

European venture capital funds and European social entrepreneurship funds

2016/0221(COD) - 25/10/2017 - Final act

PURPOSE: to strengthen an internal market for qualifying venture capital funds and qualifying social entrepreneurship funds by strengthening the use of designations ‘EuVECA’ and ‘EuSEF’.

LEGISLATIVE ACT: Regulation (EU) 2017/1991 of the European Parliament and of the Council of 25 October 2017 amending Regulation (EU) No 345/2013 on European venture capital funds and Regulation (EU) No 346/2013 on European social entrepreneurship funds.

CONTENT: this Regulation amends the Regulation on European Venture Capital Funds ([EuVECA](#)) and the European Social Entrepreneurship Fund ([EuSEF](#)) which introduced two new types of collective investment funds aimed at making investment in unlisted SMEs easier and more attractive for investors.

European Venture Capital Funds (EuVECA) and European Social Entrepreneurship Funds (EuSEF) aim to mobilise more investment capital in innovative SMEs and social enterprises in the EU.

The amending regulation is part of the action plan for the establishment of a [Capital Markets Union](#). It aims to open the market for eligible venture capital funds and eligible social entrepreneurship funds to increase scale effects, reduce transaction and operating costs, increase competition and strengthen investor choice.

In practical terms, the amending regulation:

- extends the scope of Regulations (EU) No 345/2013 and (EU) No 346/2013 by opening up the use of the designations ‘EuVECA’ and ‘EuSEF’ to managers of collective investment undertakings authorised under [Directive 2011/61/EU](#), i.e. those with assets under management of more than EUR 500 million;
- **increases the ability of EuVECA** funds to invest in small, mid-cap companies and SMEs listed on SME growth markets;
- clarifies that EuSEF funds shall have the achievement of **measurable, positive social impacts** as its primary objective in accordance with its articles of association, statutes or any other rules or instruments of incorporation establishing the business;
- determines the **minimum capital** required to be a manager: the starting capital must be 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. Own funds shall be invested in liquid assets or assets readily convertible to cash in the short term and shall not include speculative positions;
- **simplifies registration procedures:** registration of a manager in accordance with Regulations (EU) No 345/2013 and (EU) No 346/2013 shall also serve the purpose of the registration referred to in Directive 2011/61/EU in relation to the management of the qualifying venture capital funds or qualifying social entrepreneurship funds. Registration decisions and refusals to register shall be subject to administrative or judicial review in accordance with national law;
- **reduces costs** by expressly prohibiting the imposition of fees and other charges on the managers for the marketing of such funds if no supervisory task has to be performed;
- provides that the ESMA shall maintain a **central database** that is publicly accessible on the internet and that lists all managers of qualifying social entrepreneurship funds using the designation “EuSEF” and the qualifying social entrepreneurship funds for which they use that designation, as well as the countries in which those funds are marketed.

The Commission shall examine whether to introduce a **management passport** for the managers of eligible venture capital funds and eligible social entrepreneurship funds. Following this review, the Commission will have to submit a report to the European Parliament and the Council, accompanied, where appropriate, by a legislative proposal.

ENTRY INTO FORCE: 30.11.2017.

APPLICATION: from 1.3.2018.