

European venture capital funds and European social entrepreneurship funds

2016/0221(COD) - 14/09/2017 - Text adopted by Parliament, 1st reading/single reading

The European Parliament adopted by 523 votes to 46 with 67 abstentions a legislative resolution 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 and Regulation (EU) No 346/2013 on European social entrepreneurship funds. Parliament's position adopted in first reading following the ordinary legislative procedure amended the Commission proposal as follows:

Purpose of funds: venture capital funds ('EuVECA') and social entrepreneurship funds ('EuSEF') aim to contribute to mobilisation of investment capital in innovative SMEs and social enterprises in the EU.

With respect to EuSEF, these must have the achievement of **measurable, positive social impacts** as their primary objective, where the undertaking: (i) provides services or goods which generate a social return; (ii) employs a method of production of goods or services that embodies its social objective; or (iii) provides financial support exclusively to social undertakings as defined in the first two indents.

Own funds: managers of qualifying venture capital funds and qualifying social entrepreneurship funds, which are not authorised in accordance with [Directive 2011/61/EU](#), must have **sufficient own funds** at all times. However, it is specified that the level of own funds should be based on cumulative criteria and should be **significantly lower** and **less complex** than the amounts laid down in Directive 2011/61/EU to take into account the specificities, nature and small size of those funds.

The amended text states that both internally managed qualifying venture capital funds and external managers of qualifying venture capital funds shall have an initial capital of EUR 50 000.

Own funds shall at all times amount to at least one eighth of the fixed overheads incurred by the manager in the preceding year. Where the value of the qualifying venture capital funds managed by the manager exceeds EUR 250 million, the manager shall provide an additional amount of own funds.

Own funds shall be invested in **liquid assets** or assets readily convertible to cash in the short term and shall not include speculative positions.

Uniform rules of registration and for managers' conduct: the application for registration shall be made to the competent authority of the qualifying venture capital fund and shall include a list of Member States in which the managers have established qualifying venture capital funds.

With regard to EuSEF, a description of how environmental and climate-related risks are taken into account in the investment approach of the qualifying social entrepreneurship funds should be supplied.

A manager of a qualifying social entrepreneurship fund shall notify the competent authority of the home Member State of **any material changes** to the conditions for its initial registration before such changes are implemented. The changes may be implemented if the relevant competent authority does not oppose the changes within the relevant assessment period.

Any refusal to register a manager shall be **substantiated, shall be notified to the managers and shall be subject to a right of appeal** before a national judicial, administrative or other authority.

The final information on the basis of which the registration was granted must be **made available to the European Securities and Markets Authority (ESMA)** in a timely manner after the registration.

ESMA shall conduct peer in order to strengthen the consistency of the registration processes carried out by competent authorities in accordance with the Regulation.

The competent authority of the home Member State shall be **responsible for supervising the organisation of the manager**, so that that manager is in a position to comply with the obligations and rules that relate to the constitution and functioning of all the qualifying social entrepreneurship funds that it manages.

Where a manager does not observe the rules set out in the Directive, the competent authority of the Member State of origin may **prohibit the manager of the qualifying social entrepreneurship fund from using the designation ‘EuSEF’ or EuVECA’** and remove that manager, or the fund concerned, from the register.

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