regulators.

Also, it will be crucial that alongside the revision of the EuVECA Regulation, the European definition of SMEs is updated to avoid these companies opposing public support and private funding.