Basic information

2016/0221(COD) COD - Ordinary legislative procedure (ex-codecision procedure) Regulation	Procedure completed
European venture capital funds and European social entrepreneurship funds Amending Regulation (EU) No 345/2013 2011/0417(COD) Amending Regulation (EU) No 346/2013 2011/0418(COD) **Subject** 2.50.03 Securities and financial markets, stock exchange, CIUTS, investments 3.45.02 Small and medium-sized enterprises (SME), craft industries 3.45.03 Financial management of undertakings, business loans, accounting 3.45.07 Social economy, mutual societies, cooperatives, associations	

Key players

European Parliament

Committee responsible	Rapporteur	Appointed
ECON Economic and Monetary Affairs	PIETIKÄINEN Sirpa (PPE)	12/07/2016
	Shadow rapporteur COZZOLINO Andrea (S&D) KAMALL Syed (ECR) VAN NIEUWENHUIZEN Cora (ALDE) PAPADIMOULIS Dimitrios (GUE/NGL) LAMBERTS Philippe (Verts/ALE) VON STORCH Beatrix (EFDD)	

Committee for opinion	Rapporteur for opinion	Appointed
ITRE Industry, Research and Energy	The committee decided not to give an opinion.	
IMCO Internal Market and Consumer Protection	The committee decided not to give an opinion.	
JURI Legal Affairs	The committee decided not to give an opinion.	

Council of the European Union	
European Commission	Commission DG: Financial Stability, Financial Services and Capital Markets Union Commissioner: DOMBROVSKIS Valdis
European Economic and Social Committee	

Key events

Date	Event	Reference	Summary
14/07/2016	Legislative proposal published	COM(2016)0461	Summary
12/09/2016	Committee referral announced in Parliament, 1st reading		
22/03/2017	Vote in committee, 1st reading		
22/03/2017	Committee decision to open interinstitutional negotiations with report adopted in committee		
30/03/2017	Committee report tabled for plenary, 1st reading	A8-0120/2017	Summary
03/04/2017	Committee decision to enter into interinstitutional negotiations announced in plenary (Rule 72)		
05/04/2017	Committee decision to enter into interinstitutional negotiations confirmed by plenary (Rule 72)		
11/07/2017	Approval in committee of the text agreed at 1st reading interinstitutional negotiations	PE607.904 GEDA/A/(2017)006572	
13/09/2017	Debate in Parliament		
14/09/2017	Decision by Parliament, 1st reading	T8-0356/2017	Summary
14/09/2017	Results of vote in Parliament		
09/10/2017	Act adopted by Council after Parliament's 1st reading		
25/10/2017	Final act signed		
25/10/2017	End of procedure in Parliament		
10/11/2017	Final act published in Official Journal		

Technical information

Procedure reference	2016/0221(COD)
Procedure type	COD - Ordinary legislative procedure (ex-codecision procedure)
Procedure subtype	Legislation
Legislative instrument	Regulation
Amendments and repeals	Amending Regulation (EU) No 345/2013 2011/0417(COD) Amending Regulation (EU) No 346/2013 2011/0418(COD)

Legal basis	Treaty on the Functioning of the European Union TFEU 114
Other legal basis	Rules of Procedure EP 165
Mandatory consultation of other institutions	European Economic and Social Committee
Stage reached in procedure	Procedure completed
Committee dossier	ECON/8/07246

Documentation gateway

European Parliament

Document type	Committee	Reference	Date	Summary
Committee draft report		PE595.680	13/12/2016	
Amendments tabled in committee		PE597.685	31/01/2017	
Committee report tabled for plenary, 1st reading/single reading		A8-0120/2017	30/03/2017	Summary
Text agreed during interinstitutional negotiations		PE607.904	28/06/2017	
Text adopted by Parliament, 1st reading/single reading		T8-0356/2017	14/09/2017	Summary

Council of the EU

Document type	Reference	Date	Summary
Coreper letter confirming interinstitutional agreement	GEDA/A/(2017)006572	29/06/2017	
Draft final act	00037/2017/LEX	25/10/2017	

European Commission

Document type	Reference	Date	Summary
Legislative proposal	COM(2016)0461	14/07/2016	Summary
Document attached to the procedure	SWD(2016)0228	14/07/2016	
Document attached to the procedure	SWD(2016)0229	14/07/2016	
Commission response to text adopted in plenary	SP(2017)633	11/09/2017	

National parliaments

Document type	Parliament /Chamber	Reference	Date	Summary
Contribution	PT_PARLIAMENT	COM(2016)0461	13/10/2016	
Contribution	IT_CHAMBER	COM(2016)0461	10/11/2016	

Other institutions and bodies

Institution/body	Document type	Reference	Date	Summary
ECB	European Central Bank: opinion, guideline, report	CON/2016/0044 OJ C 394 26.10.2016, p. 0002	12/09/2016	Summary

Additional information		
Source	**Document**	**Date**
European Parliament	Briefing	15/12/2017
European Commission	EUR-Lex	

Final act	
Regulation 2017/1991 OJ L 293 10.11.2017, p. 0001	Summary

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.

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.

European venture capital funds and European social entrepreneurship funds

2016/0221(COD) - 12/09/2016 - European Central Bank: opinion, guideline, report

OPINION of the European Central Bank (ECB) on a 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 ECB **supports the aims of the proposed regulation**, which is a key part of the Capital Markets Union (CMU) Action Plan and a complement to other pillars of the Investment Plan for Europe.

It made the following specific observations:

Registration of EuVECA and EuSEF funds and their managers: the ECB supported the use of internationally agreed standards, such as the International Securities Identification Number (ISIN) and the global **Legal Entity Identifier** (LEI), as unique identifiers to meet reporting requirements on the securities markets.

In the case of EuVECA and EuSEF funds, the ECB considered that the information to be provided by managers when registering such funds should, as a **mandatory requirement, include the global LEI** for identifying the funds and their authorised managers. The **ISIN should also be included** in order to identify the units of, or shares in, the funds to be marketed.

Furthermore, the ECB's proposed mandatory requirement to report the global LEI and the ISIN should apply to **all financial markets** and not just specific market segments.

The ECB also advised that, where appropriate and to the extent possible, other legislative changes underpinning the CMU should also establish the mandatory reporting of unique identifiers.

ESMA central databases of managers of EuVECA and EuSEF funds: the ECB proposed that these databases to be established by ESMA should include the LEI of each fund and its manager and the ISIN for the units or shares of the fund.

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 Parliament's 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.

European venture capital funds and European social entrepreneurship funds

2016/0221(COD) - 14/07/2016 - Legislative proposal

PURPOSE: to strengthen the internal market for venture capital and social entrepreneurship funds by developing the use of EuVECA and EuSEF labels.

PROPOSED ACT: Regulation of the European Parliament and of the Council.

ROLE OF THE EUROPEAN PARLIAMENT: the European Parliament decides following the ordinary legislative procedure on an equal footing with Council.

BACKGROUND: the proposal is part of the work undertaken to stimulate investments in growing and innovative firms. The Investment Plan for Europe presents a global strategy to increase competitiveness and stimulate investments for the purpose of job creation. It aims to further mobilise additional private investment using public funds through the European Fund for Strategic Investment ("EFSI").

A key strand of the Investment Plan is the Capital Markets Union ("CMU") action plan, which contains a range of measures to remove capital market barriers and facilitate the financing of SMEs.

Regulation (EU) No 345/2013 of the European Parliament and of the Council and Regulation (EU) 346/2013 of the European Parliament and of the Council lay down uniform requirements and conditions for managers of collective investment undertakings that wish to use in the Union the '**EuVECA**' or '**EuSEF'** designations for the marketing of qualifying venture capital funds and qualifying social entrepreneurship funds. While EuVECA funds support young and innovative companies, EuSEF funds focus on enterprises whose aim is to achieve positive social impact.

The Commission is seeking to ensure that **the EuVECA and EuSEF frameworks work as well as possible** in supporting venture capital and social investment. However, the review of the two Regulations under the REFIT initiative (Regulatory Fitness and Performance programme) identified a **number of factors holding back the development of these funds**, in particular:

- limitations on large managers whose portfolios exceed EUR 500 million, who may not use the "EuVECA" and "EuSEF" labels, a EUR 100,000 minimum entry ticket for non-professional investors and specific limitations on eligible investments (i.e. the definition of qualifying portfolio undertakings);
- differing requirements in different jurisdictions, in particular set-up fees, additional costs charged by host Member States and the required levels of sufficient own funds.

IMPACT ASSESSMENT: the options retained by the impact assessment are as follows :

- allow managers authorized under Directive 2011/61/EU of the European Parliament and of the Council on Alternative Investment Fund Managers ("AIFMD") to use the "EuVECA" and "EuSEF" labels;
- expand the definition of qualifying portfolio undertakings in Regulation (EU) 345/2013;
- maintain the EUR 100,000 minimum investment;
- include explicit provisions in the two Regulations (to avoid burdensome administrative processes and additional measures (including fees imposed by host Member States) and non-proportionate requirements imposed by home Member States.

CONTENT: the proposal aims to **amend Regulation (EU) No 345/2013 on European venture capital funds and Regulation (EU) 346/2013 on European social entrepreneurship funds**. The amendments aim to:

- allow managers authorised under Directive 2011/61/EU that manage portfolios above EUR 500 to use the ‘EuVECA’ and ‘EuSEF’ designations respectively in relation to the marketing of those funds in the Union;
- amend the definition of qualifying portfolio undertaking in Regulation (EU) No 345/2013 and include unlisted undertakings which employ up to 499 persons and small and medium-sized enterprises listed on a SME growth market;
- entrust ESMA with the development of draft regulatory technical standards specifying the methodologies for the determination of sufficient own funds;
- reduce costs by explicitly providing that fees and other charges may not be imposed by competent authorities of host Member States in relation to cross-border marketing of EuVECA and EuSEF funds, by simplifying registration procedures and determining minimum capital requirements to be a manager.