

# Study of barriers to, and drivers of, the scaling-up of funds investing in innovative and growth companies

Final report

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*E-mail: [fisma-c4@ec.europa.eu](mailto:fisma-c4@ec.europa.eu)*

*European Commission  
B-1049 Brussels*

# **Study of barriers to, and drivers of, the scaling-up of funds investing in innovative and growth companies**

Final report

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## Contents

<b>Glossary</b> .....	<b>7</b>
<b>List of abbreviations</b> .....	<b>10</b>
<b>Executive Summary</b> .....	<b>11</b>
<b>Introduction</b> .....	<b>19</b>
<b>1. State of play in venture and growth capital in the EU</b> .....	<b>23</b>
1.1. The operating model of venture and growth capital funds .....	23
1.2. Venture and growth capital market .....	32
1.3. Regional availability of venture and growth financing .....	39
1.4. The collaborative investment practices .....	42
1.5. Where do EU venture and growth capital funds invest? .....	44
1.6. Who funds EU startups and scaleups? .....	48
<b>2. Institutional investor activity</b> .....	<b>52</b>
2.1. The importance of institutional investor activity in growth financing.....	52
2.2. Institutional investor activity in the EU venture and growth capital.....	76
<b>3. Scaling strategies of the venture &amp; growth capital funds</b> .....	<b>86</b>
3.1. Drivers and barriers to consolidation of EU venture and growth capital fund managers.....	86
3.1.1. Drivers of fund managers consolidation through M&A.....	88
3.1.2. Barriers to fund managers consolidation through M&A .....	90
3.2. Alternative ways to reach scale .....	93
<b>4. Key barriers to venture &amp; growth capital fund activities</b> .....	<b>104</b>
4.1. Barriers to the activities of EU-based venture & growth funds – Literature review .....	106
4.2. Barriers to general fund operations – Key barriers based on the interview analysis.....	114
4.2.1. Direct barriers to fundraising – Key barriers based on the interview analysis.....	126
4.2.2. Direct barriers to investment and post-investment care – Key barriers based on the interview analysis .....	146
4.3. Key barriers to fund activities based on the Member States’ legislation analysis in 10 EU countries .....	154
<b>5. Conclusions and policy implications</b> .....	<b>161</b>
<b>Literature reviewed</b> .....	<b>163</b>
<b>Annex 1a. Methodology for quantitative analysis</b> .....	<b>174</b>
Methodology for venture and growth capital market analysis (Task 1) .....	174
Methodology for institutional investor activity analysis (Task 2).....	175
<b>Annex 1b. Methodology for interview analysis: barriers to general fund     operations, fundraising, investment and consolidation</b> .....	<b>180</b>
<b>Annex 1c. Mapping of the severity of legal barriers based on the in-depth     legal analysis of the 10 Member States jurisdictions</b> .....	<b>187</b>

<b>Annex 1d. Validation survey: methodology, results and integration into barrier analysis .....</b>	<b>192</b>
<b>Annex 2. Triangulation framework.....</b>	<b>200</b>
<b>Annex 3. Analysis of venture and growth capital market in 10 selected countries.....</b>	<b>202</b>
<b>Annex 4. Interview programme .....</b>	<b>212</b>
<b>Annex 5. Detailed comparison of legal frameworks governing venture and growth funds operations in 10 selected countries .....</b>	<b>219</b>

## Glossary

<b>Alternative assets</b>	Financial assets that do not fall into one of the conventional investment categories, which are stocks, bonds, or cash.
<b>Carried interest</b>	Share of profits from a private equity, venture capital fund earned by the fund's general partner.
<b>Consolidation</b>	Process as a result of which two companies form one entity, typically by means of a merger or acquisition.
<b>Cross-border investment</b>	Transactions involving companies (investees) located outside the country of the investor's headquarters, both in the EU and outside the EU.
<b>Foreign/non-EU investor</b>	An individual or entity based outside the European Union that invests capital into assets or enterprises within an EU Member State.
<b>General partner</b>	An entity responsible for managing a fund. The GP makes investment decisions, oversees portfolio management, and is legally liable for the fund's obligations. In return, the GP typically receives a management fee and a share of the fund's profits, known as carried interest.
<b>Growth capital (equity)</b>	Investment strategy positioned between early-stage venture capital and buyout private equity, targeting companies with proven business models seeking capital to scale.
<b>Hurdle rate</b>	A benchmark return that must be surpassed before a fund manager can claim any carried interest.
<b>Institutional investor</b>	An entity or structure investing substantial capital on behalf of beneficiaries or stakeholders.
<b>Intra-EU investment</b>	Transactions involving companies (investees) located in the EU outside the country of the investor's headquarters.
<b>Investment volume</b>	Total amount of capital committed or deployed across multiple transactions within a defined period by an investor or group of investors in monetary units.
<b>Investor's estimated contribution</b>	Amount of capital deployed in a single transaction by a particular investor in monetary units. Investor contributions were estimated using role-based weights (lead investor, co-lead investor, co-investor, sole investor) <sup>1</sup> based on Dealroom data to distribute the total transaction amount proportionally. If Preqin data were available, contributions were adjusted to fit within each

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<sup>1</sup>Description of the methodology for the role-based assumption of commitment is provided in [Annex 1](#).

	investor's typical transaction size range; otherwise, an equal split was applied.
<b>Limited partner</b>	Investor in a venture capital or private equity fund that supplies capital but is protected by limited liability from the fund's losses and does not actively participate in fund operations management. Public LPs manage asset allocations from national or international public institutions – often, such LPs are also publicly owned (public pension funds, national promotional institutions, sovereign wealth funds). Private LPs manage private assets (private pension funds, insurance companies, family offices).
<b>Private equity</b>	Capital invested directly into private companies—or into public companies with the intention of taking them private—typically through negotiated transactions. It involves medium- to long-term investments by specialised funds, with the goal of improving business performance and generating returns through growth, operational improvements, or restructuring, followed by an exit via sale or public listing.
<b>Retail investor</b>	An investor who does not meet the criteria for professional or eligible counterparties. Typically, a natural person investing on their behalf and afforded the highest level of regulatory protection under EU financial legislation.
<b>Scaleup</b>	Young medium-sized firm with high growth potential that is more productive than the average company and is a leader in the development of new technologies.
<b>Syndication (co-investment)</b>	A partnership between a group of investors pooling their financial resources into a single investment.
<b>Transaction/deal</b>	Investment event where funds are deployed into a startup, scaleup, or a business seeking capital for expansion.
<b>Transaction/deal size</b>	Amount of capital deployed in a single transaction by an investor or group of investors in monetary units.
<b>Venture capital</b>	A form of private equity financing provided to early-stage, high-potential companies (startups) that are typically not yet profitable. It supports innovation and growth in exchange for an equity stake, with the expectation of substantial returns if the company succeeds. Venture capital is usually deployed in stages, aligned with the company's development milestones, based on which it's divided into early-stage and late-stage venture capital.
<b>Venture and growth capital fund</b>	Equity financing vehicle operating within the venture capital and growth private equity segments, which

**Venture and growth capital  
fund manager (general partner)**

invests in startups and companies at the growth or scaleup stages of development.

Manager of alternative investment funds, at least one of which has a venture capital or growth equity strategy. The analysis focuses on fund managers that have been active in at least one equity transaction between EUR 15 million and EUR 250 million over the past three years (2022-2024) and their funds.

## List of abbreviations

<b>AIF</b>	Alternative investment fund
<b>AIFM</b>	Alternative investment fund manager
<b>AMF</b>	Autorité des marchés financiers (France)
<b>AML</b>	Anti-money laundering
<b>AuM</b>	Assets under management
<b>CEE</b>	Central and Eastern Europe
<b>DC</b>	Defined contribution
<b>DG FISMA</b>	Directorate-General for Financial Stability, Financial Services, and Capital Markets Union
<b>EIB</b>	European Investment Bank
<b>EIF</b>	European Investment Fund
<b>ELTIF</b>	European Long-Term Fund
<b>ESG</b>	Environmental, Social and Governance
<b>EU</b>	European Union
<b>EuVECA</b>	European Venture Capital Fund
<b>EuSEF</b>	European Social Entrepreneurship Fund
<b>GDP</b>	Gross Domestic Product
<b>GP</b>	General partner
<b>HQ</b>	Headquarters
<b>KYC</b>	Know your customer
<b>LP</b>	Limited partner
<b>LTAf</b>	Long-term asset fund (UK)
<b>M&amp;A</b>	Mergers and acquisitions
<b>NCA</b> s	National competent authorities (relevant for financial sector)
<b>NPB</b> Is	National promotional banks and institutions
<b>NAV</b>	Net asset value
<b>OECD</b>	Organisation for Economic Co-operation and Development
<b>PE</b>	Private equity
<b>SIU</b>	Savings and Investments Union
<b>UCITS</b>	Undertakings for Collective Investment in Transferable Securities
<b>UK</b>	United Kingdom
<b>US</b>	United States of America
<b>VC</b>	Venture capital

## Executive Summary

**Venture and growth capital funds are essential for financing startups and scaleups.** For the sake of the EU's long-term competitiveness, it is essential to ensure that venture and growth capital financing is sizeable and related ecosystems are sufficiently developed to compete with other developed economies, as this enables Europe's most promising companies, particularly those at the forefront of technological and industrial innovation (such as biotech, deep tech, AI, or cleantech), to develop and become global champions in their fields whilst retaining a large EU footprint.

Understanding the barriers that fund managers and institutional investors encounter during fund operations, fundraising, investment, and post-investment care processes is the first step towards mobilising the investments they can channel into innovative companies in the EU. A crucial enabler in this regard is the participation of institutional investors in this asset class, along with the ability of fund managers to scale their activities.

For this reason, **the present study focused on the analysis of barriers to scaling up fundraising and investments across the EU**, both from the perspective of fund managers and institutional investors, and in both domestic and cross-border contexts. It also presents key context about the structure of the venture and growth capital fund segments, the operating models of these funds, and the investor base of EU venture and growth capital funds, giving a broad overview of how the pinpointed barriers manifest. More specifically, the study is structured around four main areas: (i) the state of play in venture and growth capital in the EU, (ii) the activity and preferences of institutional investors, (iii) scaling strategies of fund managers, and (iv) key barriers to fund activities as seen by industry stakeholders.

The EU ecosystem remains fragmented, with most fund managers and activity concentrated in Western Europe, with Southern Europe and CEE generally remaining underrepresented. Cross-border investment and co-investment are more and more common, particularly in growth capital, where large deals often involve multiple investors, including non-EU corporates. Still, EU scaleups remain heavily reliant on non-EU capital, reaching 70-90% of funding in some countries, and domestic capital remains insufficient to close the gap. While a significant number of institutional investors have committed capital to EU venture and growth funds, their overall exposure remains limited in scale and concentrated in mid-sized funds. Public investors play a disproportionately large role, while pension funds and insurance companies allocate very modest shares. Compared to the foreign ecosystems like the US and the UK, the European market remains smaller, more fragmented, and reliant on external capital. Consolidation among fund managers and cross-border mergers are rare – though this pattern is broadly consistent with global industry norms.

The broad insights on barriers to EU-based fund activities has drawn on the review of existing research, an interview programme with venture & growth fund managers and institutional investors and national legislation analysis in 10 selected EU

countries<sup>2</sup>, supported by a validation survey conducted with over 40 stakeholders. This analysis attempted to categorise, gauge the relevance and severity of impact and, thus, understand the relative significance of various barriers. The full ranking of barriers, both direct and indirect, by the stage of fund lifecycle, is displayed in **Table 1** (barriers to fundraising) and **Table 2** (barriers to investment and post-investment care).

Based on the cumulative evaluation of LP and fund manager perceptions, the two highest ranked barriers to the fundraising process among those that can be tackled legislatively were **prudential rules for pension funds, insurance companies and banks and their national gold-plating**, and **uncertainties related to capital gains taxes**. Most frequently mentioned concerns associated with prudential rules, according to the institutional investor interviewees, are the burden of risk management documentation and the conservative national-level caps on alternative asset investment and capital requirements, especially when exacerbated by portfolio value fluctuations (“denominator effect”). One must interpret the barrier related to prudential rules, however, in the context of a complex interplay of institutional investor motivations – where the regulatory caps are in place, they are frequently not filled, leaving room for other factors at play where prudential rules may serve as a pretext. Secondly, both types of stakeholders are concerned about the lack of coordination and uncertainty related to the tax treatment of capital gains, especially in the case of investors (LPs) investing in funds in another jurisdiction and/or funds incorporated as a non-specialised vehicle. Based on the interview insights, such transactions open the door to the interpretation by tax authorities at home and abroad, and the interpretations are often conservative, potentially resulting in double taxation or unfavourable taxation even in the presence of harmonising measures. Such uncertainties discourage LPs from making investments in some jurisdictions or require elaborate workarounds (e.g., feeder funds). Tax fragmentation and associated uncertainty belong to the category of barriers that not only directly affect the fundraising process but also create indirect costs for fund managers: in other words, time dedicated to administrative work to ensure suitable tax treatment is time not spent approaching other potential LPs. As a result, this creates natural limits to the number of LPs that the fund manager can interact with and sustain.

**Reporting and disclosure obligations**, both those prescribed in the scope of AIFMD and other disclosures during the fund lifecycle (AML/KYC disclosures, CSRD/ ESRS reporting among them), are mentioned particularly often as a barrier that raises the costs of operating venture and growth capital funds, some requirements imply high workload in proportion to the number of LPs. LPs also impose their reporting requirements, and this amplifies the burden; while the purpose of enquiries from LPs may be the same, the specific formats, data angles and templates are frequently different. The escalation of reporting is particularly acute once the fund manager becomes authorised under AIFMD, not only due to AIFMD

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<sup>2</sup> Bulgaria, Estonia, France, Germany, Italy, Luxembourg, the Netherlands, Poland, Spain, and Sweden were selected for detailed analysis.

requirements themselves but also due to links with other pieces of legislation. Also, fund managers with even relatively few active funds can reach the AIFMD threshold. Complicating the operational setup, **more elaborate rules on governance applicable to AIFMD-authorized fund managers** also raise costs (depository requirement, governance structure requirements). Gold-plating at the national level exacerbates the issue, with Member States imposing additional reporting and governance requirements – admittedly, reporting requirements were one of the least gold-plated areas based on the Member States legislative analysis, where more progress towards harmonisation appears to be achieved. Furthermore, local presence and substance requirements can make the cross-border scaling of funds especially costly due to the need to replicate the mandatory control & oversight functions – the national legislation analysis confirms the general stringency of these requirements. Such “indirect barriers” take away from the time and effort spent on target scouting and portfolio company management, affecting not only the fundraising but also the investment phase of the fund.

Perhaps surprisingly, barriers related to fund passporting and marketing were somewhat deprioritised by interviewees, despite significant fragmentation in marketing frameworks and fees found in the Member States legislative analysis. This needs to be interpreted in conjunction with evidence that fund managers often limit marketing activities to specific jurisdictions by a strategic decision, instead concentrating on approaching (or using reverse solicitation) with a restricted sample of familiar LPs, avoiding the costs and effort associated with marketing altogether.

While solving regulatory, legal and tax barriers is crucial for the frictionless fundraising process, “soft” barriers, such as **internal risk aversion of LPs** and the accompanying preference for asset classes perceived as safe as well as the **frequent bias towards investing domestically and in familiar jurisdictions**, play a perhaps even greater role and are more challenging to tackle. Some of these barriers are indirectly affected by regulation; for example, internal risk aversion is reinforced by the cautious approach to investment and evaluation of gains present in regulatory frameworks, creating an inclination to add a margin of safety to ensure compliance. Home bias may be attributed to significant investments needed to navigate laws applicable in other jurisdictions, legal terminology without direct equivalents and the uncertainty about the attitude of local supervisory authorities, together with a lack of leverage to influence the changes. Regulatory components aside, these barriers point to the broader issue of risk-averse culture, whereby alternative assets may be perceived as having no or a negative contribution to the portfolio

A noteworthy issue for fundraising is the **misalignment of investment characteristics of venture & growth capital as an asset class with the portfolio strategy of institutional investors** such as pension funds, insurers, banks, pointing to three concerns: holding period mismatch, poor liquidity of the asset and ticket size mismatch. While these seem an important structural barrier to the institutional investor activity at first glance, evidence from institutional investors with successful alternative asset investment strategies leads to believe that it is possible to

overcome such issues, and that internal risk aversion already discussed is the real barrier in many cases.

On top of the costs stemming from AIFMD compliance, legislative fragmentation across Member States adds another layer of complexity to most of the **investment and post-investment stage barriers** as well. During the fund investment cycle, the most notable are various **barriers at the portfolio level**. Most frequently mentioned concerns here are the fragmentation of the corporate laws across Member States and the implications for the company treatment, fragmentation of regulatory requirements for the underlying technology products, and lack of or unsuitable conditions for offering employee stock options. Among prominent barriers is also the diverse approach to **carried interest taxation**: while some Member States, including France, the Netherlands, and Luxembourg, offer specialised fund structures ensuring preferential tax treatment, others do not, leading to complications in incentivisation. Finally, there are **various frictions during the due diligence and investment process** itself, which can be individually minor but become burdensome in aggregate. Venture & growth fund managers point out the non-standardised transaction documents, differences in accounting principles not only from country to country but from company to company, and a very costly notarisation process in some countries.

Based on the ranking of barriers, **market and structural barriers** play an important role in the investment and post-investment stages too. A broad structural issue impacting cross-border investing is related to **fund managers' "home bias"** due to lack of network abroad, strong competition and difficulties in finding co-investment partners for completing transactions. Another prominent issue making fund managers more generally cautious when investing is related to the fear of not being able to realise gains due to **poor exit prospects**, especially in certain regions with fewer active buyers or unattractive listing prospects (and subsequently lower valuations). While there is no one-size-fits-all solution to these issues, they form an important backdrop and emphasise that there is still room for encouraging a more seamless single market.

Overall, two motives recur throughout the entire body of analysis regarding regulatory & legal barriers. Firstly, fund managers mostly see regulation and laws concerning the general fund operations as something that may slow down activities and raise operational costs but can typically be solved with specialist support and rarely prevent attractive transactions from occurring. Secondly, fund managers express frustration with national fragmentation, frequent changes in the regulatory and legal landscape and the formalistic approach of supervisors to compliance "for the sake of compliance" with the provisions of the AIFMD, prudential regulation and national laws. For the fundraising or investing in technology companies, every Member State presents a new set of issues, both in terms of diversity in national rules, gold-plating and attitudes of the supervisory authorities.

At the same time, it is hard to underestimate the role of market or structural barriers, primarily related to risk-averse European investment culture, the return profile and other properties of the long-term asset class such as venture & growth. Such barriers

were overall seen as more fundamental compared to regulatory barriers by most of the interviewed stakeholders. From the side of institutional investors, the most frequently mentioned issues were a lack of track record on the fund performance and related return concerns, difficulties with aligning the properties of alternative assets with the overall portfolio strategy and perceived high costs of investing in venture & growth, which are predominantly related to the market structure rather than regulation-driven. These barriers are harder to tackle quickly, and they are not likely to be solved with purely regulatory initiatives.

In the end, the present analysis underscores that persistent regulatory fragmentation and compliance complexity continue to hamper cross-border fund activity and scale in the EU. While harmonising legal frameworks and simplifying reporting can address some operational barriers, deeper challenges such as investor risk aversion and home bias are structural and not easily resolved by regulation alone. A comprehensive approach combining legal harmonisation, improved supervisory coordination, and sustained efforts to cultivate investor confidence and market development is needed to unlock the full potential of EU venture and growth investing.

**Table 1. Significant barriers to fundraising, based on interview analysis (Fund Managers, LPs), Member States' legislation analysis and validation survey results (★ – Minor barrier, ★★★ – Major barrier).<sup>3 4</sup>**

	LPs - Interviews (How many encounter the barrier during fundraising?)	FMs - Interviews (How many encounter the barrier during fundraising?)	MS legislation analysis (How severe is the barrier?)	Validation Survey (How severe is the barrier?)	SIGNIFICANCE SCORE
Reporting and disclosure obligations (cross-border)	★★★	★★	★★	★★	★★★
Local presence and substance tests (cross-border)	★	★	★★★	★★★	★★
Incorporation & operational setup of fund vehicles	★★	★	★★	★★	★★

<sup>3</sup> **Legend:** (cross-border) – barriers particularly affecting cross-border fundraising; “\*” – Regulatory improvements can indirectly help to reduce or remove this barrier

**Colouring:** Legal barriers, Tax barriers, Market barriers

<sup>4</sup> In view of methodological constraints, for Member State legislation analysis and validation survey, the focus has been on deepening the understanding of severity of legal barriers that are within the mandate of DG FISMA and other barriers with a legal component in the case of high relevance.

Study of barriers to, and drivers of, the scaling-up of funds investing in innovative and growth companies

	LPs - Interviews (How many encounter the barrier during fundraising?)	FMs - Interviews (How many encounter the barrier during fundraising?)	MS legislation analysis (How severe is the barrier?)	Validation Survey (How severe is the barrier?)	SIGNIFICANCE SCORE
Supervisory fees and ancillary charges	★★	★	★★	★★	★★
Marketing framework and fees (cross-border)	★★	★	★★	★★	★★
Prudential rules and gold-plating thereof*	★★	★★★★	★★★★	★★★★	★★★★
Capital gains tax cross-border fragmentation & related uncertainty (cross-border)*	★★★★	★★★★	N/A – Out of scope	★★★★	★★★★
Internal risk aversion, preference for safe asset classes of LPs	★★★★	★★★★	N/A – Not a legal barrier	N/A – Not a legal barrier	★★★★
LP home bias, preference for familiar & stable jurisdictions (cross-border)*	★★★★	★★★★	N/A – Out of scope	★★	★★★★
Misalignment with the needs of LP portfolios	★★	★★★★	N/A – Not a legal barrier	N/A – Not a legal barrier	★★★★
Perceived high cost of investing for LPs	★	★★★★	N/A – Not a legal barrier	N/A – Not a legal barrier	★★
Lack of familiarity with the alternative asset class	★★	★★	N/A – Not a legal barrier	N/A – Not a legal barrier	★★
Inconsistent public support mandates	★	★★	N/A – Not a legal barrier	N/A – Not a legal barrier	★★
Due diligence & fundraising process frictions (cross-border)*	★	★★	N/A – Out of scope	N/A – Low relevance	★★
Small number of potential LPs due to market conditions*	★	★★	N/A – Out of scope	N/A – Low relevance	★★

Source: Civitta analysis. For detailed methodology, please consult Annex 1 and 2.

**Table 2. Significant barriers to investment and post-investment care, based on interview analysis (Fund Managers), Member States legislation analysis and validation survey results (★ – Minor barrier, ★★★ – Major barrier).<sup>5 6</sup>**

	FMs - Interviews (How many encounter the barrier in investment/post-investment stage?)	MS legislation analysis (How severe is the barrier?)	Validation Survey (How severe is the barrier?)	SIGNIFICANCE SCORE
Legal challenges during portfolio management (cross-border)	★★★	N/A – Out of scope	★★	★★★
Reporting and disclosure obligations (cross-border)	★★★	★★	★★	★★
Incorporation and operational setup of fund vehicles	★★	★★	★	★★
Local presence and substance tests (cross-border)	★	★★★	★★	★★
Supervisory fees and ancillary charges	★★	★★	★	★★
National FDI restrictions (cross-border)	★	N/A – Not possible to directly score	★	★
Capital gains tax cross-border fragmentation & related uncertainty (cross-border)*	★★	N/A – Out of scope	★★★	★★★
Carried interest tax cross-border fragmentation & related uncertainty (cross-border)*	★★	N/A – Out of scope	★★★	★★★
Due diligence & investment process frictions (cross-border)*	★★★	N/A – Out of scope	N/A – Out of scope	★★★
Fund managers' home bias due to lack of network, strong competition (cross-border)	★★★	N/A – Not a legal barrier	N/A – Not a legal barrier	★★★

<sup>5</sup> **Legend:** (cross-border) – barriers particularly affecting cross-border fundraising; “\*” – Regulatory improvements can indirectly help to reduce or remove this barrier

**Colouring:** Legal barriers, Tax barriers, Market barriers

<sup>6</sup> In view of methodological constraints, for Member State legislation analysis and validation survey, the focus has been on deepening the understanding of severity of legal barriers that are within the mandate of DG FISMA and other barriers with a legal component in the case of high relevance.

Study of barriers to, and drivers of, the scaling-up of funds investing in innovative and growth companies

	<b>FMs - Interviews (How many encounter the barrier in investment/post-investment stage?)</b>	<b>MS legislation analysis (How severe is the barrier?)</b>	<b>Validation Survey (How severe is the barrier?)</b>	<b>SIGNIFICANCE SCORE</b>
Exit considerations in the EU*	★★	N/A – Out of scope	★★★	★★★
Lack of attractive companies in certain EU markets	★★	N/A – Not a legal barrier	N/A – Not a legal barrier	★★
Public LP restrictions on fund investments (cross-border)	★★	N/A – Not a legal barrier	N/A – Not a legal barrier	★★

Source: Civitta analysis. For detailed methodology, please consult Annex 1 and 2.

## Introduction

### Context and objective of the assignment

Ensuring that Europe's most promising companies, particularly those at the frontier of technological and industrial innovation, can access sufficient long-term capital has become a defining challenge for the EU's economic future. As the world enters a new era of geopolitical competition and strategic reindustrialisation, the ability to scale innovation at home is directly tied to Europe's competitiveness, economic security, and technological sovereignty.

This imperative is at the core of the Savings and Investments Union (SIU), launched by the European Commission in March 2025 (European Commission, 2025). The SIU builds on the objectives of the Capital Market Union (CMU), first introduced in 2015, with the aim of mobilising European savings to fund productive investment in businesses across all Member States and at all stages of development. It supports investments in sectors crucial to long-term prosperity and security.

Despite notable progress in early-stage financing, structural weaknesses continue to limit the availability of growth and scale-up capital. In 2023, large funding rounds (above EUR 100 million) generated only EUR 21 billion in Europe, compared with EUR 81 billion in the US (Dealroom, 2024a; Dealroom, 2024b). Multiple factors contribute to this gap (the list of factors isn't exhaustive):

- **Limited number of large-scale funds.** The EU hosts relatively few large venture and growth capital funds. In contrast, the US has significantly more, with at least seven times as many funds managing assets exceeding EUR 600 million (EIF, 2023).
- **Low institutional investor participation.** Pension funds and insurers allocate less than 1% of their AuM to European venture capital. This limited engagement reflects a combination of structural risk aversion, prudential constraints, and, for example, a lack of long-term performance data on European VC funds<sup>7</sup>.
- **Fragmented regulatory landscape.** Diverging national regulations, low adoption of harmonised labels such as EuVECA, and persistent administrative burdens continue to obstruct cross-border activity and limit fund scalability.
- **Limited exit options and tax disincentives.** Exit mechanisms remain underdeveloped. Listing on public markets is often costly and complex, particularly for SMEs<sup>8</sup>, while secondary markets for private capital are still developing, limiting liquidity for investors. In addition, national tax regimes often favour a debt over equity, weakening incentives for long-term, patient

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<sup>7</sup> Consultant analysis based on Preqin Database.

<sup>8</sup> Improved prospectus regulation for SMEs was introduced in 2017 with the EU Prospectus Regulation.

capital and constraining the ability of funds to operate effectively across borders.

The EU has responded with an ambitious set of reforms. These include the Listing Act, the revision of the EuVECA Regulation, the proposed Debt-Equity Bias Reduction Allowance (DEBRA), the Solvency II review, and new flagship initiatives such as TechEU and the EIB Group-led European Tech Champions Initiative (ETCI and ETCI 2.0), supported by several Member States. Efforts are also underway to simplify and broaden the EU securitisation framework based on the [European Commission's proposal from June 2025](#). Together, these measures aim to improve conditions for scaling funds and attracting institutional capital into risk-bearing segments of the market.

For the broader EU capital markets agenda to succeed, policy efforts must be grounded in a clear understanding of the market's structure, its constraints, and where targeted interventions could shift the outcomes. This study, commissioned by the European Commission's Directorate-General for Financial Stability, Financial Services and Capital Markets Union (DG FISMA), provides an analytical foundation for that work. Its purpose is to examine why the venture and growth capital funds segment remains sub-scale in the EU despite the increasing maturity of the investment ecosystem. The study focuses on two core areas:

First, it seeks to map the characteristics of investment funds active in the provision of venture and growth capital to startups and scaleups and explore the institutional investor activity in venture and growth capital.

Second, it explores the structural barriers that hinder consolidation and scaling in this fund segment. These include regulatory and supervisory constraints, legal and tax considerations, technological and operational inefficiencies, as well as behavioural dynamics, both from fund managers and institutional investors. The analysis aims to define realistic options for reducing these barriers, including paths toward fund consolidation, larger ticket sizes, and greater cross-border investment flow.

By addressing these questions, the study supports key CMU and SIU objectives: increasing the depth and resilience of Europe's capital markets, enhancing the competitiveness of its investment industry, and enabling high-growth companies to scale on EU soil. The findings are expected to inform future policy, including potential adaptations of existing instruments and regulatory frameworks, and help create a more integrated and investable capital market environment.

### **High-level overview of methodology**

This study combines structured data analysis and stakeholder insights to assess the scale, characteristics, and constraints of the EU's venture and growth capital market. The work is organised around five interlinked components, each addressing a specific dimension of capital formation and deployment.

- **Mapping and data analysis.** The research begins with a mapping of venture capital and growth equity funds operating in the EU, with a focus on funds that have participated in transactions in the EUR 15 to 250 million range in 2022-2024, used as a practical definition of growth stage (see [Annex 1](#) for detailed

methodology). Data from sources including Dealroom, Preqin, and ESMA registers is used to build a baseline covering fund size, legal structure, regulatory status, and geographic distribution. As the analysis relies on publicly disclosed and registered data, some relevant funds may not be captured. Additionally, venture and growth capital market characteristics are analysed in more detail for 10 selected countries (see [Annex 2](#) for data dashboards for each country).

- **Institutional investor profiling.** The role of institutional investors (e.g. pension funds, sovereign wealth funds, etc.) is analysed by linking fund-level and investor-level data. Participation trends are examined by considering who the investors are, how they invest (e.g. direct vs. indirect, fund of funds), and where they are based. Where information is incomplete, estimates of capital contributions are derived using a role-based attribution method (e.g., lead, co-lead, co-investor) (see [Annex 1](#) for a detailed methodology).
- **International benchmarking.** To contextualise the EU landscape, a parallel review is carried out for selected third-country markets (US, UK, South Korea and China) throughout the sections of the report. This comparison highlights structural differences in scaling, investor engagement, and market depth.
- **Interview-based qualitative research.** A targeted interview programme, covering over 60 interviews across all EU Member States, was conducted with fund managers and institutional investors (see [Annex 3](#) for description of interviewees). These interviews provided practical insights into market functioning, validated desk research, and helped identify structural and behavioural barriers to scaling, consolidation, and cross-border investments.
- **Stakeholder validation survey.** In parallel with interviews, a structured validation survey was conducted with over 40 stakeholders, including fund managers, LPs, and associations. The survey aimed to quantify the perceived severity of identified barriers, disaggregate responses by stakeholder group, and collect open-ended inputs on the most urgent and impactful barriers to address. The survey results informed the prioritisation of barriers across stakeholder types and served as an additional layer of validation for the findings emerging from desk research and interviews. The results also informed a separate validation report delivered to DG FISMA (see [Annex 1d](#) for further information).
- **Identification and refinement of the identified barriers.** A comprehensive list of legal, regulatory, financial, and behavioural barriers to fund consolidation and scaling was compiled based on a literature review and preliminary analysis (see [Annex 5](#) for a more detailed comparison of the legal frameworks of 10 selected countries). These barriers were subsequently refined through a stakeholder validation process and used to test hypotheses regarding the root causes of limited fund growth and persistent market fragmentation in the EU.

This approach captures both market-level trends and on-the-ground perspectives, providing a thorough view of how the EU's venture and growth capital landscape operates and where the most significant constraints to scale and integration lie.

# 1. State of play in venture and growth capital in the EU

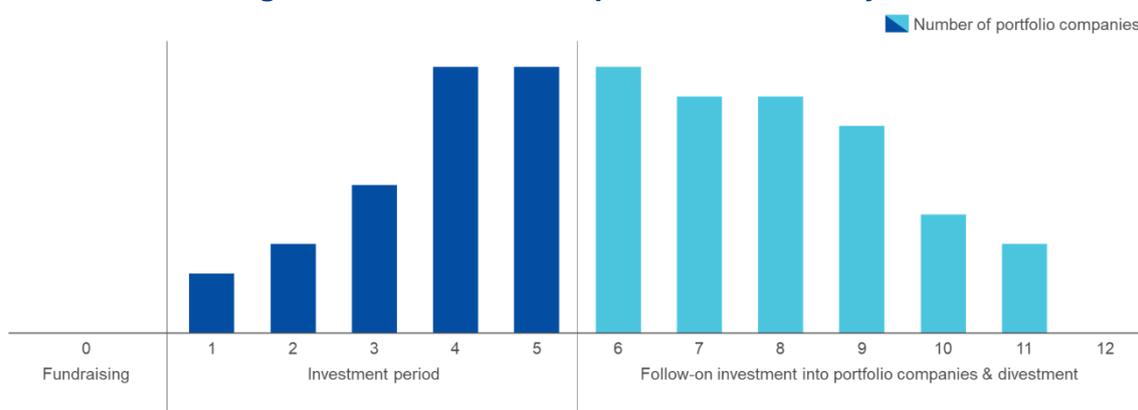
## 1.1. The operating model of venture and growth capital funds

Before further elaborating on the market trends and barriers to the operations of venture and growth capital funds, it is crucial to set the scene by describing how such funds operate. The operating model of venture and growth capital funds is a critical factor shaping their ability to scale, attract institutional investors, and deliver consistent returns. It determines how fund managers allocate resources and manage costs, all of which influence fund performance and competitiveness.

While both VC and growth PE funds are active in financing the growth stage of technology companies, there are certain differences to be kept in mind. Venture capital and growth private equity strategies differ in terms of risk appetite, decision-making criteria, and return expectations. Venture capital, particularly in early-stage funds, is characterised by a higher tolerance for risk (especially related to the validation of the underlying technology), with investment decisions often based on the perceived potential of the founding team and the prospect of exponential returns, despite a high likelihood of failure across most portfolio companies. In contrast, growth private equity adopts a more structured and financially driven model, focusing on businesses that have already validated their technological solutions and have achieved significant revenue, aiming for somewhat more stable, incremental returns with a higher survival rate of companies in the portfolio.

For both VC and growth PE, typical fund life cycles typically span 10 to 12 years with a three-phase structure (4-phase if fundraising is taken into account): an investment period (3-5 years), followed by a holding and value creation phase using follow-on investment (4-7 years), and a divestment period (2-3 years) (Figure 1) (Gilligan and Wright, 2020). Follow-on investments and divestments (exits of portfolio companies) can occur simultaneously. LPs commit capital at the outset, which the GP calls down progressively. Returns are distributed after liquidity events through divestments.

**Figure 1. Illustrative example of the fund lifecycle**



Source: Civitta analysis.

## Revenue model

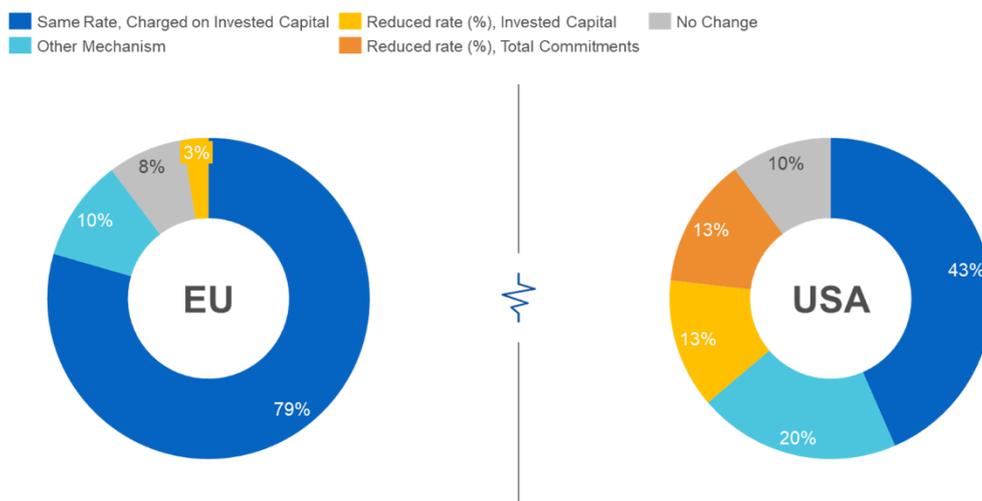
The fund manager's revenue model is based on fee income agreed upon with its investors (LPs), typically combining management fees with carried interest and, in some cases/often also other fee income.

**Management fees** are charged annually on committed capital during the investment phase and often shift to fees from net invested capital or NAV in later years. Based on global industry practice, management fees are typically between 1.5% and 2.5% of the committed capital for VC and growth funds. They can be lowered to 0.5%-1.5% of committed capital or net invested capital during the post-investment period.

Based on the available indications in the Preqin database, average management fees in the EU for funds with a growth strategy (both VC and Growth PE) are 1.99% in the EU and 1.92% in the US. A very similar level of management fees is confirmed from the interviews, confirming that, due to competition for investor capital, there is no significant difference between management fees charged in both regions. The minimum of management fees observed is 0.75% and the maximum is 3.5%.

The management fees in the EU are less frequently revised during the later stage: out of 39 growth funds in the EU with detailed fee information by stage, 31 funds (79%) had the same rate on invested capital in the post-investment period. On the other hand, in the US, out of 69 funds with detailed fee information, only 43% kept the same fee in the post-investment period (Figure 2). Although the sample size is too limited to draw definitive conclusions about the broader market, funds based in the US appear to apply a more varied approach to management fee structures in the post-investment period compared to their EU counterparts. For example, nine funds in the US apply a reduced fee rate on total commitments during the post-investment period, and another 9 funds apply a reduced rate on invested capital.

**Figure 2. Post-investment fees in growth funds<sup>9</sup> in the EU and the US**



Source: Civitta analysis based on Preqin data.

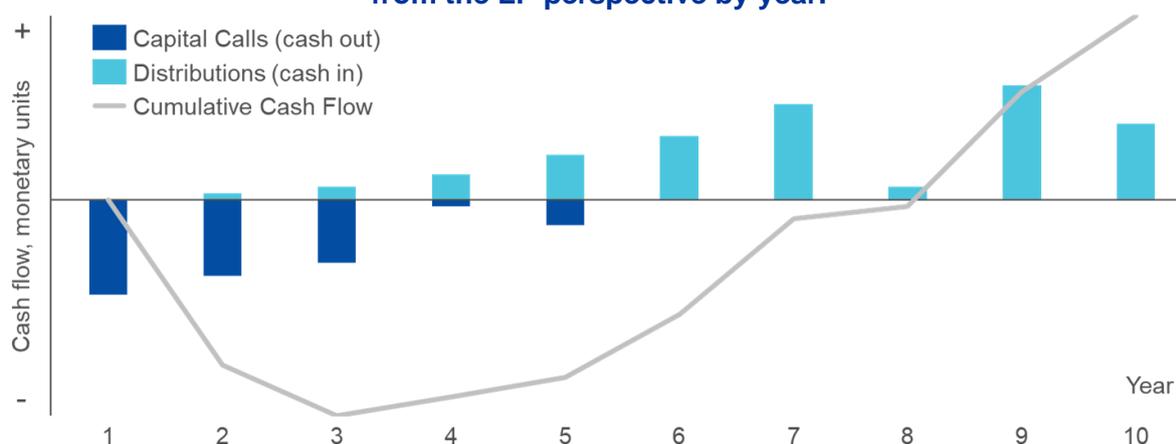
<sup>9</sup> Funds for which data is available as of 01/06/2025; Number of funds in the EU – 39; Number of funds in the US – 69.

**Carried interest** is the primary incentive mechanism for GPs, typically set at 20% of returns above a hurdle rate of 6-8% and is subject to standard European-style clawback and catch-up provisions. The average carried interest rate is 19.25% in the EU, compared to 20.46% in the US. Similarly, the average hurdle rate stands at 7.75% in the EU, slightly below the 7.93% observed in the US<sup>10</sup>.

**Other fee income**, such as fund setup or ownership fees, is sometimes reimbursed from the fund's committed capital, but it is also usual for it to be amortised within the management fee. Transaction and monitoring fees are rarely applied by EU venture and growth capital fund managers compared to buyout PE funds, due to LP preferences. Fund setup cost is usually between EUR 20 thousand and several hundred thousand (but can reach up to EUR 1 million), with the majority covered by LPs and, in some cases, a portion is covered by the fund manager (for example, a EUR 1 million cap on the amount covered by LPs, any additional amount covered by the fund manager).

Because there's a lack of investment in the first few years after the fund's establishment, a "J-curve" in the cash flow occurs (Figure 3). From the LPs' perspective, the performance of a typical fund is characterised by initial losses (negative cash flow) due to deployment of investment, the effect of fund setup and fund management fees, followed by a period of growing portfolio and value creation until ultimately high returns can be realised upon selling the shares in the investee companies. As portfolio companies mature and are exited, distributions begin to exceed management fees, turning net cash flows positive. The shape and depth of the "J-curve" depend on fund strategy, the pace of deployment and investment horizon.

**Figure 3. Illustrative example of the "J-curve" of venture and growth capital funds from the LP perspective by year.**



Source: Civitta analysis based on Zeisberger et al, 2017.

This feature of venture and growth capital funds might be an issue for some institutional investors, according to the interviews. It was highlighted that insurance

<sup>10</sup> Based on the interviews with the fund managers, in the US it is increasingly usual for the fund managers not to apply hurdle rates.

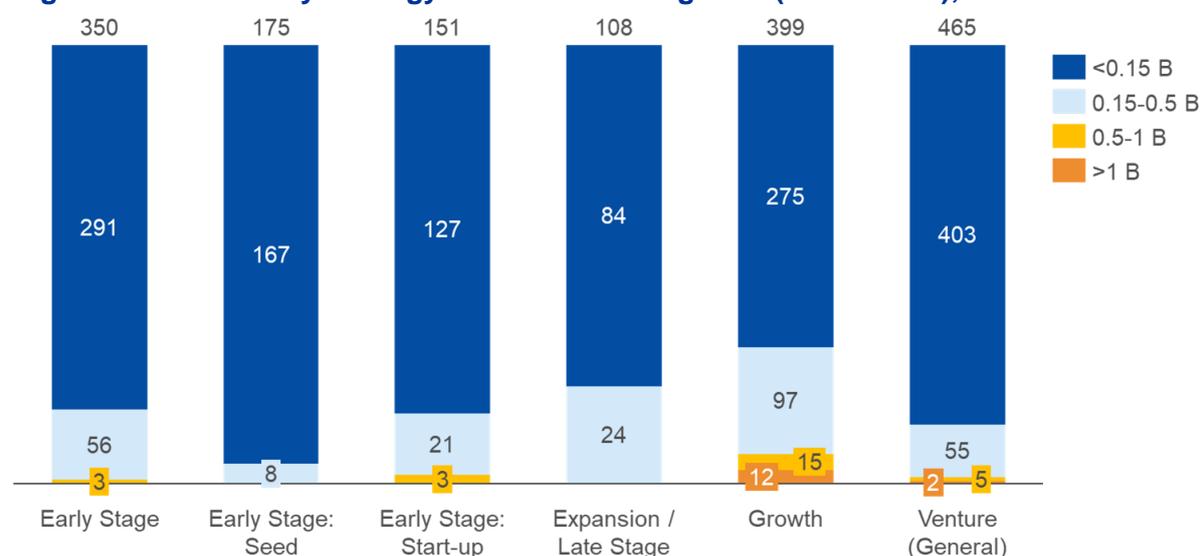
companies are discouraged from allocating to private equity in general due to the “J-curve” in returns, which requires early mark-downs in accounting to around 80% of the invested value (even when the assets are performing) during the investment period due to upfront fees and costs. This effect leads to a perception of early underperformance, limiting institutional appetite for illiquid strategies.

### Operating costs

The operating model of VC/PE activity is first and foremost defined by the separation of a fund and its fund manager. The fund is a legally separate vehicle that holds investor capital and owns portfolio investments, while the fund manager (General Partner or AIFM) is an independent company that manages the fund, sourcing deals, making investment decisions, and overseeing exits. The structure gives flexibility and longevity to the activities, as it allows the manager to raise multiple funds over time while maintaining independent legal status. The majority of venture and growth funds in the EU are below USD 150 million in size (Figure 4).

The operating cost of a fund manager, therefore, at any given period will be high if a fund is established and/or is in the investment phase, while fund managers with a fund or funds in later phases will have lower cost intensity. As a result, younger fund managers, who are more likely to be in earlier stages of their fund lifecycle, often exhibit lower profitability than more established peers, not necessarily due to underperformance but due to the timing of cash flows and costs.

**Figure 4. EU funds by strategy and fund size segment (USD billion), number of funds<sup>11</sup>**



Source: Civitta analysis based on Preqin data.

Operating costs of a fund manager include personnel compensation, regulatory and compliance services and costs (e.g. reporting obligations, supervision fees, registration/licensing expenses), legal and audit services (e.g. structuring advice, fund documentation, annual audits) and costs of IT infrastructure and systems.

<sup>11</sup> All-time number of funds with “Closed to investment” or “Announced/Estimated” statuses as of 30/07/2025.

Smaller funds face disproportionately high-cost ratios due to fixed overheads. Notably, according to interviews with fund managers, fund managers with less than EUR 100 million in AuM often operate below cost recovery levels during early years, while larger fund managers benefit from economies of scale in back-office operations and third-party services. According to an interviewee, although larger fund managers face higher absolute costs, these are usually covered by the greater nominal fee income, since the management fee percentage typically stays around 2%.

#### **Example of a Luxembourg-based fund cost structure**

Interviews with fund managers confirm that operating costs are a critical constraint for smaller funds, particularly when domiciled in high-cost jurisdictions. For example, an EU-based seed-to-Series A fund with approximately EUR 60 million under management estimates a breakeven fund size of EUR 50 million when domiciled in Luxembourg. With a standard 2% management fee, the fund needs to be operated on an annual budget of roughly EUR 1 million, covering team salaries and transaction-related expenses. The team itself is the most significant cost driver, comprising 5 to 10 staff. In addition to operating costs, fund incorporation and ongoing compliance expenses in Luxembourg are perceived as high, around EUR 2 million over 10 years, compared to significantly lower levels in other EU jurisdictions. According to an interview, the initial fund incorporation costs in Luxembourg can reach 150 EUR thousand, while in Estonia, it's only EUR 30 thousand.

While the economies of scale can be achieved by raising additional funds and achieving economies of scale for the fixed costs, due to the initial outlay needed for fund establishment, it is not a straightforward task either. Therefore, smaller EU-based fund managers, especially those pursuing niche investment strategies with limited ability to increase AuM, might face constraints to their competitiveness.

The number of staff is not always correlated with the AuM of the fund manager, as some fund managers can be more efficient than others. However, it is correlated with the number of funds a particular fund manager has – the median number of staff per fund is 4 people, taking into account both funds in marketing and closed funds.

Outsourcing is mainly used by fund managers in the scope of legal services and other consulting services, which can decrease the number of employees in the fund manager's entity and be a more cost-efficient solution. It needs to be noted, however, that most EU jurisdictions impose restrictions on outsourced services and management (see Section 4.3 and [Annex 4](#) for a detailed description of selected countries).

AIFMD allows the outsourcing of many operational functions if oversight is retained (though in practice, this may still require certain roles, for example, legal, to remain in-house)<sup>12</sup>. This may lead to many fund platforms delegating functions to another

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<sup>12</sup> Typical functions to be delegated are IT infrastructure (cloud/non-cloud), regulatory reporting and data analytics and other operational tasks (e.g., tax compliance, ESG reporting).

regulated entity – a fund administrator. This, for example, includes EU fund managers choosing to domicile a fund in Luxembourg.

One of the constraints of the current fund management approach in the EU is the resources available in some of the popular jurisdictions. For example, while Luxembourg hosts a well-established legal and tax advisory ecosystem, several interviewed fund managers noted capacity constraints driven by high demand for specialised services. As workloads increase, some service providers outsource operational or compliance functions to other jurisdictions, often for cost-efficiency reasons. While this outsourcing is common industry practice, some fund managers express concerns over its impact on the quality and responsiveness of support services.

### **Return & profitability benchmarking**

Most GPs interviewed identify expected return as a primary criterion in the decision-making process of potential LPs. Expected return directly shapes the relative competitiveness of EU-based funds, both within the asset class (as benchmarked against peers from other geographies) as well as when competing with other asset classes. For instance, Swedish LPs interviewed expect returns of over 20% from a VC/PE fund before committing, highlighting the high-performance threshold in investor expectations.

The ability to achieve the expected return is influenced by a range of structural and operational factors. For one thing, deal sourcing and suitable valuation during the investment phase have to do with superior ability to identify businesses with potential, and in a typical VC, it frequently means understanding the underlying technology and markets of the products the company is developing. This explains why some fund managers adopt a specialist model, building in-house sector expertise to improve investment decisions, while others remain generalists, relying on broader networks and co-investor insights.

The ability to increase the value of the investees has to do with supporting companies as they execute growth strategies, either by opening new markets or executing M&A transactions, and from the standpoint of the investment manager, this process also needs to be performed in a cost-efficient manner. Finally, as already demonstrated, the bulk of value and return needs to be created upon exiting the investment.

Within this context, the impact of the regulatory environment is important. For one thing, higher regulatory costs put pressure on the operational model and may eventually impact the fund's performance. While these costs do not impact the management fee level, they may limit the ability of the fund manager to reinvest in deal sourcing, support services, or operational infrastructure, ultimately impacting performance. This dynamic is especially relevant in jurisdictions with high compliance overheads or limited administrative outsourcing options. On another hand, national regulation impacts the ability to execute growth strategies: for every new national market to be entered by the company (or its product), local product

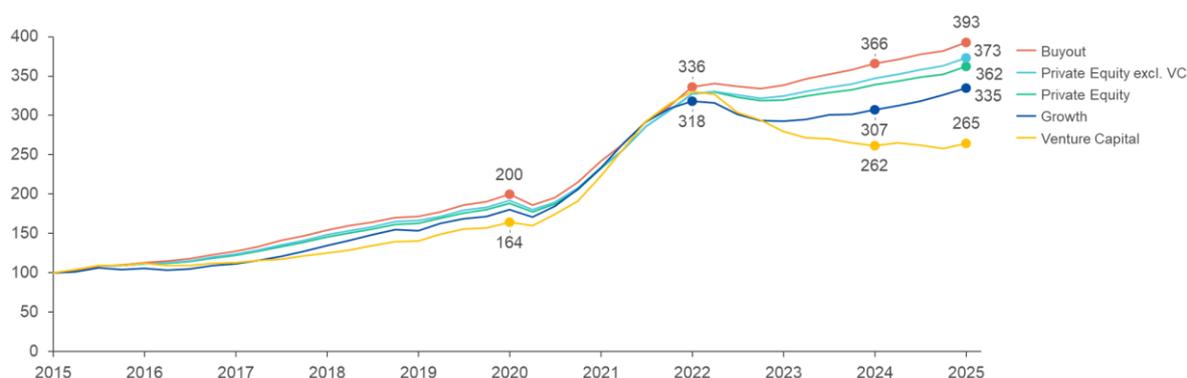
standards, company law, support opportunities and taxation need to be taken into account, and it drives the cost of business expansion.

Although past performance cannot guarantee expected return, investors universally scrutinise past performance (of previous vintages) to get an idea of the likely return from the asset class and investment strategies. Based on data on global returns over the past decade, other VC and PE strategies were relatively less profitable in comparison to the buyout strategy, which was the most profitable among PE strategies (Figure 5). This insight is widely cited by interviewed institutional investors who commonly perceive buyout as a more profitable and less volatile strategy than VC.

European funds with a buyout strategy have yielded a net IRR of 14.86% since inception and performed in line with North American funds (Invest Europe, 2025b). Over the last 10 years, according to Invest Europe, European VC funds have outperformed North American funds (and European buyout); however, when a longer time frame is taken into consideration, European VC net IRR remains lower than that of European buyout funds. As noted by Söderblom et al. (2023), the average net IRR for European VC funds is 13% which further proves the relative underperformance of VC in comparison with the buyout strategy.

On average, private equity is assessed as bound to deliver higher returns than venture capital, with growth equity positioned in between (Figure 5). Both growth equity and venture capital strategies were also most affected by a decline in expected returns between 2022 and 2023, but for the venture capital strategy recovery is weaker.

**Figure 5. Preqin index returns (global) by strategy (rebased to 100 as of 31st December 2014).**



Source: Preqin database.

**Internal rate of return (IRR) is used across the PE industry to compare the returns.** Some interviewees suggested that IRR can be subject to financial engineering, while return multiples are seen as more robust. **The IRR calculation motivates GPs to exit portfolio companies as early as possible in the timeline of the fund to showcase a higher IRR value for LPs. That's why the internal rate of return is usually high in the first few years of the fund's functioning, hence an extremely high IRR for funds with vintage 2021 in the table below.**

Growth funds<sup>13</sup> globally tend to outperform venture capital (including early-stage), but underperform buyout funds (Figure 5). To assess the performance of EU-based growth funds, a comparison with their US and Asian counterparts was carried out. It can be tentatively<sup>14</sup> concluded that EU fund performance is broadly in line with counterparts in the US and Asia, with roughly an equal number of vintages outperforming and underperforming their peers. (Table 3). **According to Invest Europe analysis, European growth capital funds have shown a net IRR of 14.77% since inception; however, they lag behind North American growth capital (Invest Europe, 2025c). This** observation is also held by some of the investors interviewed, who consider the performance of European funds to be strong and increasingly competitive with that of US peers.

**Table 3. Net internal rate of return (IRR)<sup>15</sup> median of Growth strategy funds.**

Vintage <sup>16</sup>	Europe <sup>17</sup>	North America	Asia <sup>18</sup>	All
2013	16.0	11.3	10.1	<b>11.3</b>
2014	data unavailable	23.4	9.7	<b>14.2</b>
2015	19.4	19.1	10.9	<b>15.6</b>
2016	8.0	20.3	15.2	<b>16.1</b>
2017	20.4	18.1	12.0	<b>16.6</b>

<sup>13</sup> The segment is defined by Preqin and covers growth-oriented PE funds, broadly in line with the definition of Growth Private Equity used throughout the study

<sup>14</sup> Due to lower number of EU funds overall and with disclosed performance, only 3 out of 9 vintages have more than 15 funds in the benchmark, considered as a minimum for a reliable estimate of performance.

<sup>15</sup> Net IRR uses the present sum of cash contributed, the sum of distributions, and the current value of unrealised investments and applies a discount. This amount should be net of any carry/performance fees earned by the GP.

<sup>16</sup> Data is unavailable for 2023 and 2024 vintages, as well as for vintages before 2013.

<sup>17</sup> The European benchmark should be interpreted with caution, as the underlying sample size is often significantly smaller than that of North American benchmarks. According to Preqin, a representative benchmark typically requires a minimum of 15 funds; by contrast, European benchmarks frequently are comprised of under 10 funds. In particular: 2014 – 4 funds; 2015 – 5 funds; 2016 – 6 funds; 2017 – 8 funds; 2019 – 9 funds.

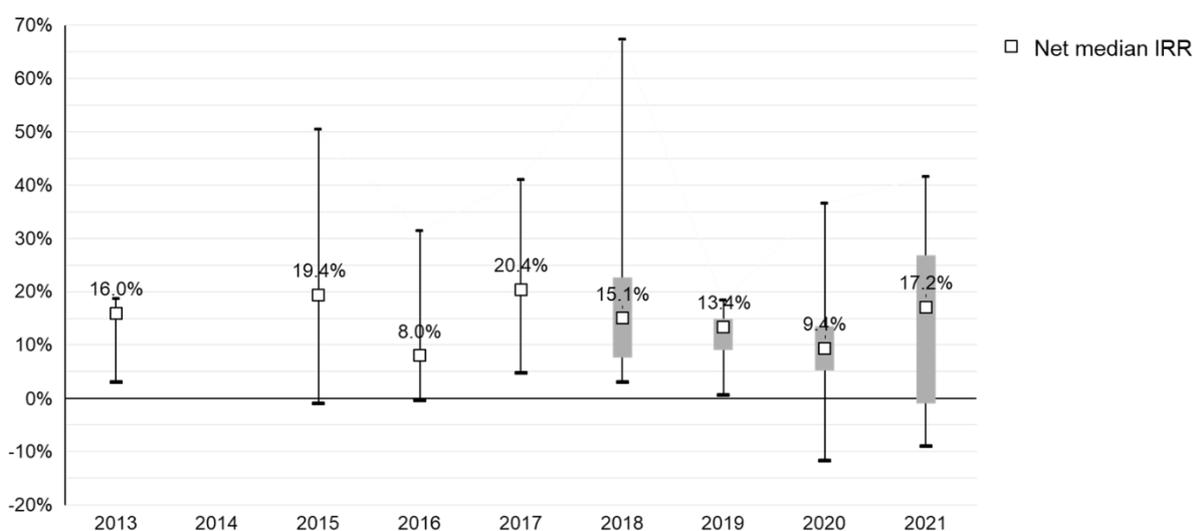
<sup>18</sup> The countries included in Europe, North America, and Asia are not disclosed and are based on Preqin's classification.

Vintage <sup>16</sup>	Europe <sup>17</sup>	North America	Asia <sup>18</sup>	All
2018	15.1	20.6	14.0	17.0
2019	13.4	13.5	12.1	13.3
2020	9.4	13.3	10.0	13.4
2021	17.2	5.0	4.2	5.5

Source: Preqin private capital benchmarks.

There is a significant performance gap between top and bottom-quartile growth PE funds, which is common for this asset class. For example, among European growth funds with a 2018 vintage, bottom-quartile IRRs range from 3.0% to 7.6%, while top-quartile IRRs span from 22.6% to 67.4% (Figure 6). For the same fund vintage, the top-quartile IRR for the North American benchmark ranges from 31.4% to 48.7% (bottom – 7.0% to 15.9%).

**Figure 6. Net median IRR by vintage year of Europe growth funds, 25<sup>th</sup>, Median, 75<sup>th</sup> percentiles, 2013-2021.**



Source: Preqin private capital benchmarks.

This wide dispersion underlines the importance of manager selection for institutional investors. The first-quartile top performers set the benchmark for the asset class and can play a disproportionate role in shaping investor sentiment and capital allocation decisions.

Several insights emerge from the analysis of fund performance, cost structure, and investor behaviour. Management fees of EU venture and growth fund managers match the level and structure of those in the US. Additionally, larger fund sizes do not necessarily translate into clear cost advantages for fund managers.

Secondly, the return profile of growth-stage funds appears less attractive than funds with the buyout strategy. When factoring in its inherently higher risk, the strategy's

returns become even less appealing, which may partially explain the limited interest from institutional investors. Additionally, European and US growth funds demonstrate comparable returns. If the return difference across geographies is minimal and growth VC underperforms buyout strategies in both regions, this raises the question of whether allocation preferences are driven less by geography and more by ecosystem maturity and fund accessibility.

## 1.2. Venture and growth capital market

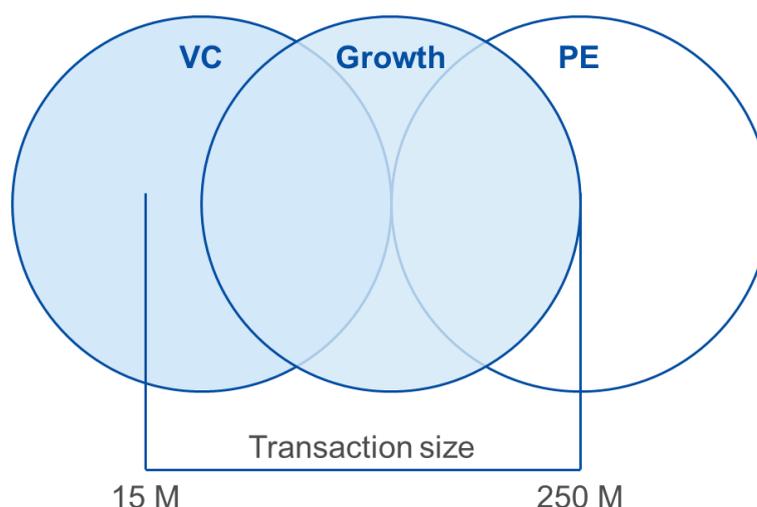
Private capital investing spans a broad range of strategies, differentiated by company maturity and investment size. As companies evolve, they attract different types of capital suited to their stage of development. The figure below (Figure 7) illustrates how venture capital, growth capital, and traditional private equity overlap in terms of transaction size, highlighting the blended nature of strategies in the EUR 15-250 million range.

- **Venture Capital (VC):** Positioned at the lower end of the transaction size range, VC typically involves early-stage investments starting around EUR 15 million. These funds target startups and emerging companies with high growth potential, often before profitability is achieved.
- **Growth Capital:** Sits at the intersection of VC and PE, covering companies that are beyond early-stage development but not yet mature enough for buyout-style PE (scaleups). The growth segment includes larger venture rounds and smaller PE-style investments, often focused on scaling operations, expanding markets, or product development. This is the primary segment analysed in the report, with a focus on transaction sizes ranging from EUR 15 million to EUR 250 million.
- **Private Equity (PE):** Occupies the upper end of the spectrum, typically involving larger transactions (above EUR 100 million). These investments are usually made into more mature, cash-flow generating businesses and include buyouts.

The report concentrates on the growth capital segment, defined as deals between EUR 15 million and EUR 250 million, where VC and PE characteristics converge. These investments reflect a transition phase: companies are no longer at seed or early stages, but not yet mature enough to justify a traditional buyout in terms of scale, profitability. The overlap seen in the diagram is intentional, showing that some later-stage VC and smaller PE transactions also fall within this range, making growth capital a hybrid space that requires a nuanced understanding of fund strategy, investor profiles, and policy design.

Growth capital investors target relatively mature enterprises – scaleups – seeking to accelerate expansion, restructure operational frameworks, pursue strategic acquisitions, or enter new geographic or product markets. Such capital is usually deployed without altering the existing control structure of the investee company, distinguishing it from traditional buyout models, which typically involve a change of ownership.

**Figure 7. Venture and growth capital as part of private equity.**



Source: Civitta analysis.

Venture and growth capital occupy a critical position in the company funding escalator, bridging the gap between early-stage venture capital and more traditional forms of private equity, such as buyouts or IPOs. It supports companies that have demonstrated commercial viability but require substantial capital inflows to scale their operations. Despite its strategic importance in fostering competitiveness and innovation, venture and growth capital remain structurally lacking across the European Union. The European Investment Bank (2024) notes that the growth stage is persistently underserved by institutional and private investors alike. While the ecosystem for early-stage venture investment has gradually matured in certain Member States, the availability of large-ticket growth capital funding remains insufficient. The deal volume in this segment has shown a positive trend in recent years, with record levels observed in 2021 and 2022. However, approximately 6 in 10 VCs perceive scaleup financing in Europe as insufficient (EIF, 2024a).

#### **Is venture debt part of the solution?**

While equity remains the primary instrument for financing scaleups, it is important to acknowledge the growing role of venture debt as a complementary form of financing. In recent years, the venture debt segment in Europe has exhibited encouraging momentum. This trend has been largely supported by policy-driven interventions, notably through the EIB Group and national promotional institutions, which have contributed to expanding the availability of funding options for scaleups.

According to PitchBook Data (2025), venture debt deal value in Europe has been growing with a 13.3% CAGR over the last five years, reaching an all-time high of €17.2 billion in 2024. Notably, 81% of the total venture debt deal value in 2024 was

directed towards companies at the growth stage<sup>19</sup> underscoring the instrument's alignment with the funding needs of later-stage innovators.

Nonetheless, the strategic use of venture debt in the European context must be approached with caution. While it constitutes a useful addition to the funding mix, an over-reliance on debt-based instruments could reinforce structural imbalances in the EU's financial system. Bank-based finance already accounts for approximately 87% of GDP in the EU, in contrast to 52% in the United States (Deutsche Bank Research, 2024).

According to data from the European Investment Bank (2024), the supply of scaleup equity financing in the EU continues to lag behind actual demand, particularly in innovation-intensive sectors requiring long-term investment and substantial capital commitments, such as cleantech or biotech.

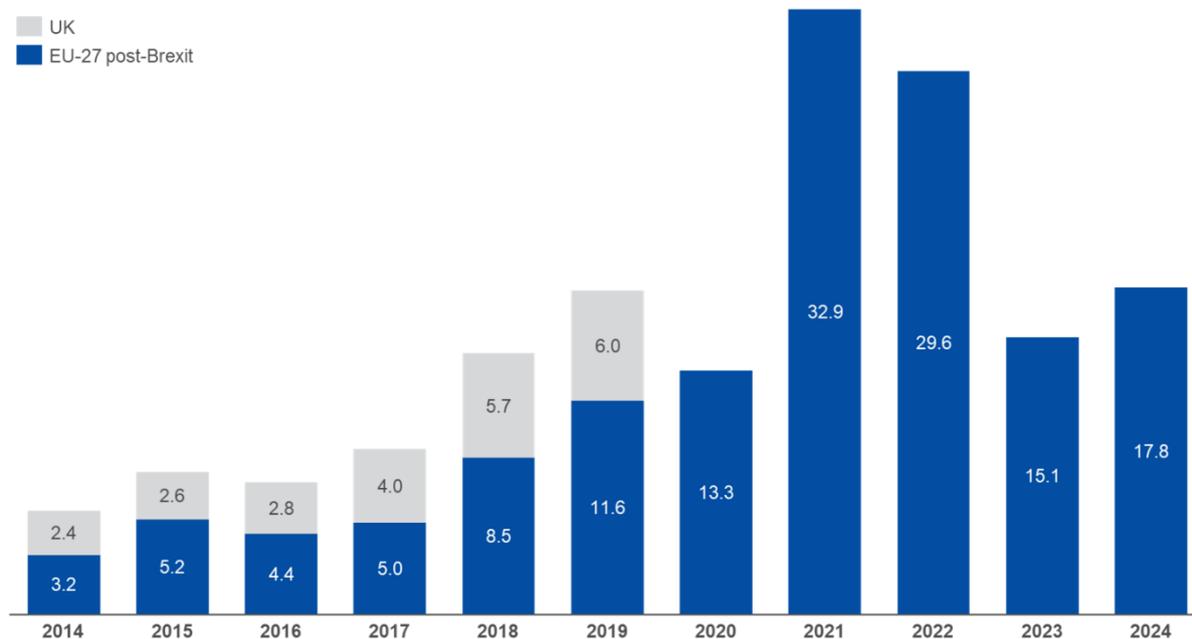
Over the last 10 years (Figure 8), the total investment volume with venture and growth capital fund participation has been steadily growing and reached its maximum to date in 2021, when the value of such deals surpassed EUR 30 billion. Following a correction in 2023, the market generally expects further growth<sup>20</sup>.

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<sup>19</sup> PitchBook defines venture-growth stage companies as those receiving Series E or later financing rounds. Where specific round labelling is unavailable, classification is based on a combination of indicators including the company's age, number of prior venture capital rounds, company maturity status, and the profiles of participating investors.

<sup>20</sup> Based on interviews with venture and growth capital fund representatives conducted during March – April 2025.

**Figure 8. Value of venture and growth capital investment<sup>21</sup> by year, EUR billion, 2014-2024.**



Source: Civitta analysis based on Dealroom data.

Comparing the number and volume of transactions in the US, UK and South Korea, it becomes evident that the activity level of EU-based venture and growth capital funds remains insufficient, both in absolute and relative terms. Over the three-year period from 2022 to 2024, the total number and cumulative value of equity transactions involving EU-based venture and growth capital funds was broadly comparable to that of the United Kingdom alone, despite the significant difference in the size of their respective economies. More strikingly, EU-based fund activity was one quarter of that in the United States during the same period.

Value of transactions as the share of GDP is also at only 0.2%, at least two times lower than in other geographies selected for comparison (Table 4).

**Table 4. Number and total value of deals (in EUR billion) in which venture and growth capital fund managers participated by HQ location, cumulative, 2022-2024.**

Investor region/country	Number of deals	Total value of deals (EUR billion)	Average number of deals per year per million inhabitants <sup>22</sup>	Value of deals as % of GDP
EU	2,040	95.6	1.51	0.2%

<sup>21</sup> Transactions in which at least 1 EU venture and growth capital fund has participated sized between 15 EUR million and 250 EUR million.

<sup>22</sup> Population figures used in this comparison are from 2024 and are based on World Population Review. The following figures were used: EU-27 – 449M people, the UK – 69M people, US – 345M people, South Korea – 52M people.

Investor region/country	Number of deals	Total value of deals (EUR billion)	Average number of deals per year per million inhabitants <sup>22</sup>	Value of deals as % of GDP
UK	1,973	101.0	9.53	1.0%
US	7,543	380.6	7.29	0.5%
South Korea	544	25.3	3.49	0.4%

Source: Civitta analysis based on Dealroom, World Population Review, and IMF.

EU VC funds account for only 5% of global venture capital raised, whereas the United States and China represent 52% and 40%, respectively (European Investment Bank, 2024). According to a recent report by McKinsey (2025b), overall private equity fundraising in Europe has been growing with a 6% CAGR for the last five years, while fundraising in the US had a negative CAGR of -3%. As a result, the share of European private equity in funds raised has increased and in 2024 stood at nearly half the volume raised in North America, indicating a narrowing fundraising gap.

There are about 800 venture and growth capital fund managers in the European Union that have been active in the last 3 years (participated in at least one transaction). The majority of them are headquartered in Western Europe, in particular Germany, France and the Netherlands, which account for 50% of all EU venture and growth capital funds. Venture and growth capital fund managers remain significantly less prevalent in CEE countries, with particularly limited presence in markets such as the Baltic States, Hungary, and Slovakia (see Section 1.3 and Table 5 for further details).

When establishing operations on the EU-level<sup>23</sup>, venture and growth capital fund managers predominantly operate under the Alternative Investment Fund Manager (AIFM) framework, with 67% holding this authorisation. For many of them, this is not a discretionary choice, as AIFM authorisation becomes mandatory once assets under management exceed EUR 500 million.

On the other hand, 26% of fund managers operate EuVECA funds (Figure 9). Although the EuVECA framework offers marketing process benefits and lighter reporting obligations, its uptake remains limited. This can be attributed to a combination of factors, including limited knowledge of the EuVECA label and more restrictive asset eligibility rules compared to the more established AIFMD framework. From the interviews held with fund managers, it is also clear that AIFMD is not typically used by sub-threshold funds that do not plan extensive cross-border fundraising. In such cases, fund managers choose to operate as sub-threshold

<sup>23</sup> This analysis excludes fund managers that operate based on national regulation only. While it is clear that such nationally regulated fund managers are rather numerous, structured data on this segment is not available.

nationally regulated entities, understanding that after surpassing the 500 million assets under management threshold, they will need to comply with AIFMD requirements in any case. These factors and considerations collectively reduce the attractiveness of the EuVECA framework for asset managers.

Moreover, 7% of fund managers are authorised as both the AIFM and EuVECA fund managers, indicating a preference for maintaining operational flexibility across fund types. This dual approach reflects the practical trade-offs managers make between regulatory simplicity and strategic access to broader investor categories and investment mandates.

**Figure 9. EU venture & growth capital fund managers by fund manager legal framework (left) and EU venture & growth capital funds by fund type (right), % of Total, 2025<sup>24</sup>.**



Source: Civitta analysis based on Dealroom data and ESMA AIF/EuSEF/EuVECA funds register.

The majority of funds are registered as alternative investment funds (81%), while EuVECA funds take up approximately one-fifth of the analysed funds. EuSEF and ELTIF are rarely selected by fund managers with a venture and growth capital investment strategy, due to their defining features (investment into certain types of assets, often infrastructure and real estate, that might be less relevant for the studied fund managers).

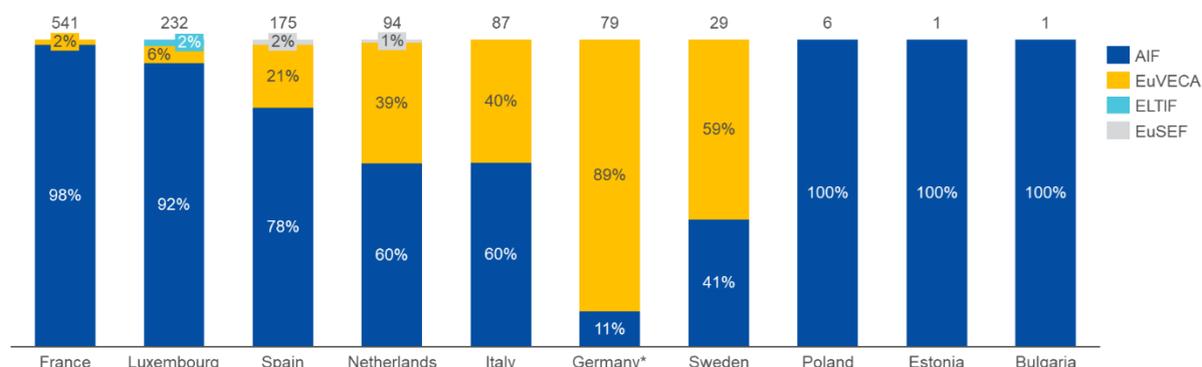
Among the selected Member States in which at least one EuVECA fund is registered, the lowest rates of adoption of the EuVECA label, based on the legal structure of analysed funds, are in France (2% of all funds are EuVECA) and Luxembourg (6%) (Figure 10). Among these, the case of France warrants particular attention as it hosts one of the largest concentrations of registered funds in the European Union.

Fund managers in the EU often choose to establish their funds in “fund-friendly” jurisdictions, in particular, Luxembourg and the Netherlands. According to interviewees, Luxembourg offers attractive and stable tax regulations and a variety of legal forms for investment funds, which makes it the second fund domicile by AUM

<sup>24</sup> The fund managers shown in the figure comprise only those who have participated in at least one transaction between EUR 15 million and EUR 250 million in the last 3 years, and for whom registration data is available in the ESMA register. The data on their funds, presented on the right, includes only those vehicles classified as pursuing a venture or growth (scaleup) investment strategy.

globally (Luxembourg Private Equity & Venture Capital Association, 2024). However, the majority of analysed EU venture and growth fund managers (79%) choose their HQ country as the fund domicile, especially for EuVECA funds.

**Figure 10. Structure of venture and growth capital funds<sup>25</sup> by fund type and selected country<sup>26</sup>, % of Total, 2024.**



Source: Civitta analysis based on Dealroom data and ESMA AIF/EuSEF/EuVECA funds register.

As mentioned above, differences in national legislation, including authorisation requirements and supervisory practices, mean that an equal distribution of EuVECA funds across Member States cannot be expected, even before market dynamics are taken into account. According to the ESMA funds register, 9 countries in the EU and 11 in the EEA have never had any EuVECA funds registered, and most of these countries are located in Central and Eastern Europe. It can be partially attributed to the fact that there are fewer funds registered in this region overall, but it does not fully explain the lack of EuVECA funds.

Based on the analysis of fund managers in the sample, there are some behavioural differences between authorised AIF and EuVECA fund managers in terms of deal size and co-investment practices. AIFMs participate more frequently in larger transactions, with one-third of their activity allocated to deals between EUR 100 million and 250 million. In contrast, EuVECA fund managers' activity is more concentrated in smaller deal brackets, with 43% of their transactions falling in the EUR 15-50 million range and only 21% reaching the upper transaction tier (EUR 100-250 million). This suggests that EuVECA fund managers operate with more modest investment capacities compared to AIFMs, as it can be expected, having in mind the restrictions imposed by the label (in particular the requirement to invest at least 70% into unlisted SMEs).

<sup>25</sup> The fund managers whose funds are shown in the figure comprise only those who have participated in at least one transaction between EUR 15 million and EUR 250 million in the last 3 years, and for whom registration data is available in the ESMA register. It includes only those vehicles classified as pursuing a venture or growth (scaleup) investment strategy

<sup>26</sup> Germany has been marked as an outlier in the figure due to its large number of EuVECA funds in comparison to AIF. This can be attributed to the large popularity of domestic forms of investment funds similar to AIF which are not presented in the figure.

Differences in co-investment behaviour are also apparent. EuVECA fund managers engage more regularly in co-investments (2% of transactions executed by a single investor compared to 7% in the case of authorised alternative investment funds). This pattern indicates that EuVECA fund managers may rely more heavily on co-investment to access larger deals, share risk, and leverage the expertise or networks of co-investors, potentially compensating for smaller fund sizes or more limited institutional reach.

Hence, as things currently stand, EuVECA fund managers alone are unlikely to meet the scale of demand for growth equity across the EU, even though they play an important role in broadening participation in equity financing. Strengthening EU investment capacity will likely require a combined policy focus on enhancing both the functionality and uptake of the AIFMD framework and the continued refinement of the EuVECA regime to better support its practical relevance and scalability.

### 1.3. Regional availability of venture and growth financing

The geographic distribution of venture and growth capital fund managers across the European Union is uneven, with significant disparities in fund manager presence and accessibility between Member States. Understanding regional concentrations is essential for identifying structural imbalances in the provision of scaleup finance, as local fund proximity often influences network density and the likelihood of investment in regional scaleups.

As mentioned earlier, venture and growth capital fund managers are heavily concentrated in Western Europe, with half of all active EU-based fund managers located in Germany, France, and the Netherlands. This regional disparity is further illustrated in Table 5, which shows that Central and Eastern Europe has the lowest density of venture and growth capital fund managers, with just 0.51 fund managers per million inhabitants, several times lower than in other regions. Northern Europe leads in per capita terms.

**Table 5. Active venture and growth capital fund managers<sup>27</sup> by region, 2024.**

Region	Number of venture and growth capital fund managers	Number of fund managers per million inhabitants	Estimated capital commitment of EU venture and growth capital funds, % of GDP
Western Europe	527	2.73	0.06%
Southern Europe	135	1.04	0.02%

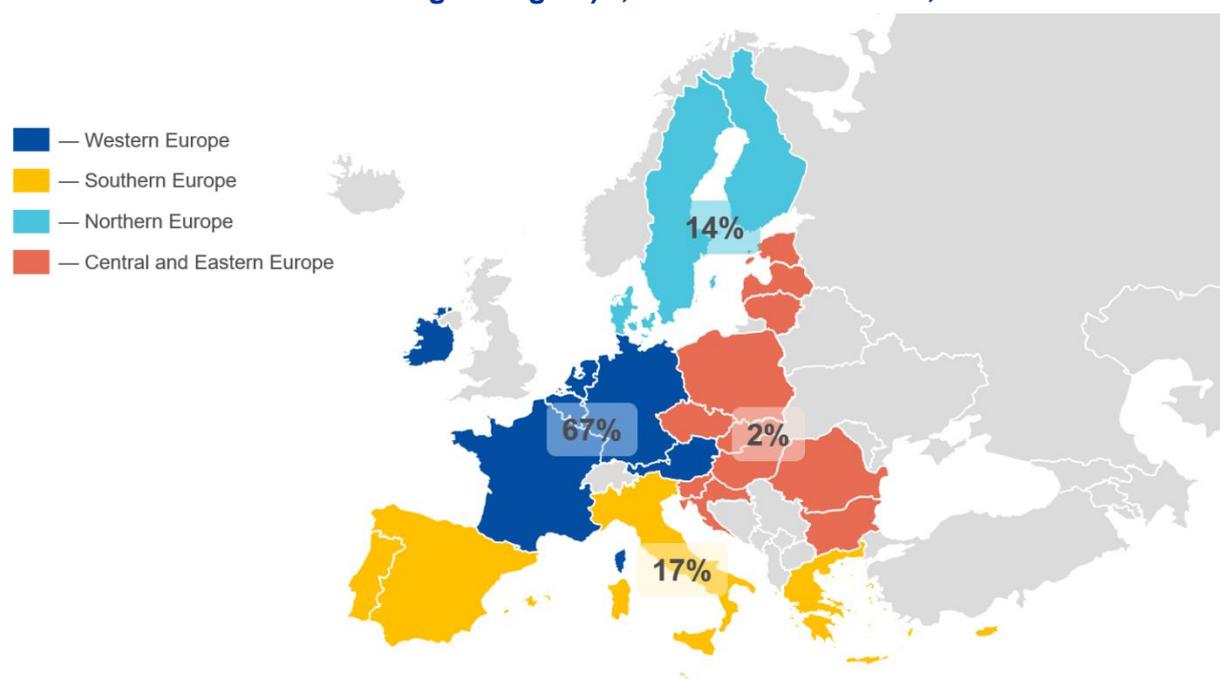
<sup>27</sup> Fund managers that performed at least one transaction during the last 3 years, as per Dealroom data. The number of such managers is higher than present in ESMA AIF/EuSEF/EuVECA funds register as transactions are also performed by sub-threshold, nationally regulated funds that are not on the register.

Region	Number of venture and growth capital fund managers	Number of fund managers per million inhabitants	Estimated capital commitment of EU venture and growth capital funds, % of GDP
Northern Europe	107	4.9	0.14%
Central and Eastern Europe	48	0.48	0.01%

Source: Civitta analysis based on Dealroom, Eurostat.

Western Europe dominates the EU venture and growth capital landscape, both in terms of the number of fund managers and their maturity and activity, accounting for 67% of all capital deployed by fund managers in the EU. (Figure 11). In stark contrast, CEE accounts for only 2%, highlighting the limited regional investor base available to support later-stage growth.

**Figure 11. Venture & growth capital deployed in the EU by source of funds (location of the fund manager - region)<sup>28</sup>, % of Total for the EU, 2024.**



Source: Civitta analysis based on Dealroom data.

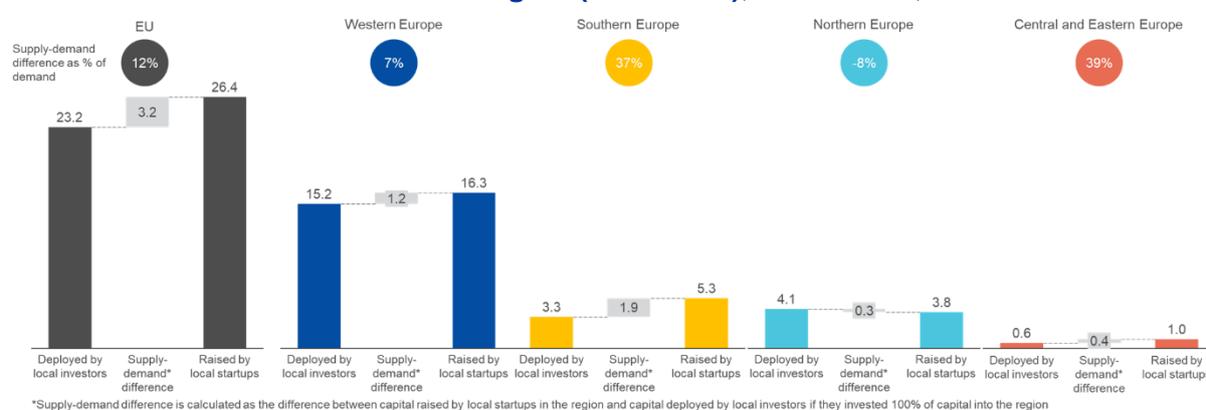
Scaleups in the European Union rely on foreign investors to satisfy the demand for venture and growth capital. The reliance varies across different regions, from at least -8% of funding in Northern Europe (which means that regional supply would fully satisfy the regional demand if there were no investments into companies outside the region) to 39% in Central and Eastern Europe, indicating that at least one-seventh

<sup>28</sup> The amount invested by EU investors headquartered in a given region in 2024, expressed as a percentage of the total growth equity investment into EU companies in transactions that were between EUR 15 million and 250 million.

(12%) of the capital needed in the EU is covered by funding from overseas (Figure 12).

However, these figures likely underestimate the true scale of reliance on foreign investors, as they are based on the assumption that local investors deploy 100 per cent of their capital within their region. In reality, a substantial share of capital from the EU is invested abroad – 39% in 2022-2024 (see Section 1.4), meaning that the actual shortfall in local funding is likely significantly higher (46% of demand for funding from EU companies will be unsatisfied by EU investors if investment into non-EU companies by EU investors is taken into account). Regional differences in home bias further complicate the comparison, as areas with stronger domestic investment preferences may appear better funded even if demand pressures are similar.

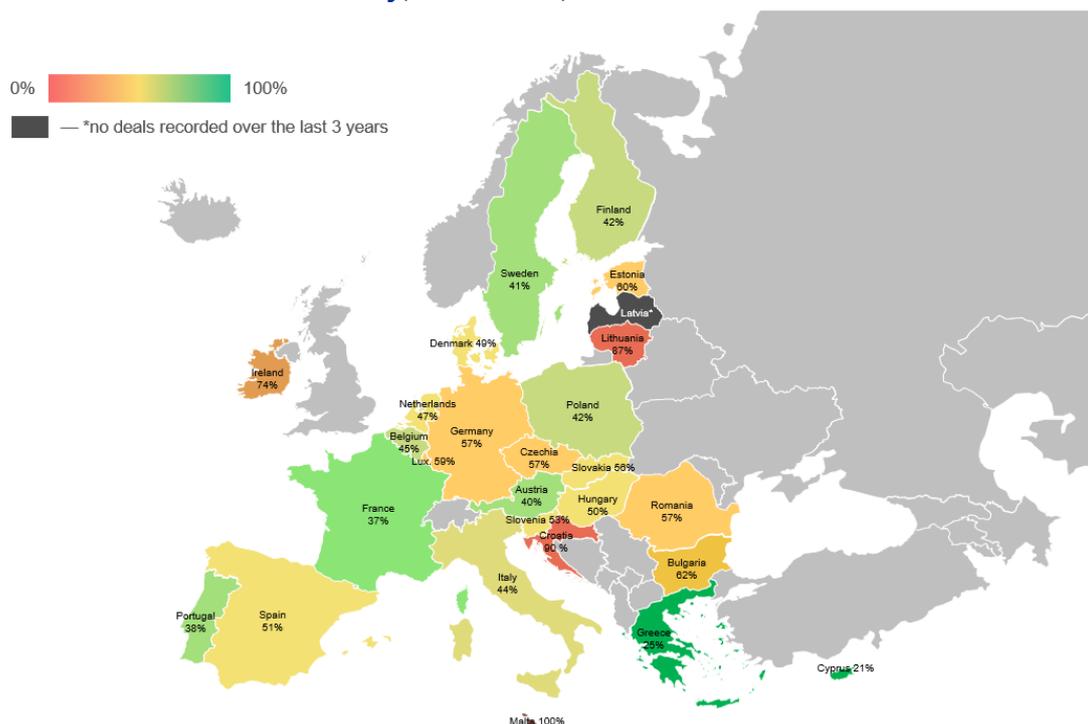
**Figure 12. Capital raised by investees from the region vs. capital deployed by investors from the region (worldwide), EUR billion, 2024.**



Source: Civitta analysis based on Dealroom data.

Financing of EU-based technology companies (scaleups) is quite dependent on non-EU funds. In only five countries, Austria, Cyprus, France, Greece and Portugal, more than 60% of venture and growth capital is allocated by EU-based investors (Figure 13). Despite having one of the largest domestic growth capital volumes in the European Union, 57% of investment in Germany is by non-EU investors.

**Figure 13. Share of foreign investors in total venture & growth capital allocation by country, % of Total, 2022-2024.**



Source: Civitta analysis based on Dealroom data.

In conclusion, the distribution of venture and growth capital fund managers and their capital allocation within the European Union remains highly uneven, with significant concentration in Western Europe and very limited representation in Central and Eastern Europe.

#### 1.4. The collaborative investment practices

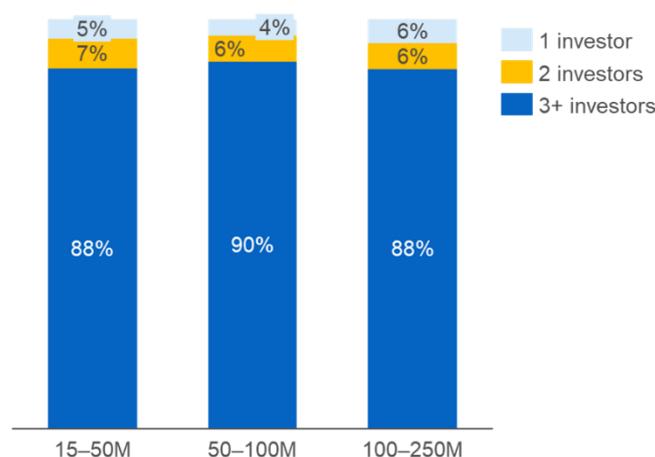
It is seen in the data that EU-based fund managers, but also their peers in other markets, are challenged to independently fund their investments. It seems that the market has found a solution in co-investment, and it is a very widespread practice. Based on the sample of transactions reviewed, in 2024, the average number of investors in a transaction supported by an EU-based venture & growth capital fund manager was 5.9. This is a higher level when compared to the sample of transactions in the EU featuring foreign investors – 3.9. This also results in a smaller average commitment size of European venture and growth capital fund managers per transaction.

The collaboration is viewed as practicable: 35% of EU-based PE funds report that it is relatively easy to find co-investors (European Investment Fund, 2024a). VC funds see finding co-investors as a somewhat greater challenge – only 21% consider it easy; but, like PE funds, they remain optimistic: 33% of VC and 40% of PE respondents believe it will become easier in the future (Botsari & Lang, 2024).

Co-investment practices in European venture and growth capital exhibit some variation across different transaction sizes. In smaller deals, syndication is prevalent, with multiple investors pooling resources to diversify risk and leverage collective

expertise. According to Invest Europe (2025d), in 2024, 89% of transactions were co-investments by their value in VC, and 63% were co-investments in growth capital. Christopoulos et al. (2021) also point out that nearly 80% of European venture capital deals are syndicated, involving more than one investor. In some instances, syndicates include up to 24 investors. However, even as transaction sizes increase, the prevalence of co-investment remains broadly consistent (Figure 14). Based on the analysis of the sample, larger transactions tend to be co-invested more often with non-EU investors, while transactions with co-investors only from the EU are statistically significantly smaller.

**Figure 14. Breakdown of deals by size and number of investors, % of Total value, 2022-2024.**



Source: Civitta analysis based on Dealroom data.

The frequency of EU fund managers engaging in co-investment is comparable to the UK – 92% of transactions backed by UK fund managers were co-investments in 2024 (vs. 91% in the EU). On average, EU fund managers co-invest more with other EU-based entities than UK fund managers do with other UK-based peers – almost all co-invested transactions in the UK (91% in 2024, vs. 78% in the EU) involve non-UK investors. In the US, the overall level of co-investment is similar to the UK and the EU, indicating that collaboration is the industry standard (87% in 2024). However, there is significantly more intra-US co-investments – 27% of deals are co-investments with domestic entities, as opposed to 60% of total being represented by co-investments with foreign players.

Based on other studies, co-investment is influenced by considerations of deal size (investment needed), location and investor reciprocity (Fenn et al., 1995). The prevalence of co-investment in venture and growth capital is not surprising, as fund managers often have restrictions on the share of their fund that can be invested in a single deal. Location of the investee is also a usual consideration as foreign fund managers strive to use local knowledge, and the network of fund managers located in the same domicile as the target. Finally, based on interviews, syndication increases the overall reciprocity between fund managers, improving access to a profitable pipeline in the future: EU fund managers may get warm access to the deals on the table of US fund managers as a return of favour, or vice versa.

Provided that foreign investors may also be lead investors responsible for forming and negotiating the terms of the syndicate and performing the largest share of due diligence, EU fund managers could potentially also benefit from sharing these responsibilities.

### 1.5. Where do EU venture and growth capital funds invest?

The investment strategies of EU venture and growth capital fund managers significantly influence the European innovation landscape, determining which startups and scaleups receive essential capital for development. Examining the geographical allocation of these investments reveals patterns of capital flow, highlighting regions that attract substantial funding and those that may be underserved.

Cross-border investments are a prominent feature of the European venture and growth capital environment, characterised by two main trends.

Firstly, European scaleups frequently attract non-EU investors, notably from the US and UK. Studies and interviews with fund managers show that more complex deals are often facilitated by non-EU investors because they are more experienced in larger transactions. On the other hand, the involvement of EU-based co-investors in these transactions is beneficial, as it contributes to the development of local fund managers' competencies and strengthens the regional investment ecosystem.

Secondly, EU venture and growth capital fund managers often invest beyond European borders. More than a third of deals EU investors participate in are transactions outside the European Union, with the US and the UK being the most frequent investee countries in the last 3 years. Interviews indicate that EU investors rarely lead these deals but tend to follow non-EU investors. Several potential reasons are being mentioned in interviews, including sometimes a more favourable environment for foreign investors in non-EU countries, especially for some of the verticals (such as less regulated AI business models), non-EU LP mandates, more attractive targets or better exit opportunities.

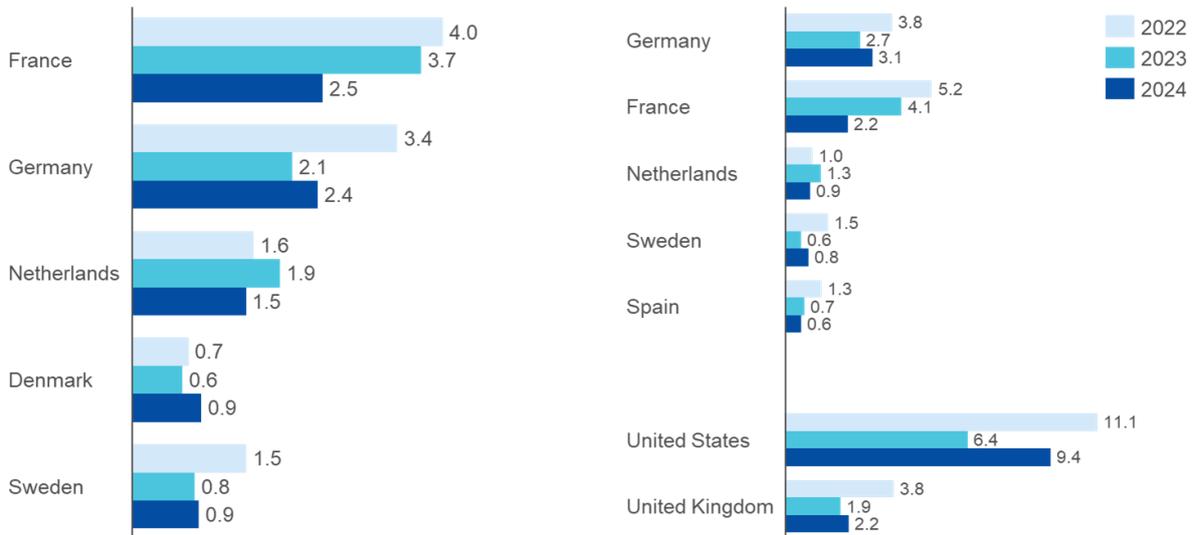
EU fund managers might also be investing in foreign companies that would like to establish a presence in the EU (Mäkelä & Maula, 2005) and companies that have already relocated from the EU. Relocation is somewhat common among EU-founded scaleups, with 12% of scaleups relocating outside the region (EIB, 2024). However, there's no evidence that they continue targeting EU venture & growth capital fund managers for investments. Easier access to venture & growth capital fund managers is usually the main motivating factor to relocate, as well as better opportunities for IPOs (EIB, 2024).

Investors from France and Germany play a pivotal role in the venture and growth equity landscape of the European Union, collectively contributing a substantial portion of the total investment volume (Figure 15). This reflects their strong financial markets and comparatively more mature ecosystems that attract both domestic and international investors. However, when adjusting for population size, other countries such as the Netherlands, Denmark, and Belgium also stand out as active markets, displaying a level of investment activity that exceeds what might be expected based

on their market size alone. Overall, the ten countries<sup>29</sup> selected for deeper analysis in this study collectively account for nearly 80% of the total investment volume in the EU.

**Figure 15. Left - Investor perspective: Top 5 EU countries by source of funds (worldwide deals with at least 1 EU venture & growth capital fund), EUR billion, 2022-2024.**

**Right - Investee perspective: Top 7 countries by recipient (worldwide deals with at least 1 EU venture & growth capital fund), EUR billion, 2022-2024.**



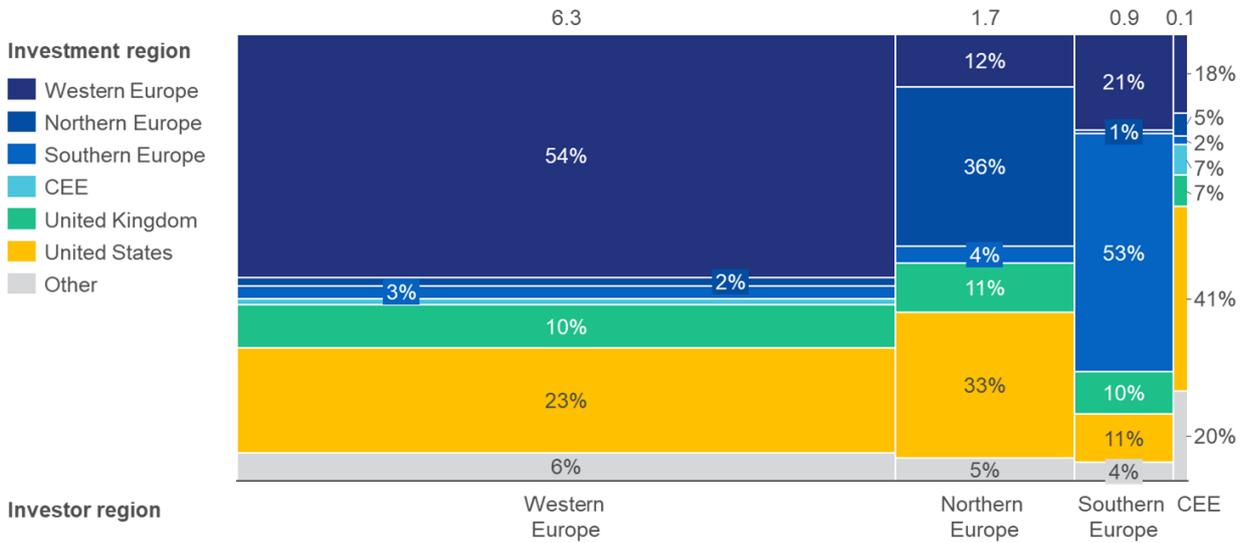
Source: Civitta analysis based on Dealroom data.

It might appear as though EU investors dedicate a substantial amount of capital to investments outside the EU (EUR 9 billion and 2 billion in the US and the UK, as shown). However, the already discussed co-investment practice means that the actual contribution is lower. Indeed, when examining estimated capital contributions of EU venture and growth capital fund managers in the deals studied, the relative allocation to the EU is much higher, around two-thirds of all capital contributed by the EU venture and growth capital fund managers. The remainder is predictably invested at large into scaleups from the United States (24%) and the United Kingdom (10%) (Figure 16).

A large volume of investment stays within the EU regions: for instance, a large part of the flows from Western Europe are retained within Western Europe (54%), with only a small part directed to other regional ecosystems, especially those viewed as underserved – Southern Europe and CEE. Scaleups from Germany, France and Spain have received the most cross-border investment (including investment from outside the EU) in 2024.

<sup>29</sup> Germany, France, Netherlands, Sweden, Italy, Spain, Poland, Estonia, Bulgaria and Luxembourg were selected for a more detailed analysis.

**Figure 16. Estimated capital commitments to transactions by EU venture and growth capital funds by HQ region of investors and investees, % of Total value for region (EUR billion), 2024.**

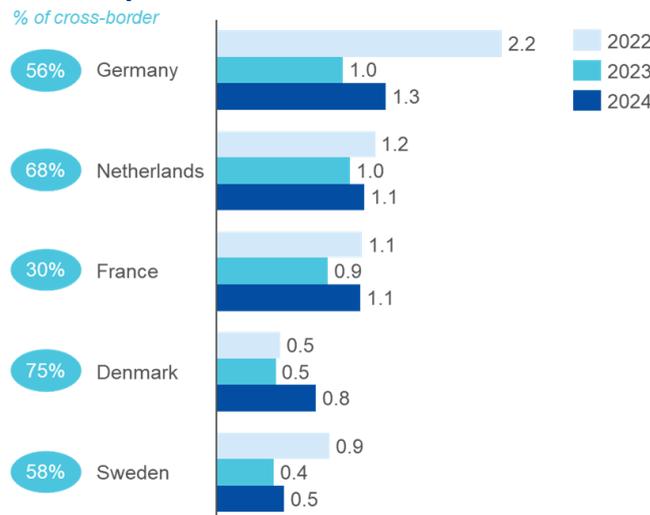


Source: Civitta analysis based on Dealroom data.

The level of intra-EU cross-border activity is relatively high, as around 80% of transactions analysed had at least one non-domestic investor. However, pure cross-border investment without domestic co-investors remains scarce, most likely due to unfamiliarity with differing regulation and market conditions: 43% of VC investors cite lack of foreign market knowledge as their biggest challenge (EIF, 2024a).

Most active EU cross-border investors come from the most active venture and growth fund markets – Germany, France, the Netherlands, Sweden and Denmark. Together, investors from these countries accounted for 68% of the total cross-border capital contributed by EU investors during the period. Non-domestic vs domestic investment activity shares vary; while investors from France invest only 30% beyond France, Danish funds invest as much as 75% outside of Denmark (Figure 17).

**Figure 17. Top 5 cross-border investor locations among the EU countries in the sample studied, EUR billion, 2022-2024.**

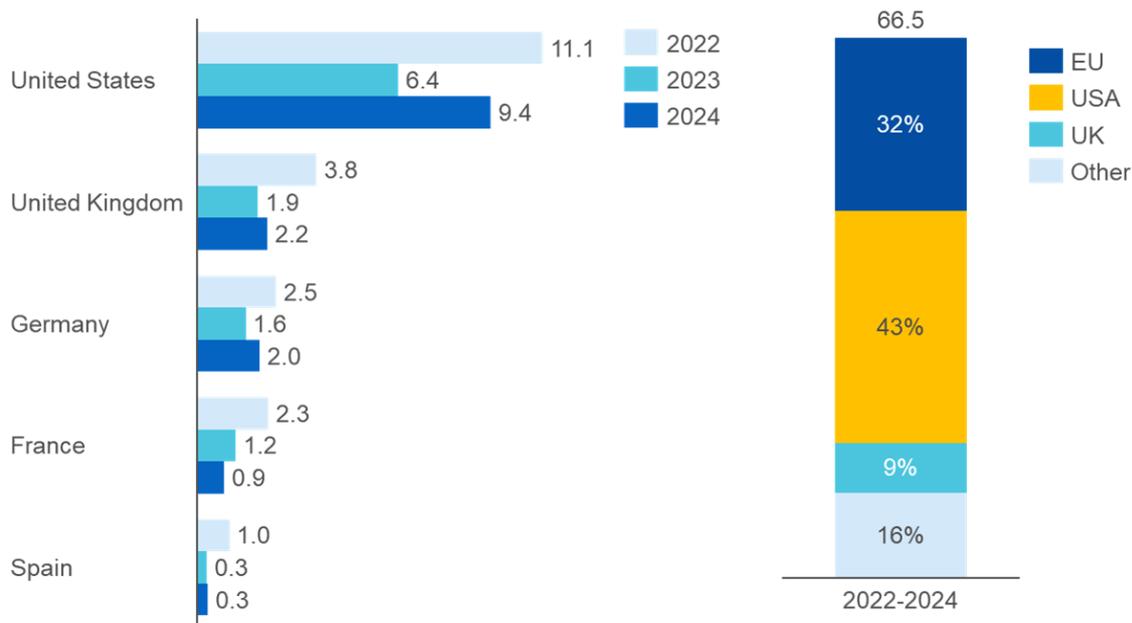


Source: Civitta analysis based on Dealroom data.

While it is not straightforward to compare cross-border activity in the EU to other regions due to a more uniform nature of the benchmarked markets, data on investments beyond the domestic ecosystem can be compared. Perhaps even more than EU investors, UK investors actively explore other markets for attractive deals, with a high amount of cross-border activity observed. In 2024, 80% of transactions in which UK VC funds participated were in non-UK targets. On the other hand, transactions with US fund participation remained predominantly domestic, with only 34% of non-US transactions in 2024. This puts the 45-55% on non-EU investments into perspective, being an in-between result.

Looking at the global breakdown, EU-based companies have attracted around one third of all cross-border investment during 2022-2024, 43% went to the US and 9% to the UK-based companies; other countries (most notably, Switzerland and Israel) have received the remaining 16% (Figure 18).

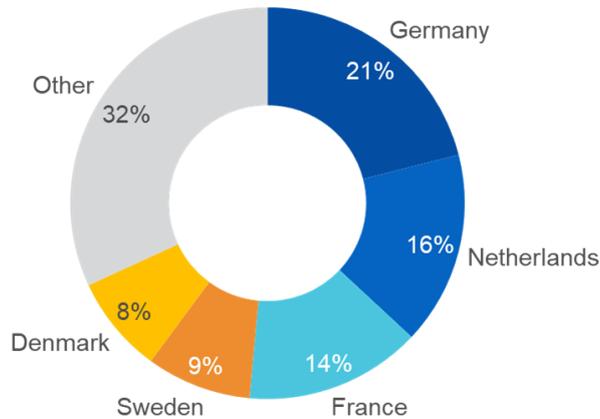
**Figure 18. Top destination countries for cross-border investment (left) and share of main destination regions (right), EUR billion and % of Total, 2022-2024.**



Source: Civitta analysis based on Dealroom data.

Overall, the investment patterns of EU venture and growth capital fund managers highlight both the strengths and limitations of the current ecosystem. While most of the capital remains within the EU, many transactions occur outside its borders, often in non-lead positions in syndicates with non-EU investors. This reflects the global orientation of scaleup financing. At the same time, intra-EU investment activity is highly concentrated among a small number of Member States in Western Europe (Figure 19), suggesting limited regional spillovers.

**Figure 19. Top destination countries for cross-border investment in the EU, % of Total, 2022-2024.**



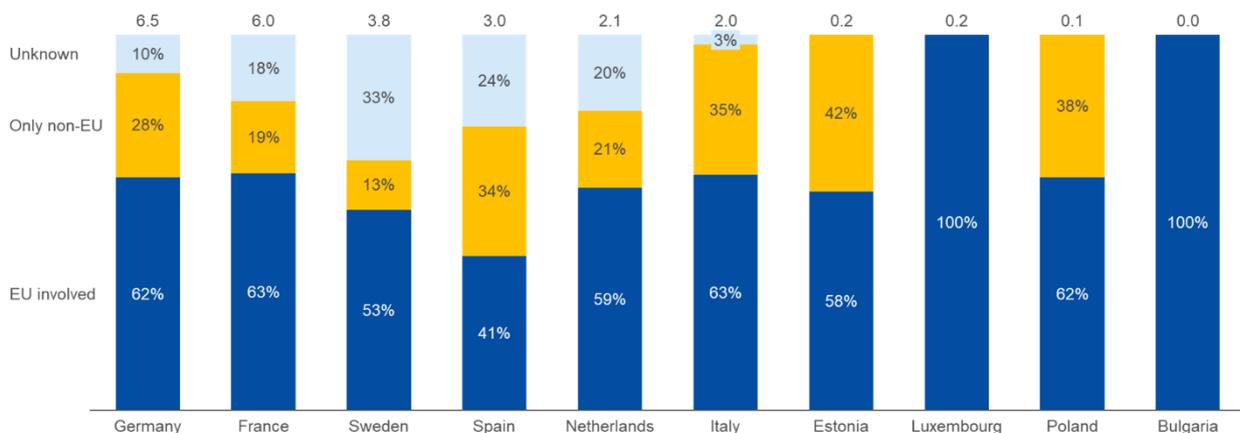
Source: Civitta analysis based on Dealroom data.

## 1.6. Who funds EU startups and scaleups?

The second data sample was created to analyse investment into EU-based innovative and high-growth companies, regardless of investor origin, based on a dataset of transactions where the investee company is an EU-based entity, with the transactions of the size associated with the growth stage (EUR 15-250 million) during 2022-2024. The total volume of venture & growth stage capital deployed in the EU, as well as the role of non-EU investors, can be assessed.

**Around two-thirds of venture and growth stage deals in the EU had at least one EU-based investor involved.** Despite the large share of EU investor-supported transactions, foreign investors lead quite many of them (20% in value in 2024). This indicates that foreign investors are not only interested in investing in the EU market, but also often take a proactive role. Among foreign-led transactions that included EU investors, 42% were in the EUR 15-50 million range, 33% ranged from EUR 50 to 100 million, and the remainder exceeded EUR 100 million.

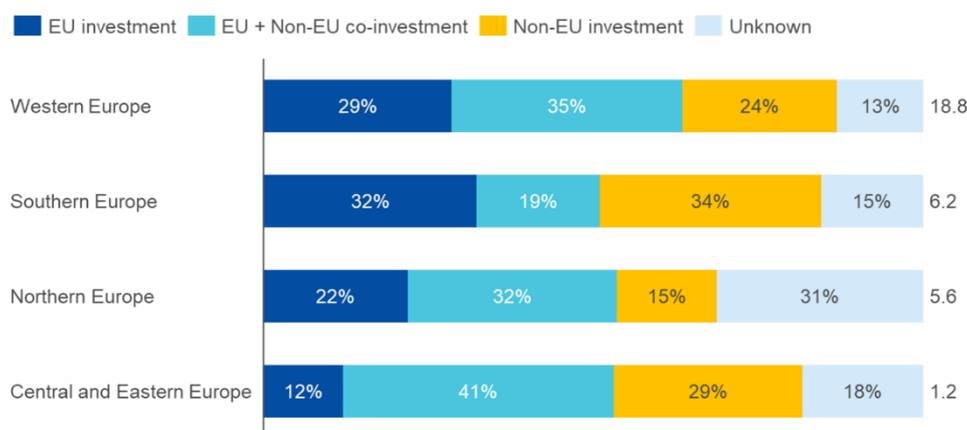
**Figure 20. Deals breakdown by source of funds in selected countries by value, % of Total, EUR billion, 2024.**



Source: Civitta analysis based on Dealroom data.

Among the 10 countries selected for deeper analysis, Estonia, Poland, Italy and Spain have the highest proportion of transactions by non-EU investors (Figure 20). From a regional perspective, Southern Europe has the largest share of non-EU capital deployed (Figure 21).

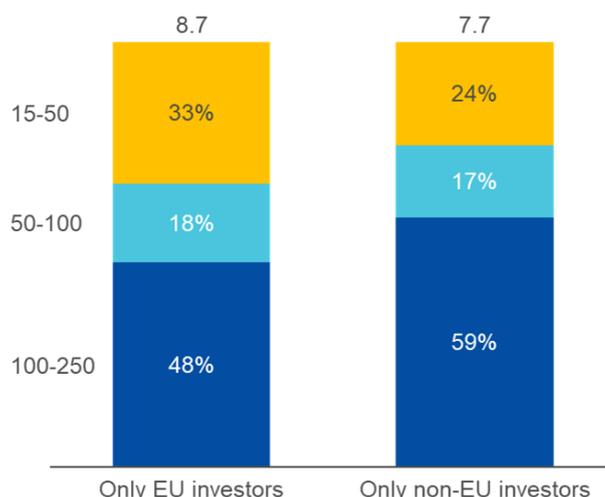
**Figure 21. Deals breakdown by region (investee location) and source of funds, % of Total, EUR billion, 2024.**



Source: Civitta analysis based on Dealroom data.

Non-EU investors tend to focus on larger deals, with 59% of their capital allocated to transactions sized EUR 100-250 million. In contrast, only 48% of the deal value involving only EU-based investors falls within this range (Figure 22).

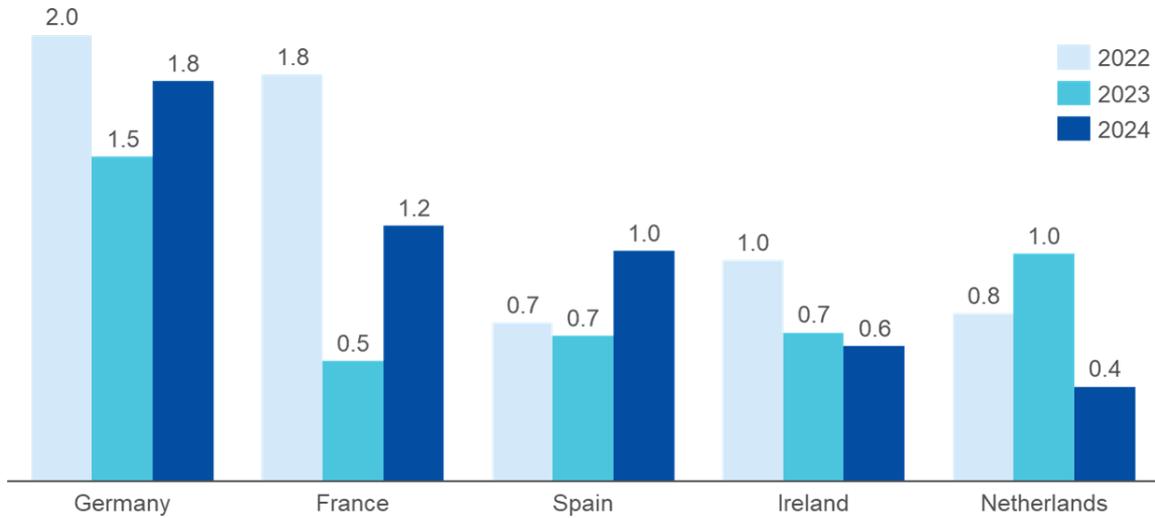
**Figure 22. Comparison of EU investor activity in the EU (left) and only non-EU investor activity in the EU (right), % of Total, EUR billion, 2024.**



Source: Civitta analysis based on Dealroom data.

EU countries with large technology ecosystems – Germany, France, and Spain - attract the highest interest from foreign investors (Figure 23). The top 5 countries presented in the figure below accounted for 65% of the total capital deployed by non-EU investors.

**Figure 23. Top 5 investee countries (by HQ location) in the EU attracting non-EU investments, EUR billion, 2022-2024.**

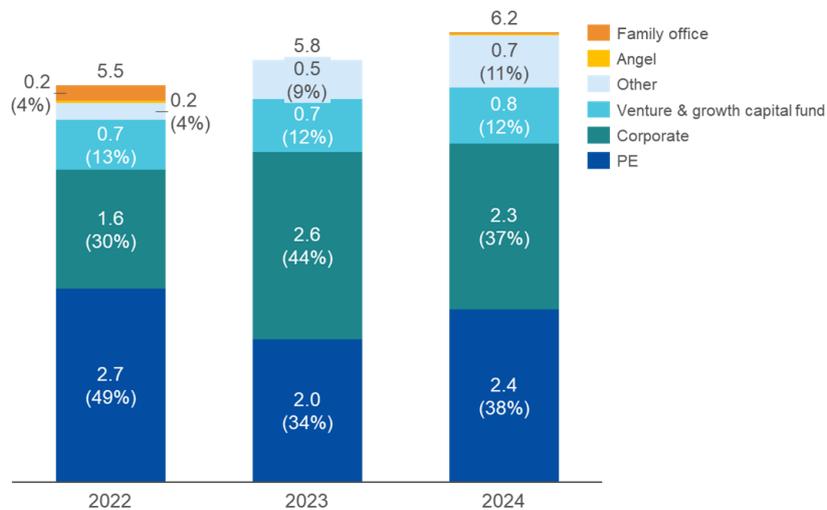


Source: Civitta analysis based on Dealroom data.

Transactions in the EU backed solely by foreign investors involve a much smaller investor group – on average, just 2 participants – compared to 6-7 investors in worldwide deals involving EU venture and growth capital funds. This indicates that foreign investors tend to engage in EU transactions more independently.

A third of the deals involving a single non-EU investor are backed by corporate investors (Figure 24). The role of non-EU corporate investors has increased, with the total investment volume from this type of investor increasing on average by 17% (CAGR) over the last 3 years. 70 per cent of the corporate investors' commitment, by value, is dedicated to deals within the EUR 100-250 million range, primarily in Germany, Spain and Ireland.

**Figure 24. Breakdown of the value of only non-EU deals with 1 investor by investor type, EUR billion (% of Total), 2022-2024.**



Source: Civitta analysis based on Dealroom data.

The largest non-EU investors in the EU are headquartered in the US (51%) and the UK (21%); among other non-EU investors, the majority originate from Switzerland (5%), China (3%), and Canada (2%), of the total deal value during the 2022–2024 period.

## 2. Institutional investor activity

Institutional investors play a critical role in shaping the depth and direction of private capital markets. While venture and growth capital are widely recognised as essential to the EU's long-term competitiveness, particularly in fostering innovation, industrial renewal, and strategic autonomy, the participation of institutional investors remains driven by financial considerations. Their core mandate is to deliver stable, risk-adjusted returns for their beneficiaries, rather than pursue EU policy objectives. This seems to limit their willingness to allocate capital to segments of the market associated with venture and growth capital, unless return expectations are justified.

From an institutional investor standpoint, venture and growth capital funds are considered as possible components of the alternative investment portfolio, each with specific characteristics. Venture capital is typically seen as a high-risk, high-return strategy, offering exposure to frontier innovation but with considerable illiquidity and volatility. It is therefore more suitable for investors with long-term horizons and higher risk tolerance. Growth private equity, by contrast, is perceived as relatively more stable and lower risk, targeting businesses with proven models and revenue traction. It tends to offer more predictable returns and is attractive to a broader range of institutional investors seeking capital appreciation with downside protection.

Both segments provide diversification benefits and can be blended into portfolio strategies based on institutional preferences and mandates. It also needs to be mentioned that in the case of growth stage financing, the distinction between later stage VC investments and growth PE is becoming increasingly blurry as both PE and VC funds might target similar companies for their portfolios within the growth stage.

The ability and willingness of institutional investors to commit capital to venture and growth strategies vary significantly across the EU. This reflects differences in national financial system maturity, accumulated institutional wealth, institutional investor familiarity with the asset class, and long-standing policy frameworks related to sovereign asset management, pension fund design, and household investment incentives.

These decisions are further shaped by the regulatory environment. EU-level prudential rules impose capital, liquidity, and risk management constraints that can restrict allocations to less liquid asset classes. In addition, Member States retain the authority to impose stricter national rules or investment limitations. As a result, the EU's institutional investment landscape is a patchwork of regulatory and structural conditions that shape the availability of long-term capital across regions and sectors.

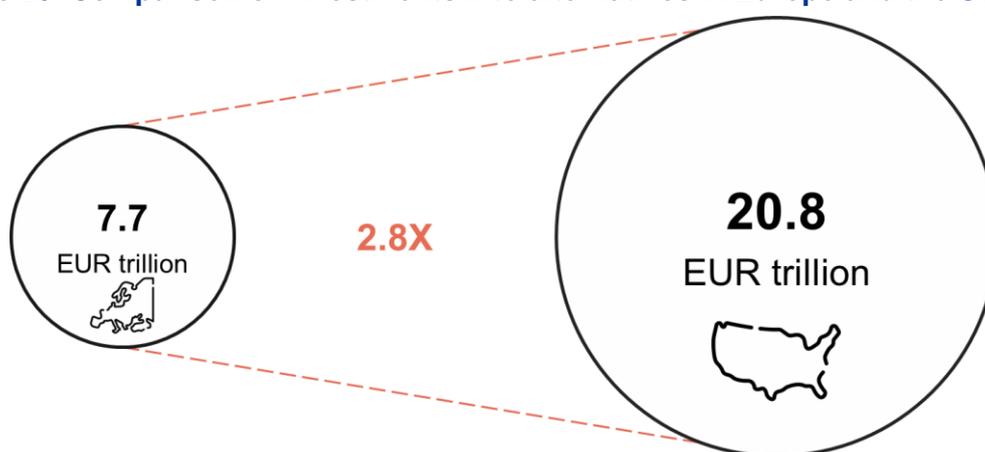
### 2.1. The importance of institutional investor activity in growth financing

This section gives an overview of investments of European institutional investors into the alternative asset class more generally, further narrowing down to allocations to venture and growth fund segments.

**Small allocations to alternative asset classes in Europe:** This broad class includes private equity/venture capital, real estate, infrastructure, private debt and hedge funds. Alternative investments are characterised by their illiquidity, complex structures, and less established regulatory oversight compared to traditional investments of traded stocks, bonds and money market instruments. Due to illiquidity and complexities, allocations to this class are both more regulated and treated with more caution by investors themselves.

Investment in alternative asset classes remains more limited in Europe, compared to the US, a finding that is well documented by numerous studies and industry reports. In 2023, European alternative investments totalled EUR 7.7 trillion, far behind the total stock in the US. With annual total savings capacity in Europe surpassing the levels in the US, it indicates a somewhat more conservative asset allocation (Figure 25).

**Figure 25. Comparison of investments into alternatives in Europe and the US, 2023.**

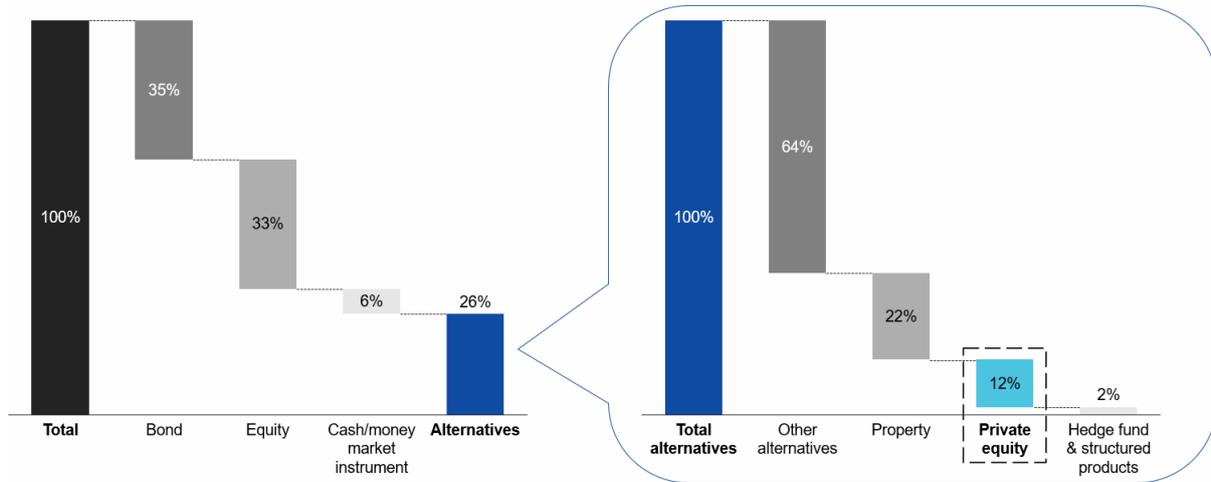


Source: EFAMA, 2024; U.S. Securities and Exchange Commission, 2024.

Based on the EFAMA report (Figure 26), EUR 7.7 trillion invested into alternative assets by the end of 2023 accounted for 26% of total assets under management. Private equity<sup>30</sup> comprised 12% of that segment, or only approximately 3% of total AuM. Within this volume, assets managed on behalf of institutional investors accounted for 69% (EFAMA, 2024).

<sup>30</sup> EFAMA defines Venture Capital as one of Private Equity strategies.

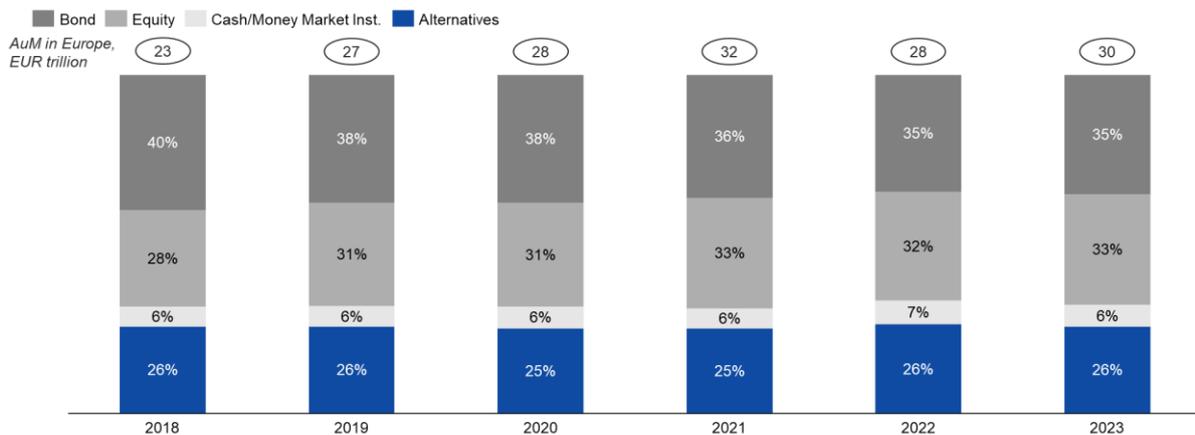
**Figure 26. Asset allocation in the European fund management sector at End-2023, Share in Total AuM, %<sup>31</sup>.**



Source: EFAMA, 2024.

Although the share of alternative assets in total AuM remained stable at around 25-26%, the absolute volume of investments into alternatives increased solely due to the overall expansion of total AuM, from EUR 23 trillion in 2018 to EUR 30 trillion in 2023. This growth resulted in approximately EUR 2 trillion more being allocated to alternative assets, despite no change in their proportional weight (Figure 27).

**Figure 27. Asset allocation trends in Europe, %, 2018-2023.**

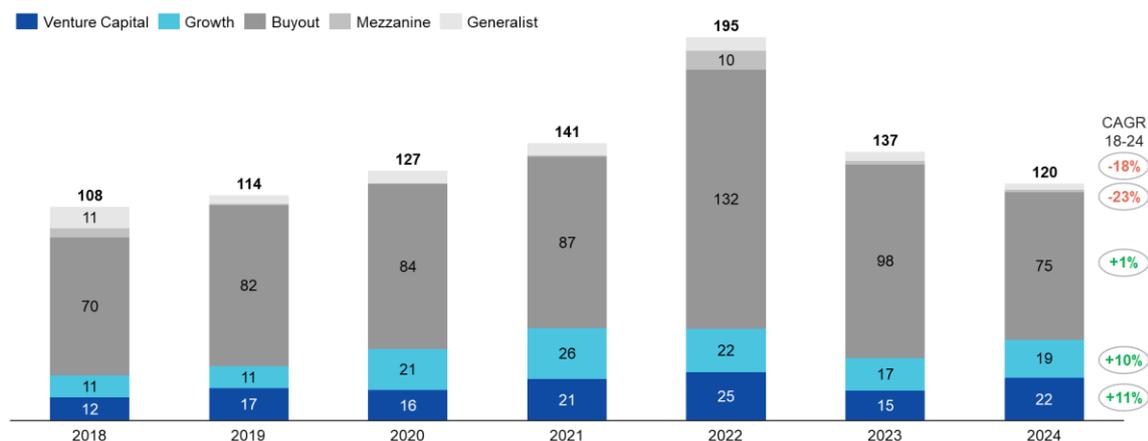


Source: EFAMA, 2024.

During the same period (Figure 28), fundraising in private equity had been growing by 2% annually on average, with the growth and VC segments expanding at a faster pace, averaging annual growth rates of 10% and 11% respectively over the period.

<sup>31</sup> Figure includes assets of pension funds and insurance companies only where these are delegated to external asset managers. Assets managed internally by these institutions are excluded from EFAMA's reported AuM total.

**Figure 28. Incremental amount raised during the year, EUR billion, 2018-2024<sup>32</sup>.**



Source: Invest Europe, 2025a.

It can therefore be seen that venture capital and growth<sup>33</sup> are not the dominant strategies behind the more traditional buyout-focused PE funds.

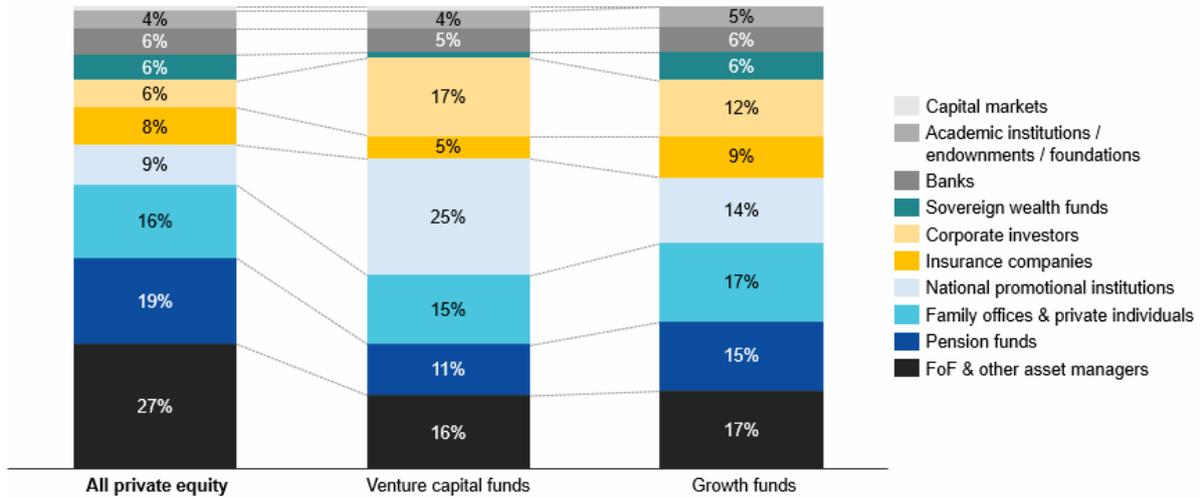
**The role of institutional investors:** With private equity in general and venture capital activity as one of its segments falling under regulation applicable to alternative investment funds, only professional investors are eligible to invest in this asset class. Therefore, the role of institutional investors is essential.

When examining allocations to private equity activity in Europe ( Figure 29), no single institutional investor segment dominates. However, the data reveals clear differences in the level of engagement across investor types. Venture capital funds in particular rely more heavily on National Promotional Institutions, which accounted for 25% of total capital raised, substantially above their share in growth funds and the overall private equity, and stand out in the overall context. In contrast, FoF & other asset managers represent the largest investor group in private equity overall (27%), but their role is less pronounced in venture capital funds (16%) and growth funds (17%). Growth funds display an investor structure that is more consistent with the overall private equity market, albeit with a greater reliance on NPBIs and corporate investors.

<sup>32</sup> Mezzanine finance and its relevance for scaleups – Mezzanine financing is occasionally used by companies at post-Series B/C or pre-exit stages, particularly in capital-intensive sectors like B2B SaaS and manufacturing.

<sup>33</sup> Based on the definition of Growth strategy as applied in Invest Europe, broadly coinciding with Growth Private Equity segment in the scope of this study.

**Figure 29. Funds raised by investor type (incremental amount raised during the year - % of total amount), 2024<sup>34</sup>.**



Source: Invest Europe, 2025a.

### Who is investing more?

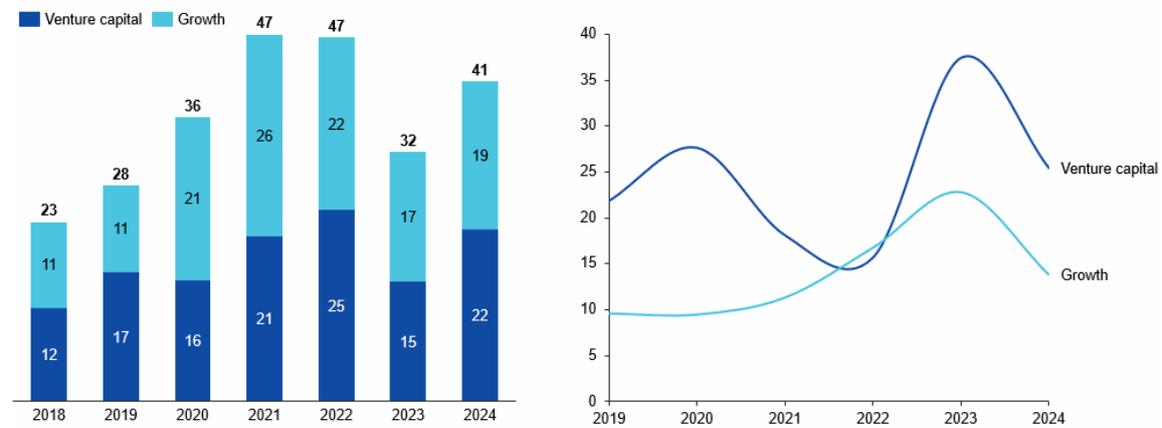
Between 2019 and 2024, the composition of capital in venture and growth funds shifted notably. In VC and growth PE fundraising, NPBIs expanded their share, indicating continued reliance on public sources of capital in Europe.

#### Public capital as a countercyclical force

Public actors, particularly NPBIs, played a central role in shaping fundraising dynamics during this period. Their share grew markedly in 2023, counteracting a downturn in private market activity. This surge of public capital acted as a stabilising force, helping to sustain capital flows amid economic uncertainty. However, NPBI participation declined again in 2024 as private investment rebounded, underscoring the cyclical nature of public engagement in the market (Figure 30).

<sup>34</sup> According to Invest Europe, FoF is private equity fund that primarily takes equity positions in other funds.

**Figure 30. Left: Incremental amount raised during the year, EUR billion, 2018-2024. Right: Share of NPBIs in venture and growth capital**

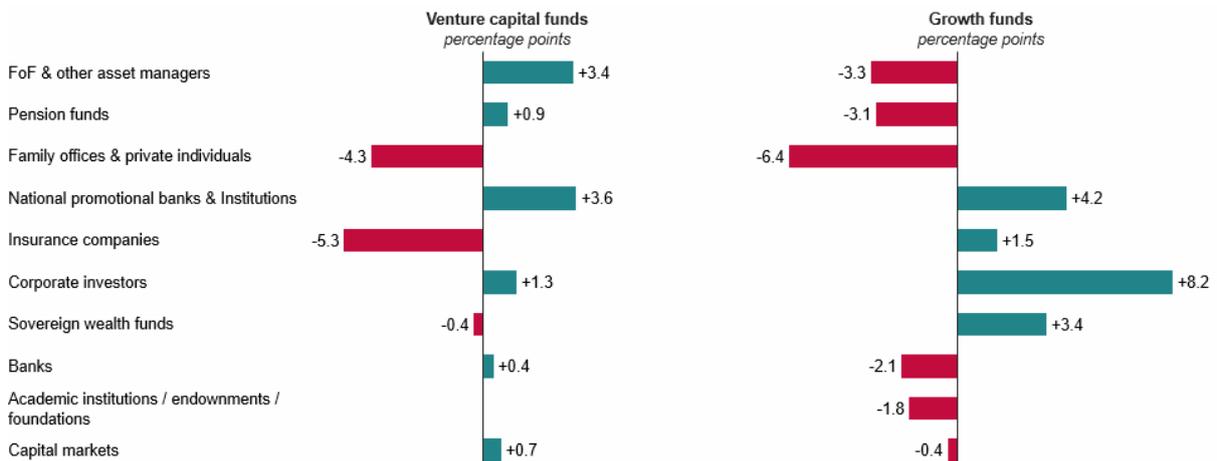


Source: Invest Europe, 2025a.

Corporate investors have also expanded their role, especially in growth equity; their share increased from 3.5% in 2019 to 6% by 2023 and 12% in 2024, indicating a steady upward trend.

Meanwhile, pension funds and insurance companies (the institutional investor groups with the deepest capital reserves) remain somewhat reserved. Pension funds show only a slight increase in venture capital participation and a notable decline in growth equity, while insurance companies have sharply reduced their involvement in VC (Figure 31).

**Figure 31. Institutional investment structure shifts in venture capital and growth funds in Europe, 2019-2024.**



Source: Civitta analysis based on Invest Europe, 2025a.

Persisting caution reflects broader institutional conservatism and reluctance to adapt to new asset classes or to bring specialised talent capable of navigating complex and innovation-driven investment landscapes<sup>35</sup>. These structural limitations stand in

<sup>35</sup> See Section 3 (

## 1.1. Drivers and barriers to consolidation of EU venture and growth capital fund managers

Over the last 15 years, various forms of collaboration – softer forms like syndication, middle-of-the-road solutions like long-term strategic partnerships, and full consolidation through acquisitions or mergers (M&A) – among fund managers in the EU have been used as business development strategies. This section outlines and illustrates both drivers and trends in collaboration and consolidation among fund managers, as well as barriers that fund managers face when engaging in such activities.

Considering collaboration among fund managers more broadly, data analysis and interview evidence suggest that particular forms of collaboration, such as syndication or partnership, occur frequently in the EU and globally, at an individual transaction level. **These mechanisms for pooling capital have allowed EU-based funds to create larger tickets, access more advanced funding rounds and provide access to deals in new geographies and segments that would not be otherwise reachable**, as discussed in previous sections. Multiple interviewees refer to syndication as a strategy to implement routinely, especially by smaller, less experienced VCs.

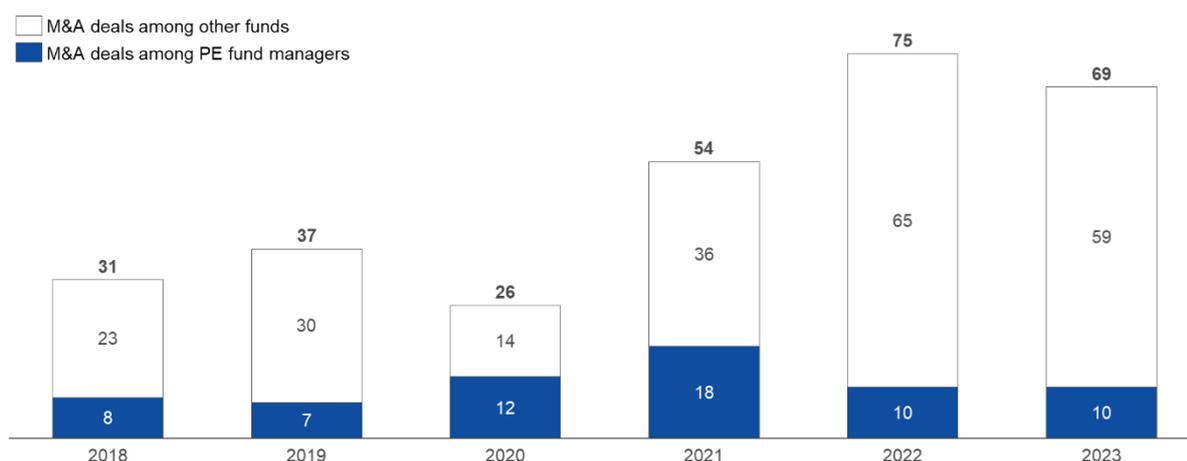
Following several successful co-investments, some fund managers choose to deepen collaboration by choosing a middle-of-the-road solution, acting as serial co-investors and partners, sometimes establishing non-equity joint ventures or other forms of strategic partnerships for the co-investment purposes, usually implying consistent deal flow and knowledge-sharing with little to no integration beyond these. The two broad barriers to such forms of co-investment pointed out during the interviews were 1) the increased complexity of negotiating the deal structure and 2) the increased complexity of managing investments during the holding period, as the complexity of company boards increases alongside the number of investors. Despite these barriers, such forms of collaboration remain popular.

While it may seem natural to expect consolidation of smaller funds facing cost and competitive pressures both in fundraising and deal flow, the data shows that more integrated forms of **consolidation among fund managers are rather rare in the venture and growth capital industry**. Globally, the number of consolidation cases among asset managers (all types, including PE) has been growing over the last decade and peaked at 75 deals in 2022, after slightly declining to 69 deals in 2023; however, this trend does not translate to deals among venture and growth capital funds (PE fund managers at large). In 2023, there were only 10 consolidation deals involving PE fund managers, consistent with the level recorded in 2023 (Figure 44).

In fact, in more mature and consolidated ecosystems like the US, there is some evidence for the opposite trend: there are some signs of unbundling of large “mega-funds” after a phase during which the local market remained relatively consolidated, whereby partners depart to establish boutique funds to leverage their network. This speaks to the fact that benefits from consolidation may not outweigh the freedom of

decision-making and individual returns for the individual fund managers. Personal motivation is key in view of a bigger responsibility for the success of the fund of an individual fund manager and, subsequently, a proportionally larger carried interest distribution (Chronograph, 2024).

**Figure 44. Number of M&A deals among PE and funds with other strategies globally, 2018-2023.**



Source: Woodman, A., 2023; Hamlin, J., 2023.

Following the global trend, consolidation **at the fund management company level – fund manager M&A – remains rare in the European venture and growth ecosystem**. Only 9 cases of venture and private equity fund M&A deals involving some degree of merging operations have been identified between 2010 and 2024 where an EU-based target was involved (Table 8). It is observable from the consolidation sample that the merging fund managers are usually already large: no acquirer’s or partnership leader fund’s assets under management were below EUR 900 million, and no target fund’s assets were below EUR 100 million at the time preceding the transaction. In addition, all intra-EU instances of consolidation included both fund managers from the same jurisdictions – **no EU cross-border mergers took place between 2010 and 2024**. In three instances, an EU-based fund management company was acquired by a non-EU player.

**Table 8. Fund M&A deals with an EU-based target, 2010-2024.**

Fund Manager 1	Fund Manager 2	F1 AuM EUR billion	F2 AuM EUR billion	Year	FM1 Country	FM2 Country	Transaction type
Molten Ventures	Early Bird VC	1.4	2	2024	UK	Germany	Strategic Partnership / Merger
General Catalyst	La Famiglia VC	22	0.3	2023	US	Germany	Merger

Gaw Capital	C2 Capital	33	0.2	2023	Hong Kong	Portugal	Acquisition
Eurazeo	Idinvest Partners	18.5	8	2018; 2020	France	France	Acquisition
Turenne Capital	Innovacom	0.9	0.2	2017; 2019	France	France	Acquisition
360 Capital	Robolution Capital	0.3	0.1	2016	France	France	Acquisition
CapMan	Norvestia Growth Equity	2.8	0.1	2016	Finland	Finland	Acquisition
Siparex Groupe	XAnge	1.2	0.3	2015	France	France	Acquisition
Eurazeo	Ofi Private Equity	4	0.1	2011	France	France	Acquisition

Source: Civitta analysis based on Mergermarket database, Pitchbook database.

### 1.1.1. Drivers of fund managers consolidation through M&A

Existing studies on the drivers and barriers to the fund manager M&A are relatively scarce. Those reviewed emphasise, on the one hand, **diversification** and, on the other hand, **efficiency improvements** as key drivers for funds to engage in M&A (Capolaghi, 2024).

Firstly, fund managers may acquire other funds to achieve diversification in asset classes, geographies, customer channels and services without needing to build the expertise or function from zero. As a result of diversification, combined and larger funds should have enhanced ability to navigate market fluctuations and to seize emerging opportunities across multiple verticals, as well as be better prepared to offer follow-on investments. As a result, such diversified funds might hold more appeal for potential LPs with a promise of larger returns.

**Diversification through geographic expansion** appears to be the primary driver behind acquisitions of EU-based fund managers by their foreign counterparts, as firms seek to establish a permanent footprint within the European market.

#### Case study – Gaw Capital acquisition of C2 Capital (Iberian Property, 2023)

**Main rationale:** Expanding geographic footprint to the EU; diversifying strategy to venture capital.

After its acquisition of the Portuguese VC firm C2 Capital in 2023, Hong Kong-based private equity and real estate firm Gaw Capital has announced plans to invest between EUR 200-300 million in Portugal.

Prior to the acquisition, C2 Capital was supporting internationally competitive Portuguese companies in industries such as life sciences, biotechnologies, and other commercial and industrial sectors, particularly those with high R&D intensity. Its typical investment ticket size was around EUR 10 million. This continued with the help of Gaw Capital, using its network to **help C2's portfolio companies**

**expand their distribution network globally.** At the same time, Gaw brought their global expertise in corporate growth and real estate development to Portugal.

Beyond venture capital, Gaw Capital has leveraged its presence in Portugal to expand its core real estate business. As a result of the merger, both companies retained their brand identity.

**Diversification through new strategies expansion** is frequently realised through talent acquisition, potentially instrumental in eliminating the need to build the team from scratch in the case when, for instance, a private equity firm wants to acquire capabilities in venture capital. By acquiring teams with a proven track record in the target strategy, fund managers can accelerate their market entry, guarantee the upstream or downstream dealflow for follow-on investments and mitigate risks associated with launching new funds.

**Case study – Siparex Group acquisition of XAnge (La Banque Postale & Siparex, 2015)**

**Main rationale:** Strengthening the international presence of a combined entity; diversifying strategy to venture capital.

The acquisition of XAnge by Siparex in 2015 was driven by a goal to strengthen firms' international presence and broaden service lines in VC and mid-market private equity investments. Siparex has identified XAnge as the acquisition target after a co-investment deal in which fund managers participated. Siparex, with EUR 1.2 billion in AuM, specialised in financing SMEs and mid-tier companies, while XAnge **brought expertise in innovation and technology investments**, managing EUR 315 million at the time of the merger. As a result of the merger, both companies retained their brand identity. The merger **strengthened its combined international presence**, with a joint entity operating across France, Germany, Italy, Spain, and North Africa

Secondly, **general operational efficiency** could theoretically be a consolidation rationale for smaller investment firms that must bear the costs of operations and compliance as they adhere to fragmented and evolving regulatory standards. Sometimes, M&A with another fund manager could be a solution to ease the burden, potentially allowing the achievement of economies of scale. However, in practice, **the potential for cost synergies among fund managers often remains limited**, considering that most operational and administrative costs aggregate on a per-fund or per-portfolio company basis (for instance, staff needs, fund marketing costs, supervisory fees, reporting requirements). In addition, potential efficiency savings may not outweigh the cost of the merger and post-merger integration. More broadly, cost pressure is not the main concern for the EU-based fund managers, who generally can sustain their operations from the market-standard level of management fees. At the same time, some savings on fixed costs (e.g., IT systems, office costs) or knowledge investments (e.g., understanding the legal environment in

a new investment jurisdiction or the impact of a new EU regulation) may be realised successfully.

**Case study – CapMan acquisition of Norvestia (CapMan Annual Report, 2016; CapMan Plc, 2017)**

**Main rationale:** Capturing cost synergies; diversifying strategy to private equity growth investments.

CapMan’s acquisition of Norvestia in 2016 strengthened its position in the Northern European PE market by expanding its investment strategy. The expansion bridged the gap between VC and buyout investment funds managed by CapMan before the transaction, **allowing them to enter the growth segment**. The acquisition increased the growth investment capacity to approximately EUR 200 million.

According to the acquirer, the acquisition generated cost and financing synergies, with estimated annual savings for the combined entity **exceeding EUR 3 million against a combined operating cost base of EUR 5.4 million** at the time of acquisition, (~56%), due to removing overlapping operations, lower fixed costs, centralised administration and reduced financial costs, among other factors.

As a result of the acquisition, the Norvestia brand was fully absorbed by CapMan on the grounds of having stronger recognition in the Northern Europe market.

### 1.1.2. Barriers to fund managers consolidation through M&A

Barriers to consolidation through fund manager M&A arise from a range of regulatory, legal, and tax considerations, but, perhaps most importantly, soft strategic considerations. These can emerge at various stages of the process, from the initial assessment and planning of a transaction, through the submission of notifications to competition authorities, to the integration of operations and ongoing post-merger fund management (Figure 45).

**Figure 45. Overview of the fund manager M&A process.**

Source: Civitta analysis.

Multiple barriers surface already at the pre-merger planning stage, with the “softer” barriers featuring prominently in the interview evidence. Multiple fund managers interviewed point to the overly **subjective valuations of the assets involved in the acquisition of a VC fund manager** as a barrier to M&A. Firstly, because of fluctuating valuations of early-stage companies, it is rather difficult to arrive at a fair price for the VC portfolio companies, putting the acquirer in a precarious position. In addition, it is even more challenging to estimate the value of the investment team and their expertise, which is arguably another important asset. At least with respect to the ease of determining the target portfolio value, consolidation in the growth private equity space is more attractive.

When discussing regulatory aspects that may influence initiating and conducting the fund manager M&A, the AIFMD full authorisation threshold of EUR 500 million may act as a disincentive for smaller fund managers to increase assets through

consolidation. This may occur, on the one hand, due to the unwillingness to undergo the licensing process and face additional burden of reporting and governance requirements and, on the other hand, due to the additional risks introduced if the merger process and post-merger integration coincide with authorisation and operational changes.

A broad regulatory & legal concern is related to **the lack of a dedicated regulatory framework for AIFM and AIF mergers**, which may become an obstacle at the approval and execution stages. Unlike the UCITS framework, which provides a harmonised procedure for fund mergers, the AIFMD does not include specific provisions addressing the regulatory treatment of such operations. As a result, the supervision and authorisation of AIFM or AIF mergers are left to national legislators and, ultimately, to supervisors, who apply national rules and practices on a case-by-case basis. This fragmented approach can create inefficiencies and delays, particularly in cross-border transactions, and may hinder consolidation in the AIF market.

In addition, these regulatory, legal and tax barriers may become an obstacle during the merger execution process, based on the existing literature:

- **Lack of guidance on the supervisory jurisdiction** (in particular, in Directive 2017/1132) that overrides others in the case of a cross-border merger that retains subsidiaries in several jurisdictions, with implications for reporting requirements, applicable fees and structure of fund operations.
- **Uncertainty about taxation** (capital gains, carried interest taxation) applied to the newly established cross-border fund manager in the case of cross-border M&A due to the risk of double taxation and/or unfavourable tax treatment and risks of volatility of tax rules (PwC Luxembourg, 2024).
- **Complications related to banking procedures** impacting the process of combining assets; this is particularly relevant for financial institutions such as funds, as asset consolidation, especially cross-border, often requires restructuring banking relationships and fund flows, delaying capital deployment and integration (Vistra, 2025).
- **Diverging national accounting principles** can affect and delay financial consolidation and complicate operating principles (Vistra, 2025).

Interviews held with fund managers who underwent consolidation prove that the **actual integration of fund manager entities faces many uncertainties, especially when the transactions are cross-border**. Interviewees refer to the above barriers and other problems, such as **combining entities with different legal forms, uncertainties in portfolio valuation and risk assessment approaches prescribed to a combined entity, and integrating two sets of LPs on both sides of the transaction**, which cause fund managers to doubt their ability to reap benefits from combined operations. Since the key barriers predominantly apply to cross-border setups, this may also account for the predominantly domestic nature of EU-based transactions, with firms merging or acquiring peers within the same Member

State. Similar findings were indicated by research into UCITS funds, concluding that regulatory, operational, and market-specific barriers continue to limit consolidation efforts in UCITS funds (EFAMA, 2025).

At the post-merger stage, culture integration may be an even more important factor than formal integration, according to interviewees with experience in consolidation. Frequently, consolidation can be felt years after the transaction because of the difference in corporate cultures. It may be challenging to obtain a successful combination of strategy and brand for the merged entity, especially in the case of VC funds, which are reliant on expertise and networks of individual fund managers, both of which directly translate into fund strategy. Due to this having an outsized impact on the investment team, post-merger integration may be an extremely difficult process for venture and growth capital fund managers. If unsuccessful, it may result in key personnel departing due to the cultural clashes, which often contradict the very purpose of the acquisition.

From a broader point of view, VC acquisitions are unattractive due to overly subjective valuations of the target firm portfolio, according to interview insights. As a result of fluctuating valuations of early-stage companies, it is difficult to put a fair price on the VC firm, putting the acquirer in a precarious position. It is even more challenging to measure the impact of the team and their expertise, which is, as mentioned, an important asset. These two factors further decrease the attractiveness of VC acquisition. On the other hand, consolidation in the growth private equity space is perceived as somewhat more attractive due to more easily valued portfolio and more easily identifiable skills.

**Overall, data analysis and interview insights show that, in practice, fund manager M&A has been a relatively rare occurrence over the past decade in the EU.** Being mostly a tool to realise specific business development strategies (geographic or vertical expansion), more characteristic of larger funds and providing limited benefits to smaller funds, consolidation through M&A is not top-of-mind among EU-based fund managers. Fund managers interviewed believe that, rather than scaling through M&A, the successful implementation of a consistent investment strategy and value creation in the portfolio companies are key to superior returns, which may result in gaining LP trust and fundraising larger amounts. They see those processes as mostly dependent on the competencies of individual investment managers that are less subject to scale and may be destroyed by an unsuccessful merger leading to the loss of talent, for instance. At the same time, cost pressure is not the main concern for fund managers, as the potential for synergies remains limited in comparison with the cost of M&A itself and post-merger integration.

## 1.2. Alternative ways to reach scale

As discussed in the previous section, consolidation is not the main strategy fund managers use to scale in the EU. However, alternative approaches are used by venture and growth fund managers to increase AuM, expand investor reach, and

enhance operational efficiency across successive fund vintages. Some of the important markers of successful scaling are organisational adjustments: expanding investment teams, enhancing governance structures, refining value-creation capabilities to expand deal flow and more complex transactions. Exploring these strategies is essential for understanding how fund managers evolve from launching their first funds to becoming established players in the EU venture and growth capital ecosystem.

Having in mind the purpose of this study, this section is focused on mechanisms that improve the chances of growth-stage companies being funded. ‘Scaling’, therefore, will refer to the expansion of growth-focused funds or fund managers specialised in other strategies entering or significantly increasing AuM dedicated to growth strategies.

The context for the scaling discussion is positive: the number of growth stage-focused funds in the European Union has been growing over the past 2 decades (Figure 46), and since 2021, nearly 300 funds have been raised. While some of these funds are raised by first-time managers, many more represent fund managers scaling their presence in this space.

**Figure 46. Number of growth strategy-focused funds (VC and PE) in the EU grouped by vintage as of 01/06/2025.**

Source: Preqin database.

Upon examining fundraising efforts of EU fund managers, it is possible to distinguish four main “scaling journeys”:

- **Early-stage fund managers scaling into the growth stage:** Some of the funds raised or transactions completed occur when an early-stage fund manager enters the growth stage financing. The most usual scenarios are for such a manager to raise a fund with a growth investment strategy, or to raise an annex fund to carry out follow-up investments into portfolio companies maturing out of their early-stage portfolio.
- **Growth fund managers with an industry focus:** Another large part of the market is represented by growth fund managers raising multiple funds focused on a particular industry (life sciences, technology or other). Such managers rely on industry-specific competences and expertise networks to identify targets and grow company value, and tend to be less focused on geography.
- **Growth fund managers with a local, national or regional focus:** Another widespread approach is a geographical focus. It can be narrow (specific regions of France or Germany), member-state level (for example, focus on Poland or Bulgaria) or regional (for example, Nordic). Such managers rely on a superior understanding of their selected market, knowledge of potential targets and a deep understanding of regulatory and support ecosystems to create value.

- **Large fund managers with diversified strategies:** Some instances of scaling in growth financing are due to diversification of strategies; for example, a buyout fund manager fundraising a growth Private Equity fund. It needs to be said that these instances are much rarer. Each of these growth paths is discussed below with case studies of EU-based funds that pursued such a scaling mechanism.

### Early-stage fund managers scaling into the growth stage

These fund managers typically emerge from a national or regional market with a focus on early-stage investments (Seed or Series A). Over time, they evolve and sometimes extend their reach into later-stage, growth-focused rounds. Their growth often correlates with the maturing of portfolio companies and increased fund size in subsequent vintages, allowing them to deepen involvement and occasionally lead Series B and C rounds.

While they continue fundraising early-stage funds, **their internal capabilities grow to support more complex deals and value creation in later stages through growth-stage funds.** It is still common for such firms to manage a mix of early-stage and growth funds, reflecting a strategy of supporting companies in later stages and maintaining flexibility in capital deployment.

#### Case Study – Earlybird Venture Capital

Earlybird Venture Capital was founded in 1997 and initially focused on the DACH region, specialising in emerging technology companies. While from the outset, Earlybird pursued early-stage investments in Europe, over time, the fund scaled into the growth stage.

- At first, Earlybird focused on early-stage funding with its initial fund (Earlybird Fund I/II, vintage 1999), and subsequent funds in 2001 (Fund III) and 2007 (Digital West Fund IV).
- In 2012, Earlybird raised its Digital West Fund V, which achieved the best performance among early-stage funds with a net multiple of 2.71X and a net IRR of 12.9%.
- The fund manager introduced its growth strategy with Growth Opportunities Funds, a family of vehicles designed to support later-stage rounds. Beginning in 2009, these funds grew significantly in sophistication and scale.
- Growth Opportunities III, IV, and V (vintages 2019-2022) reached cumulative commitments of nearly EUR 300 million. These funds have shown good returns: 3.91X multiple and 18.9% IRR for the Earlybird Growth Opportunities II Fund.
- Later, Earlybird expanded its strategic scope by introducing thematic fund verticals. Health Fund I was launched in 2017 with a EUR 85 million close, followed by Health Fund II in 2022, which nearly doubled in size to EUR 173 million, targeting innovative companies in life sciences and deep tech.

It can be summarised that the evolution of Earlybird exemplifies a modular scaling strategy: It expanded its reach by launching general early-stage, growth-focused and thematic funds operating under a common brand and investment philosophy. As of 2024, with 14 funds closed and a total committed capital base of approximately EUR 1.7 billion, Earlybird stands as a model of an early-stage fund with a notable presence in growth-stage financing.

Other fund managers that were analysed and seen as showcases of such strategy are Supernova Invest, Kurma Partners and Indaco Venture Partners.

This strategy needs to be distinguished from the practice of early-stage fund managers who may occasionally participate in later-stage rounds, but their role remains limited to co-investment, usually in follow-on rounds for existing portfolio companies. These fund managers rarely lead growth rounds or deploy significantly larger checks, instead opting to stay close to their original mandate. Their operational model remains rather unchanged as they rarely develop distinct internal capabilities or processes needed for growth equity fundraising and investment. Examples of such practices are transactions by 360 Capital, Mangrove Capital Partners, and Founders Future.

### **Growth fund managers with an industry focus**

This segment includes fund managers who focus on a specific industry or technology vertical while investing throughout Europe and beyond. Their competitive edge comes from deep technical knowledge and sectoral networks. They tend to invest globally, focusing on sectors such as HealthTech, CleanTech, SaaS and others. Many of these fund managers have teams of scientific or technical staff (particularly when investing in life sciences). It is also common to observe founders or investment managers with backgrounds in corporate innovation roles from the same industry bringing industry-specific knowledge and networks that are essential for identifying scalable technologies.

These fund managers aim to support portfolio companies by helping with growth, operations, and refining product-market fit.

Fund managers from this category also sometimes operate as corporate venture capital arms, especially in sectors such as energy, mobility, and healthcare (for example, Siemens Energy Ventures, L'Oreal BOLD). In such cases, the fund might benefit not only from the capital of the founding corporation but also from strategic alignment, technical validation, and access to market infrastructure.

#### **Case Study – Fountain Healthcare Partners**

Fountain Healthcare Partners is a thematic growth-stage fund manager aiming to invest in healthcare innovation. Across four funds launched between 2008 and 2024, the fund manager has over EUR 300 million under management, concentrating exclusively on biopharmaceuticals, speciality pharma, medical devices, diagnostics, and healthtech.

The fund manager's investment approach is driven by domain knowledge. Its team brings together a strong combination of scientific and commercial expertise, with several partners holding PhDs in fields such as biotechnology and chemistry. Portfolio companies often benefit from Fountain's connections to contract research organisations, hospital networks, and regional regulators, and advise on executive recruitment, particularly in clinical, finance, and go-to-market roles. Fountain most often leads or co-leads syndicates

From its first fund in 2008 to its most recent vehicles, including Fountain Healthcare Partners Fund III (2019) and Fund II Annex (2024), the fund manager kept the same investment model. The typical ticket size ranges from EUR 10 to 15 million, often targeting companies that have an early proof-of-concept and require growth capital to scale manufacturing, launch products, or expand into new markets. Consecutive funds raised have scaled in size from EUR 73 million (Fund I) to EUR 125 million (Fund III).

From a geographical perspective, Fountain operates both in Europe and North America, with a significant share of its investment in US-based biotech.

What sets Fountain apart is the consistency of its investment strategy: the funds raised targeted the same industry vertical with a slight increase in the size of the investment. The fund manager is successful in terms of performance, with its Fund I (2008) and Fund II (2014) achieving multiples of 1.8x and 2.3x, respectively, with net IRRs exceeding 20%.

Other examples of fund managers following a similar scaling path are HealthCap, Droia Oncology Ventures, and Future Energy Ventures.

### **Growth fund managers with a local or regional focus**

These fund managers emphasise regional presence and national market understanding, investing in growth companies across several sectors within a specific country or group of countries. Their source of competitiveness lies in their close access to the deal pipeline and ecosystem proximity, making them effective partners for domestic scaleups. Such fund managers also often receive funding from national or regional development agencies as well as from the European Investment Fund.

While such fund managers are usually sector-agnostic, their selection criteria often emphasise local champions and companies with the potential to dominate national markets or expand regionally. These funds may collaborate with sector specialists or international firms for technical due diligence or follow-on funding, but retain strong origination and post-investment support capabilities within their geography.

This model comes with inherent limitations as the sourcing and value creation are often tied to national or sub-national ecosystems. Examples of funds with this strategy are Région Sud Investissement, BOM Brabant Ventures.

## Large fund managers with diversified strategies

These fund managers operate a large array of funds with a broad mandate across multiple industries, geographies, and stages of investment. They often combine venture, growth equity, and sometimes debt or hybrid instruments under one umbrella. Their scale enables them to deploy capital flexibly, tailor investment structures, and allocate resources dynamically across the investment lifecycle.

Entry into growth equity is seen by such fund managers as a way to balance sector-specific risks and benefit from cross-portfolio synergies. These funds typically have substantial internal teams with specialist knowledge in sourcing, execution, and portfolio support, and often work with institutional LPs seeking multi-strategy exposure through a single relationship.

### Case Study – Atomico

Founded in 2006, Atomico is a European fund manager. Now managing around EUR 4.5 billion across six funds, Atomico operates as a hybrid venture and growth investor, with a distinctly structured platform to address opportunities from seed to pre-IPO stages.

The firm's core approach was historically executed through a single flagship fund; however, with Fund VI (vintage 2022), Atomico introduced a dual-vehicle structure: an early-stage venture fund and a dedicated growth-stage fund. This enabled Atomico to deepen its strategy-specific focus, with growth investing becoming a more stand-alone sub-strategy.

Atomico Growth (2022 vintage), a EUR 650 million fund, represents the firm's clearest push into growth equity. It targets investments from Series B through to pre-IPO, with initial tickets between EUR 17 million and EUR 45 million. The vehicle is investing globally, with the flexibility to back non-European headquartered firms, provided there is a strong European connection, such as European founders, a strong presence in the market, or expansion into the region. The vehicle was anchored by the European Investment Fund (EIF), which contributed close to 50% of the capital.

Beyond direct investment, Atomico previously maintained FoFs and an angel programme to reinforce pipeline generation and ecosystem development. This year, part of the FoF portfolio was sold to Kline Hill Partners, a PE group based in the US (Nicol-Schwarz & Lewin, 2025). Although no longer core pillars, these initiatives underscored Atomico's systemic approach to fostering European innovation.

In terms of LP base, Atomico exhibits a balanced profile across pension funds (~25%), insurers (10%), banks and asset managers (10%), and family offices (10%), with the EIF and British Patient Capital playing significant roles in its venture and growth vehicles. The Nordic region stands out for its high LP engagement, attributable to a long-standing cultural alignment with tech-forward and mission-driven investing.

Other funds showcasing this strategy: Inveready, Turenne Capital, AXA Venture Partners.

### Other strategies

While most European fund managers adopt one of the previously mentioned scaling models in growth equity, a few rather different growth paths have been observed, although more rarely.

**Strong growth stage focus:** One such group includes fund managers with a strong focus on growth stage but no apparent industry or regional specialisation. Typical investments for such funds are Series B and D, targeting companies in the scale-up phase. A flexible mandate allows them to pursue cross-border opportunities, placing emphasis on founder quality and performance rather than sector alignment.

**From buyout to growth investing:** Another less typical approach is for buyout fund managers to provide growth equity through minority positions in scaling businesses. These fund managers apply their experience in governance, operational efficiency, and financial structuring to the growth segment, often through newly established vehicles or dedicated teams. This strategy allows them to access earlier-stage opportunities while maintaining a disciplined investment model rooted in private equity.

European growth equity is characterised by a diverse range of strategic approaches, each shaped by the fund manager's investment philosophy. Taken together, these strategies illustrate the increasing sophistication and breadth of the European growth equity market, with fund managers adapting their models to capture different segments of the scaleup opportunity.

Based on the interviews held, two broad camps of fund managers emerge. On one hand, specialised fund managers (either defined by industrial or regional/geographic focus) usually see the size of their niche as the main factor shaping their ideal size and are not necessarily believers of 'the bigger the better' approach.

For industry-specific fund managers, the usual concerns are the limitations of respective industries in the EU and even beyond, resulting in a limited number of good targets to acquire. And importantly, because growth stage investment relies on a pipeline of companies emerging from early-stage companies, there is no easy way for such funds to increase the number of target companies in the EU. Consequently, a more likely approach for these funds to solve the limitation is by adopting a global investment strategy, which would probably later result in funds raised and deployed in other geographies.

For regionally focused fund managers, the size of target ecosystems is also a defining factor, as the ones focused on smaller ecosystems (Baltics and CEE more broadly, as an example) see limited benefit of aggressively scaling assets under management due to relatively smaller size of companies in the region and increased competition for best targets (champions) with both industry-focused funds and non-EU fund managers. When asked about potentially branching out into new regions,

fund managers were usually cautious about the ability to add value via such strategies.

Importantly, specialised fund managers are also more likely to be discouraged by scaling and cross-border fundraising barriers, such as requirements related to the full AIFM authorisation, marketing limitations and the high cost of compliance (see the full overview of barriers in Section 4).

The other camp is the more optimistic fund managers who see venture capital and private equity activity as a business that needs to be optimised to capture market opportunities in an efficient way. They are more likely to raise large funds and target larger growth and scale-up transactions in the EU. For these players, barriers to fundraising and cross-border investment are to be overcome by efficient advisory support and resources for compliance. Instead, they are more likely to consider the more conservative investment culture in the EU as an obstacle to their activities, to be solved by thought leadership and building cultural understanding. Importantly, such market players tend to be based not only in the EU but also in other geographies.

The takeaway is therefore that the fund managers with the right approach can scale in the EU, and it can be considered as an objective to be solved not by one initiative but by a complex program addressing available investment capital, competencies of the investor community and competitiveness of European technology companies.

#### **International examples of state-supported scaling mechanisms**

To contextualise the European experience, it's important to examine how other advanced economies have addressed similar scaling challenges. This section showcases programs from the US, UK and South Korea that are aimed at supporting the scaling-up of venture and growth capital funds. The cases illustrate different institutional approaches, such as government-backed FoFs, regulatory reforms to targeted sectoral investment vehicles, that aim to expand fund sizes, attract institutional capital, and foster long-term growth in strategic sectors.

**US** – Small Business Investment Company (SBIC) Program (Electronic Code of Federal Regulations, n.d.; Troutman Pepper, 2023; U.S. Small Business Administration, 2025; U.S. Small Business Administration, n.d.)

The SBIC Program, overseen by the U.S. Small Business Administration (SBA), supports small businesses by providing growth capital through licensed private investment funds known as SBICs. Companies eligible under the 1940 or 1980 Acts (investment / small business investment companies) can apply for an SBIC license, with a requirement to invest in small businesses across a variety of industries.

While SBICs are privately managed, they benefit from access to low-cost, government-backed loans. SBA can allocate up to USD 6 billion annually to these funds. The program includes different types of SBIC licenses to align with diverse investment strategies – from cash-flow-oriented debt investments to long-term equity funds and fund-of-funds models.

As of 2025, over 300 licensed SBICs manage more than USD 46 billion in combined public and private capital. In 2024 alone, USD 7.3 billion was invested in 2,625 small business loans. As an example, Plexus Capital, a private equity firm that focuses on providing capital to lower middle-market businesses, by 2022 had raised \$1.7 billion across five SBIC-backed credit funds and one private equity fund. (Business Wire, 2022)

**US – The Build to Scale Capital Challenge** (U.S. Economic Development Administration, n.d.; U.S. Economic Development Administration, 2023)

The Build to Scale Capital Challenge, managed by the U.S. Economic Development Administration, aims to improve access to capital in regions with limited equity funding. Although grants from the program cannot be used directly as investment capital, they support fund scaling by enhancing operational infrastructure, fostering investor engagement, and strengthening fund management for early-stage investment funds and networks. By providing grants of up to USD 750,000, the Capital Challenge helps organisations form, launch, or expand investment funds that deploy capital into scalable startups, driving the growth of regional technology clusters.

**UK – Public co-investment and anchor capital model**

The state-owned British Business Bank supports venture and growth equity markets through a coordinated fund-of-funds approach, leveraging both programmatic public co-investment and institutional capital.

Its **Enterprise Capital Fund (ECF)** (British Business Bank, n.d.-a; ScaleUp Institute, 2023) programme increases fund size and de-risks private capital by co-investing in VC funds. The programme itself is designed to address the equity gap that prevents many promising early-stage SMEs from accessing the capital they need to grow, by supporting fund managers who invest in these businesses. Each ECF is a fixed-life, privately managed fund, with the fund manager responsible for sourcing and managing investments. The programme typically backs two to three new funds annually. Over the lifetime of the ECF programme, the average size of a commitment for the selected funds has grown from around GBP 20 million to GBP 60 million. As for 2023, the ECF programme has supported 43 funds, investing over GBP 784 million.

As companies mature and enter the growth or scale-up phase, **British Patient Capital**, (British Business Bank, n.d.-b) a long-term investment vehicle managed by the British Business Bank, provides essential patient capital to innovative UK businesses. British Patient Capital invests indirectly through venture and growth equity funds and directly via co-investments, bridging the funding gap for capital-intensive, later-stage businesses.

Complementing this, the **Managed Funds Programme**, (British Business Bank, n.d.-c) launched in 2018 as part of the Government's Patient Capital Review, aims to unlock institutional capital, such as pension funds and insurance providers. The British Business Bank acts as an anchor investor in large private funds of funds that, in turn, invest in a diverse range of venture and growth capital funds supporting high-growth UK businesses. The programme's GBP 550 million commitment has been allocated across six delivery partners.

As part of efforts to boost life sciences in the UK, British Patient Capital launched the GBP 200 million **Life Sciences Investment Programme (LSIP)** (British Business Bank, n.d.-d) in 2021. Managed by the British Business Bank, LSIP aims to address the growth equity gap faced by high-potential UK life sciences companies by acting as a cornerstone investor in later-stage venture funds dedicated to the sector. The programme typically commits between GBP 50 million and GBP 100 million to each selected fund, targeting fund managers with strong UK ties and deep expertise in life sciences. To extend its impact, LSIP also partnered with Abu Dhabi's Mubadala Investment Company.

The **Long-term Investment for Technology and Science (LIFTS)** (British Business Bank, n.d.-e) initiative aims to unlock institutional capital, particularly from defined contribution pension funds, to support the UK's most innovative science and technology companies. It focuses on creating new funds or investment structures that channel long-term capital into high-growth sectors. In November 2024, following a call for proposals, the British Business Bank committed GBP 250 million to Schroders Capital's new Long-Term Asset Fund (LTAF, designed specifically for institutional investors. This investment was matched by GBP 250 million from Phoenix Group, creating a GBP 500 million vehicle expected to scale to over GBP 1 billion. The LTAF enables pension funds and other institutional investors to invest in late-stage UK science and technology companies, with around 20% of the fund allocated to life sciences.

#### **South Korea – Amendments to the financial investment services and capital markets act (FISCMA)** (Korea Legislation Research Institute, n.d.)

FISCMA is South Korea's main legal framework for securities transactions. Major amendments in 2015 and 2021 eased regulations on PE funds, modernising the private fund regime. (Shin & Kim, 2024)

Previously, PE funds were tightly regulated, causing limitations in investment scope, fundraising, and deal structuring. The reforms increased flexibility, lowered entry barriers for joint investments, and expanded capital formation.

Key regulatory changes included a shift from pre-registration to ex-post reporting, reducing administrative burden; permission to use multi-level SPVs; and the allowance for strategic investors to co-invest in PE-backed SPVs. Two fund types were introduced: general private funds (retail access, stricter rules) and institutional private funds (for qualified investors). Restrictions on property management and loan-based investments were removed, fund-level borrowing was permitted, and the investor number was raised from 50 to 100, broadening participation opportunities for individuals and institutions. (Chambers and Partners, 2024).

#### **South Korea – national investment vehicles for innovation and capital expansion**

In 2005, South Korea also started developing a government-backed FoF infrastructure to scale VC and PE funds. **KVIC** (Korea Venture Investment Corp., n.d.) operates as both an investment body and a government agency. By 2022, it supported 57% of all venture funds in Korea. Its core programme, the **Korea Fund of Funds (KFoF)** (Korea Venture Investment Corp., n.d.-a; Korea Venture Investment Corp., n.d.-b), allocates public capital to Partnership Funds managed

contrast to recent initiatives in the UK and US, where reforms have focused on strengthening institutional capacity and incentivising more dynamic capital allocation.

### **Case studies on reforms enabling greater pension fund participation: insights from the UK and South Korea**

In recent years, increasing institutional investor participation in venture and growth capital has become a prominent policy concern. Governments and regulators have recognised that unlocking pension fund capital, particularly within defined contribution (DC) schemes, could play a vital role in strengthening long-term productive finance. Importantly, the initiatives across different jurisdictions do not rely solely on ‘hard’ regulatory mandates. In many cases, they combine targeted legislative adjustments with voluntary commitments by institutional stakeholders, reflecting a more flexible and cooperative approach to mobilising capital for growth-oriented investments.

#### **UK – Mansion House Reforms and Pension Investment Review (ongoing) (HM Government, 2021; HM Government, 2024):**

Mansion House Reforms and Pension Investment Review was initiated to encourage pension schemes to allocate a greater share of their assets to unlisted equities, including VC and growth equity. “Venture Capital Investment Compact” was one of the measures initiated to bring together nine of the largest DC pension providers in the UK. These providers collectively committed to targeting a 5% allocation to unlisted equities by 2030. This initiative has fostered both political and

by private VCs that invest in startups and SMEs. Between 2014 and 2019, KFoF supported about 20% of all venture capital funds in Korea.

In 2013, KFoF launched the **Foreign VC Investment Fund (FVCIF)** (Korea Venture Investment Corp., n.d.-c; Korea Venture Investment Corp., 2025) to attract foreign capital into Korean startups. FVCIF only invests in funds managed by foreign fund managers who commit to managing a fund aimed at investing in Korean companies. The annual investment budget is around 100 million EUR (2025).

Founded in 2016, **K-Growth** (Korea Growth Investment Corp., n.d.) is another public FoFs platform focused on VC and PE. It invests in funds active in growth stages, managing around 6 billion EUR invested in 500 sub-funds. The largest sub-fund is the Growth Ladder Fund (GLF) that has already deployed over 2.5 billion EUR into 80+ VC/PE funds supporting 900+ SMEs.

**Korea Investment Corporation (KIC)** (Korea Investment Corporation, n.d.), South Korea’s SWF, manages foreign reserves through global long-term investments. While it focuses on equities, bonds, and real estate, 22% of its portfolio is in alternatives, including VC/PE. KIC allocates to global managers via FoFs or co-investments.

Key barriers to venture & growth capital fund activities).

industry-wide momentum toward expanding long-term, productive finance investments, with VC and PE funds positioned as primary beneficiaries.

**UK – Pension Charge Cap Reforms (2021-2023) (HM Government, 2021; HM Government, 2023):**

To address regulatory barriers that limited institutional activity in alternative assets, the UK government introduced reforms targeting fee structure regulation applicable to DC pension schemes. A 0.75% annual charge cap had previously discouraged investment in higher-fee asset classes such as VC and PE, as these often entail greater management intensity and associated costs, typically between 1.5% and 2.5% in annual fees. In 2023, amendments to these rules excluded specific performance-based fees from the cap, provided that such fees are only applied when returns exceed pre-set benchmarks. This regulatory shift created room for DC pension trustees to engage more actively in VC and PE strategies without breaching fee limits, thereby broadening institutional access to high-growth, innovation-oriented investments.

While both initiatives have succeeded in creating political momentum, unlocking regulatory pathways, and introducing new investment vehicles, their tangible impact is currently difficult to assess. Both the Mansion House Accord and the charge cap reforms were only recently introduced, and their full implementation is still underway.

**South Korea – Introduction of the Reference Portfolio Framework and Strategic Asset Allocation Adjustments (2024-2025) (MarketScreener, 2024; Open Korea, 2025; Lee, 2025):**

To enhance flexibility in asset management and overcome the limitations of a rigid benchmark-based system, South Korea's National Pension Service (NPS) implemented a strategic reform in 2024. Previously, NPS operated under fixed asset allocation targets, which constrained its responsiveness to market dynamics and made portfolio adjustments cumbersome. The 2024 reform introduced a Reference Portfolio Framework, replacing the fixed-allocation model with a more adaptive, strategy-driven approach.

Under the new approach, investments are categorised by risk rather than asset class, allowing the allocation to risk assets to increase from 56% to 65%. Importantly, the system also lifted restrictive caps on PE, real estate, and infrastructure allocations within the alternative investment segment.

Upon completion of this reform, the NPS set itself a target to achieve 15% allocation to alternative assets by 2029, and this objective was already surpassed by the end of 2024 (around 17% allocation was achieved).

To better answer the objectives of this study, a deep dive into institutional investor activity needs to be performed. For one thing, the usual approach is to research VC and PE sub-segments separately, while the objectives pursued require taking a mixed view and considering both VC and growth PE strategies that support the growth and scale-up stage of EU-based technology companies. Also, the usual

approach to referring to “Europe”<sup>36</sup> in research needs to be narrowed down to focus on EU-based growth-stage funds (European Investment Bank, 2024). Further, within these institutional investor types, both EU and non-EU-based entities are represented, and as the regulation in the EU affects EU and non-EU-based investors differently, the role of EU and non-EU-based institutional investors needs to be understood more clearly.

It is also important to gauge the behaviour patterns of institutional investors more closely, to see, for example, whether the allocations to this asset class are clustered in the domestic market of institutional investors, what the typical capital allocations are, and understand the expectations the investors hold towards this asset class in the EU. For these reasons, it is important to understand the underlying structure of investments in this segment in greater detail. Further sections, therefore, take the micro view and explore the investment allocations of institutional investors to growth-stage investment funds (both within VC and growth PE strategies) in terms of investor segments, geography of fundraising, investment strategies supported and return expectations.

## 2.2. Institutional investor activity in the EU venture and growth capital

During the last 10-15 years EU-based fund market has seen positive development, with steady growth in amounts raised and funds active in fundraising. Disregarding the boom-and-bust cycle of 2021-2023, it can be expected to see around 100 funds raising capital, with a total volume of around EUR 15 billion in this segment every year<sup>37</sup> (Figure 32).

**Figure 32. Annual fundraising – capital raised (EUR billion) and number of funds, 2022-2024<sup>38</sup>.**

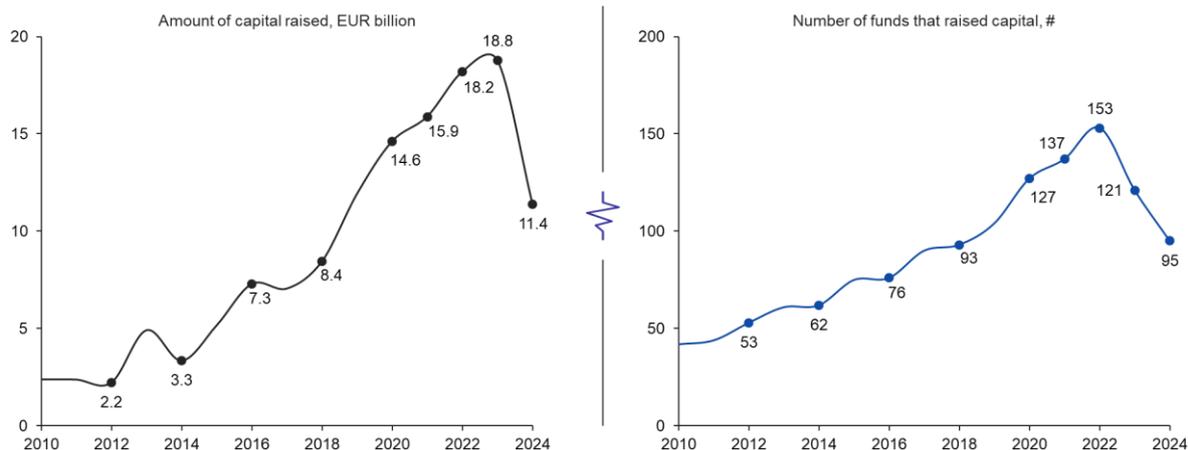
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<sup>36</sup> Within the broader region, UK and Switzerland are notable markets that overstate venture capital activity compared to EU-27.

<sup>37</sup> This analysis focuses exclusively on a selected segment of the EU-based venture and growth fund market, specifically funds investing between EUR 15 and 250 million. It excludes early-stage funds as well as funds from non-EU countries such as the UK, Switzerland, and Norway. As a result, the total capital raised, and the number of funds presented here reflect only a subset of the full European fundraising landscape.

<sup>38</sup> Data presented is based on filters applied in the Preqin database, covering the following strategies: VC General, VC Early Stage: Start-up, VC Expansion/Late Stage, and Growth. Only funds managed by EU-27-based managers are included. While the study targets funds investing EUR 15-250 million per deal, around 20% of capital raised went to funds operating outside this range.

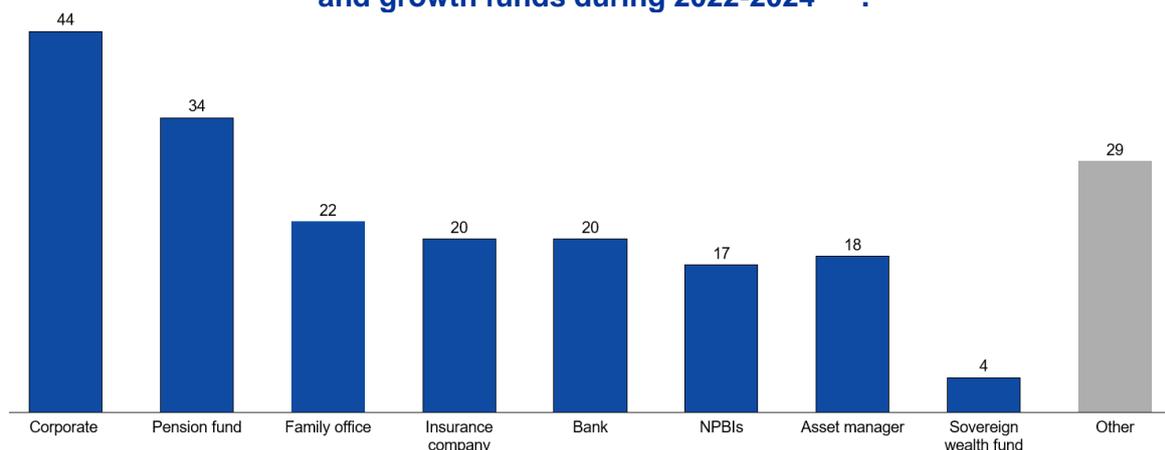
## Study of barriers to, and drivers of, the scaling-up of funds investing in innovative and growth companies



Source: Civitta analysis based on Preqin database.

Out of all investors that committed capital to funds located in EU-27, detailed data were available for 208 investors (Figure 33). Further analysis is based on this subset, assuming that this is a representative sample (see [Annex 1](#) for a detailed methodology).

**Figure 33. Number of institutional investors with commitments in the EU-27 venture and growth funds during 2022-2024<sup>39,40</sup>.**



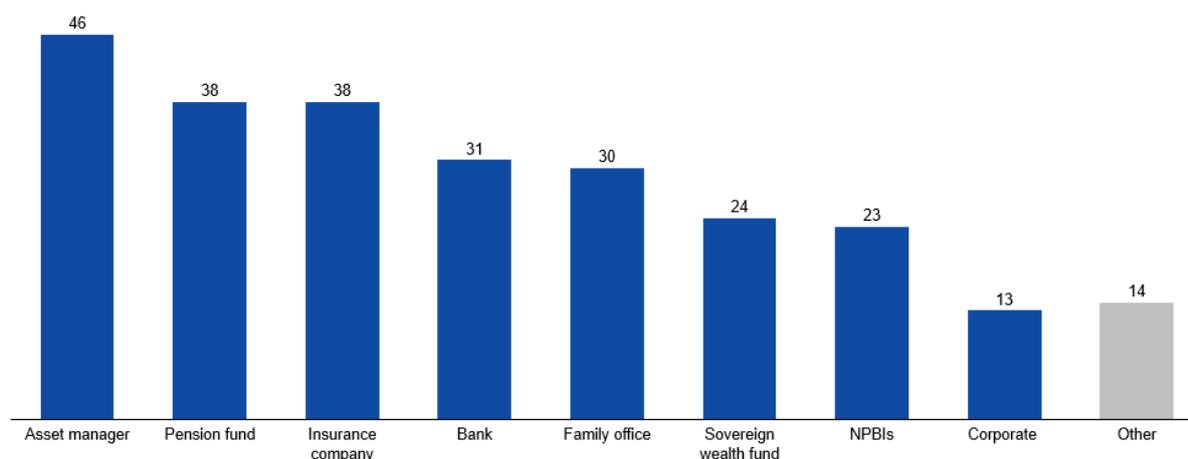
Source: Civitta analysis based on Preqin database.

While corporates are the most frequent investors in growth-stage funds, the average commitment size by these investors is the lowest (Figure 34). The largest average commitments are provided by asset managers, pension funds and insurance companies.

<sup>39</sup> Examples of investors classified under the “other” category include foundations, private equity firms, endowment plans, etc.

<sup>40</sup> Sovereign wealth funds were represented in the sample by the Belgium Federal Holding and Investment Company, Wallonie Entrepreneurs, the Alaska Permanent Fund Corporation, and the Ireland Strategic Investment Fund.

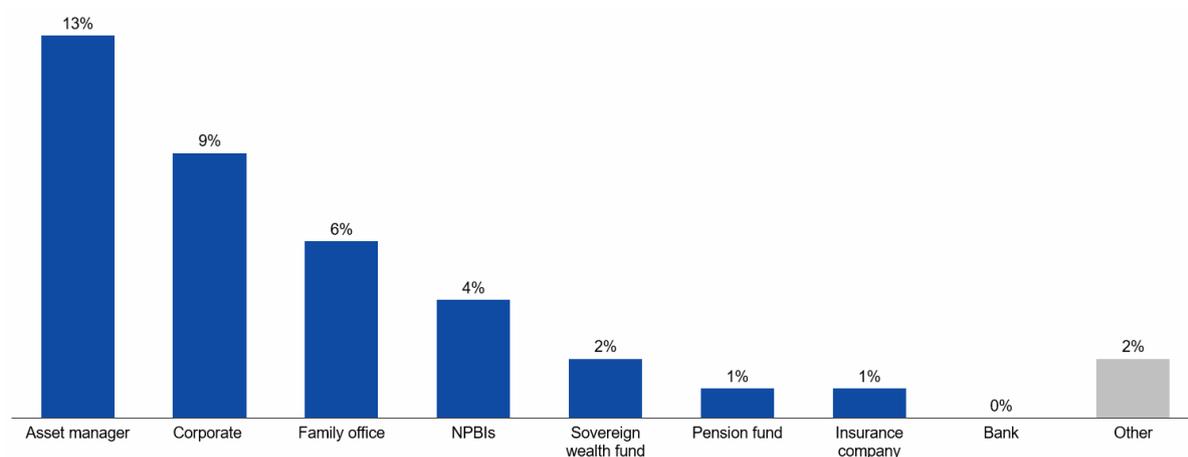
**Figure 34. Average commitment size by type of investors. EUR million. 2022-2024<sup>41</sup>.**



Source: Civitta analysis based on Preqin database.

The share of capital allocated to EU-based fund managers varies significantly across investor types. This metric was calculated by comparing the estimated commitments of each investor to EU-based funds against their total assets under management (both sourced from the Preqin database). In other words, for each investor, we estimated how much they had committed to EU-based funds and expressed it as a percentage of their total AuM<sup>42</sup>. Asset managers allocate the highest share of their AuM to EU-based funds (13%), followed by corporate investors (9%) and family offices (6%), while banks allocate close to zero per cent. (Figure 35).

**Figure 35. Share of assets (AuM in case of investment funds) committed to EU-based venture and growth capital funds by investor type, % of total assets/AuM, 2022-2024.**



Source: Civitta analysis based on Preqin database.

<sup>41</sup> Asset management category refers to institutional investors managing third-party capital and investing in EU-based venture and growth funds. Common examples include AXIS Participaciones, PMV, and Covéa Finance.

<sup>42</sup> According to the Preqin database, investor AuM refers to the total market value of all investments managed by an investor, including both alternative and non-alternative assets. This includes private equity, hedge funds, private debt, infrastructure, equities, fixed income, cash, and other asset classes.

Investors committing to funds managed by EU-27 fund managers are also predominantly based in the EU (164 out of 208 disclosed, or 79%). Among other regions, the rest of Europe and the US<sup>43</sup> are the most frequent locations (Figure 36).

**Figure 36. Institutional investor count by region of origin, #, 2022-2024<sup>44</sup>.**



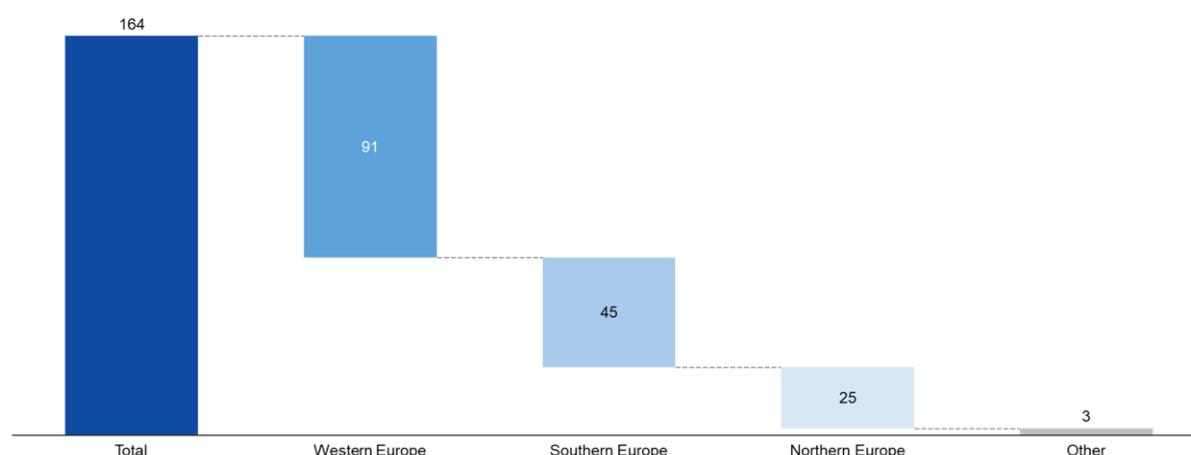
Source: Civitta analysis based on Preqin database.

Western Europe is the primary source of institutional investors within the EU (approximately 56%). Southern Europe accounts for 45 investors, followed by Northern Europe (Sweden, Finland and Denmark) with 25 (Figure 37). The data indicates that investments from Southern Europe are generally smaller and more fragmented (average of EUR 40.3 million per investor) compared to those from Western (EUR 58.2 million) and Northern Europe (EUR 51.6 million).

**Figure 37. Institutional investor count by region of EU, #, 2022-2024.**

<sup>43</sup> The “Europe (excluding EU)” category includes investors from the United Kingdom (11), Switzerland (4), and Norway (2). The “Other” category consists of South Korea (3), Canada (3), Japan (1), Ivory Coast (1), Thailand (1), and Australia (1).

<sup>44</sup> The database includes only those investors committing capital to EU-based fund managers, based on disclosed data from target transactions. As a result, investors based in jurisdictions such as Kuwait, Qatar, Singapore, and other non-EU countries may be underrepresented if they have not committed capital to EU-based funds or have not disclosed such transactions in Preqin, public sources (e.g. Crunchbase), or Dealroom.co datasets within the covered period.



Source: Civitta analysis based on Preqin database.

When exploring the geography of investment strategies, the following main observations can be derived (Figure 38):

- Domestic exposure is in the range of 15-30% for most investor types, except for banks (36%).
- Cross-country EU strategy is not popular among pension funds (not a single transaction), banks, corporates and 'other' (below 12%), and more frequent for the NPBI segment (35%) and sovereign wealth funds (although the number of transactions is rather low). For the remaining segments, this strategy is seen in around 20% of cases. This may reflect a tendency among pension funds and similar private investors to favour domestic markets or familiar international destinations such as the US, rather than engaging in cross-border EU strategies.
- Allocation to Cross Country EU-Global strategies tends to be most frequent (around 40-50% of all fund commitments across LP types), potentially signifying that this is a dominant fund investment strategy.
- While the Non-EU-Global strategy remains relatively marginal across most investor categories, it holds a much larger share among pension funds and "other" segments. This limited uptake may nonetheless be influenced by the gradual increase in activity of non-European asset managers within the EU market.

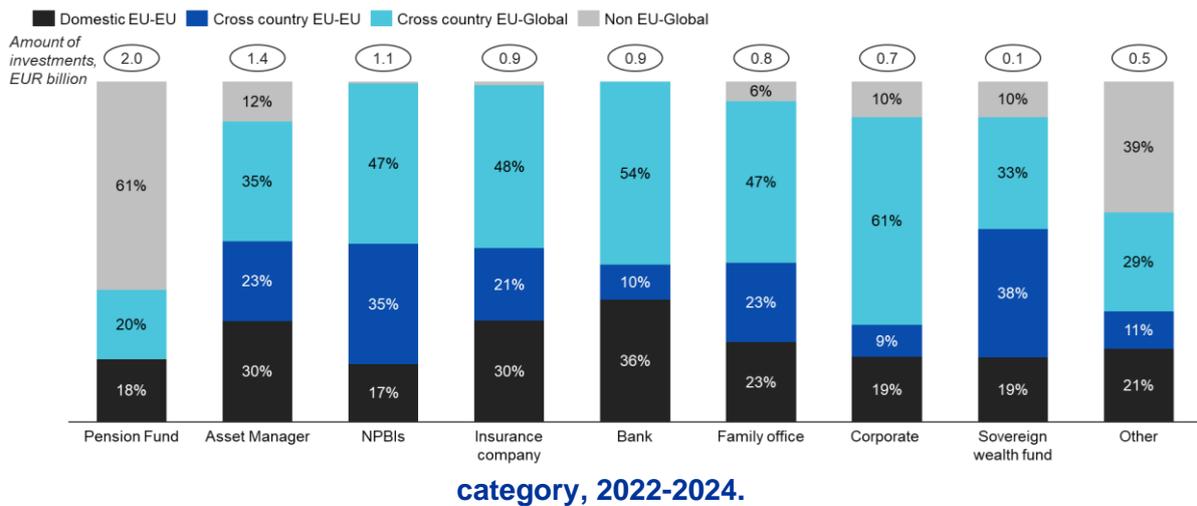
It is important to understand these choices from an institutional investor perspective, drawing the lines where exposure to funds with different geographical strategies is dictated by policy considerations, higher comfort with the EU market, return considerations, or willingness to support the strategic objectives of the European technology companies with interests outside of the EU.

Despite a somewhat optimistic outcome of this analysis pointing to a dominant focus on Europe-centric investment, it is also a product of selection bias, as only investors with exposure to EU-based investment funds were in scope. Therefore, this analysis does not capture the perspective of EU-based institutional investors that allocate

capital exclusively to non-EU funds, even if they are pursuing venture capital or growth-stage strategies covering the EU as one of the markets.

However, there is no evidence that any EU-based institutional investors allocate exclusively to non-European alternatives. In practice, almost all have at least some, albeit minimal, exposure to European alternative funds. This is typically concentrated in large pan-European buyout funds or public–private vehicles supported by initiatives such as the EIF. Even in countries with the weakest domestic alternative markets, most institutional portfolios include occasional allocations to local or pan-European funds, either directly or via FoF structures.

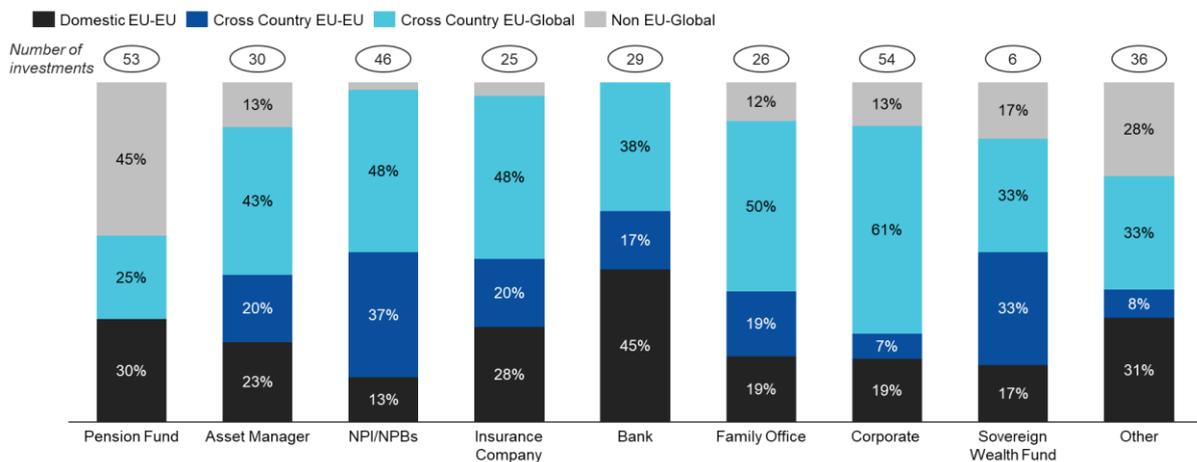
**Figure 38. Share of amount of investments by transaction type within each investor**



Source: Civitta analysis based on Preqin database.

Geographical patterns are not only reflected in the volume of capital committed but also closely mirrored in the number of investments (Figure 39). Notably, pension funds recorded no cross-country EU-EU transactions during the observed period.

**Figure 39. Share of number of investments by transaction type within each investor category, 2022-2024.**

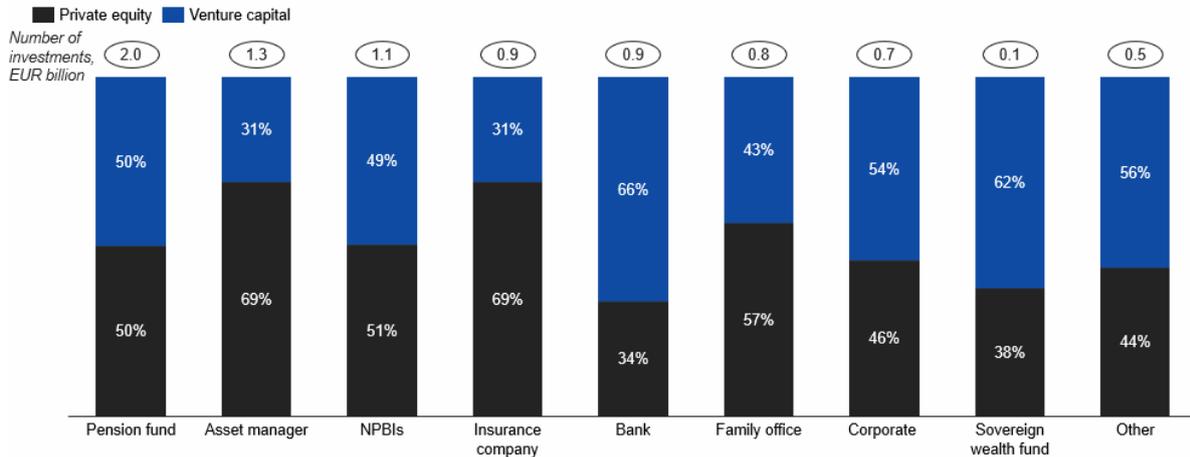


Source: Civitta analysis based on Preqin database.

Growth PE and VC fundraising are roughly on par, fluctuating around 50% for each, depending on the year (Figure 40). Allocations by asset managers and insurance

companies are most skewed towards growth PE (close to 70%), in line with a more conservative approach. In this regard, larger allocation to VCs by banks (66%) and pension funds (50%<sup>45</sup>) is somewhat more surprising, as well as the allocation by NPBIs which was expected to be higher for VCs.

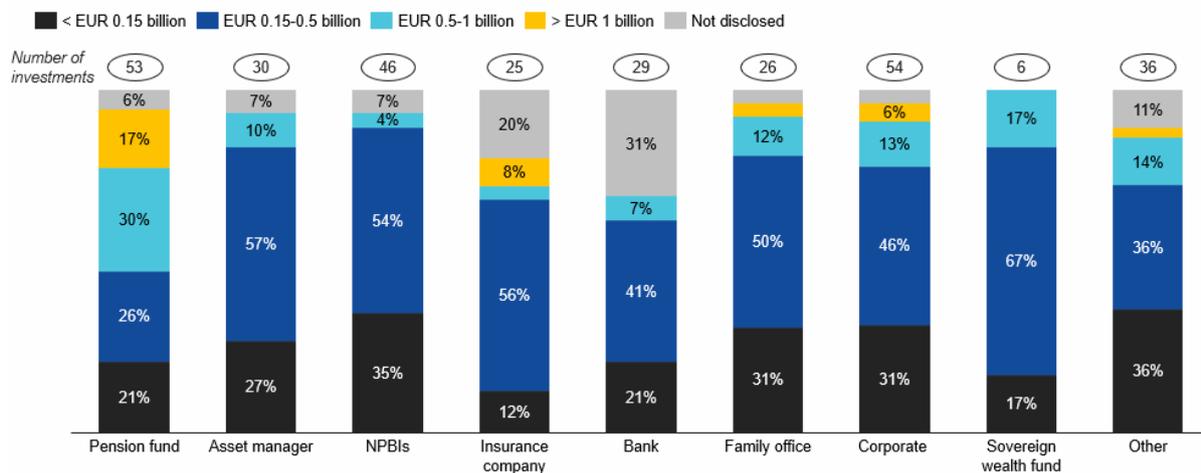
**Figure 40. VC vs. PE Allocation by investor, share of total investment commitments in Private Equity, %, 2022-2024.**



Source: Civitta analysis based on Preqin database.

The most frequent type of fund by total commitments is within the 150-500 million range (Figure 41), broadly in line with the most frequent fund size in Europe<sup>46</sup>. Pension funds have a more balanced allocation, with almost 50% of investments directed to funds above EUR 500 million.

**Figure 41. Distribution of investments by investor type and fund size bracket, 2022-2024.**



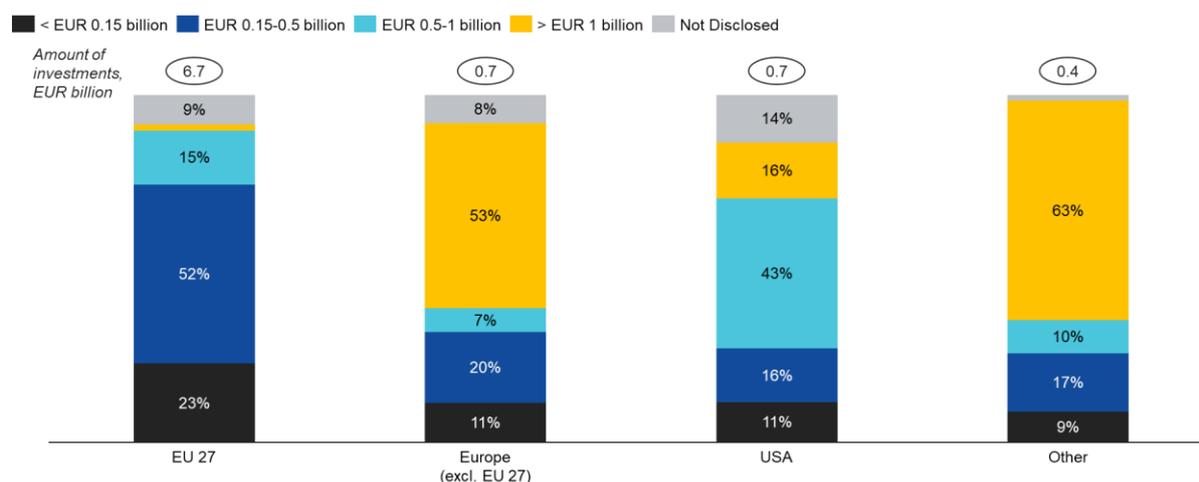
Source: Civitta analysis based on Preqin database.

<sup>45</sup> Interviewed participants generally note that Pension funds prefer to invest into PE funds that are generally larger, have longer track records and more mature reporting processes.

<sup>46</sup> Based on Invest Europe report, annually around 100-150 funds raise below EUR 100 million, 80-120 within EUR 100-500 million, 15-25 within EUR 500-1,000, and around 20 above 1 billion (Invest Europe, 2024).

From a geographical perspective, EU-based investors predominantly allocate their capital to smaller fund managers, with over 70% of their investments directed toward such funds (less than EUR 500 million). In contrast, investors from outside the EU primarily focus on larger funds (Figure 42).

**Figure 42. Distribution of capital commitments by investor region and fund size bracket, 2022-2024<sup>47</sup>.**



Source: Civitta analysis based on Preqin database.

The geographical allocation of capital commitments in 2022-2024 reflects the distribution of estimated commitments to EU-based funds, based on the location of the fund managers (Table 6). Western Europe attracted most of the capital, with estimated commitments reaching EUR 5.3 billion. This was followed by Southern Europe with EUR 1.8 billion, and Northern Europe with EUR 1.3 billion.

**Table 6. Geographic allocation of capital commitments by investor type and fund manager geography, EUR billion, 2024<sup>48</sup>.**

	Western Europe	Southern Europe	Northern Europe	Central and Eastern Europe	TOTAL, EUR billion
Pension fund	41%	21%	38%	0%	2.0
Asset manager	61%	31%	8%	0%	1.4
NPBIs	57%	36%	5%	3%	1.1
Insurance company	73%	9%	18%	0%	0.9
Bank	81%	16%	2%	0%	0.9
Family office	81%	19%	1%	0%	0.8
Corporate	69%	16%	15%	0%	0.7
Sovereign wealth fund	100%	0%	0%	0%	0.1
Other	66%	17%	11%	6%	0.5

<sup>47</sup> Within the “Europe excl. EU 27” category, the United Kingdom accounts for approximately 80% of the capital commitments

<sup>48</sup> The percentage is calculated based on the total amount the investor has committed in the region.

Study of barriers to, and drivers of, the scaling-up of funds investing in innovative and growth companies

<b>TOTAL, EUR billion</b>	<b>5.3</b>	<b>1.8</b>	<b>1.3</b>	<b>0.05</b>	<b>8.5</b>
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Source: Civitta analysis based on Preqin database.

It seems that institutional capital commitments have been highly concentrated in a few European countries, with France-based fund managers attracting the largest share, followed by those in the Netherlands, Germany, and Italy. The data in Table 7 suggests that institutional investor activity remains relatively fragmented in most of the EU geographies, with only limited and sporadic participation from the largest institutional investors, particularly pension funds and insurance companies.

**Table 7. Investment commitments by investor type and fund manager location (Top 7 Countries in the EU), EUR million, 2024<sup>49</sup>.**

	France	Netherlands	Germany	Italy	Sweden	Spain	Luxembourg	Other	TOTAL
Asset manager	4%	2%	1%	1%		4%	1%	3%	16%
NPBIs	4%	1%	1%	3%		1%		3%	12%
Insurance company	7%					1%		2%	11%
Bank	2%	1%	6%	1%		1%			11%
Family office	1%	2%	3%			1%		1%	9%
Corporate	3%	1%	2%	1%				1%	9%
Sovereign wealth fund	1%							1%	2%
Pension fund	2%	6%	1%	5%	9%				2%
Other	1%	2%		1%				2%	6%
<b>TOTAL</b>	<b>25%</b>	<b>15%</b>	<b>15%</b>	<b>12%</b>	<b>10%</b>	<b>8%</b>	<b>2%</b>	<b>13%</b>	<b>100%</b>

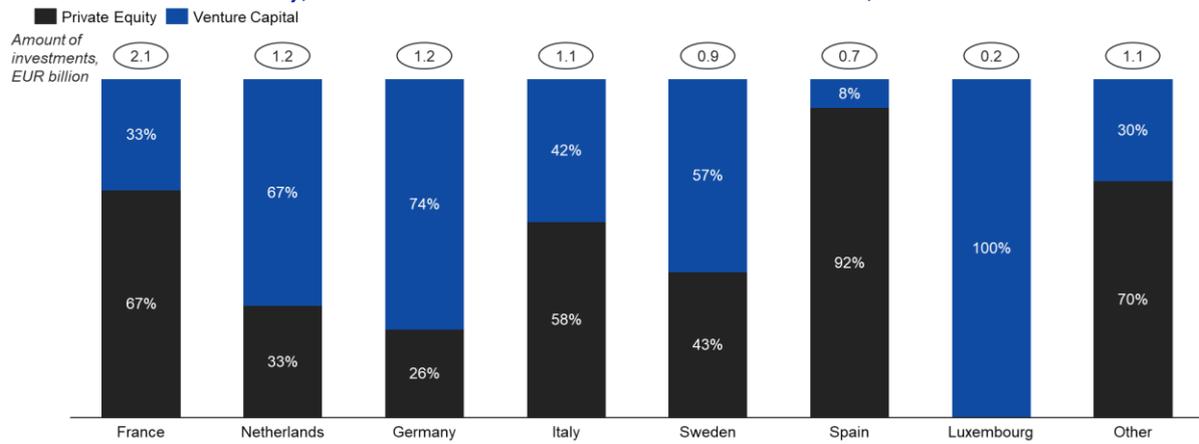
Source: Civitta analysis based on Preqin database.

In terms of the relative weight of private equity versus venture capital (Figure 43), investors deploying funds in the Netherlands, Germany and Luxembourg<sup>50</sup> show a strong focus on venture capital, while France and Spain are more oriented toward private equity. Sweden and Italy present a relatively balanced mix.

<sup>49</sup> 100% equals to EUR 8.4 billion.

<sup>50</sup> Analysis presented in the chart is based on the location of the fund manager, rather than the jurisdiction where the fund is registered. While many funds are domiciled in Luxembourg for regulatory or administrative reasons, they are often managed from other countries.

**Figure 43. VC vs. PE Allocation by country of fund location (Top 7 countries in the EU), share of total investment commitments, 2024.**



Source: Civitta analysis based on Preqin database.

### 3. Scaling strategies of the venture & growth capital funds

#### 3.1. Drivers and barriers to consolidation of EU venture and growth capital fund managers

Over the last 15 years, various forms of collaboration – softer forms like syndication, middle-of-the-road solutions like long-term strategic partnerships, and full consolidation through acquisitions or mergers (M&A) – among fund managers in the EU have been used as business development strategies. This section outlines and illustrates both drivers and trends in collaboration and consolidation among fund managers, as well as barriers that fund managers face when engaging in such activities.

Considering collaboration among fund managers more broadly, data analysis and interview evidence suggest that particular forms of collaboration, such as syndication or partnership, occur frequently in the EU and globally, at an individual transaction level. **These mechanisms for pooling capital have allowed EU-based funds to create larger tickets, access more advanced funding rounds and provide access to deals in new geographies and segments that would not be otherwise reachable**, as discussed in previous sections. Multiple interviewees refer to syndication as a strategy to implement routinely, especially by smaller, less experienced VCs.

Following several successful co-investments, some fund managers choose to deepen collaboration by choosing a middle-of-the-road solution, acting as serial co-investors and partners, sometimes establishing non-equity joint ventures or other forms of strategic partnerships for the co-investment purposes, usually implying consistent deal flow and knowledge-sharing with little to no integration beyond these. The two broad barriers to such forms of co-investment pointed out during the interviews were 1) the increased complexity of negotiating the deal structure and 2) the increased complexity of managing investments during the holding period, as the complexity of company boards increases alongside the number of investors. Despite these barriers, such forms of collaboration remain popular.

While it may seem natural to expect consolidation of smaller funds facing cost and competitive pressures both in fundraising and deal flow, the data shows that more integrated forms of **consolidation among fund managers are rather rare in the venture and growth capital industry**. Globally, the number of consolidation cases among asset managers (all types, including PE) has been growing over the last decade and peaked at 75 deals in 2022, after slightly declining to 69 deals in 2023<sup>51</sup>; however, this trend does not translate to deals among venture and growth capital

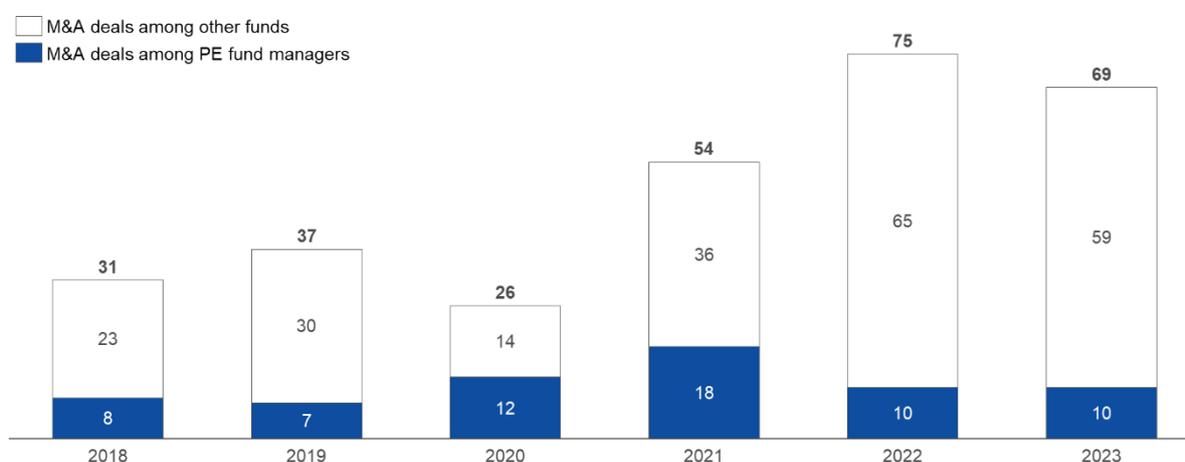
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<sup>51</sup> Data for 2023 covers transactions up to 30 July, the full-year figure (69 deals) was estimated by extrapolating from the number of deals observed in this partial period.

funds (PE fund managers at large). In 2023, there were only 10 consolidation deals involving PE fund managers, consistent with the level recorded in 2023 (Figure 44).

In fact, in more mature and consolidated ecosystems like the US, there is some evidence for the opposite trend: there are some signs of unbundling of large “mega-funds” after a phase during which the local market remained relatively consolidated, whereby partners depart to establish boutique funds to leverage their network<sup>52</sup>. This speaks to the fact that benefits from consolidation may not outweigh the freedom of decision-making and individual returns for the individual fund managers. Personal motivation is key in view of a bigger responsibility for the success of the fund of an individual fund manager and, subsequently, a proportionally larger carried interest distribution (Chronograph, 2024).

**Figure 44. Number of M&A deals among PE and funds with other strategies globally, 2018-2023.**



Source: Woodman, A., 2023; Hamlin, J., 2023.

Following the global trend, consolidation **at the fund management company level – fund manager M&A – remains rare in the European venture and growth ecosystem**. Only 9 cases of venture and private equity fund M&A deals involving some degree of merging operations have been identified between 2010 and 2024<sup>53</sup> where an EU-based target was involved (Table 8). It is observable from the consolidation sample that the merging fund managers are usually already large: no acquirer’s or partnership leader fund’s assets under management were below EUR 900 million, and no target fund’s assets were below EUR 100 million at the time preceding the transaction. In addition, all intra-EU instances of consolidation included both fund managers from the same jurisdictions – **no EU cross-border mergers took place between 2010 and 2024**. In three instances, an EU-based fund management company was acquired by a non-EU player.

<sup>52</sup> According to an interviewee with the knowledge of the US venture and growth ecosystem.

<sup>53</sup> Based on Pitchbook and Mergermarkets data.

**Table 8. Fund M&A deals with an EU-based target, 2010-2024.**

Fund Manager 1	Fund Manager 2	F1 AuM EUR billion	F2 AuM EUR billion	Year	FM1 Country	FM2 Country	Transaction type
Molten Ventures	Early Bird VC	1.4	2	2024	UK	Germany	Strategic Partnership / Merger
General Catalyst	La Famiglia VC	22	0.3	2023	US	Germany	Merger
Gaw Capital	C2 Capital	33	0.2	2023	Hong Kong	Portugal	Acquisition
Eurazeo	Idinvest Partners	18.5	8	2018; 2020 <sup>54</sup>	France	France	Acquisition
Turenne Capital	Innovacom	0.9	0.2	2017; 2019	France	France	Acquisition
360 Capital	Robolution Capital	0.3	0.1	2016	France	France	Acquisition
CapMan	Norvestia Growth Equity	2.8	0.1	2016	Finland	Finland	Acquisition
Siparex Groupe	XAnge	1.2	0.3	2015	France	France	Acquisition
Eurazeo	Ofi Private Equity	4	0.1	2011	France	France	Acquisition

Source: Civitta analysis based on Mergermarket database, Pitchbook database.

### 3.1.1. Drivers of fund managers consolidation through M&A

Existing studies on the drivers and barriers to the fund manager M&A are relatively scarce. Those reviewed emphasise, on the one hand, **diversification** and, on the other hand, **efficiency improvements** as key drivers for funds to engage in M&A (Capolaghi, 2024).

Firstly, fund managers may acquire other funds to achieve diversification in asset classes, geographies, customer channels and services without needing to build the expertise or function from zero. As a result of diversification, combined and larger funds should have enhanced ability to navigate market fluctuations and to seize emerging opportunities across multiple verticals, as well as be better prepared to offer follow-on investments. As a result, such diversified funds might hold more appeal for potential LPs with a promise of larger returns.

<sup>54</sup> The transaction was executed in two tranches, with the total investment value from Eurazeo estimated at EUR 310 million (PE Hub, 2018).

**Diversification through geographic expansion** appears to be the primary driver behind acquisitions of EU-based fund managers by their foreign counterparts, as firms seek to establish a permanent footprint within the European market.

**Case study – Gaw Capital acquisition of C2 Capital (Iberian Property, 2023)**

**Main rationale:** Expanding geographic footprint to the EU; diversifying strategy to venture capital.

After its acquisition of the Portuguese VC firm C2 Capital in 2023, Hong Kong-based private equity and real estate firm Gaw Capital has announced plans to invest between EUR 200-300 million in Portugal.

Prior to the acquisition, C2 Capital was supporting internationally competitive Portuguese companies in industries such as life sciences, biotechnologies, and other commercial and industrial sectors, particularly those with high R&D intensity. Its typical investment ticket size was around EUR 10 million. This continued with the help of Gaw Capital, using its network to **help C2's portfolio companies expand their distribution network globally**. At the same time, Gaw brought their global expertise in corporate growth and real estate development to Portugal.

Beyond venture capital, Gaw Capital has leveraged its presence in Portugal to expand its core real estate business. As a result of the merger, both companies retained their brand identity.

**Diversification through new strategies expansion** is frequently realised through talent acquisition, potentially instrumental in eliminating the need to build the team from scratch in the case when, for instance, a private equity firm wants to acquire capabilities in venture capital. By acquiring teams with a proven track record in the target strategy, fund managers can accelerate their market entry, guarantee the upstream or downstream dealflow for follow-on investments and mitigate risks associated with launching new funds.

**Case study – Siparex Group acquisition of XAnge (La Banque Postale & Siparex, 2015)**

**Main rationale:** Strengthening the international presence of a combined entity; diversifying strategy to venture capital.

The acquisition of XAnge by Siparex in 2015 was driven by a goal to strengthen firms' international presence and broaden service lines in VC and mid-market private equity investments. Siparex has identified XAnge as the acquisition target after a co-investment deal in which fund managers participated. Siparex, with EUR 1.2 billion in AuM, specialised in financing SMEs and mid-tier companies, while XAnge **brought expertise in innovation and technology investments**, managing EUR 315 million at the time of the merger. As a result of the merger, both companies retained their brand identity. The merger **strengthened its combined international presence**, with a joint entity operating across France, Germany, Italy, Spain, and North Africa

Secondly, **general operational efficiency** could theoretically be a consolidation rationale for smaller investment firms that must bear the costs of operations and

compliance as they adhere to fragmented and evolving regulatory standards. Sometimes, M&A with another fund manager could be a solution to ease the burden, potentially allowing the achievement of economies of scale. However, in practice, **the potential for cost synergies among fund managers often remains limited**, considering that most operational and administrative costs aggregate on a per-fund or per-portfolio company basis (for instance, staff needs, fund marketing costs, supervisory fees, reporting requirements). In addition, potential efficiency savings may not outweigh the cost of the merger and post-merger integration. More broadly, cost pressure is not the main concern for the EU-based fund managers, who generally can sustain their operations from the market-standard level of management fees. At the same time, some savings on fixed costs (e.g., IT systems, office costs) or knowledge investments (e.g., understanding the legal environment in a new investment jurisdiction or the impact of a new EU regulation) may be realised successfully.

**Case study – CapMan acquisition of Norvestia (CapMan Annual Report, 2016; CapMan Plc, 2017)**

**Main rationale:** Capturing cost synergies; diversifying strategy to private equity growth investments.

CapMan's acquisition of Norvestia in 2016 strengthened its position in the Northern European PE market by expanding its investment strategy. The expansion bridged the gap between VC and buyout investment funds managed by CapMan before the transaction, **allowing them to enter the growth segment**. The acquisition increased the growth investment capacity to approximately EUR 200 million.

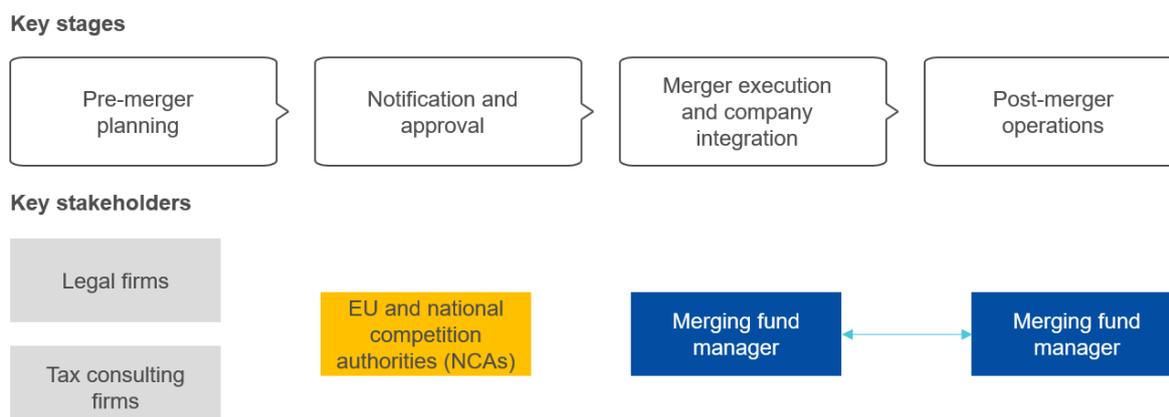
According to the acquirer, the acquisition generated cost and financing synergies, with estimated annual savings for the combined entity **exceeding EUR 3 million against a combined operating cost base of EUR 5.4 million** at the time of acquisition, (~56%), due to removing overlapping operations, lower fixed costs, centralised administration and reduced financial costs, among other factors.

As a result of the acquisition, the Norvestia brand was fully absorbed by CapMan on the grounds of having stronger recognition in the Northern Europe market.

### 3.1.2. Barriers to fund managers consolidation through M&A

Barriers to consolidation through fund manager M&A arise from a range of regulatory, legal, and tax considerations, but, perhaps most importantly, soft strategic considerations. These can emerge at various stages of the process, from the initial assessment and planning of a transaction, through the submission of notifications to competition authorities, to the integration of operations and ongoing post-merger fund management (Figure 45).

**Figure 45. Overview of the fund manager M&A process.**



Source: Civitta analysis.

Multiple barriers surface already at the pre-merger planning stage, with the “softer” barriers featuring prominently in the interview evidence. Multiple fund managers interviewed point to the overly **subjective valuations of the assets involved in the acquisition of a VC fund manager** as a barrier to M&A. Firstly, because of fluctuating valuations of early-stage companies, it is rather difficult to arrive at a fair price for the VC portfolio companies, putting the acquirer in a precarious position. In addition, it is even more challenging to estimate the value of the investment team and their expertise, which is arguably another important asset. At least with respect to the ease of determining the target portfolio value, consolidation in the growth private equity space is more attractive.

When discussing regulatory aspects that may influence initiating and conducting the fund manager M&A, the AIFMD full authorisation threshold of EUR 500 million may act as a disincentive for smaller fund managers to increase assets through consolidation. This may occur, on the one hand, due to the unwillingness to undergo the licensing process and face additional burden of reporting and governance requirements and, on the other hand, due to the additional risks introduced if the merger process and post-merger integration coincide with authorisation and operational changes.

A broad regulatory & legal concern is related to **the lack of a dedicated regulatory framework for AIFM and AIF mergers**, which may become an obstacle at the approval and execution stages. Unlike the UCITS framework, which provides a harmonised procedure for fund mergers, the AIFMD does not include specific provisions addressing the regulatory treatment of such operations. As a result, the supervision and authorisation of AIFM or AIF mergers are left to national legislators and, ultimately, to supervisors, who apply national rules and practices on a case-by-case basis. This fragmented approach can create inefficiencies and delays, particularly in cross-border transactions, and may hinder consolidation in the AIF market.

In addition, these regulatory, legal and tax barriers may become an obstacle during the merger execution process, based on the existing literature:

- **Lack of guidance on the supervisory jurisdiction** (in particular, in Directive 2017/1132) that overrides others in the case of a cross-border merger that retains subsidiaries in several jurisdictions, with implications for reporting requirements, applicable fees and structure of fund operations.
- **Uncertainty about taxation** (capital gains, carried interest taxation) applied to the newly established cross-border fund manager in the case of cross-border M&A due to the risk of double taxation and/or unfavourable tax treatment and risks of volatility of tax rules (PwC Luxembourg, 2024).
- **Complications related to banking procedures** impacting the process of combining assets; this is particularly relevant for financial institutions such as funds, as asset consolidation, especially cross-border, often requires restructuring banking relationships and fund flows, delaying capital deployment and integration (Vistra, 2025).
- **Diverging national accounting principles** can affect and delay financial consolidation and complicate operating principles (Vistra, 2025).

Interviews held with fund managers who underwent consolidation prove that the **actual integration of fund manager entities faces many uncertainties, especially when the transactions are cross-border**. Interviewees refer to the above barriers and other problems, such as **combining entities with different legal forms, uncertainties in portfolio valuation and risk assessment approaches prescribed to a combined entity, and integrating two sets of LPs on both sides of the transaction**, which cause fund managers to doubt their ability to reap benefits from combined operations. Since the key barriers predominantly apply to cross-border setups, this may also account for the predominantly domestic nature of EU-based transactions, with firms merging or acquiring peers within the same Member State. Similar findings were indicated by research into UCITS funds, concluding that regulatory, operational, and market-specific barriers continue to limit consolidation efforts in UCITS funds (EFAMA, 2025).

At the post-merger stage, culture integration may be an even more important factor than formal integration, according to interviewees with experience in consolidation. Frequently, consolidation can be felt years after the transaction because of the difference in corporate cultures. It may be challenging to obtain a successful combination of strategy and brand for the merged entity, especially in the case of VC funds, which are reliant on expertise and networks of individual fund managers, both of which directly translate into fund strategy. Due to this having an outsized impact on the investment team, post-merger integration may be an extremely difficult process for venture and growth capital fund managers. If unsuccessful, it may result in key personnel departing due to the cultural clashes, which often contradict the very purpose of the acquisition.

From a broader point of view, VC acquisitions are unattractive due to overly subjective valuations of the target firm portfolio, according to interview insights. As a result of fluctuating valuations of early-stage companies, it is difficult to put a fair price on the VC firm, putting the acquirer in a precarious position. It is even more

challenging to measure the impact of the team and their expertise, which is, as mentioned, an important asset. These two factors further decrease the attractiveness of VC acquisition. On the other hand, consolidation in the growth private equity space is perceived as somewhat more attractive due to more easily valued portfolio and more easily identifiable skills.

**Overall, data analysis and interview insights show that, in practice, fund manager M&A has been a relatively rare occurrence over the past decade in the EU.** Being mostly a tool to realise specific business development strategies (geographic or vertical expansion), more characteristic of larger funds and providing limited benefits to smaller funds, consolidation through M&A is not top-of-mind among EU-based fund managers. Fund managers interviewed believe that, rather than scaling through M&A, the successful implementation of a consistent investment strategy and value creation in the portfolio companies are key to superior returns, which may result in gaining LP trust and fundraising larger amounts. They see those processes as mostly dependent on the competencies of individual investment managers that are less subject to scale and may be destroyed by an unsuccessful merger leading to the loss of talent, for instance. At the same time, cost pressure is not the main concern for fund managers, as the potential for synergies remains limited in comparison with the cost of M&A itself and post-merger integration.

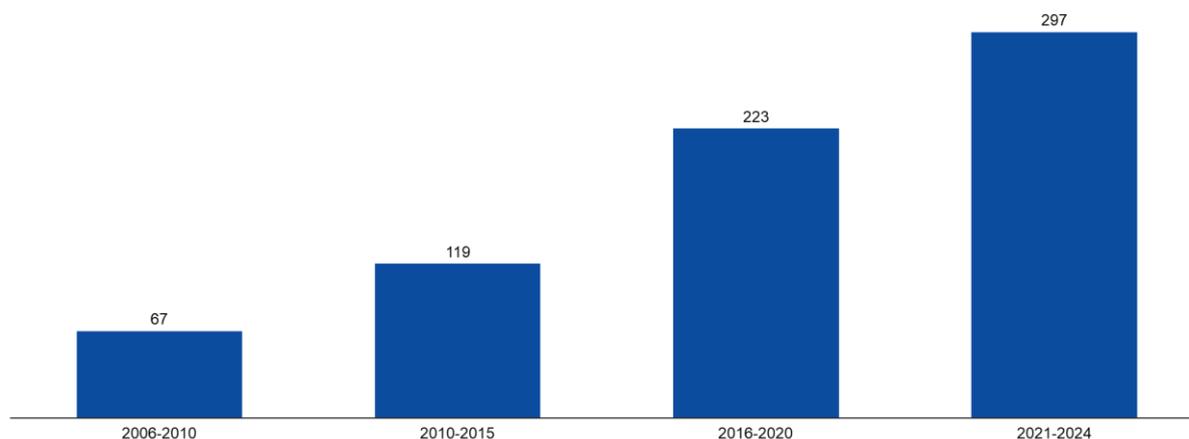
### 3.2. Alternative ways to reach scale

As discussed in the previous section, consolidation is not the main strategy fund managers use to scale in the EU. However, alternative approaches are used by venture and growth fund managers to increase AuM, expand investor reach, and enhance operational efficiency across successive fund vintages. Some of the important markers of successful scaling are organisational adjustments: expanding investment teams, enhancing governance structures, refining value-creation capabilities to expand deal flow and more complex transactions. Exploring these strategies is essential for understanding how fund managers evolve from launching their first funds to becoming established players in the EU venture and growth capital ecosystem.

Having in mind the purpose of this study, this section is focused on mechanisms that improve the chances of growth-stage companies being funded. 'Scaling', therefore, will refer to the expansion of growth-focused funds or fund managers specialised in other strategies entering or significantly increasing AuM dedicated to growth strategies.

The context for the scaling discussion is positive: the number of growth stage-focused funds in the European Union has been growing over the past 2 decades (Figure 46), and since 2021, nearly 300 funds have been raised. While some of these funds are raised by first-time managers, many more represent fund managers scaling their presence in this space.

**Figure 46. Number of growth strategy-focused funds (VC and PE) in the EU grouped by vintage as of 01/06/2025.**



Source: Preqin database.

Upon examining fundraising efforts of EU fund managers, it is possible to distinguish four main “scaling journeys”:

- **Early-stage fund managers scaling into the growth stage:** Some of the funds raised or transactions completed occur when an early-stage fund manager enters the growth stage financing. The most usual scenarios are for such a manager to raise a fund with a growth investment strategy, or to raise an annex fund to carry out follow-up investments into portfolio companies maturing out of their early-stage portfolio.
- **Growth fund managers with an industry focus:** Another large part of the market is represented by growth fund managers raising multiple funds focused on a particular industry (life sciences, technology or other). Such managers rely on industry-specific competences and expertise networks to identify targets and grow company value, and tend to be less focused on geography.
- **Growth fund managers with a local, national or regional focus:** Another widespread approach is a geographical focus. It can be narrow (specific regions of France or Germany), member-state level (for example, focus on Poland or Bulgaria) or regional (for example, Nordic). Such managers rely on a superior understanding of their selected market, knowledge of potential targets and a deep understanding of regulatory and support ecosystems to create value.
- **Large fund managers with diversified strategies:** Some instances of scaling in growth financing are due to diversification of strategies; for example, a buyout fund manager fundraising a growth Private Equity fund. It needs to be said that these instances are much rarer. Each of these growth paths is discussed below with case studies of EU-based funds that pursued such a scaling mechanism.

## Early-stage fund managers scaling into the growth stage

These fund managers typically emerge from a national or regional market with a focus on early-stage investments (Seed or Series A). Over time, they evolve and sometimes extend their reach into later-stage, growth-focused rounds. Their growth often correlates with the maturing of portfolio companies and increased fund size in subsequent vintages, allowing them to deepen involvement and occasionally lead Series B and C rounds.

While they continue fundraising early-stage funds, **their internal capabilities grow to support more complex deals and value creation in later stages through growth-stage funds.** It is still common for such firms to manage a mix of early-stage and growth funds, reflecting a strategy of supporting companies in later stages and maintaining flexibility in capital deployment.

### Case Study – Earlybird Venture Capital

Earlybird Venture Capital was founded in 1997 and initially focused on the DACH region, specialising in emerging technology companies. While from the outset, Earlybird pursued early-stage investments in Europe, over time, the fund scaled into the growth stage.

- At first, Earlybird focused on early-stage funding with its initial fund (Earlybird Fund I/II, vintage 1999), and subsequent funds in 2001 (Fund III) and 2007 (Digital West Fund IV).
- In 2012, Earlybird raised its Digital West Fund V, which achieved the best performance among early-stage funds with a net multiple of 2.71X and a net IRR of 12.9%.
- The fund manager introduced its growth strategy with Growth Opportunities Funds, a family of vehicles designed to support later-stage rounds. Beginning in 2009, these funds grew significantly in sophistication and scale.
- Growth Opportunities III, IV, and V (vintages 2019-2022) reached cumulative commitments of nearly EUR 300 million. These funds have shown good returns: 3.91X multiple and 18.9% IRR for the Earlybird Growth Opportunities II Fund.
- Later, Earlybird expanded its strategic scope by introducing thematic fund verticals. Health Fund I was launched in 2017 with a EUR 85 million close, followed by Health Fund II in 2022, which nearly doubled in size to EUR 173 million, targeting innovative companies in life sciences and deep tech.

It can be summarised that the evolution of Earlybird exemplifies a modular scaling strategy: It expanded its reach by launching general early-stage, growth-focused and thematic funds operating under a common brand and investment philosophy. As of 2024, with 14 funds closed and a total committed capital base of approximately EUR 1.7 billion, Earlybird stands as a model of an early-stage fund with a notable presence in growth-stage financing.

Other fund managers that were analysed and seen as showcases of such strategy are Supernova Invest, Kurma Partners and Indaco Venture Partners.

This strategy needs to be distinguished from the practice of early-stage fund managers who may occasionally participate in later-stage rounds, but their role remains limited to co-investment, usually in follow-on rounds for existing portfolio companies. These fund managers rarely lead growth rounds or deploy significantly larger checks, instead opting to stay close to their original mandate. Their operational model remains rather unchanged as they rarely develop distinct internal capabilities or processes needed for growth equity fundraising and investment. Examples of such practices are transactions by 360 Capital, Mangrove Capital Partners, and Founders Future.

### **Growth fund managers with an industry focus**

This segment includes fund managers who focus on a specific industry or technology vertical while investing throughout Europe and beyond. Their competitive edge comes from deep technical knowledge and sectoral networks. They tend to invest globally, focusing on sectors such as HealthTech, CleanTech, SaaS and others. Many of these fund managers have teams of scientific or technical staff (particularly when investing in life sciences). It is also common to observe founders or investment managers with backgrounds in corporate innovation roles from the same industry bringing industry-specific knowledge and networks that are essential for identifying scalable technologies.

These fund managers aim to support portfolio companies by helping with growth, operations, and refining product-market fit.

Fund managers from this category also sometimes operate as corporate venture capital arms, especially in sectors such as energy, mobility, and healthcare (for example, Siemens Energy Ventures, L'Oreal BOLD). In such cases, the fund might benefit not only from the capital of the founding corporation but also from strategic alignment, technical validation, and access to market infrastructure.

#### **Case Study – Fountain Healthcare Partners**

Fountain Healthcare Partners is a thematic growth-stage fund manager aiming to invest in healthcare innovation. Across four funds launched between 2008 and 2024, the fund manager has over EUR 300 million under management, concentrating exclusively on biopharmaceuticals, speciality pharma, medical devices, diagnostics, and healthtech.

The fund manager's investment approach is driven by domain knowledge. Its team brings together a strong combination of scientific and commercial expertise, with several partners holding PhDs in fields such as biotechnology and chemistry. Portfolio companies often benefit from Fountain's connections to contract research organisations, hospital networks, and regional regulators, and advise on executive recruitment, particularly in clinical, finance, and go-to-market roles. Fountain most often leads or co-leads syndicates

From its first fund in 2008 to its most recent vehicles, including Fountain Healthcare Partners Fund III (2019) and Fund II Annex (2024), the fund manager kept the same investment model. The typical ticket size ranges from EUR 10 to 15 million, often targeting companies that have an early proof-of-concept and require growth capital to scale manufacturing, launch products, or expand into new markets. Consecutive funds raised have scaled in size from EUR 73 million (Fund I) to EUR 125 million (Fund III).

From a geographical perspective, Fountain operates both in Europe and North America, with a significant share of its investment in US-based biotech.

What sets Fountain apart is the consistency of its investment strategy: the funds raised targeted the same industry vertical with a slight increase in the size of the investment. The fund manager is successful in terms of performance, with its Fund I (2008) and Fund II (2014) achieving multiples of 1.8x and 2.3x, respectively, with net IRRs exceeding 20%.

Other examples of fund managers following a similar scaling path are HealthCap, Droia Oncology Ventures, and Future Energy Ventures.

### **Growth fund managers with a local or regional focus**

These fund managers emphasise regional presence and national market understanding, investing in growth companies across several sectors within a specific country or group of countries. Their source of competitiveness lies in their close access to the deal pipeline and ecosystem proximity, making them effective partners for domestic scaleups. Such fund managers also often receive funding from national or regional development agencies as well as from the European Investment Fund.

While such fund managers are usually sector-agnostic, their selection criteria often emphasise local champions and companies with the potential to dominate national markets or expand regionally. These funds may collaborate with sector specialists or international firms for technical due diligence or follow-on funding, but retain strong origination and post-investment support capabilities within their geography.

This model comes with inherent limitations as the sourcing and value creation are often tied to national or sub-national ecosystems. Examples of funds with this strategy are Région Sud Investissement, BOM Brabant Ventures.

### **Large fund managers with diversified strategies**

These fund managers operate a large array of funds with a broad mandate across multiple industries, geographies, and stages of investment. They often combine venture, growth equity, and sometimes debt or hybrid instruments under one umbrella. Their scale enables them to deploy capital flexibly, tailor investment structures, and allocate resources dynamically across the investment lifecycle.

Entry into growth equity is seen by such fund managers as a way to balance sector-specific risks and benefit from cross-portfolio synergies. These funds typically have substantial internal teams with specialist knowledge in sourcing, execution, and

portfolio support, and often work with institutional LPs seeking multi-strategy exposure through a single relationship.

### **Case Study – Atomico**

Founded in 2006, Atomico is a European fund manager. Now managing around EUR 4.5 billion<sup>55</sup> across six funds, Atomico operates as a hybrid venture and growth investor, with a distinctly structured platform to address opportunities from seed to pre-IPO stages.

The firm's core approach was historically executed through a single flagship fund; however, with Fund VI (vintage 2022), Atomico introduced a dual-vehicle structure: an early-stage venture fund and a dedicated growth-stage fund. This enabled Atomico to deepen its strategy-specific focus, with growth investing becoming a more stand-alone sub-strategy.

Atomico Growth (2022 vintage), a EUR 650 million fund, represents the firm's clearest push into growth equity. It targets investments from Series B through to pre-IPO, with initial tickets between EUR 17 million and EUR 45 million<sup>56</sup>. The vehicle is investing globally, with the flexibility to back non-European headquartered firms, provided there is a strong European connection, such as European founders, a strong presence in the market, or expansion into the region. The vehicle was anchored by the European Investment Fund (EIF), which contributed close to 50% of the capital.

Beyond direct investment, Atomico previously maintained FoFs and an angel programme to reinforce pipeline generation and ecosystem development. This year, part of the FoF portfolio was sold to Kline Hill Partners, a PE group based in the US (Nicol-Schwarz & Lewin, 2025). Although no longer core pillars, these initiatives underscored Atomico's systemic approach to fostering European innovation.

In terms of LP base, Atomico exhibits a balanced profile across pension funds (~25%), insurers (10%), banks and asset managers (10%), and family offices (10%), with the EIF and British Patient Capital playing significant roles in its venture and growth vehicles. The Nordic region stands out for its high LP engagement, attributable to a long-standing cultural alignment with tech-forward and mission-driven investing.

Other funds showcasing this strategy: Inveready, Turenne Capital, AXA Venture Partners.

### **Other strategies**

While most European fund managers adopt one of the previously mentioned scaling models in growth equity, a few rather different growth paths have been observed, although more rarely.

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<sup>55</sup> USD 5 billion

<sup>56</sup> USD 20 to 50 million.

**Strong growth stage focus:** One such group includes fund managers with a strong focus on growth stage but no apparent industry or regional specialisation. Typical investments for such funds are Series B and D, targeting companies in the scale-up phase. A flexible mandate allows them to pursue cross-border opportunities, placing emphasis on founder quality and performance rather than sector alignment.

**From buyout to growth investing:** Another less typical approach is for buyout fund managers to provide growth equity through minority positions in scaling businesses. These fund managers apply their experience in governance, operational efficiency, and financial structuring to the growth segment, often through newly established vehicles or dedicated teams. This strategy allows them to access earlier-stage opportunities while maintaining a disciplined investment model rooted in private equity.

European growth equity is characterised by a diverse range of strategic approaches, each shaped by the fund manager's investment philosophy. Taken together, these strategies illustrate the increasing sophistication and breadth of the European growth equity market, with fund managers adapting their models to capture different segments of the scaleup opportunity.

Based on the interviews held, two broad camps of fund managers emerge. On one hand, specialised fund managers (either defined by industrial or regional/geographic focus) usually see the size of their niche as the main factor shaping their ideal size and are not necessarily believers of 'the bigger the better' approach.

For industry-specific fund managers, the usual concerns are the limitations of respective industries in the EU and even beyond, resulting in a limited number of good targets to acquire. And importantly, because growth stage investment relies on a pipeline of companies emerging from early-stage companies, there is no easy way for such funds to increase the number of target companies in the EU. Consequently, a more likely approach for these funds to solve the limitation is by adopting a global investment strategy, which would probably later result in funds raised and deployed in other geographies.

For regionally focused fund managers, the size of target ecosystems is also a defining factor, as the ones focused on smaller ecosystems (Baltics and CEE more broadly, as an example) see limited benefit of aggressively scaling assets under management due to relatively smaller size of companies in the region and increased competition for best targets (champions) with both industry-focused funds and non-EU fund managers. When asked about potentially branching out into new regions, fund managers were usually cautious about the ability to add value via such strategies.

Importantly, specialised fund managers are also more likely to be discouraged by scaling and cross-border fundraising barriers, such as requirements related to the full AIFM authorisation, marketing limitations and the high cost of compliance (see the full overview of barriers in Section 4).

The other camp is the more optimistic fund managers who see venture capital and private equity activity as a business that needs to be optimised to capture market

opportunities in an efficient way. They are more likely to raise large funds and target larger growth and scale-up transactions in the EU. For these players, barriers to fundraising and cross-border investment are to be overcome by efficient advisory support and resources for compliance. Instead, they are more likely to consider the more conservative investment culture in the EU as an obstacle to their activities, to be solved by thought leadership and building cultural understanding. Importantly, such market players tend to be based not only in the EU but also in other geographies.

The takeaway is therefore that the fund managers with the right approach can scale in the EU, and it can be considered as an objective to be solved not by one initiative but by a complex program addressing available investment capital, competencies of the investor community and competitiveness of European technology companies.

#### **International examples of state-supported scaling mechanisms**

To contextualise the European experience, it's important to examine how other advanced economies have addressed similar scaling challenges. This section showcases programs from the US, UK and South Korea that are aimed at supporting the scaling-up of venture and growth capital funds. The cases illustrate different institutional approaches, such as government-backed FoFs, regulatory reforms to targeted sectoral investment vehicles, that aim to expand fund sizes, attract institutional capital, and foster long-term growth in strategic sectors.

**US – Small Business Investment Company (SBIC) Program** (Electronic Code of Federal Regulations, n.d.; Troutman Pepper, 2023; U.S. Small Business Administration, 2025; U.S. Small Business Administration, n.d.)

The SBIC Program, overseen by the U.S. Small Business Administration (SBA), supports small businesses by providing growth capital through licensed private investment funds known as SBICs. Companies eligible under the 1940 or 1980 Acts (investment / small business investment companies) can apply for an SBIC license, with a requirement to invest in small businesses across a variety of industries.

While SBICs are privately managed, they benefit from access to low-cost, government-backed loans. SBA can allocate up to USD 6 billion annually to these funds. The program includes different types of SBIC licenses to align with diverse investment strategies – from cash-flow-oriented debt investments to long-term equity funds and fund-of-funds models.

As of 2025, over 300 licensed SBICs manage more than USD 46 billion in combined public and private capital. In 2024 alone, USD 7.3 billion was invested in 2,625 small business loans. As an example, Plexus Capital, a private equity firm that focuses on providing capital to lower middle-market businesses, by 2022 had raised \$1.7 billion across five SBIC-backed credit funds and one private equity fund. (Business Wire, 2022)

**US – The Build to Scale Capital Challenge** (U.S. Economic Development Administration, n.d.; U.S. Economic Development Administration, 2023)

The Build to Scale Capital Challenge, managed by the U.S. Economic Development Administration, aims to improve access to capital in regions with limited equity funding. Although grants from the program cannot be used directly

as investment capital, they support fund scaling by enhancing operational infrastructure, fostering investor engagement, and strengthening fund management for early-stage investment funds and networks. By providing grants of up to USD 750,000, the Capital Challenge helps organisations form, launch, or expand investment funds that deploy capital into scalable startups, driving the growth of regional technology clusters.

### **UK – Public co-investment and anchor capital model**

The state-owned British Business Bank supports venture and growth equity markets through a coordinated fund-of-funds approach, leveraging both programmatic public co-investment and institutional capital.

Its **Enterprise Capital Fund (ECF)** (British Business Bank, n.d.-a; ScaleUp Institute, 2023) programme increases fund size and de-risks private capital by co-investing in VC funds. The programme itself is designed to address the equity gap that prevents many promising early-stage SMEs from accessing the capital they need to grow, by supporting fund managers who invest in these businesses. Each ECF is a fixed-life, privately managed fund, with the fund manager responsible for sourcing and managing investments. The programme typically backs two to three new funds annually. Over the lifetime of the ECF programme, the average size of a commitment for the selected funds has grown from around GBP 20 million to GBP 60 million. As for 2023, the ECF programme has supported 43 funds, investing over GBP 784 million.

As companies mature and enter the growth or scale-up phase, **British Patient Capital**, (British Business Bank, n.d.-b) a long-term investment vehicle managed by the British Business Bank, provides essential patient capital to innovative UK businesses. British Patient Capital invests indirectly through venture and growth equity funds and directly via co-investments, bridging the funding gap for capital-intensive, later-stage businesses.

Complementing this, the **Managed Funds Programme**, (British Business Bank, n.d.-c) launched in 2018 as part of the Government's Patient Capital Review, aims to unlock institutional capital, such as pension funds and insurance providers. The British Business Bank acts as an anchor investor in large private funds of funds that, in turn, invest in a diverse range of venture and growth capital funds supporting high-growth UK businesses. The programme's GBP 550 million commitment has been allocated across six delivery partners.

As part of efforts to boost life sciences in the UK, British Patient Capital launched the GBP 200 million **Life Sciences Investment Programme (LSIP)** (British Business Bank, n.d.-d) in 2021. Managed by the British Business Bank, LSIP aims to address the growth equity gap faced by high-potential UK life sciences companies by acting as a cornerstone investor in later-stage venture funds dedicated to the sector. The programme typically commits between GBP 50 million and GBP 100 million to each selected fund, targeting fund managers with strong UK ties and deep expertise in life sciences. To extend its impact, LSIP also partnered with Abu Dhabi's Mubadala Investment Company.

The **Long-term Investment for Technology and Science (LIFTS)** (British Business Bank, n.d.-e) initiative aims to unlock institutional capital, particularly from defined contribution pension funds, to support the UK's most innovative science and technology companies. It focuses on creating new funds or

investment structures that channel long-term capital into high-growth sectors. In November 2024, following a call for proposals, the British Business Bank committed GBP 250 million to Schroders Capital's new Long-Term Asset Fund (LTAF, designed specifically for institutional investors. This investment was matched by GBP 250 million from Phoenix Group, creating a GBP 500 million vehicle expected to scale to over GBP 1 billion. The LTAF enables pension funds and other institutional investors to invest in late-stage UK science and technology companies, with around 20% of the fund allocated to life sciences.

### **South Korea – Amendments to the financial investment services and capital markets act (FISCMA)** (Korea Legislation Research Institute, n.d.)

FISCMA is South Korea's main legal framework for securities transactions. Major amendments in 2015 and 2021 eased regulations on PE funds, modernising the private fund regime. (Shin & Kim, 2024)

Previously, PE funds were tightly regulated, causing limitations in investment scope, fundraising, and deal structuring. The reforms increased flexibility, lowered entry barriers for joint investments, and expanded capital formation.

Key regulatory changes included a shift from pre-registration to ex-post reporting, reducing administrative burden; permission to use multi-level SPVs; and the allowance for strategic investors to co-invest in PE-backed SPVs. Two fund types were introduced: general private funds (retail access, stricter rules) and institutional private funds (for qualified investors). Restrictions on property management and loan-based investments were removed, fund-level borrowing was permitted, and the investor number was raised from 50 to 100, broadening participation opportunities for individuals and institutions. (Chambers and Partners, 2024).

### **South Korea – national investment vehicles for innovation and capital expansion**

In 2005, South Korea also started developing a government-backed FoF infrastructure to scale VC and PE funds. **KVIC** (Korea Venture Investment Corp., n.d.) operates as both an investment body and a government agency. By 2022, it supported 57% of all venture funds in Korea. Its core programme, the **Korea Fund of Funds (KFoF)** (Korea Venture Investment Corp., n.d.-a; Korea Venture Investment Corp., n.d.-b), allocates public capital to Partnership Funds managed by private VCs that invest in startups and SMEs. Between 2014 and 2019, KFoF supported about 20% of all venture capital funds in Korea.

In 2013, KFoF launched the **Foreign VC Investment Fund (FVCIF)** (Korea Venture Investment Corp., n.d.-c; Korea Venture Investment Corp., 2025) to attract foreign capital into Korean startups. FVCIF only invests in funds managed by foreign fund managers who commit to managing a fund aimed at investing in Korean companies. The annual investment budget is around 100 million EUR (2025).

Founded in 2016, **K-Growth** (Korea Growth Investment Corp., n.d.) is another public FoFs platform focused on VC and PE. It invests in funds active in growth stages, managing around 6 billion EUR invested in 500 sub-funds. The largest sub-fund is the Growth Ladder Fund (GLF) that has already deployed over 2.5 billion EUR into 80+ VC/PE funds supporting 900+ SMEs.

**Korea Investment Corporation (KIC)** (Korea Investment Corporation, n.d.), South Korea's SWF, manages foreign reserves through global long-term investments. While it focuses on equities, bonds, and real estate, 22% of its portfolio is in alternatives, including VC/PE. KIC allocates to global managers via FoFs or co-investments.

## 4. Key barriers to venture & growth capital fund activities

As quantitatively illustrated in previous sections, the EU venture and growth capital landscape continues to face impediments that prevent larger fund sizes and larger ticket sizes from materialising in the ecosystem, despite ongoing policy attention. Over the past two decades, barriers across the investment lifecycle, including fundraising, capital deployment, and scaling, have been repeatedly acknowledged by the European Commission, and several CMU and other policy initiatives have attempted to address some of these barriers. To accelerate the progress on smoother capital flows in the EU, both domestic and cross-border, it is necessary to compile a comprehensive and detailed review of the remaining barriers – including those that are inherent in the existing EU regulations concerning the investors in funds and funds and fund managers themselves; those that have been subject to gold-plating in the national laws; impediments in the realm of taxation; as well as other, structural and market barriers that prevent or stall fund activities.

This section attempts to aggregate relevant knowledge on the barriers to venture and growth capital funds operations and capital deployment on the regulatory, legal, tax and market dimensions: from existing studies on the topic to opinions of stakeholders – potential LPs, existing LPs and fund managers, and via the review of existing regulatory frameworks and legislation.

To disentangle and assess the impact of various barriers, this study adopts the approach of assigning the barriers to the stages of the fund lifecycle at which they most frequently manifest themselves. While the interplays of effects may be complex, it is useful to classify the barriers into those that appear at the fundraising stage, those that appear at the investment and post-investment stage and those that impact the general fund operations (indirectly impacting the previous two key processes).

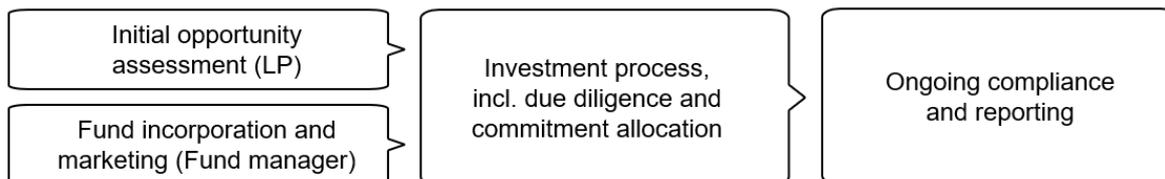
### **What constitutes a barrier to fundraising**

Barriers that especially manifest themselves during the time when the fund manager approaches potential LPs for an investment, whilst the potential LPs evaluate the opportunity to invest, as well as during the process of preparing the documentation, conducting due diligence, transferring the monetary commitment and, finally, during the holding period, are considered “barriers to fundraising”. It must be noted that some barriers in the fundraising process are more familiar and applicable to institutional investors, while others, first and foremost, impact fund managers – this must be considered when interpreting the findings.

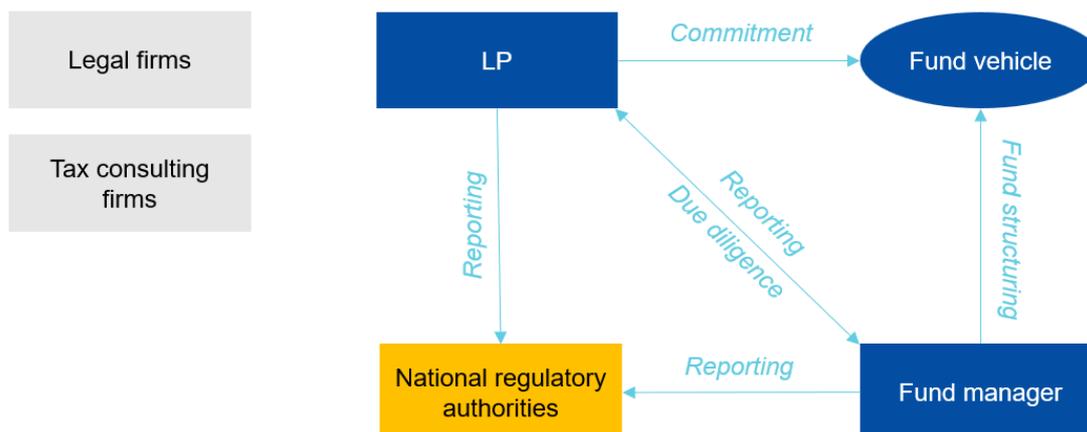
Below is a schematic overview of the various stages of the fundraising process from the point of view of fund managers and potential LPs (Figure 47).

**Figure 47. Overview of the fundraising process.**

**Key stages**



**Key stakeholders**



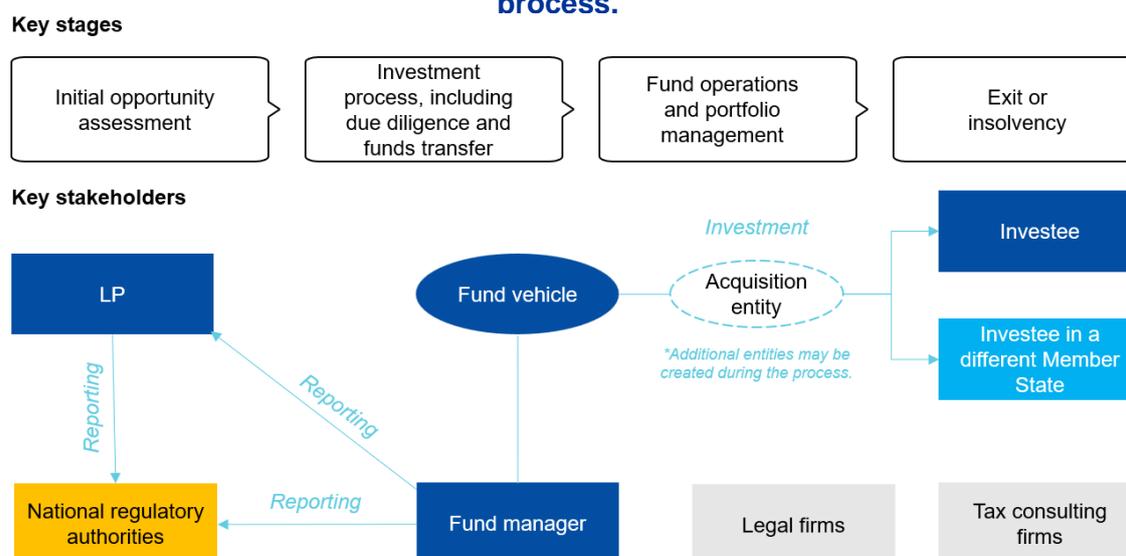
Source: Civitta analysis.

**What constitutes a barrier to investment and post-investment care**

Barriers that especially manifest themselves during the time when the fund manager approaches or is approached by a startup for an investment, during the due diligence and transaction structuring, as well as during the process of management of the portfolio company, when the fund manager uses the available methods to scale it, including across borders, to incentivise the management and finally to exit the investment, are considered “barriers to investment and post-investment care”.

Below is a schematic overview of the various stages of the investment and post-investment care process from the point of view of fund managers and potential LPs (Figure 48).

**Figure 48. Overview of the investment and post-investment care process.**



Source: Civitta analysis.

### What constitutes a barrier to general fund operations

In addition to direct barriers, issues related to general fund operations (such as reporting, fund incorporation, fund governance, etc.) may constitute indirect barriers to fundraising and investing, on the one hand, impacting on the ability of fund managers to dedicate sufficient time to finding, approaching and fulfilling the obligations imposed on them by the LPs, which may result in fewer LPs in a fund – either as a result of the fund manager’s decision to limit the fundraising scope or as a result of missed opportunities; and, on the other hand, to finding, approaching and scaling the portfolio companies, which may result in less successful returns. Such barriers are generally referred to as “barriers to general fund operations” in this study and indirectly impact all stages of the fund lifecycle.

#### 4.1. Barriers to the activities of EU-based venture & growth funds – Literature review

As a starting point, and to portray the current state of research, Table 9 presents an overview of the barriers to the activities of EU-based venture & growth funds pinpointed in existing studies, including academic research, research by international organisations, professional service firms, fund managers themselves, industry associations and other stakeholders. The overview classifies the barriers into broad<sup>57</sup> categories based on the primary force behind each barrier – regulatory & legal, tax, and market or structural barriers – describes the effect of each barrier and at which stage of the fund lifecycle this barrier predominantly manifests. This overview consists of 20 general barriers, each with its specific key concerns, and forms a backdrop to

<sup>57</sup> These categories are not fully mutually exclusive – tax barriers are a consequence of items defined in law while structural barriers may be reinforced by regulation, defying a clear-cut division. However, the classification is useful to identify the chief source of influence.

the interview analysis described in further sections, serving as a sample to expand upon and validate.

**Table 9. Regulatory & legal, tax and market or structural barriers affecting activities of EU-based venture and growth capital funds – Literature review.**

Topic <sup>58</sup>	Description
<b>Regulatory &amp; legal</b>	
<p>Marketing framework and fees (European Securities and Markets Authority, 2023; Invest Europe, 2019)</p>	<p><b>Key concerns highlighted:</b></p> <ul style="list-style-type: none"> <li>• No uniform taxonomy in AIFMD for key concepts of the regime, particularly, the definition of fund marketing and where this process begins.</li> <li>• Varying interpretations of Article 32 AIFMD by National Competent Authorities (NCAs), resulting in fragmented passporting and cross-border marketing: <ul style="list-style-type: none"> <li>○ Vague definitions of pre-marketing and marketing (Article 4) in AIFMD – as a result, some jurisdictions (e.g., Germany) have introduced rules on reverse solicitation and passive marketing not featured in AIFMD.</li> <li>○ Varying notification requirements (Article 32).</li> <li>○ Varying regulatory fees (no marketing fees in some Member States, while multiple Member States charge fees for obtaining an inward marketing passport).</li> </ul> </li> <li>• Especially fragmented passporting for funds dependent on national private placement regimes (NPPRs) – non-EU AIFs, EuVECA non-eligible funds.</li> <li>• Exclusion of non-professional investors (Article 43 AIFMD, Markets in Financial Instruments Directive (MiFID) II criteria).<sup>59</sup></li> </ul> <p><b>Effect:</b> Costly passporting and marketing process, especially in some EU jurisdictions and for funds that choose to market in multiple jurisdictions; Limited cross-border fundraising activity overall.</p> <p><b>Stages of fund lifecycle affected:</b> Fundraising, fund marketing.</p>
<p>Incorporation and operational issues of fund vehicles (CMS, 2024; European Court of Auditors, 2022; Deckert &amp; François, 2025; Fagetan, 2021)</p>	<p><b>Key concerns highlighted:</b></p> <ul style="list-style-type: none"> <li>• Fund legal structures vary by national jurisdiction and are less compatible with best industry practices in some jurisdictions.</li> <li>• Fragmented AIFMD, EuVECA authorisation procedures across Member States. <ul style="list-style-type: none"> <li>○ No distinction between venture capital and private equity funds vs. other investment vehicles under AIFMD, with implications for document templates, notification procedures not aligned with industry standards.</li> </ul> </li> </ul>

<sup>58</sup> This list is a compilation of key concerns highlighted in the secondary sources and does not claim to be fully comprehensive but rather serves as the best attempt to capture the most critical concerns.

<sup>59</sup> Albeit these are typically not the core investors of a fund, interviewees across geographies admit that investments from individual experienced entrepreneurs and family offices catalysed their firms at an early stage, and have an added advantage of more involved experience-sharing and support than in the case of institutional investors.

	<ul style="list-style-type: none"> <li>• Additional requirements for an AIFMD-authorized fund in terms of governance (e.g., independent supervisory and management board).</li> <li>• Appointing a depository requirement (AIFMD Article 21).</li> <li>• More extensive regulation of AIF and AIFM activities in some Member States (AIFMD gold-plating) related to remuneration, depository and operational requirements, authorisation process, etc.</li> </ul> <p><b>Effect:</b> Disincentive to scale the firm past EUR 500 million in AuM; Fund managers have less capacity for core operational functions; EU funds are domiciled in “fund-friendly” jurisdictions with flexible legal vehicles (as highlighted in section 1.2 above).</p> <p><b>Stages of fund lifecycle affected:</b> Fundraising: Fund incorporation. General fund operations.</p>
<p>Supervisory fees and ancillary charges (Invest Europe, 2025b)</p>	<p><b>Key concerns highlighted:</b></p> <ul style="list-style-type: none"> <li>• Fragmented firm registration, AIFMD and EuVECA authorisation costs and fees across Member States – ranging from relatively low to very high in some Member States.</li> <li>• Fragmented annual supervision fees – ranging from relatively low to very high in some Member States.</li> <li>• Applicable fees are based on the interpretation of the extent of local presence, with no uniformity across Member States (operating in the country vs. marketing in the country).</li> <li>• Additional fees and charges imposed by supervisory authorities in some Member States.</li> </ul> <p><b>Effect:</b> Disincentive to scale the firm past EUR 500 million in AuM; Disincentive to scale and/or market cross-border; EU funds are domiciled in “fund-friendly” jurisdictions (see Section 1.2 for further details).</p> <p><b>Stages of fund lifecycle affected:</b> Fundraising: Fund incorporation. General fund operations.</p>
<p>Local presence and substance tests (Deckert &amp; François, 2025; European Commission, 2019)</p>	<ul style="list-style-type: none"> <li>• Key concerns highlighted:</li> <li>• Delegation frictions in cases when the fund operates cross-border or has team members in other jurisdictions and/or with citizenship other than the fund domicile.</li> <li>• Lack of depository passporting, leading to duplicate depositories across operating jurisdictions (AIFMD Article 21).</li> <li>• <b>Effect:</b> Fund managers have less capacity for core operational functions; Disincentive to scale cross-border.</li> </ul> <p><b>Stages of fund lifecycle affected:</b> Fundraising, Fund marketing. General fund operations.</p>
<p>Reporting and disclosure obligations (Deckert &amp; François, 2025; Invest Europe, 2024)</p>	<p><b>Key concerns highlighted:</b></p> <ul style="list-style-type: none"> <li>• Extensive and varying (by country, by requesting party) anti-money laundering (AML) and Know Your Customer (KYC) disclosures.</li> <li>• Extensive and varying (by country, by requesting party) sustainability and ESG disclosures.</li> <li>• Even more extensive AIFMD reporting requirements for firms with more than EUR 500 million in AuM, with gold-plating in some Member States.</li> <li>• Reporting standards not aligned with the long-term nature of the asset class: e.g., periodic valuation requirements, periodic risk and leverage reporting, liquidity management and stress testing requirements, Key Information Documents (KID).</li> <li>• Fragmented supervision for cross-border funds: risk of double notifications, double submissions of reporting forms.</li> </ul>

	<ul style="list-style-type: none"> <li>• Additional complexity of reporting due to varying LP preferences in funds with multiple LPs, or the overlap between LP and supervisory reporting requirements.</li> </ul> <p><b>Effect:</b> Limitation on how many LPs a fund can handle due to the costs of compliance and reporting tools; Disincentive to scale the firm past EUR 500 million in AuM; Fund managers have less capacity for core operational functions.</p> <p><b>Stages of fund lifecycle affected:</b> General fund operations.</p>
<p>Legal challenges during portfolio management (Bhatia et al, 2019; Biernat, da Silva, &amp; Herkelmann, 2025; Henrekson &amp; Sanandaji, 2018; Claveres, &amp; Frie, 2024; Not Optional, n.d.; NordichQ, 2023)</p>	<p><b>Key concerns highlighted:</b></p> <ul style="list-style-type: none"> <li>• Some aspects of company/corporate law can vary across Member States, creating fragmentation and uncertainty: <ul style="list-style-type: none"> <li>○ Variations in board structure requirements.</li> <li>○ Definitions of ownership rights.</li> <li>○ Beneficial ownership disclosure requirements.</li> <li>○ Legal protection of beneficial (shareholder) vs. legal owner.</li> <li>○ Transferability of shares and discrepancy in transfer rules (settlement timing, documents required).</li> <li>○ Ease of modifying the ownership structure of a portfolio company (e.g., possible to change only once in the first agreement in some jurisdictions).</li> </ul> </li> <li>• Sub-optimal regimes for stock options schemes in some jurisdictions<sup>60</sup></li> <li>• Employment law: varying degrees of employee protection (working time, dismissals/redundancies, remuneration, holidays, discrimination and harassment, workplace discipline, and termination of employment), social security laws.</li> <li>• Industry-specific regulations: specialised funds are sensitive to regulations in their specific industry, such as cross-border licensing, varying General Data Protection Regulation (GDPR) interpretations, market structure differences, length of procedures and tight eligibility criteria.</li> <li>• Variations in insolvency regimes and inefficient enforcement mechanisms in some Member States (short insolvency timelines, bureaucratic burden even for small early-stage companies; personal liability of board members; general ineffectiveness of court systems).</li> </ul> <p><b>Effect:</b> Complicates modification of the company governance structure following the investment; Complicates incorporation and stalls growth of portfolio companies across the EU; Low company recovery rates in the case of default; Makes some jurisdictions less attractive for investment than others; Companies move to more attractive jurisdictions.</p> <p><b>Stages of fund lifecycle affected:</b> Investment: Investment process, Portfolio management.</p>
<p><b>Tax &amp; Prudential regulation</b></p>	

<sup>60</sup> Best-practice expectation: low effective tax rate, tax only due when shares are sold, taxed once either on gains at sale or on spread at exercise, flexible options amounts and no restrictions on companies that can issue options, non-voting shares eligible for preferential tax treatment, no formal valuation required.

<p>Prudential rules and gold-plating thereof<sup>61</sup> (Arnold, Claveres, &amp; Frie, 2024)</p>	<p><b>Key concerns highlighted:</b></p> <ul style="list-style-type: none"> <li>• High capital requirements to balance the risk for insurance companies in banks, with varying implementation at a national level.</li> <li>• National-level caps on the portfolio share or a full ban on investments in alternative assets, typically for pension funds, with varying implementation across MSs.</li> <li>• Burdensome risk management disclosures for LPs.</li> <li>• The general principle of risk estimation in prudential models is based on the sale of assets at the worst possible time, disregarding the diversification benefits and disadvantaging long-term assets; treatment of venture capital as a “speculative asset” in CRD/CRR.</li> <li>• Other gold-plating and conservative interpretations of prudential rules formulations across Member States.</li> </ul> <p><b>Effect:</b> Directly limits capital allocated to alternative asset classes by institutional investors; Fosters the culture of risk aversion.</p> <p><b>Stages of fund lifecycle affected:</b> Fundraising: Initial opportunity assessment, Investment process, Ongoing compliance and reporting.</p>
<p>Capital gains tax cross-border fragmentation &amp; related uncertainty (European Commission, 2017; FasterCapital, 2024; van Dongen, 2024)</p>	<p><b>Key concerns highlighted:</b></p> <ul style="list-style-type: none"> <li>• Cross-border capital gains tax treatment uncertainty: depending on whether a fund pooling and acquiring vehicle is treated as merely a conduit for another entity, it may or may not be eligible for Double Tax Treaties and, subsequently, withholding tax relief. Eligibility strongly depends on the local tax authorities’ interpretation and domestic law, subject to the type of fund and fund manager legal vehicle, given the absence of a unified pan-EU fund form.</li> <li>• In some jurisdictions, fund legal vehicles offering transparency status for tax purposes are not available, leading to unfavourable tax treatment of capital gains (double taxation at the fund manager and individual investor level).</li> <li>• If eligible for a refund, reclaiming withheld taxes takes a long time in some jurisdictions.<sup>62</sup></li> <li>• Lack of non-taxable minimum on returns realised on exit in most EU countries.</li> </ul> <p><b>Effect:</b> Higher tax and tax compliance burden; Higher tax consulting costs; If a local fund manager establishes a fund elsewhere due to a more tax-favourable jurisdiction, LPs may face investment mandate limits.</p> <p><b>Stages of fund lifecycle affected:</b> Fundraising: Initial opportunity assessment; Investing: Fund decision to invest. General fund operations.</p>

<sup>61</sup> Prudential regulation: Solvency I&II, Institutions for Occupational Retirement Provision Directives (particularly, IORP II), Capital Requirements Directive and Regulation (CRD/CRR), Basel Framework, certain requirements of MiFID Framework, and related national rules governing the activities of pension funds, insurance companies and banks.

<sup>62</sup> The European Commission has recognized these issues and proposed the FASTER initiative to simplify withholding tax relief EU-wide. However, it addresses only one aspect of the problem, and it is challenging to assess its impact before the full rollout.

<p>Carried interest tax cross-border fragmentation &amp; related uncertainty (Blüthgen, 2025; Hogan Lovells, 2025; Kim, 2018)</p>	<p><b>Key concerns highlighted:</b></p> <ul style="list-style-type: none"> <li>• Cross-border carried interest tax treatment uncertainty: depending on the interpretation of local tax authorities and domestic law and the type of legal vehicle for the fund/fund manager, carried interest for fund managers with cross-border operations may be deemed ineligible for withholding tax relief and double-taxed.</li> <li>• In some jurisdictions, carried interest does not receive preferential tax treatment at all or does, depending on the fund's legal vehicle, potentially leading to unfavourable tax treatment.</li> </ul> <p><b>Effect:</b> Higher tax and tax compliance burden; Higher tax consulting costs; If a local fund manager establishes a fund elsewhere due to more tax-favourable jurisdiction, LPs may face investment mandate limits; Differences in incentivisation of GPs of cross-border funds.</p> <p><b>Stages of fund lifecycle affected:</b> Fundraising: Initial opportunity assessment; Investing: Fund decision to invest.</p>
<p><b>Market</b></p>	
<p><i>For public LPs</i> Inconsistent &amp; restrictive public support mandates (Arnold, Claveres, &amp; Frie, 2024)</p>	<p><b>Key concerns highlighted:</b></p> <ul style="list-style-type: none"> <li>• Restrictive public funding mandates for LPs – trickling from the donor level (e.g., European Structural and Investment Fund programmes) and further interpreted conservatively by responsible national stakeholders.</li> <li>• Restrictions imposed by national budget funding mandates from national governments – on investing in fund managers that invest abroad.</li> <li>• Restrictions on sector-specific investments, e.g., defence <sup>63</sup>.</li> </ul> <p><b>Effect:</b> Some, typically more experienced, fund managers do not accept commitments from LPs with restrictive mandates; Limited cross-border investment by funds with restrictive LP mandates; Inconsistent mandates of multiple LPs preventing larger tickets and interfering with fund managers' strategy.</p> <p><b>Stages of fund lifecycle affected:</b> Fundraising: Initial opportunity assessment; Investment: Fund decision to invest.</p>
<p>Public LP restrictions on fund investments (Claveres, &amp; Frie, 2024; OECD, 2021)</p>	<p><b>Key concerns highlighted:</b></p> <ul style="list-style-type: none"> <li>• Restrictions on the proportion of cross-border investments on venture &amp; growth funds imposed by some LPs, e.g., national development banks, and sovereign wealth funds.</li> </ul> <p>Public LP co-investment programmes tend to prioritise co-investments in domestic startups and scale-ups implicitly or explicitly.</p> <p><b>Effect:</b> Limits cross-border investments.</p> <p><b>Stages of fund lifecycle affected:</b> Investing: Initial opportunity assessment.</p>

<sup>63</sup> Defence investments have received an uptake recently, [with EIF supporting a defence tech venture fund for the first time in May 2025](#).

<p>Lack of familiarity with the alternative asset class (Atomico, 2024; Arnold, Claveres, &amp; Frie, 2024)</p>	<p><b>Key concerns highlighted:</b></p> <ul style="list-style-type: none"> <li>• No experience or history of investing in alternative assets for LPs - most LPs have public market portfolio managers, but no staff with experience in private markets.</li> <li>• Lack of national supervisors' experience with handling issues related to venture &amp; growth funds, often due to a lack of experience and few fund residents.</li> </ul> <p><b>Effect:</b> LPs: risk of allocating available capital elsewhere. Supervisors: prolonged processes with increased risks, overly conservative interpretations.</p> <p><b>Stages of fund lifecycle affected:</b> Fundraising: Initial opportunity assessment.</p>
<p>LP home bias, preference for familiar &amp; stable jurisdictions (Arnold, Claveres, &amp; Frie, 2024)</p>	<p><b>Key concerns highlighted:</b></p> <ul style="list-style-type: none"> <li>• Lack of familiarity with foreign legislation and overall environment.</li> <li>• Lack of network abroad.</li> <li>• <i>Particularly for public LPs</i> Soft and regulatory power of national governments to support domestic investments.</li> <li>• Currency risks incentivising domestic investment (especially for fund managers from Member States with national currencies).</li> </ul> <p><b>Effects:</b> Frictions to cross-border investment.</p> <p><b>Stages of fund lifecycle affected:</b> Fundraising: Initial opportunity assessment.</p>
<p>Fund managers' home bias (Claveres, &amp; Frie, 2024; European Investment Bank, 2024)</p>	<p><b>Key concerns highlighted:</b></p> <ul style="list-style-type: none"> <li>• Reliance on home market familiarity and networks.</li> <li>• More challenging to support portfolio companies abroad due to more limited knowledge of the local ecosystem.</li> </ul> <p><b>Effect:</b> Limits cross-border investments; Limits support offered to portfolio companies.</p> <p><b>Stages of fund lifecycle affected:</b> Investment: Fund decision to invest; Portfolio management.</p>
<p>Small number of potential LPs due to market conditions (Lagarde, 2024)</p>	<p><b>Key concerns highlighted:</b></p> <ul style="list-style-type: none"> <li>• Prevalence of public asset managers with stricter investment mandates.</li> <li>• In the case of public asset managers, national budget allocations to supporting venture and growth ecosystem remains deprioritised in many Member States.</li> <li>• Limited role of private asset managers and other private investors in view of preference of retail investors and corporates for cash deposits due to economic downturn and structural factors.</li> </ul> <p><b>Effect:</b> Limited capital availability.</p> <p><b>Stages of fund lifecycle affected:</b> Fundraising: Initial opportunity assessment.</p>
<p>Misalignment of venture &amp; growth fund profiles with the needs of LP portfolios (Houbani, &amp; Knorr, 2024)</p>	<p><b>Key concerns highlighted:</b></p> <ul style="list-style-type: none"> <li>• Mismatch of minimum LP commitment sizes with what a fund manager can accept.</li> <li>• Maturity mismatch and a related liquidity issue – inability to exit private products at any time or at least time the exit appropriately.</li> </ul> <p><b>Effect:</b> Limited capital availability.</p> <p><b>Stages of fund lifecycle affected:</b> Fundraising: Initial opportunity assessment.</p>

<p>Internal risk aversion, preference for safe asset classes of LPs (Arnold, Claveres, &amp; Frie, 2024; Lagarde, 2024; Thomadakis, 2024)</p>	<p><b>Key concerns highlighted:</b></p> <ul style="list-style-type: none"> <li>• Perception of poor potential returns of EU-based venture and growth funds.</li> <li>• Lack of track record of EU-based venture and growth funds: often, fundraising takes place before previous fund returns are realised, and investors are unwilling to rely on incomplete information before investing again.</li> <li>• Risk aversion of institutional investors due to experiences with financial crises.</li> </ul> <p><b>Effect:</b> Limited capital availability; LPs allocate available capital elsewhere.  <b>Stages of fund lifecycle affected:</b> Fundraising: Initial opportunity assessment.</p>
<p>Perceived high costs of investing for LPs (Arnold, Claveres, &amp; Frie, 2024; Thomadakis, 2024)</p>	<p><b>Key concerns highlighted:</b></p> <ul style="list-style-type: none"> <li>• Costs of due diligence of an investment into a fund outweigh the perceived expected benefits for LPs.</li> <li>• Management fees of venture &amp; growth funds are perceived as high.</li> </ul> <p><b>Effect:</b> LPs allocate available capital elsewhere.  <b>Stages of fund lifecycle affected:</b> Fundraising: Initial opportunity assessment.</p>
<p>Exit considerations in the EU (Claveres, &amp; Frie, 2024; Oxera, 2020)</p>	<p><b>Key concerns highlighted:</b></p> <ul style="list-style-type: none"> <li>• Stock market fragmentation, lengthy listing process and diverse listing requirements.</li> <li>• Larger compliance gap in the EU for listed vs. non-listed companies (vs. the same gap, e.g., in the US), making the listing option less appealing or incentivising companies to move to a more attractive IPO market.</li> <li>• Fragmented capital market (compared to more unified capital markets, e.g., in the US), resulting in low demand for shares during the IPO events and lower valuations at listing.</li> <li>• Less active M&amp;A market in the EU; potential corporate buyers have less active development strategies, resulting in lower valuations.</li> </ul> <p><b>Effect:</b> Companies relocate to more attractive markets for IPO or get acquired by foreign corporations.  <b>Stages of the fund lifecycle affected:</b> Exit or insolvency.</p>

<p>Due diligence &amp; process frictions during fundraising, investing (Claveres, &amp; Frie, 2024, Biernat, da Silva, &amp; Herkelmann, 2025)</p>	<p><b>Key concerns highlighted:</b></p> <ul style="list-style-type: none"><li>• <i>Mostly relevant for earlier stage investments</i> Lack of EU-wide standardised convertible note instrument - <u>SAFE</u>-like instruments, with SAFE already used as a template by the EU funds; European examples like <u>BSA AIR</u> (France), <u>Convertible Loan Note</u> (Germany) exist but are not universally present.</li><li>• Varying investment documentation practices: different national conventions for share purchase agreement (SPA) and shareholder agreement (SA).<sup>64</sup></li><li>• Notarisation requirements.</li><li>• Differences in accounting and other reporting standards and templates.</li><li>• Lack of a centralised database of financial information on fund managers and target companies.</li><li>• Other minor frictions: cross-border document signing, and long times to open a bank account, etc.</li></ul> <p><b>Effect:</b> Complicates the cross-border investment process because of non-harmonised practices and superfluous requirements.</p> <p><b>Stages of fund lifecycle affected:</b> Fundraising: Due diligence and commitment allocation process. Investing: Investment process.</p>
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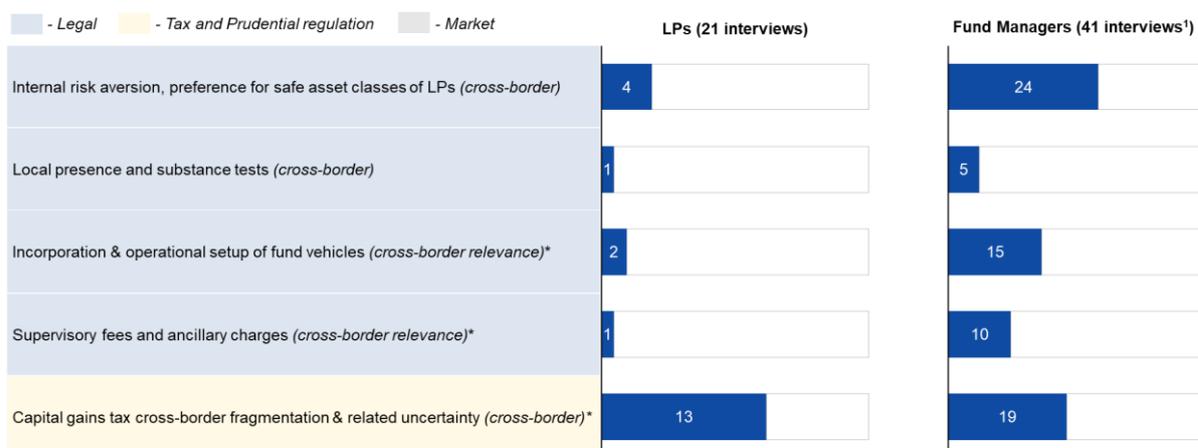
## 4.2. Barriers to general fund operations – Key barriers based on the interview analysis

Figure 49 shows the relevance ranking of identified barriers to general fund operations, based on the insights gathered from fund managers of venture and growth capital funds as well as institutional investors.

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<sup>64</sup> Also related to differences in national corporate laws.

**Figure 49. Significant barriers to general fund operations based on the number of interviews in which each barrier was mentioned (ranking by LPs and Fund Managers)<sup>65</sup>.**



Source: Civitta analysis.

Table 10 lists the key concerns raised in the interviews in connection with each general barrier.

**Table 10. Barriers to general fund operations – Key concerns raised in the interviews<sup>66</sup>.**

Barrier	Key concerns raised in connection with this barrier
Reporting and disclosure obligations	<ul style="list-style-type: none"> <li>▪ AML/KYC reporting requirements.</li> <li>▪ Risk disclosure requirements for LPs during onboarding based on AIFMD Article 23.</li> <li>▪ ESG disclosure obligations.</li> <li>▪ Formal valuation requirements.</li> <li>▪ AIFMD EUR 500 million threshold: sharp escalation of reporting requirements.</li> </ul> <p>+ <i>Conservative interpretation of “grey areas” by local NCAs.</i>                      + <i>Overlap of LP + LP or LP + supervisor compliance.</i>                      + <i>Cross-border fragmentation.</i>                      + <i>Disproportionate burden for small fund managers.</i></p>
Local presence and substance tests	<ul style="list-style-type: none"> <li>▪ Need for sufficient operational substance in every country of operation (control &amp; oversight functions)</li> </ul> <p>+ <i>Cross-border fragmentation.</i>                      + <i>Conservative interpretation of “grey areas” by local NCAs.</i></p>

<sup>65</sup> **Legend:** (i) (*cross-border*) – barriers specifically affecting cross-border fundraising (ii) “\*” – regulatory improvements can indirectly help to reduce or remove this barrier, (iii) “1” – operating aspects were discussed in 41 (of 44 total) interviews with fund managers.

<sup>66</sup> **Legend:** + *Cross-border fragmentation* – a general cross-cutting issue most frequently mentioned in conjunction with this barrier.

**Colouring:** Legal barriers, Tax barriers, Market barriers

Barrier	Key concerns raised in connection with this barrier
Incorporation & operational setup of fund vehicles	<ul style="list-style-type: none"> <li>▪ No common EU legal form for funds.</li> <li>▪ AIFMD: Depository requirement.</li> <li>▪ Pension funds: do not invest in holding structures (tax issue)</li> <li>▪ AIFMD: Supervisory vs executive separation requirements.</li> <li>▪ AIFMD: Audit frequency &amp; scope.</li> </ul> <p>+ <i>Disproportionate burden for small fund managers.</i> + <i>Cross-border fragmentation.</i></p>
Supervisory fees and ancillary charges	<ul style="list-style-type: none"> <li>▪ Supervisory fees – fund setup and recurring charges.</li> <li>▪ Licensing costs under AIFMD and EuVECA.</li> </ul> <p>+ <i>Disproportionate burden for small fund managers.</i> + <i>Cross-border fragmentation.</i></p>
Capital gains tax cross-border fragmentation & related uncertainty	<ul style="list-style-type: none"> <li>▪ Capital gains tax uncertainty, especially for non-specialised legal fund vehicles.</li> <li>▪ Capital gains tax fragmentation.</li> <li>▪ General lack of a tax-free allowance on capital gains.</li> <li>▪ Other tax peculiarities.</li> </ul>

Source: Civitta analysis based on the interview programme

**Among barriers to general fund operations that may be tackled legislatively, reporting and disclosure obligations were the top recurring concern among the interviewed stakeholders.** An area of particular concern most frequently discussed by fund managers and LPs is the **extent of investor disclosures and risk management reporting during the onboarding of LPs**, particularly the ones mandated by AIFMD Article 23 applied to the LPs before they commit capital. These reporting requirements are extensive even when the LP are large institutional investors – based on the interviews, LPs pooling the capital of multiple parties on the level of their portfolio are sometimes required to submit investor disclosures for each of those parties. According to interviewees, some mandated disclosures are seen as not useful or overly burdensome relative to the actual impact they provide to investors.

Furthermore, there is a growing call among fund managers for EU legislation to acknowledge the specificities of long-term funds and reconsider the relevance of certain AIFMD reporting obligations. In this regard, the key concern mentioned in the interviews is the **formal valuation requirements**. AIFMD mandates that funds produce audited annual reports and calculate net asset value (NAV) at least annually. For long-term funds with illiquid assets and multi-year investment horizons, this can be problematic. These funds typically do not have frequent liquidity events or market valuations, making annual valuation and reporting less meaningful. The requirement to conduct independent valuations and comply with strict valuation governance can impose significant operational costs and complexity, especially for smaller managers.

A broader issue related to reporting requirements in AIFMD is fragmentation. Applicable to investor disclosures as much as to other reporting requirements, national authorities frequently impose supplementary requirements despite AIFMD establishing a harmonised baseline. The extent of cross-border

fragmentation because of gold-plating illustrates the different levels of risk aversion of regulators in each country and frequently correlates with the amount of experience that the regulator has with supervising funds and fund managers. Country-level analysis illustrates the degree of fragmentation of reporting requirements for AIFMs. To provide several examples, in Italy, the regulatory framework imposes stricter periodic reporting requirements than those mandated by AIFMD: Italian AIFMs must comply with additional Bank of Italy and CONSOB regulations, including more frequent reporting on portfolio composition and risk metrics. Similarly, in France, the Autorité des Marchés Financiers (AMF) requires AIFMs to submit detailed information on investment strategies and risk exposures that exceed the standard Annex IV reporting under AIFMD. Luxembourg requires a comprehensive mapping of Article 23 investor disclosures against offering documents, demanding granular cross-referencing that significantly increases the administrative burden. In the Netherlands, AIFMs must comply with additional transparency requirements imposed by the Authority for the Financial Markets (AFM), particularly regarding fee structures and conflicts of interest. By contrast, Estonia's Financial Supervision Authority (Finantsinspektsioon) accepts more streamlined reporting under the Investment Funds Act (IFA), more closely aligned with the baseline AIFMD requirements. Still, it must be noted that fragmentation in the realm of reporting requirements is relatively less prominent than in other AIFMD aspects, based on the Member States legislation analysis. A detailed overview of gold-plating of AIFMD reporting requirements across ten Member States in focus is provided in Section 4.3 and [Annex 5](#).

The cumulative effect of these divergent requirements is that AIFMs operating cross-border must tailor their reporting and compliance frameworks. While this is not a barrier preventing activities, fund managers cite high costs for both internal and external legal staff, acting as a discouragement for cross-border activity. National regulatory and legal barriers resulting from AIFMD gold-plating are more often highlighted by GPs of smaller funds with scarcer resources, potentially preventing their further scaling.

The approach to reporting requirements for sub-threshold managers also varies across national jurisdictions. While countries like Bulgaria, Estonia, and Germany largely align with the standard AIFMD thresholds, allowing sub-threshold managers to operate under a registration regime with lighter reporting, others introduce their own specificities.

In addition to AIFMD-mandated disclosures, **AML/KYC disclosures** also arise in the context of investor onboarding for VC and PE funds, further complicating matters and creating a certain overlap. AML/KYC disclosures are especially stringent when it comes to non-EU investors, complicating entry to the EU ecosystem of desirable sources of funds. Interview evidence suggests that AML/KYC requirements tend to be applied uniformly without regard for transaction size. Multiple stakeholders pointed to these requirements as creating a significant administrative burden.

Another frequently raised concern in connection with reporting is the burdensome **sustainability and ESG reporting**. Despite the attempt to harmonise reporting via the EU Sustainable Finance Disclosure Regulation (SFDR) and Corporate Sustainability Reporting Directive (CSRD), the main concern of fund managers is fragmentation in templates, data angles and approaches of LPs when demanding disclosures for the same purposes. In addition, the burden of reporting grows with the number of portfolio companies and the number of LPs, becoming administratively heavy (especially for smaller organisations), while the metrics required are often challenging to obtain and quantify, requiring investments in costly measurement tools. Finally, some sustainability disclosures are once again seen as overly burdensome relative to the actual impact.

**Pertaining to both reporting requirements and governance, the leap to “full” compliance occurring once the fund manager passes EUR 500 million AuM is seen as a barrier of its own and considered not economically viable by many fund managers.** This includes ongoing obligations such as extensive risk management, compliance, internal audit scope, and regulatory reporting systems and substantial minimum capital requirements. The burden is further compounded by the need to appoint independent depositaries. Fund managers report that the costs, complexity, and operational requirements associated with full AIFMD authorisation are prohibitively high for all but the largest players.

Many interviewees consider the leap to full AIFMD compliance to be not viable for the fund managers in the size category between EUR 500 million and 1 billion AuM. According to them, this might create a disincentive for raising subsequent funds for fund managers just below the threshold, potentially forcing experienced team members to leave and start new firms and, subsequently, market fragmentation. Interview evidence suggests that the threshold, set over a decade ago, no longer reflects market realities, especially considering inflation effects. Several interviewees advocated for raising the threshold to at least EUR 1 billion, arguing that this would better align with current fund sizes and reduce the opportunity cost for managers who would otherwise be forced to divert resources away from investment activities and towards compliance.

**Table 11. Additional threshold requirements for a fully authorised AIFM, as compared to a sub-threshold managers registered under the EuVECA Regulation.**

Category	Additional requirements for fully authorised AIFM
<b>Capital &amp; own funds requirements</b>	<ul style="list-style-type: none"> <li>• Initial capital – EUR 125 thousand + 0.02% of AuM above EUR 250 million.</li> <li>• Increased liability insurance.</li> </ul>
<b>Governance &amp; organisation requirements</b>	<ul style="list-style-type: none"> <li>• Independent functions and separate senior management for: compliance, risk, and valuation.</li> <li>• Independent depositary.</li> <li>• Formal risk framework, incl. documentation, reviews, and regular reporting to regulators.</li> <li>• Strict remuneration rules (no carry remuneration for compliance / risk / valuation functions, regulated variable pay structure, pay disclosures).</li> </ul>
<b>Additional costs</b>	<p>Additional costs could amount to around 20% of the fund's operating costs for a EUR 500 million fund with a 2% management fee:</p> <p>Any significant costs of launching authorisation applications (may exceed EUR 1 million for external consultants and lawyers).</p> <ul style="list-style-type: none"> <li>• 0.05% of AuM on custodian bank services.</li> <li>• 0.1% on external outsourced AIFM (most likely required to comply with governance requirements above).</li> <li>• Additional documentation and administrative burden at the manager level (additional employees; opportunity cost of the investing team's time).</li> </ul>

Source: Invest Europe 2025b.

While the underlying rationale for extensive reporting is robust investor protection, fund managers often highlight that they provide extensive disclosures during due diligence and beyond to their LPs, most of which are sophisticated finance sector organisations. Often, LPs may demand disclosures for similar purposes but pertaining to different aspects, with public investors (that are the prevalent investors in the ecosystem) typically requiring especially stringent checks. The added layers of detailed reporting to regulators, coupled with escalating demands for risk compliance, ESG checks, and other disclosures, are perceived as somewhat redundant and disproportionate. Such requirements may place EU investors at a competitive disadvantage compared to non-EU investors who can execute deals with greater speed and flexibility.

The regulatory burden continues to increase with new requirements – recently introduced DORA (Digital Operational Resilience Act) was cited as an example, which, according to some fund managers, requires dedicating up to one additional full-time employee to handle.

#### **Case Study – AIFMD authorisation for a cross-border fund**

A cross-border private equity and venture capital investment firm operating in the CEE region recently reached the AIFMD threshold of EUR 500 million in AuM, triggering the requirement for full AIFM authorisation. Despite the accumulated assets under management surpassing this threshold, the active

fundraising and investment of this manager is of much smaller scale, with individual funds typically between EUR 100-150 million, making the additional regulatory requirements particularly burdensome.

Of the requirements applicable to a full AIFMD authorisation, several aspects created significant operational challenges and costs for the firm:

- **Formalised policies and remuneration structure:** The firm had to implement detailed remuneration policies that dictate how the investment team can be motivated, with specific regulatory requirements that must be followed precisely. This reduced flexibility in team compensation compared to the previous structure.
- **Complex governance requirements:** The firm had to restructure as a public limited company in its jurisdiction to allow for the strict separation between management and supervisory boards. This also created practical challenges as partners previously involved in daily operations could no longer maintain those roles if serving on the supervisory board. Finding suitable independent board members proved difficult given the firm's size.
- **Depository oversight:** A depository bank must authorise every fund transaction and payment, creating a significant recurring cost of EUR 50,000-100,000 annually. While this adds a layer of investor protection, for smaller funds, this represents a considerable expense relative to the fund size.
- **Increased compliance burden:** The firm needed 2-3 additional full-time legal and compliance personnel, costs that must be covered through management fees. This effectively reduced resources available for the investment team.
- **Local oversight & authorisation process:** After obtaining authorisation, the firm had to migrate existing funds (even some that were retired or close to it, albeit others were exempt under the "grandfathering clause") under the new regime in the country of authorisation, including ones domiciled in other countries. This required changes to fund agreements to transfer them from the general partner to the authorised entity. The migration process required obtaining investor approvals for certain changes, but investors often did not understand why these technical changes were necessary. While mostly technical in nature, this process created substantial legal work and costs and extended the authorisation timeline.

Regarding the overall process, the local financial regulator, while trying to be flexible, lacked experience with regulating private equity fund managers since this was their first such case. This created uncertainty.

Notably, the full authorisation has not provided significant benefits for the firm's fundraising efforts. Their typical institutional investors conduct their own due diligence regardless of the status. While authorisation theoretically enables cross-border marketing through passporting, in practice, this requires

additional product registrations that are time-consuming and complex. For a firm that does not envision expanding its reach beyond the region and deals with a small number of sophisticated institutional investors, reverse solicitation approach remains more practical than utilising the passport regime.

The case highlights how the current AIFMD threshold creates challenges for mid-sized managers - while the regulatory requirements might be appropriate for billion-euro funds marketing to multiple investors, they create a disproportionate burden for firms with AuM close to the threshold, managing smaller funds.

**In addition to the post-authorisation compliance, the authorisation process itself continues to be characterised by significant divergence at the national level, transforming into a burden for some fund managers.**

While AIFMD sets out minimum requirements for authorisation, some jurisdictions introduced additional layers of scrutiny, documentation, and local requirements, creating further costs for fund managers. As seen in the case study above, regulators in jurisdictions with few AIFMD-authorized managers may lack experience in the authorisation process, introducing even more regulatory uncertainty and extending timelines. Albeit not prominently featured as a barrier on its own, fund managers referred to long processing timelines as a source of annoyance and time cost.<sup>67</sup> Likewise, the burdensome registration process for EuVECA was sometimes highlighted.

**On the topic of incorporation and operational setup, fund managers also cite difficulties related to the lack of a unified EU legal fund structure and note that options currently available in multiple jurisdictions are not tailored to the specifics of venture and growth capital.** Jurisdictions like Luxembourg, Estonia, and Sweden stand out for offering flexible and tailored fund structures, including limited partnerships and specialised vehicles like Luxembourg's SCS/SCSp or Estonia's Investment Funds Act structures, that better meet the needs of VC and growth capital. In contrast, countries such as Poland or Bulgaria lack dedicated legal entity types for VC funds and have weaker regulatory frameworks, limiting tax benefits and investor protection. In some jurisdictions, it is not possible to establish a venture capital (VC) fund vehicle as a limited partnership – the preferred legal form for VC and growth capital due to its flexibility, investor protections, and tax transparency. Instead, funds are often structured as corporate entities such as private limited companies or holding companies. A detailed review of legal forms and possible fund vehicles is available in 10 Member States in focus is provided in Section 4.3 and [Annex 4](#).

Overall, many fund managers express strong support for a more unified EU-wide regime that harmonises legal fund structures. Such harmonisation could

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<sup>67</sup> Overview of requirements for AIFMD authorisation process for the ten Member States in focus is likewise available in [Annex 4](#).

reduce double taxation risks, improve tax certainty, and facilitate cross-border fundraising and investment through more predictable legal treatment of investors.

**Particularly during fundraising, the structural differences related to legal vehicles have important implications for the tax treatment of both limited partners (LPs) and general partners (GPs).** Corporate entities such as private limited companies or holding companies are generally tax opaque. This means the fund itself is treated as a separate taxable entity rather than a transparent vehicle, leading to income from investments being taxed at the entity level and then again at the investor level, increasing the overall tax burden. In contrast, limited partnerships typically allow income to flow directly to investors, who are then taxed individually, enabling more favourable capital gains treatment and access to double taxation treaty benefits.

An additional issue with the tax treatment of capital gains is the lack of harmonisation in how different EU jurisdictions classify fund vehicles, define beneficial ownership and recognise relevant documents, which creates significant uncertainty and risks of double taxation even in the presence of harmonisation measures. Eligibility of operations for Double Taxation Treaties (DTTs) strongly depends on the local tax authorities' interpretation and domestic law. Non-specialised or corporate fund vehicles may fail to qualify under relevant treaties due to the unfavourable interpretation, limiting access to reduced withholding tax rates. This complexity discourages certain investor types; an example cited in an interview pertained to a Swedish philanthropic foundation that have been deterred from investing in Finnish funds due to unfavourable tax treatment. In certain jurisdictions, pension funds abstained from investing in firms incorporated as a holding company.

Tax uncertainties create cross-border challenges also in seemingly predictable situations. Examples from interviews include the mentions of French fund structures such as the Fonds Professionnel de Capital Investissement (FPCI), while popular, cause tax transparency problems for German investors, sometimes leading to double taxation on portfolio exits. Similarly, Belgian investors in a Dutch fund were reporting cases of tax disadvantages, requiring complex "feeder fund" structures to be established in Belgium to mitigate double taxation risks.

Interestingly, while tax-transparent vehicles are generally preferred for their tax efficiency, some private LPs express reservations about them due to the unpredictability and complexity of taxation, based on the interviews conducted. Some LPs, particularly private or non-institutional investors, express a preference for tax-opaque fund structures, arising from a desire for predictability and simplicity in their tax affairs. In a tax opaque structure, the fund itself is taxed as a separate legal entity; LPs receive distributions after the fund has paid its taxes, and their own tax reporting is typically limited to these distributions. This arrangement can make it easier for LPs to forecast their tax liabilities, especially when investing across multiple jurisdictions with complex and sometimes conflicting tax rules. In tax-transparent structures, LPs may face

unexpected or complicated tax filing obligations in multiple countries, and the timing and character of income can fluctuate from year to year. For private LPs, family offices, and some non-professional investors, this complexity and uncertainty can be a deterrent, making the "all-in-one" approach of a tax-opaque vehicle more attractive, even if it sometimes results in a higher overall tax burden. Overall, this underscores the importance of having flexibility when structuring a fund to consider a jurisdiction "favourable".

A feature of most EU tax systems additionally discussed by fund managers is the absence of a general annual tax-free allowance on capital gains. UK provided a counterexample. Investors in the UK benefit from an Annual Exempt Amount, enabling them to realize a set amount of gains tax-free each tax year. Although this threshold has been progressively reduced — from approximately £12,300 in 2022–23 to £3,000 for the 2024–25 and 2025–26 tax years<sup>68</sup> — its presence still offers a clear incentive and relief mechanism that is absent in most European jurisdictions, and it favoured by EU stakeholders.

Other smaller, structural tax peculiarities related to capital gains in various EU jurisdictions were mentioned. Among examples from the interviews, the absence of a clear mechanism to distinguish between return of capital and capital gains in Germany was mentioned, potentially resulting in the entire fund distribution being taxed as profit, unless a redemption mechanism is explicitly included in the Limited Partnership Agreement. In the Netherlands, private investors are taxed under the Box 3 regime, which assumes a fixed return on assets regardless of actual performance, leading to mismatches in low-performing years. Meanwhile, France's exit tax can trap unrealized gains if entrepreneurs or GPs move abroad. Although seemingly minor, these differences may disadvantage some jurisdictions over others when assessing the treatments of investments.

**Overall costs related to fund setup were mentioned as a source of friction in some jurisdictions, including registration and authorisation fees, service provider charges, notarial and legal expenses, minimum capital requirements to safeguard fund assets and annual fees on supervision and maintenance.** As is the case with other aspects, fund setup costs vary a lot by jurisdiction; while some aspects may be more favourable in some countries (e.g., the absence of annual supervisory fees), other aspects may be less so (e.g., the higher minimum capital requirements). For instance, Luxembourg's SCSp (Société en Commandite Spéciale) is popular for its flexibility and lack of statutory minimum capital requirements, but managers must still budget for CSSF authorisation fees (up to €18,000 for a full AIFM authorisation), legal structuring, and ongoing compliance. An interviewed fund manager setting up SCSp structures in Luxembourg reportedly spent approximately 0.3% of commitments on the total setting up costs, while establishing two smaller EuVECA vehicles cost ~3.1% of their total

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<sup>68</sup> TCGA 1992, Section 3; Finance Act 2023, Section 19.

commitments, a disproportionately high figure driven by both legal complexity and regulatory process that impacted the fund unit economics. An example of a jurisdiction with high minimum capital requirements is Italy, which requires an initial capital of EUR 1 million for AIFMs, though this amount is reduced to EUR 500,000 for AIFMs managing closed-ended AIFs restricted to professional investors only and further reduced to EUR 50,000 for AIFMs managing AIFs below thresholds. In some jurisdictions, fees that are marketing in the jurisdiction without a significant degree of presence are exempt from supervisory and maintenance fees, while in others they are not.

Typically, corporate vehicles have higher minimum capital requirements to set up than limited partnerships (in most jurisdictions, limited partnership has no minimum capital requirements), impacting the attractiveness of a jurisdiction where the limited partnership form legal is not available for funds. Differences in minimum capital requirements for the corporate vehicles among jurisdictions can also be drastic, from Estonian public limited companies (AS) requiring EUR 25,000 and private limited companies (OÜ) requiring EUR 2,500 to Luxembourg-based SICARs and SIFs requiring a minimum subscribed capital of EUR 1,250,000 (to be reached within 12 months).

France stands out as a positive example of reducing the barriers related to setup costs. The French SLP (Société de Libre Partenariat) can be established with symbolic minimum capital, often as low as EUR 1, making France one of the most accessible EU jurisdictions for new VC fund formation. This low threshold, combined with a range of specialized vehicles tailored for venture and growth capital, has contributed to France's growing attractiveness as a hub for VC activity, as confirmed by GPs interviewed for this report. A detailed review of fund setup costs gold-plating across 10 Member States in focus is provided further in Section 4.3 and [Annex 4](#).

**Regulatory requirements related to local presence are especially impactful on the scaling choices, given that fund managers prefer to draw on centres of expertise and support functions established in other jurisdictions even while retaining their centralised presence in a single Member State.** The ability to delegate key functions, such as portfolio management, risk management, administration, or even certain compliance and operational tasks, to specialised service providers or affiliates in other countries is therefore critical for efficiency, access to best-in-class expertise and cross-border reach of funds.

Delegation is a cornerstone of the AIFMD framework and is widely relied upon in leading fund domiciles. For example, Luxembourg explicitly permits AIFMs to delegate portfolio or risk management to entities both inside and outside Luxembourg, provided that the AIFM retains overall responsibility and oversight. This flexibility has been a major factor in Luxembourg's attractiveness as a fund domicile, allowing GPs to centralise decision-making while leveraging global networks for specific investment or operational functions. In France, while the AIFM must be authorised and regulated by the AMF, the regime allows for the

delegation of certain management functions, subject to AMF approval and ongoing supervision. This enables French funds to tap into cross-border expertise, provided that the core risk and portfolio management responsibilities remain with the authorised AIFM. Germany also permits delegation under the KAGB, allowing the Kapitalverwaltungsgesellschaft (KVG) to outsource portfolio management or risk management to regulated entities, including those in other EU Member States. However, the KVG must ensure robust oversight and cannot delegate to the extent that it becomes a “letterbox” entity – a principle strictly monitored by BaFin. In Italy, the regulatory framework allows EU AIFMs to manage Italian AIFs either through a branch or under the freedom to provide services, with the possibility to delegate certain functions to third parties, subject to regulatory notification and oversight by the Bank of Italy and CONSOB.

By contrast, jurisdictions with less flexible delegation regimes or stricter local presence requirements – such as mandatory local directors, minimum staffing, or substantive operational activities – can significantly raise costs and reduce operational efficiency for fund managers. These constraints may force GPs to duplicate functions across jurisdictions or limit their ability to access external expertise, ultimately impacting the cross-border reach.

Overall, relatively few fund managers consider the issue of delegation a significant barrier – fund managers tend to not expand their operations to many jurisdictions until they reach the state of a large international platform and even in that case focus on a few key strategic countries. However, the cross-country analysis points to the fact that expanding to many jurisdictions is also unfavourable from the point of view of efficiency, since local presence requirements tend to be strict – serving as an artificial limit to cross-border operations. A detailed review of delegation possibilities & local presence requirements across 10 Member States in focus is provided in Section 4.3 and [Annex 4](#).

It should be noted, however, that, based on the conducted interviews, the regulatory and legal considerations discussed here rarely prove to be absolute dealbreakers and normally do not cause funds and LPs to abandon the investment in other Member States when the potential return on investment is sufficiently attractive. While complex, solutions can typically be found through careful structuring. While such barriers do not typically deter investment, they can increase transaction costs, prolong deal execution timelines, and require complex legal workarounds, particularly in less “fund-friendly” jurisdictions. These result in significant costs for fund managers and deter them from the primary functions of deal sourcing and value creation through portfolio company management. In addition, some of the requirements are cascaded to portfolio companies that also face costs of submitting detailed reports and questionnaires, sacrificing the time that could be dedicated to business-related activities.

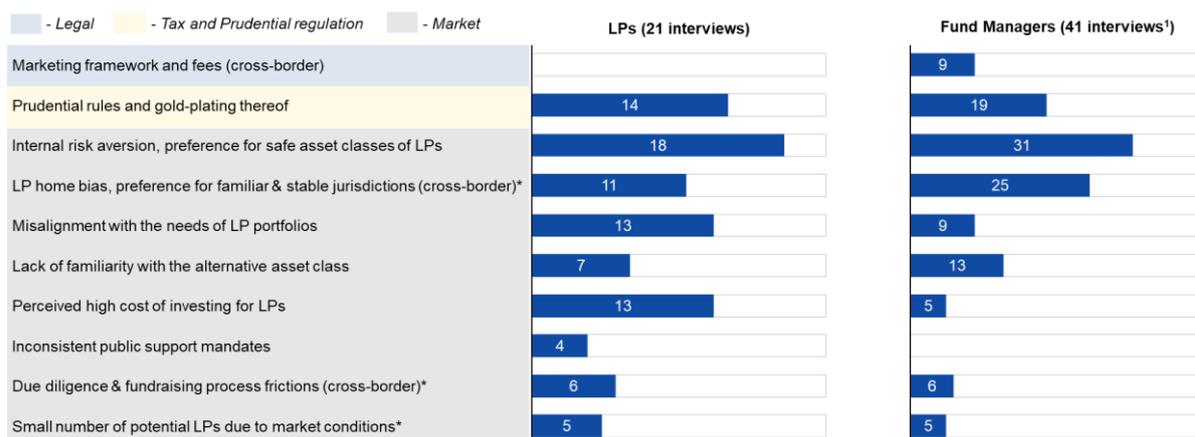
### Existing workarounds for regulatory fragmentation

- Larger investment funds can afford to employ or outsource legal staff with expertise in every jurisdiction across the EU, resulting in less acute perception of regulatory issues during the investment process. It is seen by some as a function to be set up and managed at a reasonable cost; whether such cost puts an EU-based fund in disadvantage is another question.
- A solution employed by large and small funds alike is co-investments with local funds that are familiar with the local environment. If a local fund leads the round, most of the regulatory burden associated with the investment process is taken on by its team.
- On the other hand, investment funds focused on specific geographies usually know their market well and do not see regulatory issues governing the investment process as prohibitive (often the case in France). If they however choose to only focus on their domestic market, this has negative impacts on developing a single market for capital in the EU.

#### 4.2.1. Direct barriers to fundraising – Key barriers based on the interview analysis

Based on the interviews conducted, Figure 50 summarises the key barriers that have historically presented the largest challenge to the fund managers and institutional investors **during the fundraising process**, by category.

**Figure 50. Significant direct barriers to fundraising based on the number of interviews in which each barrier was mentioned (combined ranking for LPs and Fund Managers)<sup>69</sup>.**



Source: Civitta analysis.

<sup>69</sup> **Legend:** (i) (cross-border) – barriers specifically affecting cross-border fundraising (ii) “\*” – regulatory improvements can indirectly help to reduce or remove this barrier, (iii) “1” – fundraising aspects were discussed in 41 (of 44 total) interviews with fund managers.

Table lists the key concerns raised in the interviews in connection with each general barrier.

**Table 12. Direct barriers to fundraising – Key concerns raised in the interviews<sup>70</sup>.**

Barrier	Key concerns raised in connection with this barrier
Marketing framework and fees	<ul style="list-style-type: none"> <li>▪ Passporting requires separate licensing in each jurisdiction – following different procedures.</li> <li>▪ Extensive private placement memorandum (PPM) requirements.</li> <li>▪ Burden of marketing fees and related charges.</li> </ul> <p>+ <i>Cross-border fragmentation.</i></p>
Prudential rules and gold-plating thereof	<ul style="list-style-type: none"> <li>▪ Disclosure requirements for LPs. <i>EU-level, National</i></li> <li>▪ Portfolio value fluctuation vs. hard caps (“denominator effect”). <i>National</i></li> <li>▪ Bank capital requirements. <i>EU-level</i></li> <li>▪ Solvency I &amp; II constraints. <i>EU level, National</i></li> <li>▪ Pension funds: caps on alternative assets. <i>National</i></li> </ul> <p>+ <i>Conservative interpretation of “grey areas” by local NCAs.</i></p>
Internal risk aversion, preference for safe asset classes of LPs	<ul style="list-style-type: none"> <li>▪ Performance concerns</li> <li>▪ Preference for buyout funds or US funds (instead of VC funds, EU funds)</li> <li>▪ Bias against first-time fund managers</li> <li>▪ Overly conservative reporting requirements from LPs</li> </ul>
LP home bias, preference for familiar & stable jurisdictions	<ul style="list-style-type: none"> <li>▪ Bias for jurisdictions with a familiar legal environment</li> <li>▪ Fear of the changeability of regulation</li> <li>▪ Reluctance to invest in “underdog” regions</li> <li>▪ Public funding mandates to invest locally</li> <li>▪ Competition &amp; lack of track record cross-border (LPs)</li> </ul>
Misalignment with the needs of LP portfolios	<ul style="list-style-type: none"> <li>▪ Holding period mismatch (i.e., a mature pension fund that is about to be wound down would not invest in a long-term asset).</li> <li>▪ Illiquid asset.</li> <li>▪ Ticket size mismatch (whereby large institutional investors cannot match the ticket required (usually a smaller ticket)).</li> </ul>
Perceived high cost of investing for LPs	<ul style="list-style-type: none"> <li>▪ Costly due diligence (even for small tickets)</li> <li>▪ Need for team and knowledge investments into active management</li> <li>▪ High management fees (especially the fixed part)</li> </ul>
Lack of familiarity with alternative asset class	<ul style="list-style-type: none"> <li>▪ Lack of LP awareness of alternative assets</li> <li>▪ Lack of regulator experience</li> </ul>
Inconsistent public support mandates	<ul style="list-style-type: none"> <li>▪ Overlapping objectives of several funding sources result in a patchy strategy of fund managers who receive the funds</li> <li>▪ Risk of supporting immature products based on eligibility criteria (“incomplete product” investment criteria)</li> <li>▪ Commitment to follow-on investment requirement for fund managers (Funds supported by EU mandates are required to mention follow-on investments in initial business plans, limiting flexibility and increasing breach risk if startups pivot)</li> <li>▪ Business plan confirmation requirement (for portfolio companies that fund managers invest in; for fund managers)</li> </ul>

<sup>70</sup> **Legend:** + *Cross-border fragmentation* – a general cross-cutting issue most frequently mentioned in conjunction with this barrier; *National, EU-level* – attribution of prudential rule either to EU-level or national level regulation

**Colouring:** Legal barriers, Tax barriers, Market barriers

Barrier	Key concerns raised in connection with this barrier
Small number of potential LPs due to market conditions	<ul style="list-style-type: none"> <li>Structure of the pension system in Europe</li> <li>Market conditions (e.g., high-interest rate environment)</li> </ul>
Due diligence & fundraising process frictions	<ul style="list-style-type: none"> <li>Notarisation (including the need for physical presence)</li> <li>Lack of centralised stakeholder database</li> <li>Long processing time</li> <li>Non-standardised reporting forms &amp; agreements</li> </ul>

Source: Civitta analysis based on the interview programme

**Among the regulatory and legal aspects directly impacting fundraising process, fund and fund manager passporting and marketing is sometimes mentioned as a barrier to cross-border fundraising by fund managers.**

Although the AIFMD and the Cross-Border Distribution of Funds (CBDF) Regulation were designed to harmonise marketing practices, there is persistence of national discretion, particularly because of the EU framework having a relatively vague definition of what constitutes marketing – lending itself to gold-plating.

The relatively low incidence of a barrier related to the marketing frameworks may stem from the fact that fund managers may limit marketing activities to specific jurisdictions by a strategic decision, instead concentrating on approaching (or using reverse solicitation) with a restricted sample of familiar LPs – avoiding the costs and effort associated with marketing altogether.

Nevertheless, some concerns stand out. In particular, fund managers refer to the pre-marketing and reverse solicitation rules introduced by some Member States as burdensome. Reverse solicitation, where an investor approaches a manager on their own initiative, has been narrowed in practice. Several Member States, including France and Italy, require managers to demonstrate and document the unsolicited nature of the approach, and some have imposed additional reporting or denotification requirements. Germany requires fund managers to formally notify BaFin even for initial, exploratory contacts with potential investors, treating pre-marketing more restrictively than the EU minimum. In Denmark, "marketing" is interpreted very broadly - almost any active or unsolicited communication with a potential investor, even at early stages, is treated as marketing, and Danish sub-threshold managers are not allowed to fundraise for an EU-based fund without EuVECA registration. In France, the AMF imposes an obligation to submit all marketing materials for review and demands detailed documentation for each marketing activity, including translations. Italy has introduced additional notification obligations and strict time limits on pre-marketing.<sup>71</sup>

<sup>71</sup> Two 'low-hanging fruit' suggestions to simplify the AIFMD pre-marketing rules and prevent some of the gold-plating were put forward by the interviewed industry stakeholders, including 1) removing or relaxing the denotification-related ban, which currently restricts managers from re-marketing a fund if notification procedures are not strictly followed, and 2) clarifying the definition of "material change" in fund documentation to ensure that only substantive

Marketing fees represent a separate barrier, especially when viewed in aggregate by a fund wishing to market across multiple jurisdictions. Spain stands out for its high notification fees: the CNMV charges EUR 1,500 per fund for marketing notifications, with further annual supervisory fees. Luxembourg imposes a marketing notification fee of EUR 2,650 per fund, with additional charges for amendments or denotifications. In Italy, both the Bank of Italy and CONSOB require pre-approval or notification of marketing materials and levy annual supervisory fees, even for EuVECA-registered managers. These costs quickly accumulate for managers pursuing pan-European strategies, as each country's fees and procedural requirements must be met separately. Based on Invest Europe calculations as of 2025, for a large manager with a European strategy, host fees alone may account for EUR 500,000 per year when including compliance costs. A detailed review of marketing frameworks and fees across 10 Member States in focus is provided in Section 4.3 and [Annex 4](#).

Overall, the fund manager interviewees typically point out that the marketing regulation stands out as somewhat excessively protective, considering that institutions are typically sophisticated investors that usually perform their own due diligence.

#### **Case Study – EuVECA considerations for fund marketing**

In 2013, the EuVECA Regulation was introduced alongside the AIFMD, with the stated aim of facilitating access to capital for smaller VC managers. The EuVECA regime sought to achieve this through the introduction of a pan-European passporting product, introducing an immediately recognisable label that could provide potential VC investors with added confidence and assurance.

From a regulatory standpoint, the EuVECA regulation is structured as a sub-regime branching from the broader AIFMD regime. It applies to managers of alternative investment funds that meet specific criteria, but it does not require full AIFMD authorisation. Managers of AIFs applying for EuVECA should meet the following criteria: (1) their total assets under management do not exceed EUR 500 million; (2) they are established in the EU; (3) they are subject to registration in their home Member State in accordance with the AIFMD; and (4) they manage portfolios of AIFs which are 'Qualifying Venture Capital Funds' (QVCFs). In particular, a QVCF is defined under the EuVECA Regulation as an AIF which is established in the EU and which intends to invest at least 70% of its aggregate capital in qualifying investments<sup>19</sup>. In addition, the EuVECA product is also limited by other material requirements, such as limits on the use of leverage and borrowing and restrictions on the marketing of funds to clients.

Regulation (EU) 2017/1991 introduced amendments to EuVECA regime (1) widening the range of managers eligible to market and manage EuVECA

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amendments, rather than minor or administrative updates, trigger re-notification requirements (Invest Europe, 2025b).

funds to include those authorised under the AIFMD; (2) permitting EuVECA funds to invest in unlisted companies with up to 499 employees and SMEs listed on a SME growth market; (3) expressly prohibiting the imposition of fees by regulators of a host Member State where no supervisory activity is performed; and (4) simplifying the registration process.

The extent to which the EuVECA regime was successful after the 2017 review is debatable. In practice, the label has had only limited adoption, largely due to two aspects highlighted in existing analyses of EuVECA (ALFI, 2022).

**First, a common criticism is that EuVECA benefits for passporting often overlap with the AIFMD benefits but create additional regulatory burden and authorisation costs.** AIFMs that are already fully authorised under the AIFMD can freely passport their funds to professional investors without the EuVECA label, and without being bound by EuVECA's strict portfolio rules. Academic analysis argues that this approach contradicts the EU's Single Rulebook objective, creating unnecessary complexity and horizontal inconsistencies in regulation. In effect, the EU chose to avoid merging EuVECA into the AIFMD to keep the latter simpler, but the result was a separate label that added its own layer of rules and a separate registration process (Navid, 2022).

**Secondly, Member States apply gold-plating or interpretive barriers to EuVECA fund managers that resemble full AIFM procedures.** While EuVECA is supposed to be a registration regime, some regulators impose a de facto authorisation process that can take up to 6 months, making it more burdensome than intended. Some local regulators (like Spain and Romania) have even been reported to reject EuVECA registration and require a full AIFM authorisation instead, based on the information gathered by the Association of the Luxembourg Fund Industry (ALFI).

**The third criticism is that, by design, EuVECA funds are restricted to a tight scope of assets, which, some argue, makes the regime inflexible.** At least 70% of capital must be invested in "qualifying investments" – essentially equity or quasi-equity in unlisted SMEs or start-ups (generally companies with up to 499 employees, or small firms listed on SME growth markets). Only a limited 30% of the fund can be in non-qualifying assets (which may include things like non-VC investments or certain loans, subject to caps). Leverage is also tightly constrained – EuVECA funds cannot borrow beyond their committed capital (they can only incur debt up to the level of uncalled investor commitments). Growth-stage funds that might invest in slightly larger tech companies (initially of as follow-up investments) or use debt financing find EuVECA too limiting and often do not use the label.

Finally, despite the intention to facilitate simplified marketing processes for sub-threshold fund managers through the EuVECA regime, **the interaction between EuVECA, national sub-threshold regimes and the national private placement regimes remains complex.** This can be at least partly

attributed to the lack of a clear provision for cross-border management in the regulation, seen as a significant limitation that should be addressed in future reforms by the industry stakeholders interviewed. Many Member States maintain their own sub-threshold regimes alongside EuVECA, often imposing additional registration, reporting, or marketing notification requirements that EuVECA does not pre-empt. Furthermore, national private placement regimes (NPPRs) continue to apply in many jurisdictions, each with distinct rules, fees, and timelines. This patchwork means that EuVECA managers must often comply with multiple, parallel regimes simultaneously, negating the intended simplification and cost savings. Interviewed industry stakeholders advocate for recognising EuVECA as a genuine voluntary passport that would allow managers to waive national sub-threshold requirements and NPPR obligations entirely.

As a result, the uptake of EuVECA label by larger fund managers has been rare, as they often avail themselves of the AIFMD passport without having to comply with EuVECA's criteria. Long-term relevance for its original target group – smaller VC teams – is also somewhat limited as they ultimately tend to outgrow the sub-threshold regime and then see little incentive to retain the EuVECA label. In addition, multiple smaller fund managers interviewed stated that they are not interested in cross-border passporting due to already being under mandates to invest locally (relevant to, e.g., French or Italian funds), marketing in a few jurisdictions with favourable national placement regimes, or preferring to raise from the same LPs from one fund to another. The regulatory burden and long timeline to registering an EuVECA fund, especially for the first time, with additional regulatory complexity in some jurisdictions, serves as an additional barrier. When discussing the label in the interviews, the awareness about EuVECA among fund managers was discovered to be low.

In jurisdictions with less gold-plating in authorisation procedures or in jurisdictions where the national placement regimes are more challenging to comply with, interviewees have adopted EuVECA (usually smaller funds), citing positive impressions and reduced administrative effort associated with marketing. Based on the share of EuVECA funds identified in Section 1 of the report, Spain, the Netherlands, and Italy are jurisdictions in which EuVECA is popular among venture & growth capital funds – this may be correlated with the difficulty of AIFM authorisation and lack of AIFs.

**Across the EU, institutional investors are likewise discouraged from or indirectly penalised for investments in venture and growth capital by the national gold-plating of prudential rules.**<sup>72</sup> Prudential frameworks typically regulate entities deemed systemically important or offering financial services

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<sup>72</sup> Research by IMF (2024) also lists various restrictions on non-domestic investments of pension funds and other types of LPs; however, based on the interviews conducted, this has not been perceived as an issue for alternative assets specifically.

such as banks, insurance firms, or regulated investment firms. The immediate issue referred to in the interviews is the relatively ambiguous guidelines on adhering to the “prudent person principle” in frameworks applicable to the respective institutional investor segment; in this context, many Member States have implemented deeper restrictions on alternative investments than what is strictly prescribed by the EU frameworks, creating additional barriers for institutional investors wanting to participate in these markets.

Interviewees across EU jurisdictions refer to two typical types of direct restrictions applicable to insurers, pension funds and banks on investment into alternative assets:

- **Caps** on maximum portfolio allocations.
- **Capital requirements** to balance the risk of alternative assets.

A detailed review of the implementation of prudential frameworks across 10 Member States in focus is provided in Section 4.3 and [Annex 4](#).

**For insurers**, under the Solvency II framework before the 2025 amendment, capital charges for equity investments were generally higher and undifferentiated. Equity investments, including venture capital and private equity, were typically subject to capital charges of around 39% for Type 1 equities and about 49% for Type 2 equities. The cost of capital rate used in the calculation of the risk margin was 6% before its reduction to approximately 4.75% in the 2025 amendments. Following the review of the Solvency II Directive<sup>73</sup> (applicable as of January 2027), venture capital (VC) and private equity (PE) investments may qualify as Long-Term Equity Investment (LTEI) if they meet certain eligibility criteria to be laid down in the Solvency II Delegated Regulation<sup>74</sup>, which is expected to be amended by the end of 2025. This implies they will benefit from a reduced capital charge of 22%, which is significantly lower than the charges for other equity types. The effect of the reform on the capital markets remains to be seen, but several insurers interviewed expressed general approval of the proposed changes. The effect will also be dependent on the speed of transposition of changes into domestic laws – as a case in point, a stakeholder closely associated with the insurance sector in Bulgaria referred to the fact that Solvency I provisions are still operational in the jurisdiction.

**For pension funds**, there is a widespread practice in the national rules to establish caps on alternative investments across the EU, with caps typically ranging between 5% and 15% of total pension fund assets, albeit higher limits

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<sup>73</sup> Directive (EU) 2025/2 of the European Parliament and of the Council of 27 November 2024 amending Directive 2009/138/EC as regards proportionality, quality of supervision, reporting, long-term guarantee measures, macro-prudential tools, sustainability risks and group and cross-border supervision, and amending Directives 2002/87/EC and 2013/34/EU.

<sup>74</sup> Commission Delegated Regulation (EU) 2015/35 of 10 October 2014 supplementing Directive 2009/138/EC of the European Parliament and of the Council on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II).

are also encountered. Some Member States have outlying restrictions: for example, in Bulgaria, mandatory pension funds (Universal Pension Funds, UPFs, and Professional Pension Funds, PPFs) are capped at no more than 1% of their portfolio; in Poland, alternative asset investments by pension funds are not permitted. It is generally indicated that prudential rules for pension funds face especially fragmented regulatory landscape across the EU.

Capital reserve requirements present a challenge **for the EU-based banks**, which must hold approximately three times more capital against equity investments, compared to other assets. Under the Capital Requirements Regulation (CRR/CRD) and Basel regulatory framework, banks must reserve capital proportional to the risk-weighted assets (RWAs) they hold. Equity investments, especially venture capital and private equity, are classified as "speculative investments" with higher risk weights, leading to significantly higher capital requirements. The side effect of such classification is that this may reinforce negative connotations with the asset class, leading to its complete avoidance. While banks may not be the typical investors in the venture & growth asset classes, fund managers see benefits to increasing their allocations to the alternative assets, even if the percentage of the total assets of banks committed is small.

Based on the interviews conducted, a practical issue accompanying the percentage-of-value-based restrictions is that there is no mechanism to account for the fluctuations in portfolio value itself. **Because of the normal fluidity of portfolio valuation, percentage-based caps may be arbitrarily exceeded as the market conditions change**; due to the illiquid nature of venture capital and private equity investments, no immediate correction is possible if the allocation is exceeded. In practice, the resulting risk of non-compliance further discourages investors. This is typically referred to as the "denominator effect" and has been one of the most frequently highlighted issues across the interviews related to the prudential rules.

Another concern mentioned in the interviews is related to the "prudent person principle" requirements to document and demonstrate their understanding of investment risks in the form of written materials provided to the management board of institutional investors. **While encouraged in theory, the principle's requirements are described as "cumbersome" and there are many "grey zones" in how they should be interpreted.** Several pension funds interviewed reported challenges with extensive documentation both for initial investments and ongoing follow-ups. This burden is one reason why one of the pension funds in Denmark limited itself to no more than 2 new investments per year – particularly due to the principle's conservative implementation by the national competent authority, Finanstilsynet (FSA).

**Case Study – Reforms to broaden access of investors to private markets in the US (U.S. Department of Labor, 2020; PitchBook, 2020; Stewart, 2025; Schroeder, 2025)**

In 2020, the US took a step to broaden access to PE for individual investors by allowing 401(k) retirement plans to include PE exposure through diversified investment structures like target-date funds or balanced funds (multi-asset vehicles combining public equities, bonds, and other assets, which may now include a PE component under US regulation), managed by professional fiduciaries. This reform unlocked potential access to the USD 6.2 trillion 401(k) market.<sup>75</sup> Direct investment by individuals remains restricted, but the reform allows indirect access to PE and VC.

However, uptake has been limited. As of 2024, alternative investments make up only 0.1% of DC plan assets. Operational complexity, fiduciary caution, and liquidity management continue to hinder widespread implementation. A 2024 Schroders survey showed strong retail interest: over a third of 401(k) participants would invest in PE or private debt if available, and 80% would increase contributions.

Despite growing interest, regulatory caution remains. In 2021, the DOL clarified that its guidance was not an endorsement of PE in 401(k)s, warning that such investments may be unsuitable for many plans, especially smaller ones lacking the necessary fiduciary and legal infrastructure. There is also concern that PE may not be suitable for most 401(k) savers, due to its high fees, limited transparency, and illiquidity. Nonetheless, since 2025, major PE firms have been lobbying for further access to retirement savings, aiming to expand beyond target-date funds into direct tax-deferred investments in private equity, real estate, and private credit through 401(k) plans.

In contrast, Europe lacks similar reforms. Across the EU and UK, tax-advantaged individual investment and retirement accounts (e.g. PEA in France, ISK in Sweden, ISA in the UK) encourage long-term savings and hold significant retail capital. While these accounts usually allow various investments like equities and bonds, they generally exclude direct or indirect PE and VC investments, limiting individual savers' access to diversification and long-term return potential.

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<sup>75</sup> As of December 31, 2024, there were approximately USD 8.9 trillion in 401(k) retirement plan assets in the US (Investment Company Institute, 2024)

### **Case Study – Czechia’s 2024 pension amendment introducing alternative participation funds**

In 2024, by implementing Zákon č. 462/2023 Sb., Czechia introduced a legislative amendment creating alternative participation funds within its supplementary pension system, allowing some pension companies to pursue more dynamic investment strategies with broader asset classes. Unlike conventional pension funds, which are not allowed to invest in alternative assets, including PE and VC, these new funds face no explicit investment limits on alternatives. Key features of this measure are:

**No caps on alternative assets:** Alternative participation funds can invest freely in private equity, venture capital, real estate, cryptocurrencies, commodities, and infrastructure.

**Investor eligibility:** Targeted mainly at qualified investors with a minimum investment threshold of EUR 125,000, except for up to 20 family and friends’ investors.

**Regulatory framework:** These funds are registered and report to the Czech National Bank but do not require authorisation; they must provide clear high-risk disclosures and avoid using the term “fund” in their name to prevent confusion.

**Parallel participation:** Pension savers can now participate simultaneously in conventional and alternative funds, though state contributions apply to only one.

This reform is a step towards broadening pension investment options, aiming to stimulate alternative investment in Czechia, while balancing investor protection through disclosure and eligibility rules.

**Based on the interview evidence and existing research on the average percentage of assets allocated to venture & growth investments, however, it appears that direct limits in the form of the allocation caps are frequently not exhausted.** While this may be partially attributable to “denominator effect” and cumbersome documentation requirements, “softer” barriers may be even more decisive, as reflected in the interview-based ranking of barriers.

**Many private LPs are concerned about the uncertainty of returns from the EU venture and growth investments, it being the top barrier cited by the EU institutional investors and fund managers.** Multiple fund managers point out the strong emphasis LPs put on the ability of the GP team to generate a *guaranteed* return. While not surprising, it stands somewhat in contrast to the more risk-taking culture and willingness to embrace the possibility of losses associated with the ecosystems where allocations of institutional investors to venture & growth capital is higher. To ensure returns, more traditional private equity (buyout strategies) is often seen as the preferred by the EU-based pension funds and insurance companies. In private equity, EU-based institutional investors can create a concentrated portfolio of so-called “top” first-

quartile funds that are perceived to be less risky, offering more predictable returns<sup>76</sup>; as an additional benefit, in doing so they also limit the administrative and due diligence costs incurred when recreating the same risk-return profile with a larger portfolio of smaller investments firms through diversification.

Interviewees admit that private institutional investors with the freedom to invest globally tend to choose large and mature non-EU venture and growth funds to form a concentrated portfolio of larger allocations to a few selected funds. Some interviewees perceive returns in the EU as inferior to the US; however, even those interviewees who perceive returns in the EU to be on par<sup>77</sup> find it easier to entrust funds to established teams with proven longevity, a proven track record in generating returns, an established brand name and a respectable array of existing institutional investors – frequently, those are foreign teams. As additional reasoning, one of the interviewees mentioned that they can obtain more favourable exposure to the best EU companies through US-based funds.

The perception of the return frequently relies on internal modelling and forecasts, where underlying assumptions play an important role. Apart from direct regulatory influence, the principles laid out in prudential frameworks may translate into applying more conservative assumptions on the return profile, in the cost of capital and solvency ratios, even when not directly prescribed, further reinforcing the cautious approach to venture and growth investments, and the perception of those as inherently less attractive.

Risk aversion is further manifested through strict requirements for funds that the LPs support. For instance, many EU-based LPs are averse to investing in a fund without a hurdle rate<sup>8</sup>, which is the form preferred by many funds in the US, for instance. Risk aversion may likewise manifest in excessive and internally gold-plated reporting requirements or a more micro-managing approach to fund manager strategy overall.

#### **Case Study – Participation of institutional investors in the EU and national public co-investment programmes**

To mitigate the risk aversion and return concerns of LPs, EIF and national public institutions in Member States have introduced fund-of-funds schemes and co-investment initiatives, where venture and growth capital funds are the primary investees (EIF, 2024b; EIF, n.d.).

Based on the interviews with institutional investors, there is some interest in the co-investment programs offering first-loss guarantee mechanisms, with many expressing that this type of downside protection could make them more likely to invest in VC and PE asset classes. However, from the perspective of the ecosystem makers, such a mechanism is likely to be successful only for overcoming the initial cultural barriers – to ensure sustainable, long-term

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<sup>76</sup> See Section 3.1 for a discussion on the concept of top performing funds.

<sup>77</sup> See Section 1.1 for the comparison of performance of US- vs. EU-based fund managers.

market development, such initiatives could send wrong signals about the inherent risks of the asset class.

An example of the early attempt at creating such a mechanism was the Dutch Growth Co-Investment Programme, which was generally well-received. Launched in 2017, the program was implemented by Invest-NL in collaboration with the European Investment Fund. However, while innovative in its approach with first-loss protection, it remained relatively modest in scale. With just EUR 100 million of public committed capital and achieving EUR 200 million total investment target through private sector matching, it had a limited impact on the late venture & growth market. Following this blueprint is the EU ESCALAR programme, which piloted such downside protection through capped losses. To date, reactions have been mixed, with interviewees noting that it remains too early to assess its broader effectiveness.

Interviewed institutional investors had limited experience in participating in national and EU-level public co-investment programs. They expressed **concerns about dual fee layers and related returns dilution, the expected lack of flexibility transposed onto fund managers** (particularly, owing to the mandate restrictions that accompany public funds), **and limited discretion over the due diligence processes** as the factors that may outweigh the benefits. In the absence of a sufficient degree of influence, LPs are wary of being pushed to channelling funds into targets merely compatible with national policy priorities, both along the geographical and industry dimensions. While these trade-offs may be acceptable for first-time LPs, the more experienced LPs (including those that previously invested in comparable assets) could be more difficult to convince.

**Further, some interviewees expressed concern about the lack of clarity about the overall strategy of capital pooling programmes:** LPs interviewed were concerned that such schemes are geared towards supporting emerging managers (what they perceive as a more “social cause”, appropriate for EU funding programmes – those by European Institution of Innovation & Technology (EIT)), rather than towards investing in top-performing funds while having the return in mind.

#### **Case Study – Tibi Initiative in France**

France’s Tibi initiative is generally perceived as an effective measure in mobilising institutional capital for investing in venture & growth capital funds. Large French public investors like Bpifrance contributed to the initiative. Since the launch of the initiative in 2020, the program has successfully channelled over EUR 10 billion in its first phase and an additional EUR 6-7 billion in its second phase from institutional investors into French technology companies and funds.

While the initiative successfully encouraged traditionally risk-averse institutions like insurance companies, pension funds and banks, the implementation and target selection process itself is referred to a problematic

by stakeholders familiar with it. The initiative created a somewhat bureaucratic framework for institutional participation, requiring funds to meet specific professional management standards and size thresholds to qualify for the Tibi label. The approval process required fund managers to demonstrate the support of two institutional sponsors and involved a complex committee voting system that determined the choice of investees – this methodology created some tension within the ecosystem.

Despite these hurdles, the program has helped to make progress in addressing the largely cultural barriers that historically prevented institutional investors from participating in venture and growth capital investments. The success of this initiative has inspired similar programs in Germany (the WIN initiative), Poland (close to launch), and the Netherlands (under consideration).

**To mitigate some of the perceived risks, private institutional investors show a preference for investing in home or at least familiar jurisdictions, driven by the familiarity of legal and tax frameworks, but also language considerations and established networks.** Private institutional investors tend to favour investments in jurisdictions where they have a clear understanding of the local regulatory & legal environment, can easily navigate compliance requirements and feel the ability to influence any upcoming regulatory changes or at least perceive the regulatory environment as stable. These aspects, if not ensured, extend due diligence timelines and bring additional risks, raising the costs associated with hiring additional advisors. For instance, two Spanish fund managers highlighted how language-specific legal frameworks delay international fundraising due to the inability to find the direct equivalents of Spanish legal terms in another legal system. Home markets frequently take priority for institutional investors for this reason; otherwise, or in the cases where the environment in the home market is not deemed favourable, other “venture-friendly” jurisdictions are chosen (Luxembourg and the Netherlands are most often cited among the EU jurisdictions).

This “home bias” is further reinforced by the preference for communicating in the native language with local stakeholders (or at least in English) and leveraging existing professional networks for due diligence and ongoing monitoring of the ecosystem for potential targets. Moreover, cultural proximity plays an important role in assessing the fund manager team's qualities and for the collaboration during the holding period.

In the case of public LPs, “home bias” may also be attributed to the public funding mandates imposed on LPs that act as the intermediaries for EU- and national-level public funds distribution, pushing them to prioritise investments in stipulated geographies.

**To cater to this, typically larger fund managers incorporate in jurisdictions with a familiar regulatory and tax environment for the LPs to alleviate their concerns about unfavourable investment terms.** Some fund manager teams can mitigate fundraising challenges by incorporating their fund in one of the

more “venture-friendly” jurisdictions. It is important to note that these jurisdictions are not necessarily the least requirement-heavy and/or the cheapest to incorporate in. The cost of establishing in a “popular” jurisdiction may be prohibitive for smaller funds, but it is rather common to incorporate the second or third fund there after having the first one domestically. However, it is commonly considered that these costs are outweighed by benefits: for instance, a Luxembourg incorporation provides access to an established network of service providers with experience in fund structuring and fundraising, flexible legal vehicles and tax treatment.<sup>78</sup> The supervisory authority in Luxembourg (CSSF) is perceived to have extensive experience in fund structuring, authorisation and other matters related to venture and private equity funds, due to the high volume of such activity; on the other hand, NCAs in smaller jurisdictions that oversee a limited number of entities are associated with more risk and larger costs. The attractiveness of “venture-friendly” jurisdictions is also due to faster processing of documents and frequently more favourable interpretation of requirements and eligibility (for instance, when deciding on the tax treaty eligibility of investment transactions) and a pragmatic, business-focused approach. Finally, jurisdictions like Luxembourg have a stable regulatory environment, allowing for long-term planning and avoidance of uncertainties related to the changing treatment of venture and private equity funds. These aspects make institutional investors more likely to invest in a Luxembourg-based fund, subsequently increasing the attractiveness of such a domicile to fund managers.

**A perhaps more structural concern of some institutional investors is related to considering venture and growth capital investments in the context of their overall portfolio strategy.** Based on the interview evidence from pension fund managers, the ability to invest in a venture and growth capital fund frequently depends on the maturity of a specific pension fund, whether the fund is currently in the growth accumulation or payout phase. For defined benefit (DB) schemes that are in their later lifecycle stages, there is no strategic interest to invest in higher growth, higher risk segments, due to their timeline constraints and in view of limited liquidity. Despite large amounts of assets under management held by such pension schemes, the real ability to invest is lower due to the high share of the more mature funds.

Beyond lifecycle considerations, there is an issue of the mismatch between a minimum commitment by a single LP and the size of the fund that the fund manager is raising, making many smaller funds not suitable for allocations from larger LPs. This creates a particular challenge for emerging or smaller fund managers who may struggle to accommodate the minimum ticket sizes required by institutional investors.

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<sup>78</sup> Several fund manager interviewees report that service providers in leading jurisdictions have declined in quality while maintaining high costs in recent years, prompting some fund managers to relocate their fund domicile.

Finally, there is often a need to ensure sufficient liquidity in the LP portfolio to ensure their payouts to its clients. For this reason, one of the interviewed institutional investors mentioned that they do not see their total exposure to alternative assets going above 20% even if the direct cap on alternative assets investment in their jurisdiction is to be lifted.

More practically, the interviewed institutional investors also refer to the competition between institutional asset managers: an interviewed pension fund points to the risk of client attrition if their strategy deviates too far from peer investment strategies in terms of the percentage of alternative asset allocations, creating pressure to maintain a more conventional approach to portfolio management.

**Further, multiple institutional investors perceive the cost of investing in venture & growth capital as unnecessarily high, both in terms of due diligence, management fees and the extent of active management required.** Around half of the interviewed LPs referred to especially lengthy and costly due diligence they must conduct for venture and growth funds, compared to other asset classes, as a major issue. The costs are significant: for instance, a private Swedish LP reported spending EUR 60,000-80,000 on legal due diligence alone per fund, with additional costs required for ESG and other compliance checks, resulting in up to EUR 800,000 per relatively small ticket size. Importantly, these due diligence costs remain relatively fixed regardless of the target investee fund size, creating a disproportionate burden for smaller funds and further challenging their economic viability. As mentioned before, due diligence tends to be especially costly in previously unfamiliar jurisdictions, to ensure the favourable legal and tax treatment of LPs.

Investing in venture & growth capital is an inherently active strategy, requiring the LPs' involvement on matters from assisting with the reporting requirements to deliberating on the portfolio strategies – especially for less experienced fund managers with a small number of LPs. A number of LPs report that this represents a burden due to the lack of their own experience with these matters and limited resources of the investment team.

Finally, several LPs expressed concern about high management fees of venture & growth funds relative to benefits provided, questioning the standard 2% management fee prevalent in venture capital. A modification assigning a bigger weight to performance-based compensation is generally favoured instead of the current way, placing emphasis on the high proportion of fixed fees.

**Key EU-based investors are public LPs (such as Bpifrance, KfW and others), operating under public funding mandates that also tend to prioritise investments domiciled in their own Member State.** These investors play an important role in their national venture and growth ecosystems, often acting as cornerstone investors and market makers. However, their mandates and investment criteria often create limitations. Public LPs, including national development and promotional agencies, sovereign wealth funds and public pension schemes are often obligated to justify

expenditures of public funds they manage with investments for the benefit of local economy. In countries like Poland, Italy and France, investment vehicles supported with public funds must demonstrate that at least twice the amount invested will be deployed within their respective national economies. According to the interviewees, NPIs strongly prioritise investments in funds incorporated in their Member States, albeit exceptions may exist. Additionally, there are typically limits on the absolute investment ticket given to a foreign fund and/or conditions for them to invest in the LP home jurisdiction. In specific cases, such “home bias” is the result of the local interpretation of the mandate that comes with the EU regional development funds.

#### **Case Study – Issues with EU aid distribution mechanisms for public LPs**

Upstream distribution of EU funds (referring to, for example, the development funds channelled through ESIF and similar programs) also has relevance to the ease of fundraising. In the venture and growth context, EU funds tend to have limitations on deployment across various dimensions, including geography and sectors of deployment, size of the management fee, length of the investment period, financing instrument type and other factors. In cases where there are local intermediaries<sup>79</sup> to the distribution of EU funds, these limitations can become even more conservative (with respect to, for instance, the percentage of funds invested in home geography). Additionally, multiple and sometimes overlapping investment mandates create contractual complexity, while the need to balance multiple policy objectives often conflicts with efficient capital deployment. Major public investors have put forward proposals to streamline EU aid distribution to improve their usability for equity investments. Specific proposals include blending mechanisms for combining grants with financial instruments, repayable grants that are returned once companies reach profitability, and simplified requirements for smaller projects (EVFIN, 2019).

Some interviewees point out that the mission of fostering successful “national champions” may likewise influence the decision of LPs to focus investments on their home country. Besides being an obvious barrier to contributions to cross-border funds, this factor raises the risk of contributions being allocated to sub-grade investment firms and companies, while more promising firms in other EU geographies remain underfunded. Among barriers imposed by public LPs, geographical investment limitations are mentioned most often, as something that prevents them from realising sector-specific strategies.

Thematic mandates may be an additional source of limitations, impacting, for instance, the effectiveness of EIF initiatives. Some interviewees see some of the current mandates as too narrow, tailored to very specific sectoral and sub-sectoral themes. Such initiatives may force eligible fund managers to invest in commercially unviable products at the technology development stage that is too

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<sup>79</sup> NPBI, other banks, guarantee societies, microfinance providers and other organisations.

early for receiving a venture investment, and prevent investment into stronger companies with adjacent technologies that are not eligible. As a result, selective mandates may have a negative effect on the returns of funds that deploy this capital. Several interviewees have pointed to the hesitancy by EU-based LPs to support defence sector investments; this may force them to rule out opportunities that are currently being captured by funds with non-EU LPs.<sup>80</sup>

Due to restrictions on investment geography and sometimes sector, more mature fund managers mention that they tend to abstain from contributions by public LPs; serial GPs with an established track record prefer to raise funds from non-public or non-EU LPs to guarantee maximum flexibility for their investment decisions.

**A broader issue with the EU fundraising landscape is the concentrated and shallow pool of institutional investors currently interested in venture and growth investment opportunities.** Based on the interviews conducted, fund managers emphasise a limited pool of capital among EU-based institutional investors ready to act as LPs. It is perceived that capital available for venture & growth investments is concentrated only within several major LPs. As shown earlier, public LPs represent a large proportion of capital available, especially for earlier-stage funds.

In recent years, potential institutional LPs have been particularly more inclined to forgo venture & growth investments in view of the high-interest rate environment and therefore an attractive return profile of safer assets, and in the wake of the correction post-2022 VC market boom, also observable in the quantitative analysis.

The pension system structure significantly impacts the availability of institutional capital across EU member states. In countries like Sweden, Denmark or the Netherlands, occupational pension funds are major institutional players that can theoretically invest in venture and growth funds. In contrast, in other major jurisdictions like France, most people deploy their savings through other channels such as insurance-based investment products and personal pensions products. This fragmentation in pension systems is one of the reasons for the uneven landscape for fundraising across the EU.

Interviewees also highlight the limited participation of other private investors in the venture & growth ecosystem. While EU-based corporate investors could play a crucial role in developing specialised funds (e.g., in deep tech, biotech, health tech), supporting fund managers with operational expertise and providing opportunities for portfolio companies, corporates seem to prefer to hold on to cash instead. At the same time, sophisticated EU retail investors tend to forgo investments in various types of equity more often than, e.g., US peers. Some fund manager interviewees see the retail investment (or 'semi-professional'

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<sup>80</sup> According to McKinsey (2025a), total venture deal volume in the defence sector has been rapidly growing in Europe; however, early-stage funding growth is not fully mirrored in later stages.

retail investor segment) as one of the resource pools that could be tapped in more seriously by offering better and/or less restricted access to such investment opportunities.

#### **Case Study – Professional investor definition**

While out of scope in the current study, the lack of an intermediate category between “professional investor” and “retail investor” is a somewhat frequently highlighted issue in the current AIFMD framework, with implications for fundraising. A recurring concern among fund managers relates to the restrictive definition of professional investors embedded within the current AIFMD framework and the MiFID II regime. Importantly, the AIFMD marketing passport applies only to professional investors as defined under MiFID II, meaning that non-institutional investors generally fall outside its scope. Consequently, fund managers seeking to market funds to this investor segment must rely on various national regimes, each with differing rules, documentation, and compliance obligations.

While retail participation in VC and PE remains naturally constrained due to the high risk and illiquidity of such investments, there is a lack of solution to harness sophisticated non-institutional investors, such as angel investors, former entrepreneurs with extensive operational experience or family offices holding significant amount of wealth, who could play a complementary role in supporting early-stage and growth companies. This is especially important for smaller fund managers, often too small for the tickets from larger institutional investors such as pension funds or insurance companies. As an option to address this, “semi-professional” investor category exists in several Member States’ national laws, which represents a form of national interpretation beyond the AIFMD and MiFID II frameworks. Semi-professional investors are typically defined as individuals or entities that do not meet the strict MiFID II professional investor criteria but possess sufficient financial capacity, experience, and risk tolerance to invest in alternative funds. For example, Germany’s Kapitalanlagegesetzbuch (KAGB) requires semi-professional investors to commit minimum investment amounts (often around EUR 200,000), provide written confirmation of their understanding of risks, and undergo suitability assessments.

Lack of private LPs is especially critical since in many jurisdictions (France, Netherlands, and Italy specifically mentioned in the interviews), public LPs are required to maintain, most frequently, a 50/50 or 70/30 split between public and private capital in VC/PE fund investments. Given the scarcity of private LPs, this requirement often prevents transactions from moving forward, as fund managers struggle to secure the necessary private capital to match public commitments.

#### **Case studies on Emerging Manager Programmes (EMPs) in the US and EU**

Emerging Manager Programs (EMPs) are structured initiatives designed to support new, smaller, or underrepresented fund managers with early institutional backing and access to the broader investment ecosystem. In

return, institutional investors can receive differentiated deal flow, potential outperformance, pipeline development, enhanced diversity and ESG alignment. While both the US and Europe have implemented such programs, their structures and leading institutions differ significantly.

In the US, EMPs began in the early 2000s and are usually led by large institutional investors, such as public pension funds and endowments, to diversify portfolios and promote inclusion in asset management.

These programs are grounded in the belief that new and smaller fund managers could access untapped networks and source deals that are not yet visible to mainstream investors. Emerging managers often operate at the grassroots level of the venture ecosystem, building founder relationships well before valuations rise beyond the reach of smaller funds. While many may lack long track records, they are uniquely positioned to capitalise on differentiated deal flow and fresh investment theses. Recent performance data supports this: top-quartile emerging funds have consistently outperformed their established peers in terms of net IRR. Emerging managers also match or exceed established managers at the median level (Pochon & Fernandez Tamayo, 2025).

In addition, emerging manager programs frequently include investment teams with women and minority representation (Langer, 2023; California Public Employees' Retirement System, 2024). Notable examples include (Allvue Systems, 2023):

- CalPERS has been a pioneer in supporting emerging and diverse managers, running dedicated programs for over 30 years *between* 2022 and mid-2024, it allocated USD 4 billion to emerging managers across private equity, private debt, and real assets. In 2024, CalPERS reaffirmed that these programs are core to its investment strategy and fiduciary duty (California Public Employees' Retirement System, 2024; Johnson, 2025; Pensions & Investments, 2025).
- New York State Common Retirement Fund has committed over USD 10.9 billion to its EMP, with USD 2.8 billion allocated to private equity. Emerging managers now represent a key part of the fund's private equity, real estate, and public equity exposures (New York State Common Retirement Fund, n.d.).

The US has established a strong, pension-led model for EMPs, integrating them into mainstream capital allocation. In contrast, Europe's efforts are less structured and typically driven by national promotional institutions (like Bpifrance and KfW in France and Germany, respectively) or by the European Investment Fund. Europe lacks branded EMPs with clear mandates and scalable models, resulting in fragmented and less visible support. Bridging this gap requires Europe to expand structured EMPs and engage pension funds in a more direct and systematic role.

**Mutually reinforcing with other barriers, interviewees point out that there is a general lack of awareness and experience with the venture and**

**growth asset class among private LPs.** Institutional investors recognise that creating a venture and growth strategy that captures the best return requires specialised knowledge of the private markets, and investing in the establishment of such a strategy comes against the backdrop of what many investors perceive as more easily obtainable, similar or superior returns from public markets. Several interviewees point out that pension funds and insurance companies tend to have staff specialised in public market investments but rarely employ private market professionals in portfolio management roles, further propagating a lack of awareness about venture & growth investments and the perception of them as less profitable than traditional PE investment strategies.

This knowledge gap is further reinforced by a strong tradition of outsourcing, particularly in legal functions. Many institutional investors rely heavily on external legal advisors rather than building in-house expertise during due diligence and post-investment, which can limit their ability to confidently navigate the regulatory limitations around venture and growth investments. During interviews, it was observed that many institutional investors defer to external legal counsel on regulatory matters and do not have a good understanding of barriers and opportunities in the venture and growth capital asset class. As mentioned previously, EU institutional investors often lack the expertise and resources needed for active management (hands-on monitoring and analysis).

**Finally, fundraising process frictions are often cited as inconveniences, especially in a cross-border setting.** Multiple interviewees cite minor yet cost-inflating process frictions during fundraising as inconveniences. Such aspects as cross-border document signing, long waiting times to open a bank account, and notarisational requirements to prove documents' authenticity in some jurisdictions (e.g., Germany, Spain) were highlighted by interviewees. Jurisdictions with template documents that are widely used by the local ecosystem make a huge difference in terms of ease of negotiation and reduced costs. Jurisdictions with centralised and freely accessible databases of fund and fund manager financial and ownership information that help alleviate concerns about return transparency are also mentioned in a favourable light by the LPs.

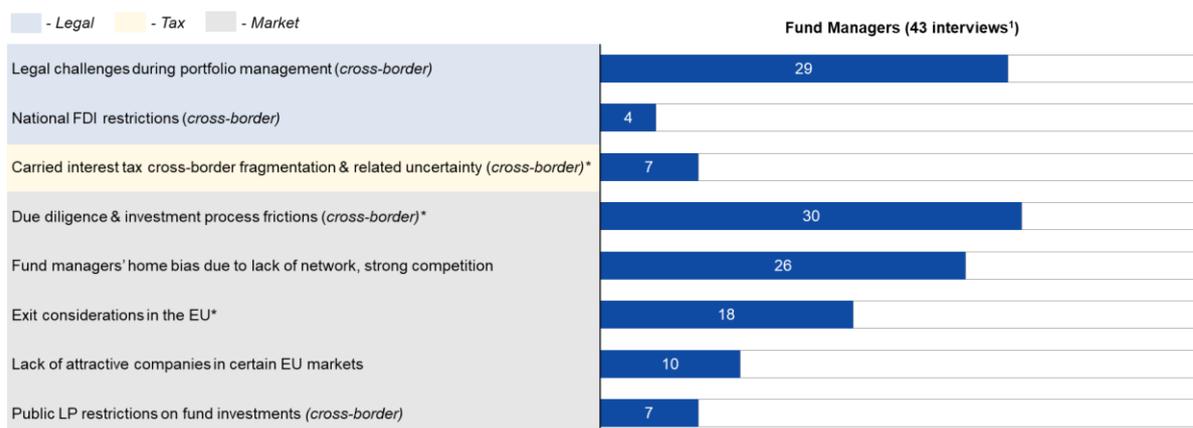
**Overall, interviews confirm that the fundraising for venture and growth funds in the EU remains a rather challenging process.** For LPs, the investment decisions are primarily the result of return concerns, reinforced by frictions related to fitting alternative assets in the portfolio strategy, higher investment costs than for other asset classes and influenced by compliance requirements that promote a conservative approach, especially in some jurisdictions where national gold-plating of prudential frameworks is prevalent. Fund managers also acknowledge the general risk aversion of LPs, both internal and as a consequence of the implementation of prudential regulation, are frustrated by the "home bias" in LP investment decisions and point to the general lack of awareness and prevalence of negative rapport about venture capital. More generally, they also highlight the costs that come with fragmented

regulatory compliance during fundraising and beyond, particularly the AIFMD framework gold-plating and fragmentation. It must be noted that fund managers were significantly more willing to contribute their opinion in the interview format, while institutional investors generally were less likely to respond to enquiries and gave less detailed responses, indicating a general lack of interest among institutional investors in the venture & growth asset investments and ecosystem participation.

#### 4.2.2. Direct barriers to investment and post-investment care – Key barriers based on the interview analysis

Based on the corpus of interviews conducted, Figure 51 below summarises the key barriers, among those identified in existing studies, that have historically presented the largest challenge to the fund managers **during the investment and post-investment care processes**.

**Figure 51. Significant direct barriers to investment and post-investment care based on the number of interviews in which each barrier was mentioned (Fund Manager interviews)<sup>81</sup>.**



Source: Civitta analysis.

<sup>81</sup> **Legend:** (i) (*cross-border*) – barriers specifically affecting cross-border investing (ii) “\*” – regulatory improvements can indirectly help to reduce or remove this barrier, (iii) “1” – investing aspects were discussed in 43 (of 44 total) interviews with fund managers.

**Table 13. Direct barriers to investment and post-investment care (notably in the cross-border context) – Key concerns raised in the interviews.**<sup>82</sup>

Barrier	Top concerns raised in connection with this barrier
Legal challenges during portfolio management	<ul style="list-style-type: none"> <li>▪ Cross-border harmonisation of “startup” definition &amp; treatment.</li> <li>▪ Industry regulation (e.g., in healthcare).</li> <li>▪ Company law: creating a company’s governance structure.</li> <li>▪ Company law: cross-border differences impacting scaling.</li> <li>▪ Stock option tax and treatment.</li> </ul> <p>+ <i>Cross-border fragmentation.</i></p>
National FDI restrictions	<ul style="list-style-type: none"> <li>▪ “Golden power” rules in Italy,</li> </ul> <p>+ <i>Cross-border fragmentation.</i></p>
Carried interest tax cross-border fragmentation & related uncertainty	<ul style="list-style-type: none"> <li>▪ Unfavourable carried interest taxation.</li> </ul> <p>+ <i>Cross-border fragmentation.</i></p>
Due diligence & investment process frictions	<ul style="list-style-type: none"> <li>▪ Notarisation (incl. need for physical signature).</li> <li>▪ Non-standardised documents (Share Purchase Agreement, Shareholder Agreement).</li> <li>▪ Long processing times.</li> <li>▪ Accounting principles fragmentation.</li> </ul> <p>+ <i>Cross-border fragmentation.</i> + <i>Disproportionate burden for small transactions.</i></p>
Fund managers’ home bias due to lack of network, strong competition	<ul style="list-style-type: none"> <li>▪ Local presence and language skills are needed to compete.</li> <li>▪ Competition from international investors in other EU markets.</li> <li>▪ Competition from local funds in other EU markets.</li> <li>▪ Lack of partners for co-investment in other EU markets.</li> </ul>
Exit considerations in the EU	<ul style="list-style-type: none"> <li>▪ Few exit options.</li> <li>▪ No buyers for portfolio companies in the EU.</li> <li>▪ Low valuations for portfolio companies in the EU.</li> </ul>
Lack of attractive companies in certain EU markets	<ul style="list-style-type: none"> <li>▪ Lack of scaleups to invest in, especially in certain EU markets.</li> </ul>
Public LP restrictions on fund investments	<ul style="list-style-type: none"> <li>▪ LP restrictions on investment topics/geography.</li> </ul>

Source: Civitta analysis based on the interview programme

When discussing barriers to domestic & cross-border investment activities with the representatives of fund managers, barriers at the post-investment and

<sup>82</sup> **Legend:** + *Cross-border fragmentation* – general issue most frequently mentioned in conjunction with this type of barrier

**Colouring:** Legal barriers, Tax barriers, Market barriers

portfolio management stage are often the most significant concern. **The fund managers are predominantly frustrated by barriers preventing the execution of growth strategies of portfolio companies via methods typical in the industry (expansion to new markets, diversifying portfolio of services, attracting and retaining talent through stock options), mostly connected with regulatory & legal fragmentation.**

Significant complexities in the portfolio management process may arise in connection with the applicable **company laws**, both as the fund managers navigate their own, but also other jurisdictions. In each jurisdiction, creating the company's governance structure may have its own peculiarities, whereby fund managers must deal with complex requirements and investor protections: legal concepts without an internationally accepted equivalent (e.g., "Stamm capital" for a German GmbH structure), pre-emption rights rules, procedures for approving a new beneficial owner are some examples. In some countries, the shareholder structure cannot be easily revised once put in place. This complexity related to fragmentation is also pronounced in scenarios like bankruptcy proceedings, where notifications must be filed in several countries to comply with overlapping supervisory requirements. There is also a multitude of minor differences mentioned by the interviewees: for example, some jurisdictions mandate physical presence at board meetings or require board meetings in the local language. Managing these varying corporate governance rules creates a substantial administrative burden and costs, as the fund managers assist companies with scaling across borders in the EU.

When portfolio companies attempt to expand their service offerings, they often face **industry-specific requirements and restrictions**: for instance, to obtain new licenses for each additional service line, even when these services are closely related to their existing operations. This is particularly acute in regulated sectors: health tech companies require separate approvals for each new medical service or device category; fintech firms require new licenses for each financial service type and are impacted by infrastructure variability (in payment processing, lending, investment services sub-segments)<sup>83</sup>, especially in the less crowded sub-sectors; and companies handling data face varying GDPR interpretations across Member States.

Another particularly challenging aspect mentioned is the fragmented treatment of **stock options schemes** (ESOP) across Member States - each country has its own rules and tax regimes for employee stock compensation, making it especially difficult for companies with cross-border teams. While in some jurisdictions stock options receive preferential tax treatment, in others they do not, and may even be taxed on theoretical gains, for instance, at the attribution stage. These barriers significantly impact companies in the later stages of growth, particularly when establishing cross-border subsidiaries or engaging in

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<sup>83</sup> Current EU legislation aimed at payment solutions (the most numerous sub-segment of fintech) – EU Payment Services Directive (PSD2) – has received positive feedback but does not address issues in less crowded sub-segments (other than payment solutions).

M&A across the EU, ultimately affecting fund managers' ability to ensure better returns.

In addition to regulatory friction, fund managers point out that some of the LP requirements on portfolio management are misaligned with the best industry practices, likely stemming from LPs' need to ensure protection of their investment through oversight. While understandable, it may have a negative impact on the company's growth. To illustrate, fund managers investing in Lithuania point to the requirement imposed by a public LP to confirm the portfolio company's business plan at regular intervals and to ensure its execution, which contradicts the principle of iterative business model change, common to how startups elaborate their product-market fit.

**In connection with previously raised concerns, multiple interviewees refer to the EU market fragmentation and requirements inappropriate for startups as a cause for the low density of high-quality growth companies in the EU.** As a result of challenges related to cross-border operations, a significant number of companies from Series A onwards relocate to more favourable jurisdictions, such as the commonly cited example of the US, often following the advice of their own fund managers, both to access larger and more unified markets and to tap into more readily available growth capital pools. As a result, EU-based funds that supported those companies in early stages are more than likely to continue channelling follow-on investments outside of the EU to continue participating in value creation and realise their return during the exit. An inherent downside is that relocation results in the EU funds losing touch with the company team due to distance, lack of local market expertise and other factors, rendering it irrelevant.

In connection with these aspects, multiple fund managers expressed their support for the common 28th legal regime for a startup entity that could harmonise the applicable company laws and other requirements. Several fund managers mentioned that clarifying the definition of a startup entity, similar to how some jurisdictions have done to date<sup>84</sup>, might be beneficial to ensure the same treatment across the board. The European Commission has recognised this need and is planning to roll out the blueprint of a harmonised EU-wide corporate framework in Q1 2026 (European Commission, 2025), including harmonised procedures for cross-border operations, simplified formation, capital, and shareholder rules, and standardised procedures for cross-border restructuring. It is complemented by the recently adopted Digital Company Law Directive that targets (European Parliamentary Research Service, 2024) over EUR 400 million in annual administrative cost savings through such initiatives as implementation of a 'once-only principle' for setting up branches and subsidiaries across borders, elimination of apostille requirements, streamlined

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<sup>84</sup> In Spain, a startup is defined by Law 28/2022 as a company that meets specific criteria related to its age, innovation, financial status, and location.

translation requirements and enhanced interconnection of business registers across the EU.

**A legal issue that rather severely impacted several interviewees is related to FDI regulation, mentioned as a barrier by some interviewees even within the EU.** In most cases, national FDI screening regimes impose more stringent checks on investors from outside the EU investing in EU countries. While this is generally less drastic for cross-country investments in the EU, some exceptions exist. Moreover, while outright prohibitions are rare, the implementation of screening, related disclosure requirements, and the processing time may be a burden. Importantly, FDI clearance may arise only during the investment process, but also during the exit, selling portfolio companies to the buyers abroad. Typically, FDI clearance is required from every jurisdiction where the company has a subsidiary. Among the highlighted barriers, three fund managers (two based in Italy, and one abroad) specifically mentioned Italian “golden power” rules – legislation requiring government approval for strategic industry investments – in some cases blocking even intra-EU investments. One interviewee also mentioned the burdensome clearing process in Romania during the exit of their portfolio company with the local subsidiary. Romania implements lengthy FDI clearance on transactions over EUR 2 million that fall under a list of broadly defined sensitive sectors, which resulted in over EUR 10,000 in additional costs for the interviewee and an extended transaction timeline of at least two months (still in progress at the time of the interview), introducing risks for the acquisition. While FDI screening mechanisms are generally encouraged for national security reasons, their burdensome implementations by some Member States may result in a barrier, potentially disincentivising funds from investing cross-border. A detailed review of FDI laws across 10 Member States in focus is provided in Section 4.3 and [Annex 4](#).

**From the taxation perspective, carried interest taxes and related uncertainty are sometimes mentioned as a source of discomfort to fund managers investing cross-border.** Yet again, the core issue stems from fragmentation: only a few countries – such as France, the Netherlands, and Luxembourg – offer specialised carried interest tax frameworks that provide preferential capital gains treatment. In contrast, many jurisdictions (including Denmark, Germany, Italy, and Spain) lack dedicated regimes, leading tax authorities to reclassify carried interest as employment income, subjecting fund managers to higher tax rates and social charges. The disparities are compounded by holding period differences; for example, France requires a minimum five-year holding period to benefit from its preferential 30% flat tax on carried interest, whereas Germany imposes no such minimum.

Sometimes, tax uncertainty is related to the interpretation of the role of an investor in the company. A German fund mentioned that GP taxation rules require careful consideration in connection with GPs joining “tier one” or executive boards in the Nordic countries, and they always need to do legal checks when joining these to ensure their carried interest income is not

reclassified as employment income, if they are seen as part of the management.

As a result, when general partners (GPs) of the same fund reside in different jurisdictions, they may face markedly different tax treatments on their carried interest. This inconsistency complicates fund structuring and incentivisation, as GPs in high-tax or non-specialised regimes incur heavier tax burdens.

**Ranked as the most significant among the market barriers, due diligence and investment process frictions, while minor as standalone, are challenging in aggregate for the fund investment process, especially in a cross-border setting.** Minor yet cost-increasing aspects such as cross-border document signing, unavailability of company financial information, shareholder agreement and share purchase agreement clauses variability and the absence of commonly accepted templates, notarisation requirements to prove documents' authenticity, long waiting times to open a bank account, mandatory local language translation in some jurisdictions and other issues were mentioned. In aggregate, they appear to create a significant burden during the fund investment process, especially in cases when the costs are not proportional to the size of the transaction executed. To illustrate:

- **Notarisation requirements** are mentioned particularly frequently by stakeholders in some jurisdictions – notarisation costs for a Series A transaction may reach up to 60,000 EUR, according to a fund manager based in Germany.
- A fund in Germany was required by the local regulator to have a **valuation assessment done specifically by a certified auditor** for each company before it could invest.
- **Differences in bookkeeping methodologies** between countries may constitute a friction. For instance, the treatment of due diligence costs for accounting purposes created cross-border uncertainty, whereby a fund based in Austria reported that while in Germany it is allowed to offset due diligence costs when calculating tax liabilities, it is not the practice in Austria. In another case, the French GAAP standard was characterised as “impenetrable” by an investor from a different EU country.
- **Lack of a standardised investment instrument** was frequently mentioned as a barrier, albeit mostly affecting earlier-stage investments. Many interviewees point out a lack of a uniform convertible investment instrument, resorting to elaborate workarounds to recreate simple convertible investment instruments, often referring to the US SAFE example as a widely accepted standard.<sup>85</sup>

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<sup>85</sup> This barrier tends to be more relevant for early-stage investments, where quick and flexible funding rounds are essential for startups' survival and growth, while being less critical for late VC and growth stage rounds where more standardized equity instruments are typically used due to more established company valuations and more complex shareholder structures.

**Home bias among fund managers in the EU constitutes an important soft barrier to cross-border venture capital and private equity investing that should not be overlooked alongside regulatory and tax obstacles.** This tendency arises from the critical importance of having a local presence, language proficiency, and established networks to effectively source deals, conduct due diligence, and bring value to portfolio companies. Fund managers often prefer investing in their domestic markets because competing across borders requires overcoming language barriers and navigating diverse business cultures. Moreover, international investors and well-established local funds create intense competition in the biggest EU markets, making it difficult for managers without a local foothold or/and without significant experience to gain traction. The lack of network and, consequently, of trusted co-investment partners across different EU jurisdictions further limits fund managers' ability to spread risks and pool capital. For fund managers without cross-border LPs, the costs of understanding a new jurisdiction may outweigh the benefits in view of the lack of incentives to invest there. The uneven nature of market structures, cultural differences, and relational dynamics means that regulatory measures alone cannot easily overcome the entrenched local preferences and competitive realities faced by fund managers across the EU.

**Limited and inefficient exit options in the EU constitute a significant investment barrier, as they reduce the attractiveness and viability of funding growth-stage companies domestically and may contribute to the companies' relocation.** Limited exit options are impacted by both corporate sector inactivity and limitations of stock markets in the EU. Multiple fund managers point out the relative reluctance of EU corporates to grow through M&A activity, while corporate M&A could constitute as much as 50% growth stage exits<sup>86</sup>. Stock market fragmentation, lack of liquidity of exchanges, complex listing procedures and related costs may serve as an impetus for companies to relocate and list elsewhere, thinking ahead to the large enough pool of investors to purchase their future stock – at the time when the probability of IPO success may not correspond to the cost of listing.

#### **Case Study – Development of PE secondaries market**

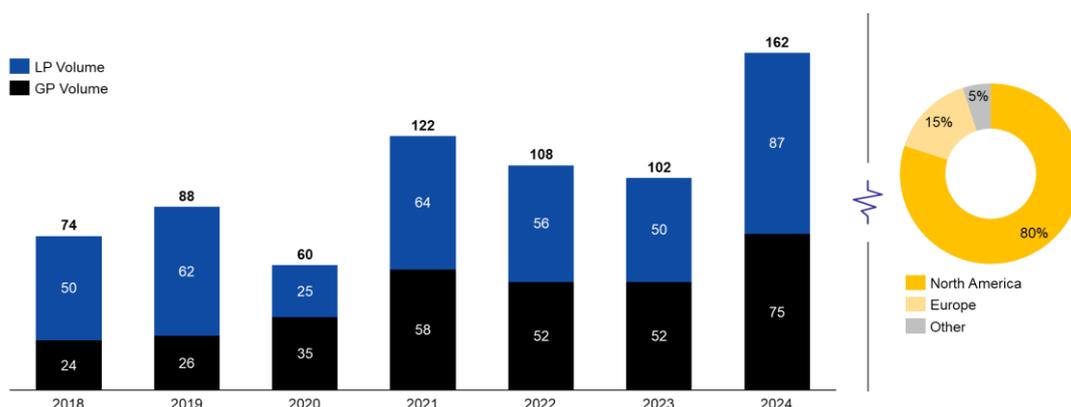
Note: The secondary market in private equity refers to the buying and selling of existing investor commitments to private equity funds. It includes LP-led transactions (where limited partners sell their stakes) and GP-led transactions (where general partners restructure or extend ownership of portfolio assets).

The global private equity secondary market has grown rapidly, reaching a record EUR 162 billion in 2024, up from EUR 102 billion in 2023. As illustrated in Figure 52, both LP-led and GP-led transactions drive this growth, with GP-led deals now making up nearly half of the total volume. North America dominates the market, accounting for about 80% of activity, while Europe lags at 15%.

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<sup>86</sup> Earlier research conducted by authors of this study, based on Dealroom data for 2021-2023.

**Figure 52. Annual transaction volume of the secondaries market, EUR billion, 2018-2024**



Source: Jefferies, 2025.

Pension funds, SWFs, and insurers in the US have embraced secondaries to rebalance portfolios without long lockups. Meanwhile, the rise of specialised secondary funds, platforms, and advisory firms has made transactions easier for investors. This factor gave LPs the confidence to invest in illiquid assets, knowing they can exit when needed (John, 2025).

In contrast, Europe lacks the deep secondary infrastructure, including specialised secondary funds, dedicated intermediaries (e.g., investment banks, brokers, advisors), and efficient digital platforms. This contributes to longer capital lockups, higher illiquidity risk, and reduced participation from institutional investors, particularly in smaller funds.

Secondary deals in Europe often involve complex legal work, extensive due diligence, and GP consent, with procedures varying across jurisdictions. This makes transactions slower, costlier, and less scalable, limiting the secondary market's role in providing liquidity.

**A final significant general barrier mentioned by fund managers is the dissatisfaction with direct limitations to investment geographies in the EU through LPs mandates.** As previously mentioned, public LPs (like national development agencies and sovereign wealth funds) often have strict mandates that prioritize investments within their own Member States. This barrier is tightly connected with the public support mandates that trickle down from the LP level to apply to fund managers. In countries like Poland, Italy, and France, for instance, investment vehicles supported by public funds must demonstrate that at least twice the amount invested will be deployed within their respective national economies. While this has implication on the fundraising and the choice of LPs at the beginning of the process, such geographical investment limitations are commonly cited as a barrier to investment once the LPs are participating in the fund. In many cases, the fund managers cannot easily forego the LP commitment despite the mandates, especially when the alternatives are absent. This runs the risk of preventing fund managers from executing sector-specific

strategies cross-border and stall the deployment of capital to less funded regions.

**Overall, the interviewees indicate that barriers to venture and growth funds investment and post-investment care processes, both domestically and cross-border in the EU, are perceived as less acute than those pertaining to the fundraising process.** Still, barriers impacting general funds operations as the cumulative burden of reporting, incorporation and fund vehicles issues, fees & charges and taxation indirectly acts a barrier to more effective capital deployment as much as it does to effective fundraising. Once again, however, these issues tend to be solvable with various workarounds, especially for larger funds: using the services of legal consultants, leveraging co-investment networks or through a strategic decision to keep the scope of operations limited. On the other hand, interviewees criticise the regulatory frameworks and market fragmentation at the portfolio company level, which stall companies' growth to the later stages and forces promising companies to relocate to less restrictive and business operations-friendly markets – this limits the amount of appealing late VC and growth stage targets and overall drains the EU market of the companies headquartered there, creating a demand-side issue. During the investment process itself, process frictions play an outsized role, especially for smaller transactions, including notary requirements and related costs, disparities in documentation and other difficulties preventing the proper assessment of targets and fast monetary commitments.

### 4.3. Key barriers to fund activities based on the Member States' legislation analysis in 10 EU countries

The comparative analysis aims in this section to illustrate the ongoing fragmentation in the regulatory environment governing venture capital and private equity funds across the European Union, based on the review of legal documents in each of the Member States in focus. EU-level legislation, and primarily the AIFMD, have established a foundational framework for fund operations and cross-border activity. Nevertheless, substantial differences persist in national-level implementation and interpretation. The fragmentation at national level, as illustrated by the 10 country analysis derives essentially from the fact that the AIFMD does not regulate products, but fund managers. Therefore, it is expected that a certain degree of diversification among Member States – first and foremost on the structure of fund vehicles and the legal aspects associated therewith, would exist and would be contingent upon national corporate and civil laws. Nonetheless, the basic taxonomy laid down by the AIFMD as implemented at the national level is far from being uniform, as seen, for example, by the diversity in the definition of “marketing” or by the very understanding of what constitutes a “collective investment undertaking”. Most importantly, the rules laid down by the Directive, which should be sufficiently harmonised to enable an efficient integration of markets, are highly fragmented. These variations span a wide range of issues critical to fund formation and

scalability, including depositary requirements, outsourcing and delegation rules, marketing rules, registration procedures, and local presence obligations. The most acute aspect of such fragmentation relates not only to how national laws and regulations can vary so significantly, but how the supervisory approaches by national competent authorities are strikingly dissimilar. This entails differences in the interpretation of basic concepts, on the application of rules and obligations, and even on the structuring of supervisory fees. On top of such regulatory fragmentation, national regimes on the taxation of investment funds and restrictions for investment in the VC sector deriving from insurance and pension fund regulations add further layers of complexity to an already highly convoluted environment.

By identifying these divergences in a comparative matrix, this analysis provides a systematic overview of how regulatory conditions differ between Member States, and where they align or diverge among themselves. It is based on a traffic light system, allocating red to cases of national approaches seen as overly heavy, unclear or burdensome to stakeholders; yellow, where approaches are moderately burdensome or unclear; and green, where the regime is more favourable to fund managers. Each of the 6 dimensions is broken into subtopics, whereas the overall assessment is based on a combined score. Further information on how each national regime was assessed and a detailed overview by every dimension is provided further in this section and in [Annex 1c](#).

**Table 14. Comparative matrix of national regulatory regimes along 6 key dimensions**

■ - Supportive and aligned   ■ - Moderate frictions or ambiguities   ■ - Restrictive or fragmented

**1 Incorporation and operational setup of fund vehicles**

	BG	EE	FR	DE	IT	LU	NL	PL	ES	SE
1.a Legal forms	■	■	■	■	■	■	■	■	■	■
1.b Tax transparency	■	■	■	■	■	■	■	■	■	■
1.c Depository requirements	■	■	■	■	■	■	■	■	■	■
1.d Delegation	■	■	■	■	■	■	■	■	■	■
1.e Registration and setup requirements	■	■	■	■	■	■	■	■	■	■

<b>Overall favourability</b>	2	2	2	2	3	1	1	3	2	1
<b>Urgency score – 1.9/3</b>										

**2 Supervisory fees and ancillary charges**

	BG	EE	FR	DE	IT	LU	NL	PL	ES	SE
2.a Registration and setup fees	■	■	■	■	■	■	■	■	■	■
2.b Capital requirements	■	■	■	■	■	■	■	■	■	■
2.c Other fees and charges	■	■	■	■	■	■	■	■	■	■

<b>Overall favourability</b>	1	1	1	2	3	3	2	2	3	2
<b>Urgency score – 2.0/3</b>										

**3 Marketing framework and fees**

	BG	EE	FR	DE	IT	LU	NL	PL	ES	SE
3.a Definition of marketing	■	■	■	■	■	■	■	■	■	■
3.b Pre-marketing rules	■	■	■	■	■	■	■	■	■	■
3.c Reverse solicitation	■	■	■	■	■	■	■	■	■	■
3.d National Private Placement Regime	■	■	■	■	■	■	■	■	■	■

3.e Marketing fees										
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<b>Overall favourability</b>	3	2	2	2	2	1	1	2	3	2
<b>Urgency score – 2.1/3</b>										

	BG	EE	FR	DE	IT	LU	NL	PL	ES	SE
4 <b>Ongoing reporting and disclosures</b>	2	3	2	2	2	1	1	2	2	2
<b>Urgency score – 1.9/3</b>										

**5 Local presence and substance tests (supplementary to 1c, 1d)**

	BG	EE	FR	DE	IT	LU	NL	PL	ES	SE
5.a Local directors										
5.b Local service providers										

<b>Overall favourability</b>	3	3	1	2	3	2	2	3	3	2
<b>Urgency score – 2.4/3</b>										

**6 Prudential rules and gold-plating thereof**

	BG	EE	FR	DE	IT	LU	NL	PL	ES	SE
6.a Pension funds restrictions										
6.b Insurance companies restrictions										

<b>Overall favourability</b>	3	2	2	3	3	2	2	3	3	2
<b>Urgency score – 2.5/3</b>										

Although the AIFMD is clearly the foundation of each national regime, the divergence in regulatory and supervisory approaches is significant, as it has already been highlighted in the interviews. It must be noted, however, that the matrix is far from exhaustive and focuses only on certain regulatory aspects in ten Member States, and analysis covering all 27 would likely capture even more diversity. The matrix highlights the impact of these differences on fund managers' ability to operate efficiently across borders and on the attractiveness

of individual jurisdictions for VC/PE activity. The comparative exercise above makes clear that AIFMD transposition and day-to-day supervision remain highly fragmented along three distinct fault lines:

- Procedural gold-plating – Every Member State enjoys latitude to impose “additional safeguards”. In the registration and marketing domain alone, the survey surfaced ten separate national add-ons ranging from Italy’s demand that all marketing material be pre-cleared and translated, through Spain’s annual levy on each notified AIF share class, to Poland’s requirement that professional-investor marketing be cleared fund-by-fund rather than via the pan-EU passport. None of these steps exists in the Level-1 or Level-2 AIFMD text, yet they dictate launch timelines and legal spend more than the Directive itself.
- Divergent substance expectations – The AIFMD merely requires that an AIFM be “established” in a Member State and maintain “adequate” internal control. While some jurisdictions have chosen to interpret these requirements numerically, e.g. Spain’s “two-director” rule, others rely on qualitative notions of “effective” management. A manager operating a single pan-EU fund, therefore, would face an eight-to-ten-fold swing in fixed overheads solely on the basis of domicile.
- Local investor-protection overlays – ESMA’s Annex IV report was intended as the one-stop transparency tool, yet seven of the ten jurisdictions bolt on bespoke disclosures (from France’s “fiche de données essentielles” to Sweden’s sustainability annex).

The net effect is a market in which managerial frictions and investor access continue to depend more on postcode than on pan-European law. In short, the regulatory scaffolding may be common, but the bricks and mortar remain conspicuously national.

### **Summary of the assessment along the 6 key regulatory & legal dimensions**

Legal texts, supervisory documents, interviews, and earlier studies were reviewed to form the foundation of this analysis, validated with representatives of national venture capital and private equity associations and legal practitioners from the respective countries. The 6 dimensions selected for analysis represent the key aspects of regulation, known from early interviews and earlier studies to be influencing the ease of establishment, fundraising and operations of the funds. 10 countries were selected for the assessment (Bulgaria, Estonia, France, Germany, Italy, Luxembourg, the Netherlands, Poland, Spain and Sweden) to represent key EU regions and cover countries where most of the Private Equity and Venture Capital activity is concentrated in the EU.

A review of the regulatory, legal and tax landscape across shows a markedly uneven playing field for managers seeking to establish and market venture or growth-capital funds within the EU. While every jurisdiction is formally aligned

with the AIFMD, in practice, gold-plating and local market practice create material differences in both cost and certainty of execution.

### **1. Incorporation and operational setup of fund vehicles**

Estonia, Luxembourg and Sweden stand out for the flexibility of their fund vehicles, permissive delegation rules and clear tax-transparent structures. These factors materially reduce time-to-market and afford managers the latitude to outsource portfolio management or administration functions without breaching local substance thresholds. Poland, by contrast, applies tighter delegation caps and more burdensome depositary requirements, rendering day-one structuring appreciably slower and more expensive. The remaining six jurisdictions are workable, but each presents one or two residual frictions, most commonly in the shape of mandatory local language documentation or bespoke disclosure annexes.

### **2. Supervisory fees and ancillary charges**

Luxembourg and the Netherlands offer the most friction-free notification regime; the CSSF and the Dutch Authority for the Financial Markets process AIFMD passport filings rapidly and impose no up-front supervisory fee. Italy and Spain occupy the opposite ends of the spectrum, each demanding lengthy prior-authorisation procedures and imposing recurring annual levies. Other jurisdictions charge moderate, largely predictable fees, but differences in timing still influence commercial launch timetables.

### **3. Marketing framework and fees**

Luxembourg and the Netherlands again form the benchmark, having embraced both the AIFMD marketing passport and the 2021 “pre-marketing” reforms with minimal local embellishment. Managers can test investor appetite quickly and pivot to full marketing with limited incremental filings. Spain and Poland remain restrictive. The remaining jurisdictions introduce procedural detours – such as Italy’s mandatory translation of marketing materials or Sweden’s advance notification to the Financial Supervisory Authority – that elongate go-to-market efforts.

### **4. Reporting and disclosure obligations**

All ten jurisdictions recognise the ESMA Annex IV template; however, Estonia, Luxembourg and the Netherlands implement it verbatim, whereas the others layer on modest national addenda (e.g., France’s requirement to supply a French “key data sheet”). None of the jurisdictions imposes obligations sufficiently onerous to deter market entry, but the pure “copy-out” approach in the three leading jurisdictions removes both cost and legal uncertainty when interpreting reporting fields.

### **5. Local presence and substance tests**

France applies a measured substance doctrine: AIFMs must evidence “effective” management in France but there is no statutory requirement for a

French-resident director or minimum staff count, provided strategic decisions demonstrably occur in-country. Other jurisdictions have moved in a similar direction, calibrating substance thresholds to fund size and risk profile. Conversely, jurisdictions as Germany, Poland, and Spain have formalised quantitative criteria – often resident directors, dedicated office space or minimum headcount – that elevate fixed costs and complicate lean-operator models popular with early-stage managers.

With regard to substance tests, specifically, while not always national legal texts and regulatory guidance provide clear criteria for the interpretation of the rules laid down in Article 20 AIFMD on delegation, supervisory authorities of the Member States analysed present distinct understandings of which activities qualify as “delegation” and on the notion of so-called “letterbox entities”. As a consequence, jurisdictions adopt different approaches towards the delegation of risk and portfolio management, with tighter or more flexible stances.

## **6. Prudential rules and gold-plating thereof**

Estonia, Luxembourg and the Netherlands permit broader allocations to venture and growth AIFs without hard-wired asset-class caps. Germany, Italy, Poland and Spain maintain conservative percentage limits or apply look-through calculations that dilute institutional capacity for illiquid investments. Bulgaria, France and Sweden occupy a middle ground, allowing allocations subject to ceilings (often 5-10% of technical provisions) that can be flexed by the trustees of the investor.

### **Overall favourability**

Aggregating the six headline factors, Luxembourg and the Netherlands emerge as the most supportive jurisdictions, offering an optimal blend of light-touch registration, pragmatic marketing rules and liberal investor-allocation regulations. Luxembourg’s only comparative drawback with the Netherlands is marginally higher supervisory fees. Estonia punches above its weight, with genuinely business-friendly operational rules offset by more prescriptive local-presence demands. France and Sweden deliver broadly balanced frameworks but rarely top any single metric. Germany’s otherwise solid regime is undermined by restrictive institutional-investor caps, local presence requirements and burdensome establishment procedures, while Bulgaria’s absence of any clear “best-in-class” attribute keeps it below the median. Italy, Poland and Spain collectively present the heaviest compliance burden, principally due to slow or costly registration procedures, strict marketing approvals and rigid substance requirements.

[Annex 4](#) provides more factual information on each of the main dimensions that were used to conduct the comparative assessment.

## 5. Conclusions and policy implications

This study set out to assess the barriers to scaling venture and growth capital in the EU and to identify broad policy directions that can improve the investment environment. Relative importance of various barriers analysed in this study is better understood in the context of the operational model of venture & growth capital, implying that fund managers and vehicles need to be structured to appeal to potential investors (including the tax implications); satisfactory returns are obtained by acquiring the right companies and selling them at a profit; the cost of operations of a fund and fund manager needs to be kept optimal and at any time within the management fee collected. All these aspects are affected by the regulatory, legal and tax environment, as well as underlying market structure and trends. Eventually, the issues blocking the ability to fundraise fast and realise return are always seen as more important compared to issues that merely increase the cost of operations.

This dynamic is particularly relevant given that the EU ecosystem remains dependent on a relatively small group of institutional investors, with large variance in cross-border engagement and geographic exposure. Furthermore, the strong reliance on non-EU capital in later-stage deals underscores how barriers in fund setup, marketing, or taxation can quickly distort competitive positioning.

This study has shown that the ability of venture and growth capital funds to scale in the EU is shaped by a combination of market and regulatory conditions. While regulatory fragmentation and supervisory divergence remain important barriers, the analysis indicates that market-driven constraints — such as the institutional risk aversion, and geographic concentration of capital — play an equally or even more significant role. In most EU Member States, only a handful of large-ticket institutional investors are active in the asset class. This leads to over-reliance on a small pool of capital and creates bottlenecks for both emerging and experienced fund managers. Successful fund managers turn to non-EU investors, particularly at later stages. These patterns reflect not just regulatory friction, but a broader structural challenge related to investor preferences, scale, and familiarity.

At the same time, the process of forming and managing a fund across borders remains administratively and legally complex. Fund managers continue to encounter differences in marketing rules, legal entity structures, supervisory expectations, and taxation — especially in areas like capital gains and carried interest. These differences raise both the cost and uncertainty of cross-border operations. Even when capital is successfully raised, frictions on the investment side — such as delays in company registrations, notarisation rules, or divergent shareholder protections — can undermine the efficiency of deal execution, particularly for pan-European strategies. Smaller markets with weaker legal infrastructure or limited entrepreneurial density may face added challenges in attracting capital. Taken together, market and regulatory frictions reinforce one another. Structural issues on the demand side of capital, combined with

fragmented rules on the supply and deployment side, contribute to persistent under-scale and geographic concentration in the European venture landscape.

The analysis suggests that further supervisory convergence and coordination may help tackle fragmentation and the cumulative burden of compliance for fund managers, especially in terms of aspects related to fund governance, marketing process and reporting requirements. Solutions for harmonising the incorporation of fund vehicles or a concept of EU entity for an investment fund similar to the proposal on the common startup entity may be explored, particularly if it can help to standardise governance procedures and tax treatment of capital gains and carried interest across the Member States. Promoting more proportionate approaches to reporting, fees and governance requirements based on assets under management may support smaller fund managers early on. Further standardising and promoting wide acceptance of reporting templates across jurisdictions, within the AIFMD framework and beyond (including pinpointing and removing reporting overlaps imposed by LPs themselves) may further decrease fund manager and LP costs and the amount of administrative work. Initiatives that aim to converge and simplify the offered fund products may also be considered, particularly prompted by the overlap of AIFMD and EuVECA for fund marketing, and in order to minimise the costs associated with authorisation processes; the potential of ELTIF may be explored as an open-ended fund that may better align with portfolio strategies of LPs. As a general principle, the industry encourages a more practical, less formalistic approach to compliance, authorisation procedures and investment process practices as well as a more harmonised interpretation and approach by national supervisors.

While previously described measures are primarily targeted at fund managers, other measures may be effective from institutional investors' perspective. Solvency II was recently reviewed, and the possibility of a more favourable risk weight of 22% for long-term equity will apply from January 2027. However, it will be important to ensure coordinated enforcement of this and other prudential rules applicable to different institutional investor types across the Member States, especially in the case of prudential rules for pension funds, where fragmentation is most prevalent. Initiatives to address the risk aversion culture and promote the benefits of investing in the venture and growth asset classes would be particularly important – these should focus on soft (policy) measures, such as memoranda of understanding on minimum allocation commitments, investment pooling and educational and awareness-building initiatives.

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## Annex 1a. Methodology for quantitative analysis

### Methodology for venture and growth capital market analysis (Task 1)

To analyse the venture and growth capital market in the EU, two separate samples were constructed from the Dealroom database and supplemented with data from Preqin.

The following filters were applied to obtain the sample:

- Transaction size: the size of the transaction is between EUR 15 and 250 million.
- Transaction date: the year of transaction is 2022, 2023 or 2024<sup>87</sup>.
- Transaction round type: the type of transaction defined as equity. Types of transactions excluded: acquisition, lending capital, buyout, grant, debt, post IPO debt, private placement VC, private placement non-VC, project, real estate and infrastructure financing, SPAC private placement.
- Transaction participant & location:
  - Investment by EU venture and growth capital funds: at least one EU venture & growth capital fund is an investor in the transaction.
  - Investment into EU investees: the headquarters of the investee is in the EU.

**Benchmarking:** For benchmarking purposes, the same data collection procedure was conducted to retrieve the transactions by UK-based and US-based funds (2024 only). To bring the Asian markets angle, selected data on Chinese (being one of the most active VC ecosystems in the world) and South Korean (driven by public finance to a similar extent as the EU ecosystem) markets is used.

**Investor contribution:** To assess the role and relative contribution of investors in each transaction, we applied a structured methodology that combines disclosed lead investor information with historical investor behaviour data. Contribution estimates were informed by each investor's disclosed role in the transaction (e.g. sole investor, lead, co-Lead, co-Investor) or their historically typical role based on prior activity. We applied role-based assumptions with indicative percentage weights to approximate relative contributions. For each investor, an adjusted weight was calculated:

- based on either the capped amount (from Preqin min/max), and/or
- their role-based weight (lead = 3, co-lead = 2, others = 1) if no valid amount was available.

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<sup>87</sup> A three-year reference period is used to reflect the current structure of the venture and growth capital market, to capture those market players that are currently active in financing startups and scaleups.

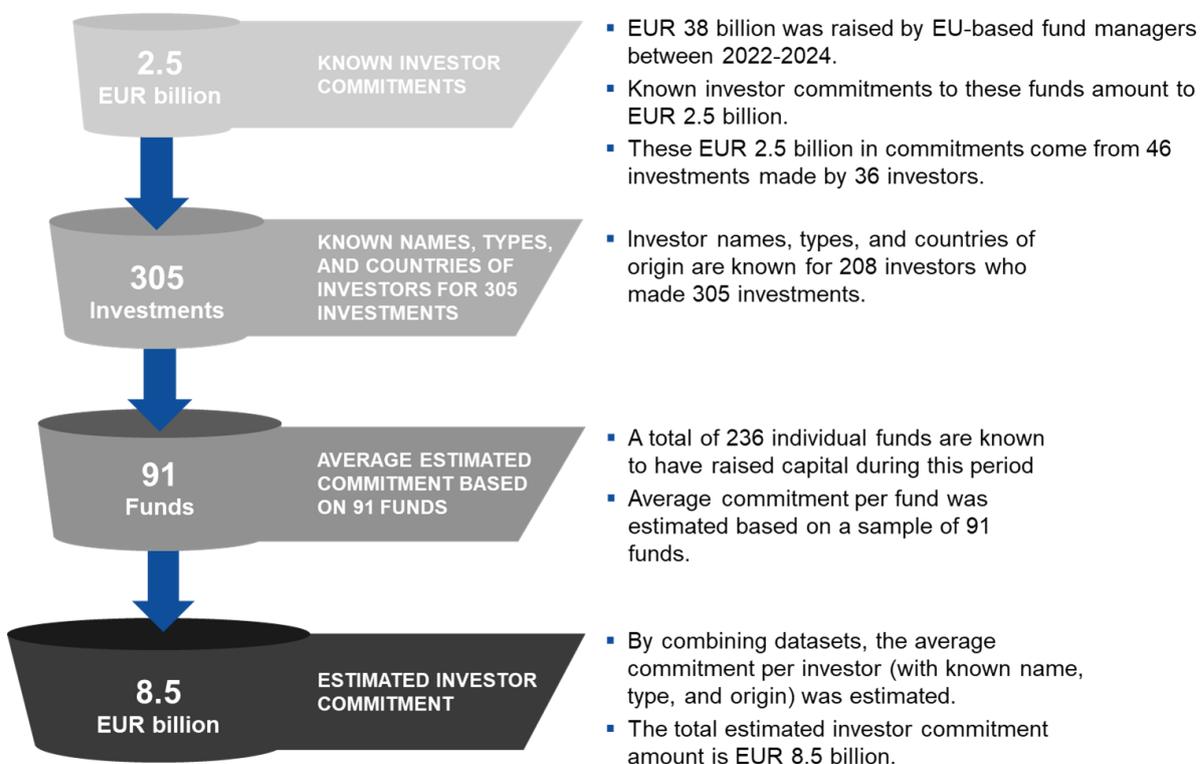
Then, for all investors in the same transaction, the formula computed the total adjusted weight by summing individual adjusted weights. As the last step, individual shares were adjusted to collectively add to 1 (100%).

If no role data was available, we assumed equal equity participation across all investors in the transaction.

## Methodology for institutional investor activity analysis (Task 2)

To analyse the activity of institutional investors in EU-based venture and growth capital funds between 2022 and 2024, a structured methodology was applied. This included data collection from leading databases, investor classification, estimation of undisclosed commitments, and assessment of geographic investment patterns.

**Figure 53. Methodology for Estimating Total Investor Commitments, 2022-2024<sup>88</sup>.**



Source: Civitta analysis.

### Step 1: Identification of funds and investor disclosures

Out of the 236 funds, only 91 funds had some level of data related to their investors. This does not mean that only those funds received investor commitments, but rather that only 91 funds disclosed partial investor-level data, such as investor name, type, or region. Importantly, this implies that the data is

<sup>88</sup> The relatively low share of known investor commitments stems from limited data availability in one of the most comprehensive databases (e.g., Preqin). This is primarily due to investors not disclosing the specific funds they committed to, or funds themselves not sharing investor data. Nonetheless, a broader estimate was derived, covering approximately EUR 8.5 billion (22% of total raised capital).

based on disclosed investors only and does not reflect all investors who committed capital during the period.

- In total, 208 investors were identified as having disclosed relevant information.
- These 208 investors made a total of 305 investments across various funds.
- However, only 36 investors disclosed actual commitment amounts, corresponding to 46 investments.
- For the remaining 172 investors (208-42), covering 259 investments, commitment sizes had to be estimated.

### Step 2: Investor categorisation framework

To enable more consistent comparative analysis, the original institutional types of Limited Partners (LPs) were mapped into standardised categories based on their function and role in the investment ecosystem.<sup>89</sup>

**Table 15. Investor group classification.**

Assigned Category	Original Investor Type (Preqin database)
Asset manager	Fund Manager
Asset manager	Asset Manager
Asset manager	Private Equity Firm (Investor)
Bank	Bank
Corporate	Corporate Investor
Corporate	Fund of Funds Manager
Family office	Family Office - Multi
Family office	Family Office - Single
Insurance company	Insurance Company
NPBIs	Fund of Funds Manager
NPBIs	Private Equity Fund of Funds Manager

<sup>89</sup> Note: Entities were assigned to the NPBIs (national promotional banks and institutions) category if their core mandate was developmental or promotional, even when they were labelled as “Bank”, “Asset Manager” or “Sovereign Wealth Fund” in the original Preqin database.

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Assigned Category	Original Investor Type (Preqin database)
NPBIs	Government Agency
NPBIs	Investment Bank
NPBIs	Bank
NPBIs	Asset Manager
NPBIs	Sovereign Wealth Fund
Other	Foundation
Other	Endowment Plan
Other	Fund of Funds Manager
Other	Hybrid Fund of Funds Manager
Other	Private Equity Firm (Investor)
Other	Investment Trust
Other	Private Equity Fund of Funds Manager
Other	Investment Company
Other	Bank
Other	Government Agency
Other	Investor
Other	Wealth Manager
Other	Portfolio Company
Other	Investment Bank
Other	Infrastructure Firm (Investor)
Other	Other
Pension fund	Public Pension Fund

Assigned Category	Original Investor Type (Preqin database)
Pension fund	Private Sector Pension Fund
Sovereign wealth fund	Sovereign Wealth Fund

Source: Civitta analysis.

### Step 3: Estimating investor commitment sizes

To estimate commitments for the undisclosed investments, a multi-step process was applied:

- **Fund-level Estimation:** For a subset of funds, information was available on typical investor commitment ranges, including minimum and maximum ticket sizes per investor. This data formed the basis for calculating average commitments per investor per fund.
- **Investor Segmentation:** Investors were segmented by:
  - Investor type (e.g., pension fund, corporate, bank, etc.).
  - Region of origin (e.g., EU27, North America, etc.).

Using this classification, average commitment sizes were calculated for each investor type-region combination, based on available data from other similar investments.

- **Grouping for analytical clarity:** To facilitate analysis and interpretation, investor types were further grouped into broader categories, allowing for a more streamlined overview and comparison.
- **Fallback Estimation (type only):** In cases where investor type–region combinations did not match any for which averages were calculated, a fallback estimate was generated based on investor type alone, excluding regional distinctions.

### Step 4: Aggregating final commitments

For the 42 investors who disclosed their actual commitment amounts, those figures were used without modification. For all other investors, the estimated commitment amounts calculated through the methodology described above were used.

By combining actual and estimated data, total institutional investor commitments were estimated at approximately EUR 8.5 billion, representing 22% of the capital raised by funds in scope during the period.

### Strategy classification of funds

To classify European venture and growth capital funds by strategy, a detailed review of fund-level data from Preqin was conducted, focusing on fund strategy, fund vintage, and performance indicators. The classification is based on patterns across fund vintages within each fund manager’s portfolio and their evolution over time.

Each fund manager was assigned to one of seven strategy categories (or classified as other), according to predefined criteria. These criteria were based on (1) the presence and timing of early-stage and/or growth-stage funds, (2) consistency of thematic, industry, or geographic focus, and (3) absence or inclusion of other investment strategies such as buyout, infrastructure, or real estate.

### Investment geography analysis

Deal-level data (investment into portfolio companies of funds in scope) was also analysed to understand the geography of investments for funds analysed, to exclude funds focused on transactions below the EUR 15 million threshold and to assign geographical exposure. Dual criteria were used to assign each commitment by institutional investors (the location of the institutional investor<sup>90</sup> and the countries where investments into portfolio companies were executed<sup>91</sup>). Only funds managed from one of the EU-27 countries were selected for analysis.

The objective is to explore whether commitments tend to be more clustered in the funds active in the domestic market, as opposed to willingness to support funds conducting cross-country investment within the EU, or strategies involving non-EU markets. For this purpose, institutional investor commitments were classified based on the location of the institutional investor and the portfolio companies of the fund. Four segments were defined based on this principle:

- **Domestic<sup>92</sup>** – Investors from an EU-27 country commit to a fund that invests only in the same country as the investor (e.g., French LP → French or EU-based fund → French companies).
- **Cross-Country EU**– Investors from EU-27 country commit to a fund that invests across the EU-27 (e.g., EU LP → EU fund → EU companies).
- **Cross Country EU-Global** – Investors from EU-27 countries commit to a fund based in the EU, which invests globally (e.g., EU LP → EU-based fund → companies anywhere in the world).
- **Non-EU-Global** – Investors from outside the EU commit to EU-based funds that invest globally (e.g., US LP → EU-based Fund → companies anywhere in the world).

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<sup>90</sup> By country of location of the headquarters.

<sup>91</sup> For the purpose of understanding cross-country investment, the investment strategy of the fund rather than the location of the fund manager was selected.

<sup>92</sup> This category was assigned only in cases where the strategy is focused both by the investor and the fund and the investor from a given member state invests only in funds purely focused on investments in the same country. If for example the investor in question commits to funds active in other Member States, the investor is classified as cross border EU. And conversely, if the fund that received the investment has at least some investment outside of domestic member state, the category is assigned as cross-border.

## Annex 1b. Methodology for interview analysis: barriers to general fund operations, fundraising, investment and consolidation

Before compiling the interview guides, mapping of barriers to venture and growth capital fund activity was done through the analysis of existing research (secondary sources). Where existing theoretical research was scarce, for instance, in the case of fund managers consolidation through M&A, barriers were additionally derived from empirical examples by reviewing company announcements and news articles.

The list of barriers resulting from the analysis of the secondary sources was used to compile interview guides for fund managers and institutional investors. As a result, 44 interviews with venture and growth fund managers and 21 interviews with institutional investors were conducted between January and June 2025<sup>93</sup> to gauge the relevance of various barriers and identify the barriers that are encountered most frequently by the ecosystem players, warranting deeper analysis.

For the barriers to fundraising and to investment and post-investment care, interview transcripts for LPs and fund managers were aggregated and tagged based on the barriers voiced or on the indirect evidence that the stakeholder is experiencing this barrier (one or several tags per interview), e.g., mentions of burdensome depository requirements were tagged as "AIFMD: Depository"; expressions such as *We do not invest in C because of our internal risk model assumptions* were tagged as "Internal risk aversion".

Specific concerns were further summarised by assigning them to general barrier categories. Full mapping matrices based on the interview tags are available in Table . The overview classifies the barriers into broad<sup>94</sup> categories based on the primary force behind each barrier – regulatory & legal, tax, and market or structural barriers – describe the effect of each barrier and at which stage of the fund lifecycle this barrier predominantly manifests.<sup>95</sup> For the interview to be assigned as mentioning one of the barriers from the general category, the list of its tags must contain one or more specific barriers that belong to the respective general category based on the mapping matrix. Where it was not possible to attribute the interview insight to any barrier category due to the lack of

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<sup>93</sup> The full list of interviewees as well as their characteristics is available in [Annex 3](#).

<sup>94</sup> These categories are not fully mutually exclusive – tax barriers are a consequence of items defined in law while structural barriers may be reinforced by regulation, defying a clear-cut division. However, the classification is useful to identify the chief source of influence.

<sup>95</sup> These categories are not fully mutually exclusive – tax barriers are a consequence of items defined in law while structural barriers may be reinforced by regulation, defying a clear-cut division. However, the classification is useful to identify the chief source of influence.

specificity, but it captured one of the key general cross-topic sentiments, such tags were assigned to one of the “cross-topic” categories.

A less structured approach to the analysis of barriers to co-investment and consolidation through M&A was adopted – the mentioned barriers were directly reflected in the text of the report based on the interview transcripts.

Several limitations to the interview analysis must be mentioned. First, it must be noted that interview discussions were geared by the interviewers towards the more in-depth discussion of regulatory, legal and tax issues, which could have led to overstating the importance of those vis-à-vis market or structural barriers; however, this has not affected the factual characterisation of concerns associated with the barriers, and the respective tag was only added to the interview in the case where there was enough evidence that the firm indeed experienced the barrier.

Second, the assessment of legal barriers was affected by the availability of interviewees and their respective positions in a fund – while legal staff was able to better distinguish the more “discrete” barriers that could be less obvious to the operational team, it was not always possible to reach the legal staff for an interview, or the fund outsourced the legal function completely. However, it was nevertheless reasonable to interpret a barrier as non-critical even if the legal analysis has shown severe fragmentation and potential for impact in connection with it, if it was not brought up as a major operational impediment by the executives of the fund manager entity – on the assumption that the executives have full information on the main cost-drivers, risks and threats to the operations.

Finally, the classification method adopted for the barriers to fundraising, investment and post-investment care is instrumental in capturing the most frequently mentioned barriers, which suits the needs of a study with such a broad scope; however, one must be aware that a certain loss of nuance and potential for unique barriers mentioned only once or twice to be left uncaptured exists, warranting deeper topic-specific research in the future.

**Table 16. Mapping of investment barriers: aggregating specific barriers (interview tags) into general barriers categories.**

General barrier	Specific barriers (“Key concerns”)
<b>Capital gains tax cross-border fragmentation &amp; related uncertainty</b>	Tax: DAC6 is difficult
	Capital gains tax
	Carried interest taxation
<b>Due diligence &amp; investment process frictions</b>	Notarisation
	Non-standardised investment documents (SA, SPA)
	Simpler negotiation with SAFE
	Due diligence friction
	Long processing time from government agencies

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General barrier	Specific barriers (“Key concerns”)
	Accounting differences: due diligence friction
	Cross-border: lack of a centralised opportunities database
	Process frictions: digital tools harmonisation
<b>Exit considerations in the EU</b>	Few exit options
	No buyers for portfolio companies in Europe
	Low valuation
<b>Home bias due to lack of network, strong competition</b>	Local presence & language needed to compete
	Competition from international investors
	Competition from local funds
	Lack of partners for co-investment
<b>Incorporation and operational setup of fund vehicles</b>	Cross-border fund establishment: fragmentation
	Impact funds: clearer impact definitions needed
	Fund incorporation
<b>Lack of attractive companies in certain EU markets</b>	Lack of scaleups to invest in
<b>Local presence and substance tests</b>	Cross-border: need for local presence
<b>National FDI restrictions</b>	FDI regulation
<b>Reporting and disclosure obligations</b>	Reporting
	AML/KYC reporting burden
	Reporting: ESG
	Reporting: valuation
<b>Portfolio management challenges (stock options tax, industry regulation, varying company laws)</b>	Portfolio: cross-border harmonisation of startup treatment
	Industry regulation
	Company law: governance structure
	Stock option taxes & setup
	Portfolio: accounting differences
	University spinout terms
	Portfolio: Labour laws
	Portfolio: company laws for scaling companies
<b>Public LP restrictions on fund investments, incl. passed down from public support mandates</b>	LP restrictions on investment topics/geography
<b>Supervisory fees and ancillary charges</b>	<i>Not mentioned in the Investing section</i>
<b>Cross-topic – Disproportionate burden for small rounds</b>	<i>Heavy admin for small rounds</i>

General barrier	Specific barriers (“Key concerns”)
<i>Cross-topic – Cross-border fragmentation</i>	<i>Regulatory fragmentation</i>

Source: Civitta analysis.

**Table 17. Mapping of fundraising barriers: aggregating specific barriers (interview tags) into general barriers categories | Institutional Investors**

General barrier	Specific barriers (“Key concerns”)
<b>Capital gains tax cross-border fragmentation &amp; related uncertainty</b>	Capital gains tax fragmentation
	Capital gains tax uncertainty
<b>Prudential rules and gold-plating thereof</b>	Solvency I & II
	Banks: Capital Requirements Directive
	Insurance companies: limits to investment
	Pension funds: prudent person principle
	Pension funds: limits on alt investment
	Capital retention requirements
	Banks: Basel regulation
	Prudential rules: initial disclosures requirements
<b>Inconsistent public support mandates</b>	Public LPs: 2x requirement
	State aid rules: "incomplete" products & definition of startup
	State aid rules: Business plan confirmation requirement
	State aid rules: Follow-on investment commitment
	State aid & financial instruments regulations
<b>Internal risk aversion, preference for safe asset classes of LPs</b>	Risk aversion (Internal)
	Performance concerns
	Better return from buyout PE for LPs
	Risk of client attrition if strategy deviates / too risky
	Bias against small/first-time funds
	Need for risk-sharing & downside protection mechanisms
	LPs favour US funds
	Need for returns transparency
<b>LP home bias, preference for familiar &amp; stable jurisdictions</b>	LP home bias
	Easy jurisdiction bias
	Underdog market perception
	Cross-border: competition & lack of track record
<b>Lack of potential LPs due to market conditions</b>	Market conditions
	Lack of LPs
	Pension system in Europe

General barrier	Specific barriers (“Key concerns”)
<b>Misalignment with the needs of LP portfolios</b>	Illiquid asset
	Holding period mismatch / liquidity needs / cash flow matching
	Ticket size mismatch
<b>Perceived high cost of investing for LPs</b>	Length/costly due diligence for VC/PE funds
	High management fee (esp. fixed part)
	Need for active management: costly
	Need for active management: lack of knowledge
<b>Due diligence &amp; fundraising process frictions</b>	Different currencies
	Public procurement rules
	Public LPs: remuneration limit
	Notarisation
	Non-standardised investment documents
	Lack of centralised information database
<b>Lack of familiarity with the asset class</b>	Lack of knowledge about the asset class
<b>Incorporation and operational setup of fund vehicles</b>	Additional requirements for sub-threshold managers
	Fund setup
<b>Reporting and disclosure obligations</b>	Heavy risk management admin workload
	AML/KYC reporting burden
<b>Supervisory fees and ancillary charges</b>	Fund setup costs
<b>Marketing framework and fees</b>	<i>Not mentioned by institutional investors</i>
<b>Local presence and substance tests</b>	Need for local substance
<b>Cross-topic – Cross-border fragmentation</b>	<i>Cross-border: regulatory fragmentation</i>
<b>Cross-topic – Conservative interpretation of “grey zones” by supervisory authority(ies)</b>	<i>Overly tight/conservative requirements interpretation by national supervisors</i>

Source: Civitta analysis.

**Table 18. Mapping of fundraising barriers: aggregating specific barriers (interview tags) into general barriers categories | Fund Managers**

General barrier	Specific barriers (“Top concerns”)
<b>Internal risk aversion, preference for safe asset classes of LPs</b>	LPs favour US funds
	Business plan confirmation requirement
	Risk aversion (Internal)
	LP: overly tight/ conservative requirements
	Performance concerns
	J-curve accounting issue
	Bias against small/first-time funds
	Need hurdle rate limits

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General barrier	Specific barriers (“Top concerns”)
	Better return from buyout PE for LPs
<b>LP home bias, preference for familiar &amp; stable jurisdictions</b>	LP home bias
	Easy jurisdiction bias
	Underdog region perception
	Changeability of regulations
	Local investor approval needed
	Cross-border: competition & lack of track record
<b>Perceived high cost of investing for LPs</b>	Lengthy/costly due diligence for VC/PE funds
<b>Misalignment with the needs of LP portfolios</b>	Ticket size mismatch
	Illiquid asset
	Bias towards existing funds in portfolio to ensure survival
	Holding period mismatch / liquidity needs / cash flow matching
<b>Lack of LP familiarity with the asset class</b>	Lack of LP familiarity with the asset class
<b>Due diligence &amp; fundraising process frictions</b>	Different currencies
	Lack of centralized information database
	Notarisation
<b>Prudential rules and gold-plating thereof</b>	Banks: Basel regulation
	Banks: Capital Requirements Directive
	Solvency I & II
	Banks: limits to investment
	Insurance companies: limits to investment
	Pension funds: limits on alt investments
	Pension funds: cap on alt assets investments
	Lack of LPs: retail investors
	Denominator effect issues
Risk disclosures for LPs	
<b>Capital gains tax cross-border fragmentation &amp; related uncertainty</b>	Capital gains tax fragmentation
	Capital gains tax uncertainty
	Other tax peculiarities
	Tax limitations of limited companies
<b>Incorporation and operational setup of fund vehicles</b>	Language-specific legal framework
	AIFMD 500M threshold burden (governance)
	Pension funds: cannot invest in all fund structures

Study of barriers to, and drivers of, the scaling-up of funds investing in innovative and growth companies

General barrier	Specific barriers (“Top concerns”)
	French 90/10 legal structure
	No EU fund vehicle
	Depository
	Custodian requirement
<b>Reporting and disclosure obligations</b>	AIFMD 500M threshold burden (reporting)
	ESG disclosure burden
	DORA
	Formal valuation requirements
	AML/KYC reporting burden
	Risk assessment requirements (below 500M threshold)
	Auditing (frequency & scope) requirements
<b>Supervisory fees and ancillary charges</b>	Fund setup costs
	Cost of external AIF manager
	Licensing fees
<b>Marketing framework and fees</b>	Private placement memorandum requirements
	Cross-border passporting - separate licensing
	Marketing fees
<b>Local presence and substance tests</b>	<i>Not mentioned in the Fundraising section</i>
<b>Lack of potential LPs due to market conditions</b>	Market conditions
	Lack of LPs
	Pension system in Europe
	Lack of LPs: systemic constraints
<b>Cross-topic – Disproportionate burden on small managers</b>	<i>AIFMD not adapted to VC size</i>
<b>Cross-topic – Overlap of LP + LP or LP + supervisory compliance</b>	<i>Supervisory or/and LP compliance overlap</i>
	<i>Diverse requirements of many LPs</i>
<b>Cross-topic – Cross-border fragmentation</b>	<i>Cross-border: regulatory fragmentation</i>
	<i>EU market fragmentation</i>
<b>Cross-topic – Conservative interpretation of “grey zones” by supervisory authority(ies)</b>	<i>Regulatory gold-plating</i>
	<i>Regulatory complexity &amp; associated uncertainty</i>

Source: Civitta analysis.

## Annex 1c. Mapping of the severity of legal barriers based on the in-depth legal analysis of the 10 Member States jurisdictions

As a final step, a deeper analysis of key barriers is conducted for 10 Member States, encompassing the review of national legislation and attempting to identify the jurisdictions where funds face the most regulatory and supervisory burdens.

Legal analysis was performed with reliance on primary sources (laws, regulations and supervisory guidance) and reputable secondary sources (e.g., academic monographs and industry reports). Research focused on the key AIFMD pillars and their respective national transposition rules, supplemented by an overview of prudential barriers for institutional investors and national FDI requirements. In total, six key dimensions were described.

Barriers to the consolidation of fund managers through M&A were not mapped across Member States due to low demand for consolidation through M&A among stakeholders for non-regulatory, structural reasons, as evidenced by interviews.

The reviewed Member States were further scored on each of the six dimensions and the respective subtopics based on the national frameworks and level of fragmentation in each jurisdiction across EU Member States for each barrier. Each country was rated using a traffic-light system:

- Green (favourable/aligned) → 1.
- Yellow (moderately favourable/aligned) → 2.
- Red (unfavourable/not aligned) → 3.
- For each barrier, the regulatory urgency score was calculated as an average overall favourability assessment across all countries. The detailed methodology for scoring each of the subtopics is as follows.

**Table 19. Detailed methodology for scoring legislation analysis aspects.**

Issue	Description
Incorporation and operational setup of fund vehicles	<p>How to read the assessment for "Incorporation and operational setup of fund vehicles":</p> <p>Each sub-issue is evaluated on the following scale:                      Red = 0 points                      Yellow = 1 point                      Green = 2 points                      Explanations of the scoring rationale for sub-issues are provided below.</p> <p>Total score for "Overall favourability" is obtained by summing the points obtained in sub-issues and is interpreted as follows:                      -8-10: Strong ecosystem favourability                      -5-7: Moderate ecosystem favourability                      -0-4: Weak ecosystem favourability</p>
Sub-issue comparison	<p>Legal forms (Green: there is a dedicated legal form OR there is a non-dedicated legal form that provides the necessary flexibility and benefits of a dedicated legal form; Yellow: there is no dedicated legal form and the existing legal forms provide no</p>

Study of barriers to, and drivers of, the scaling-up of funds investing in innovative and growth companies

	unique benefits for VC/PE fund structures; Red: there is no dedicated legal form, and existing legal forms significantly impede the activities of VC/PE funds incorporated using these forms)
Sub-issue comparison	Tax transparency (Green: full flexibility in terms of taxation - possibility to select flexible fund forms with transparent or opaque treatment of capital gains according to the preferences; Yellow: while no specialized forms, it is still possible to obtain tax transparency but the procedure is less straightforward; Red: no specialized form, significant limitations to tax transparency)
Sub-issue comparison	Depositary requirements (Green: Straightforward depositary rules with few restrictions, only for full-scope AIFMs; Yellow: Somewhat restrictive depositary rules (geography, types of entities, requirements for sub-threshold managers) exceeding AIFMD requirements; Red: Significantly restrictive depositary rules (geography, types of entities, requirements for sub-threshold managers) exceeding AIFMD requirements)
Sub-issue comparison	Delegation (Green: Relatively wide extent of delegation is possible (including part of portfolio and risk management), rules on the scope of delegation are sufficiently precise & specific; Yellow: Moderate extent of delegation is possible, rules on the scope of delegation are subject to interpretation; Red: No delegation is possible)
Sub-issue comparison	Registration and setup requirements (Green: Clear and standardized process; templates available; aligned with AIFMD; reasonable timelines; English accepted or limited local language requirement. Yellow: Mostly functional process but with some barriers: limited templates, longer timelines, or partial gold-plating; still AIFMD-consistent; may feel procedural or bureaucratic. Red: Unclear or burdensome licensing path; no templates; long and opaque processing times; local language requirements with no flexibility; poorly adapted to VC/PE; heavily gold-plated or overly formalistic.)  Please note that the analysis focuses exclusively on AIFMD-derived obligations. The procedures and requirements for the incorporation of investment vehicles under national corporate laws have not been considered, but can add additional layers of complexity and burdens to stakeholders.
Summary comparison	Operational issues - Overall assessment of favourability  Overall favourability takes into account the above aspects and assesses the level of goldplating, i.e., whether national interpretations are closely aligned with general AIFMD rules.
Supervisory fees and ancillary charges	How to read the assessment for "Supervisory fees and ancillary charges":  Each sub-issue is evaluated on the following scale:  Red = 0 points  Yellow = 1 point  Green = 2 points  Explanations of the scoring rationale for sub-issues are provided below. "Other fees and costs" is not included in the scoring due to the scarcity of the information across multiple Member States.  Total score for "Overall favourability" is obtained by summing the points obtained in sub-issues and is interpreted as follows: -4: Strong ecosystem favourability

Study of barriers to, and drivers of, the scaling-up of funds investing in innovative and growth companies

	-2-3: Moderate ecosystem favourability -0-1: Weak ecosystem favourability
Sub-issue comparison	Registration and setup fees (Green: No or nominal one-time fees for licensing/registration (e.g. < €5,000); setup is low-cost and aligned with AIFMD proportionality. Yellow: Moderate one-off fees (e.g. €5,000–€15,000); clearly defined and not excessive, but adds upfront burden. Red: High, opaque or layered setup costs (e.g. > €15,000); includes fees per fund or compartment; may deter entry or be disproportionate for smaller managers.)
Sub-issue comparison	Capital requirements (Green: Low initial capital requirement (e.g. ≤ €125,000), in line with AIFMD base level; accessible to lean VC/PE managers. Yellow: Moderate capital (e.g. €125,000–€300,000); aligned but may require additional structuring for small funds. Red: High capital threshold (e.g. > €300,000 or > €500,000); may include additional buffers or be rigid for startups.
Sub-issue comparison	Other fees and costs [Not included in scoring]
Summary comparison	Supervisory fees and ancillary charges - Overall assessment of favourability  Overall favourability takes into account the above aspects and assesses the level of goldplating, i.e., whether national interpretations are closely aligned with general AIFMD rules.
Marketing framework and fees	How to read the assessment for "Marketing framework and fees":  Each sub-issue is evaluated on the following scale:  Red = 0 points  Yellow = 1 point  Green = 2 points  Explanations of the scoring rationale for sub-issues are provided below.  Total score for "Overall favourability" is obtained by summing the points obtained in sub-issues and is interpreted as follows: -8-10: Strong ecosystem favourability -5-7: Moderate ecosystem favourability -0-4: Weak ecosystem favourability
Sub-issue comparison	Definition of marketing (Green: definition in line with AIFMD; Yellow: some expansion of definition beyond AIFMD; Red: significant divergence from the definition in AIFMD)
Sub-issue comparison	Pre-marketing rules (Green: Pre-marketing does not require notifying the regulator; the process is defined for all AIFs, including non-EU; Yellow: Notification is required but the process is straightforward and predictable; limited regulatory friction; Red: Pre-marketing is either not permitted, highly restricted, or automatically triggers marketing obligations; creates legal uncertainty or deters use.)
Sub-issue comparison	Reverse solicitation (Green: Reverse solicitation is explicitly recognized and allowed without triggering marketing rules; well understood and usable in practice; Yellow: Reverse solicitation is not prohibited but lacks regulatory clarity; tolerated in practice but may carry legal risk; Red: Reverse solicitation is restricted or disregarded; any investor approach is treated as marketing, creating significant compliance risk)
Sub-issue comparison	National Private Placement Regimes - NPPRs (Green: NPPR is available and well-defined; registration is straightforward and

Study of barriers to, and drivers of, the scaling-up of funds investing in innovative and growth companies

	permits efficient access to investors; Yellow: NPPR exists but is limited in scope or involves burdensome or unclear requirements; may discourage practical use; Red: NPPR is not available or effectively closed; marketing outside passporting is not permitted or functionally blocked.)
Sub-issue comparison	Marketing fees (Green: No regulator-imposed fees for marketing notifications or approvals; marketing is free or bundled with other licensing steps. This aligns with AIFMD's principle of proportionate access and ease of cross-border marketing. Yellow: Moderate, predictable fees apply per manager or fund; still aligned with AIFMD but introduces some friction, especially for smaller or foreign AIFMs. Red: High, recurring, or unclear fees per fund or per notification; adds cost burden beyond AIFMD expectations and may deter access.)
Summary comparison	Marketing framework and fees - Overall assessment of favourability  Overall favourability takes into account the above aspects and assesses the level of goldplating, i.e., whether national interpretations are closely aligned with general AIFMD rules.
Reporting and disclosure obligations	How to read the assessment for "Reporting and disclosure obligations":  Green: Standard AIFMD reporting only, with no material gold-plating or additional national disclosures; straightforward submission process.  Yellow: Additional ongoing disclosures or formatting/local rules are expected beyond AIFMD, but manageable.  Red: Gold-plated, duplicative, or overly burdensome reporting obligations; unclear formats or frequent regulator-specific reports required.
Summary comparison	Reporting and disclosure obligations - Overall assessment of favourability  Overall favourability takes into account the above aspects and assesses the level of goldplating, i.e., whether national interpretations are closely aligned with general AIFMD rules.
Local presence and substance tests (supplementary to 1c, 1d above)	How to read the assessment for "Local presence and substance tests":  Each sub-issue is evaluated on the following scale:  Red = 0 points  Yellow = 1 point  Green = 2 points  Explanations of the scoring rationale for sub-issues are provided below.  Total score for "Overall favourability" is obtained by summing the points obtained in sub-issues and is interpreted as follows: -4: Strong -2-3: Moderate -0-1: Weak
Sub-issue comparison	Local directors (Green: No legal or practical requirement for local directors; full flexibility on board composition. Yellow: No formal rule, but local presence is typically expected or

Study of barriers to, and drivers of, the scaling-up of funds investing in innovative and growth companies

	encouraged; may affect licensing outcome. Red: Local resident directors are legally required or consistently enforced by the regulator.)
Sub-issue comparison	Local service providers (Green: No legal or practical requirement for local service providers; full flexibility to appoint providers based in any jurisdiction. Yellow: No formal rule, but use of local service providers is typically expected or encouraged, especially for depositaries or administrators; may influence licensing outcome. Red: Appointment of at least one local service provider is legally required, such as a domestic depositary or administrator.)
Summary comparison	Local presence and substance tests - Overall assessment of favourability Overall favourability takes into account the above aspects and assesses the level of goldplating, i.e., whether national interpretations are closely aligned with general AIFMD rules.
Prudential rules and gold-plating thereof	NOTE: Investment restrictions for the banking sector were not considered in this document, as they are perceived to be generally more harmonised between jurisdictions.  How to read the assessment for "Prudential rules and goldplating thereof":  Each sub-issue is evaluated on the following scale:  Red = 0 points  Yellow = 1 point  Green = 2 points  Explanations of the scoring rationale for sub-issues are provided below.  Total score for "Overall favourability" is obtained by summing the points obtained in sub-issues and is interpreted as follows: -4: Strong -2-3: Moderate -0-1: Weak
Sub-issue comparison	Pension funds restrictions (Green: No regulatory barriers; pension funds are legally allowed and commonly active LPs in VC/PE funds. Yellow: Access is possible, but subject to soft restrictions, additional approvals, or risk-based limits; may be functionally constrained. Red: Legal or regulatory restrictions significantly limit or prohibit such investments; fund access is rare or discouraged.)
Sub-issue comparison	Insurance companies restrictions (Green: No regulatory barriers; insurance companies are legally allowed and commonly active LPs in VC/PE funds. Yellow: Access is possible, but subject to soft restrictions, additional approvals, or risk-based limits; may be functionally constrained. Red: Legal or regulatory restrictions significantly limit or prohibit such investments; fund access is rare or discouraged.)
Summary comparison	Prudential rules and goldplating thereof - Overall assessment of favourability Overall favourability takes into account the above aspects and assesses the level of goldplating, i.e., whether national interpretations are closely aligned with general AIFMD rules.
SUPPLEMENT: FDI restrictions	Not scored

## Annex 1d. Validation survey: methodology, results and integration into barrier analysis

### The objective and stakeholder coverage

A validation survey was conducted to validate the severity of barriers previously identified through desk research and interviews with fund managers and institutional investors. The survey aimed to capture stakeholder perspectives on these barriers to strengthen the evidence base for drawing up final conclusions.

The survey targeted the following stakeholder groups: (i) fund managers, (ii) institutional investors, (iii) associations and (iv) other relevant stakeholders.

As of 18<sup>th</sup> July, 47 complete responses were received:

- 28 from fund managers.
- 6 from associations.
- 10 from LPs/investors in venture and growth capital funds. Of these, four were insurance companies, three were private pension funds, one was a pension fund, one a national-level public investor, and one was a family office.
- 3 from other stakeholder categories<sup>96</sup>.

### Survey design and scoring methodology

Respondents were asked to evaluate a list of 23 barriers formulated as statements, using a five-point scale to assess the extent to which each issue negatively impacts (from 1 – no impact to 5 – very significant impact) the investment environment for VC and growth equity funds and institutional investors. The barriers selected for validation were prioritised based on a pre-identified list of legal barriers and expected relevance indicated by the interviews and desk research, with a focus on barriers for which stakeholder input was expected to be most informative.

While a part of the survey was common for all respondent types, certain questions were specifically tailored to verify the perspectives of specific stakeholder groups (fund managers, limited partners, and industry associations). Moreover, respondents were not required to answer all questions; this approach was taken to ensure that stakeholders only responded to topics they were familiar with. As a result, the number of responses varies across barriers and stakeholder groups.

Each barrier was analysed using the following steps:

- Collection of scores from all respondents who evaluated the given barrier.

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<sup>96</sup> Representatives from Lemonade Stand, Shell Pensions Netherlands, and Allianz SE selected “other” as their stakeholder category; however, as these organisations qualify as institutional investors, their responses were considered within the LP/institutional investor group during analysis.

- Calculation of average scores by stakeholder group (fund managers, associations, LPs and others).
- Computation of a total weighted average, combining all scores proportionally by the number of responses per group.

### **Survey results and barrier scores**

The table below presents the average scores per barrier, disaggregated by stakeholder group, along with the total number of responses received per barrier. These results reflect stakeholders' perception of the severity of each barrier.

Across the barriers that were assessed by both LPs and fund managers, fund managers consistently rated the barriers as more severe. This divergence can be explained by the nature of their respective roles: fund managers are directly involved in navigating regulatory and operational constraints, whereas LPs tend to focus on investment returns and may not always be aware of the challenges encountered during fundraising or fund operations. This difference in perspective was also reflected in the stakeholder interviews.

**Table 20. Average barrier ratings by stakeholder group based on validation survey<sup>97</sup>.**

Questions	Average	Fund Managers	Associations	LPs
Restrictions on outsourcing and the requirement to have a local presence hinder cross-border scaling of fund managers.	<b>3.9<sup>98</sup></b> (26)	3.9 (23)	4.0 (3)	
EU-level prudential regulation (for example, Solvency II) requires investors to establish stringent risk management frameworks, discouraging investment in the VC/PE asset class.	<b>3.8</b> (45)	3.9 (27)	4.5 (6)	<b>3.3</b> (12)
LPs/Institutional investors prefer not to invest in the VC/PE asset class due to the higher cost and time intensity of due diligence, especially when individual ticket sizes are small.	<b>3.8</b> (9)			<b>3.8</b> (9)
Public institutional investors are restricted by their investment mandates to invest in funds domiciled in their home country or directly contributing to the local economy, which limits cross-border fundraising opportunities and increases costs for fund managers based in other jurisdictions.	<b>3.8</b> (31)	3.8 (26)	3.4 (5)	
The VC/PE asset class is perceived as less attractive due to limited liquidity, stemming from a fragmented IPO landscape and the underdevelopment of secondary markets in the EU.	<b>3.8</b> (16)		4.2 (5)	<b>3.5</b> (11)
Compliance costs related to taxation (including the treatment of capital gains for tax purposes) hinder and/or increase fundraising costs, both within the country and cross-border.	<b>3.7</b> (31)	3.7 (27)	4.0 (4)	
Direct quantitative caps set out in some instances in national-level regulation for some institutional investors (pension funds, insurance companies, banks), to limit their allocations to illiquid asset classes like VC/PE.	<b>3.6</b> (44)	3.9 (28)	4.0 (4)	<b>2.9</b> (12)
Fragmentation in the taxation of carried interest across Member States can act as a barrier for fund managers seeking to expand operations across borders.	<b>3.6</b> (24)	3.6 (24)		
Some AIFMD obligations, such as depository requirements, do not sufficiently reflect the nature of venture and growth capital funds.	<b>3.5</b> (26)	3.4 (23)	4.3 (3)	
EU-level prudential regulation requires “fact-based” investment decisions, effectively limiting the ability to invest in funds established by first-time managers or funds without an established track record.	<b>3.5</b> (41)	3.7 (26)	3.8 (5)	<b>2.8</b> (10)

<sup>97</sup> Scores range from 1 (no impact) to 5 (very significant impact).

<sup>98</sup> Example of average score calculation:

- Number of responses: fund managers (23) and associations (3).
- Total scores: (i) Fund managers: cumulative score 89 → average = 3.9, (ii) Associations: cumulative score 12 → average = 4.0.
- Overall weighted average:  $(89+12) / (23+3) = 3.4$ .

Study of barriers to, and drivers of, the scaling-up of funds investing in innovative and growth companies

Questions	Average	Fund Managers	Associations	LPs
ESG reporting imposed by other regulatory frameworks, such as the SFDR, is excessive and/or not sufficiently adapted to unlisted assets.	<b>3.5</b> (31)	3.4 (27)	4.0 (4)	
Cross-border fundraising is hindered by divergent national interpretations of AIFMD or national regulations governing passporting and fund marketing procedures.	<b>3.4</b> (29)	3.4 (26)	3.7 (3)	
Cross-border fundraising is challenging due to the need to engage with multiple national supervisors, each with distinct procedures and approaches.	<b>3.4</b> (32)	3.3 (28)	4.5 (4)	
The one-off cost of obtaining the full AIFM license is too high for venture and growth capital funds.	<b>3.4</b> (28)	3.3 (25)	4.3 (3)	
National-level disclosure requirements for potential LPs (e.g. look-through obligations), often disproportionate to the size of the investment, discourage participation in the asset class.	<b>3.4</b> (39)	3.5 (26)	3.8 (4)	3.0 (9)
Legal uncertainty stemming from mismatches in national company laws—such as ownership rights, transfer rules, or corporate governance frameworks—creates disincentives for fund scaling across borders.	<b>3.4</b> (31)	3.3 (26)	3.6 (5)	
The AIFMD threshold is too limiting, with the cost of obtaining full AIFM licensing and/or related obligations being considered too sizeable for fund managers managing around EUR 500 million in assets.	<b>3.3</b> (29)	3.2 (26)	4.0 (3)	
Fundraising is complicated by the fact that large LPs/institutional investors often impose distinct disclosure obligations and investment requirements, creating additional administrative and compliance burdens for fund managers.	<b>3.3</b> (30)	3.2 (27)	4.0 (3)	
LPs/Institutional investors prefer not to invest in the VC/PE asset class because it requires an active management approach, which entails additional staffing and the development of a dedicated investment strategy.	<b>3.3</b> (8)			3.3 (8)
The high cost of complying with multiple supervisory authority requirements across Member States discourages fund scaling across borders.	<b>3.2</b> (30)	3.0 (26)	4.0 (4)	
FDI screening laws at the national level and similar national-level restrictions discourage intra-EU capital deployment.	<b>3.1</b> (26)	2.9 (22)	4.3 (4)	
Local tax rules and investment incentives are designed to favour domestic deployment of capital, which can indirectly discourage or limit cross-border allocations to VC and private equity.	<b>2.9</b> (7)			2.9 (7)
National FDI screening mechanisms directly limit cross-border allocations to asset classes like VC/PE.	<b>2.6</b> (8)			2.6 (8)

Source: Civitta analysis.

## Categorisation and integration into the barrier framework

Each of the 23 specific barriers assessed through the survey was mapped to the general barrier categories established during other analysis withing the assignment. This ensured that stakeholder feedback was directly reflected in both the barrier analysis and the formulation of conclusions.

The following table provides an aggregated overview of the barriers considered in the triangulation framework presented in the [Annex 2](#).

**Table 21. Aggregating specific barriers into general barriers categories.**

General barrier	Specific barriers
<b>Prudential rules and gold-plating thereof: disclosures, limits to investment, capital requirements</b>	Direct quantitative caps set out in some instances in national-level regulation for some institutional investors (pension funds, insurance companies, banks), to limit their allocations to illiquid asset classes like VC/PE.
	National-level disclosure requirements for potential LPs (e.g. look-through obligations), often disproportionate to the size of the investment, discourage participation in the asset class.
	EU-level prudential regulation (for example, Solvency II) requires investors to establish stringent risk management frameworks, discouraging investment in the VC/PE asset class.
	EU-level prudential regulation requires “fact-based” investment decisions, effectively limiting the ability to invest in funds established by first-time managers or funds without an established track record.
<b>Inconsistent public support mandates</b>	Public institutional investors are restricted by their investment mandates to invest in funds domiciled in their home country or directly contributing to the local economy, which limits cross-border fundraising opportunities and increases costs for fund managers based in other jurisdictions.
<b>LP home bias, preference for familiar &amp; stable jurisdictions</b>	
<b>Marketing framework and fees</b>	Cross-border fundraising is hindered by divergent national interpretations of AIFMD or national regulations governing passporting and fund marketing procedures.
<b>Ongoing reporting and disclosure obligations</b>	Cross-border fundraising is challenging due to the need to engage with multiple national supervisors, each with distinct procedures and approaches.
	ESG reporting imposed by other regulatory frameworks, such as the SFDR, is excessive and/or not sufficiently adapted to unlisted assets.
	The high cost of complying with multiple supervisory authority requirements across Member States discourages fund scaling across borders.
<b>Capital gains tax cross-border fragmentation &amp; related uncertainty</b>	Compliance costs related to taxation (including the treatment of capital gains for tax purposes) hinder and/or increase fundraising costs, both within the country and cross-border.
<b>Incorporation and operational setup of fund vehicles</b>	The AIFMD threshold is too limiting, with the cost of obtaining full AIFM licensing and/or related obligations being considered too sizeable for fund managers managing around EUR 500 million in assets.
	Some AIFMD obligations, such as depository requirements, do not sufficiently reflect the nature of venture and growth capital funds.
<b>Supervisory fees and ancillary charges</b>	The one-off cost of obtaining the full AIFM license is too high for venture and growth capital funds.
<b>National FDI restrictions</b>	FDI screening laws at the national level and similar national-level restrictions discourage intra-EU capital deployment.

General barrier	Specific barriers
<b>Portfolio management challenges</b>	Legal uncertainty stemming from mismatches in national company laws, such as ownership rights, transfer rules, or corporate governance frameworks, creates disincentives for fund scaling across borders.
<b>Carried interest tax cross-border fragmentation &amp; related uncertainty</b>	Fragmentation in the taxation of carried interest across Member States can act as a barrier for fund managers seeking to expand operations across borders.
<b>Local presence and substance tests</b>	Restrictions on outsourcing and the requirement to have a local presence hinder cross-border scaling of fund managers.
<b>Exit considerations in the EU</b>	The VC/PE asset class is perceived as less attractive due to limited liquidity, stemming from a fragmented IPO landscape and the underdevelopment of secondary markets in the EU.
<b>LP home bias, preference for familiar &amp; stable jurisdictions</b>	Local tax rules and investment incentives are designed to favour domestic deployment of capital, which can indirectly discourage or limit cross-border allocations to VC and private equity.
<b>High maintenance costs for LPs</b>	LPs/Institutional investors prefer not to invest in the VC/PE asset class because it requires an active management approach, which entails additional staffing and the development of a dedicated investment strategy.
	LPs/Institutional investors prefer not to invest in the VC/PE asset class due to the higher cost and time intensity of due diligence, especially when individual ticket sizes are small.
<b>Theme emerging across multiple barriers</b>	<i>Fundraising is complicated by the fact that large LPs/institutional investors often impose distinct disclosure obligations and investment requirements, creating additional administrative and compliance burdens for fund managers.</i>

Source: Civitta analysis.

### Stakeholder views on remaining and most urgent barriers

In addition to structured ratings, stakeholders were invited to answer open-ended questions to identify additional barriers not covered in the predefined list and to indicate the most urgent and most impactful barriers to address.

Fund managers most frequently pointed to:

- Regulatory burden, including Solvency II, AIFMD thresholds, and national-level mandates or passporting limitations.
- Fragmentation and overlapping supervision, which complicate cross-border operations and scaling.
- Insufficient capital allocation from institutional investors and the dominance of conservative investment cultures.
- Structural barriers such as the lack of a deep IPO market, outdated professional investor definitions, and EIF's quasi-monopolistic position in early-stage funding.

They often viewed prudential regulation, fundraising restrictions, and market fragmentation as the most urgent issues to address.

LPs were less critical overall, but highlighted:

- Tax fragmentation and national reinvestment requirements imposed by some public backers.

- Solvency II and capital charges limit their ability to allocate to VC/Growth capital.

Associations emphasised:

- The need for greater regulatory proportionality, particularly for smaller and emerging funds.
- Fragmentation due to divergent national interpretations of EU rules and a lack of cross-border marketing harmonisation.
- Barriers limiting institutional engagement, including definitions of professional investors under MiFID and a lack of visibility on VC performance.

They viewed AIFMD fragmentation and prudential rules as the most immediate priorities.

**Table 22. List of completed responses to the validation survey.**

#	Institution / Organisation	Type
1	Invest Europe	Association
2	Swedish Private Equity & Venture Capital Association	Association
3	The Luxembourg Private Equity and Venture Capital Association	Association
4	Italian Private Equity, Venture Capital and Private Debt Association	Association
5	SpainCap	Association
6	France Digitale	Association
7	UVC Partners	Fund manager
8	Siparex	Fund manager
9	OTB Ventures	Fund manager
10	NewSpace Capital	Fund manager
11	Superangel	Fund manager
12	SET Ventures	Fund manager
13	PureTerra	Fund manager
14	Equity United	Fund manager
15	Association of the Luxembourg Fund Industry	Association <sup>99</sup>
16	Allianz Global Investors	LP / Fund manager
17	Forbion	Fund manager
18	OMNES	Fund manager
19	Galdana Ventures	Fund manager
20	Altamar	Fund manager
21	BlackRock	Fund manager

<sup>99</sup> The Association of the Luxembourg Fund Industry is formally an association; however, in the validation survey, it identified itself as a fund manager. As such, its responses were grouped under fund managers. These responses could not be reclassified as LP input, given that the survey questions differed between groups.

Study of barriers to, and drivers of, the scaling-up of funds investing in innovative and growth companies

#	Institution / Organisation	Type
22	Innova Capital	Fund manager
23	EQT Ventures	Fund manager
24	Mirova	Fund manager
25	Icos Capital	Fund manager
26	XGEN Venture	Fund manager
27	P101	Fund manager
28	SHS	Fund manager
29	BlackPeak Capital	Fund manager
30	AI capital	Fund manager
31	The Venture City	Fund manager
32	SWANLAAB Venture Factory	Fund manager
33	Cipio Partners	Fund manager
34	BNPP AM	Fund manager
35	Folksam	LP (Insurance company)
36	Alecta	LP (Private pension fund)
37	Tesi	LP (National-level public investor)
38	VidaCaixa	LP (Insurance company)
39	Skandia Mutual Life Insurance Company	LP (Insurance company)
40	INVL Asset Management	LP (Private pension fund)
41	Temasek	LP (Asset manager)
42	Allianz	LP (Insurance company)
43	PFZW	LP (Pension fund)
44	AP Pension	LP (Private pension fund)
45	Lemonade Stand	LP (Family office)
46	Shell Pensions Netherlands	LP (Private pension fund)
47	Allianz SE	LP (Asset Manager)

Source: Civitta analysis.

## Annex 2. Triangulation framework

To ensure consistency and comparability across data sources, a unified scoring framework was developed using a triangulation approach. This framework integrates three inputs: (i) interview analysis, (ii) Member States' legislation analysis, and (iii) validation survey results. Each input applied a distinct scoring method, which was subsequently converted into a standardised three-star scale to support comparability and aggregation.

Each source employed a tailored methodology for assigning importance scores, which were then harmonised into a three-star scale (★ to ★★★) using quartile logic. This allowed for the aggregation of qualitative and quantitative evidence within a common prioritisation framework.

### Interview analysis

Barrier scores based on interview data were determined by analysing the frequency with which each barrier was mentioned by stakeholders. Given that the total number of interviews differed between stakeholder groups, custom thresholds were applied separately for LPs and Fund managers:

- Fund managers (42-43 interviews<sup>100</sup>):
  - ★★★ – mentioned in 24 or more interviews.
  - ★★ – mentioned in 7 to 23 interviews.
  - ★ – mentioned in 6 or fewer interviews.
- LPs/Institutional investors (21 interviews):
  - ★★★ – mentioned in 11 or more interviews.
  - ★★ – mentioned in 3 to 10 interviews.
  - ★ – mentioned in 2 or fewer interviews.

### Member States' legislation analysis

The final star rating was assigned using the following principles:

- ★★★ – urgency scores averaging to three and/or classified as unfavourable/not aligned (“red”) in many Member States.
- ★★ – barriers with moderate urgency scores and mostly classified as moderately favourable/aligned (“yellow”) across Member States.
- ★ – barriers with low urgency scores and/or mostly classified as favourable/aligned (“green”) across Member States.

### Validation survey

Respondents were asked to evaluate a list of 23 specific concerns using a five-point scale to assess the extent to which each issue negatively impacts the

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<sup>100</sup> While 42 interviews included references to barriers to fundraising and 43 to barriers to investing, the difference in sample size was not deemed significant. As a result, the same quartile-based scoring thresholds were applied uniformly across both categories.

investment environment (from 1 – no impact to 5 – very significant impact). For each barrier, a weighted average score was calculated across stakeholder groups (fund managers, LPs, associations, others), proportionally accounting for the number of responses in each group.

To enable triangulation and comparability, star ratings were assigned based on the following interpretation of the average score:

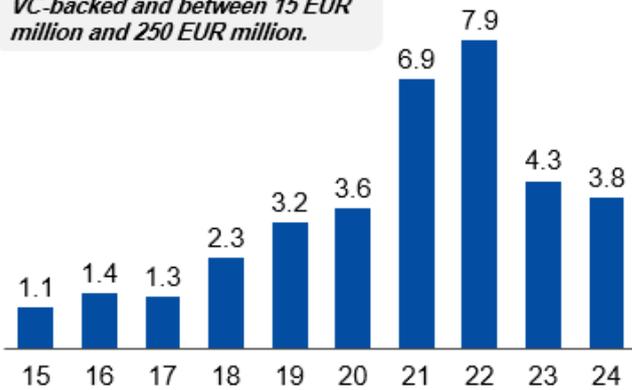
- ★★★ – average score > 3.6 (high perceived severity).
- ★★ – average score between 3.3 and 3.6 (moderate perceived severity).
- ★ – average score between < 3.3 (low perceived severity).

## Annex 3. Analysis of venture and growth capital market in 10 selected countries

### France

#### Value of transactions\*, EUR billion, 2015-2024

*The transaction is included if it's VC-backed and between 15 EUR million and 250 EUR million.*

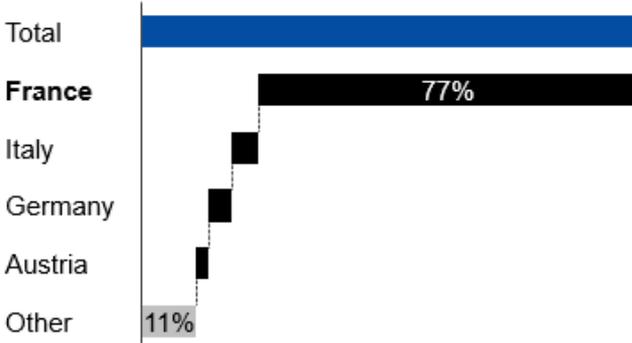


Median transaction size, 2022-2024 **30** EUR million

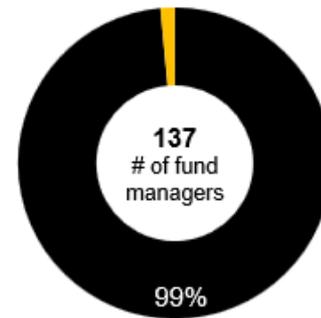
Share of transaction value in GDP, 2022-2024 **0.27%**

Total number of active LPs, as of 2025 **372**

#### Value of transactions of local venture and growth capital funds by scaleup (investee location), % of Total, 2022-2024

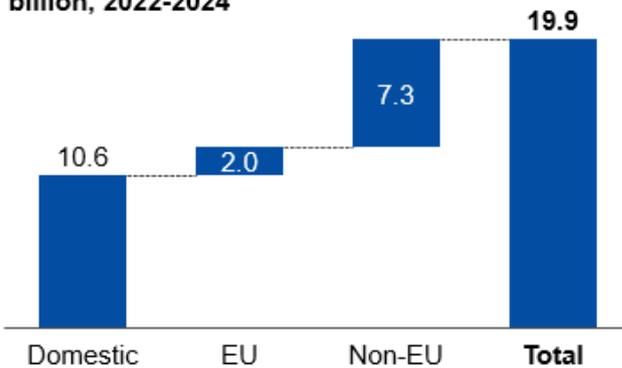


#### Number of venture and growth capital fund managers by legal framework



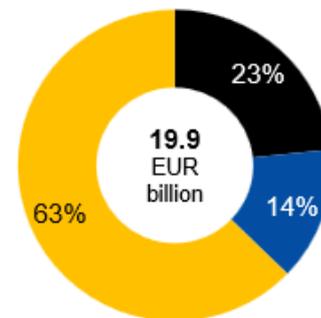
■ AIF ■ EuSEF ■ EuVECA

#### Value of transactions into local scaleups by source of funding (investor location), EUR billion, 2022-2024



\* France is the investee HQ location

#### Value of transactions by number of investors, % of Total, 2022-2024



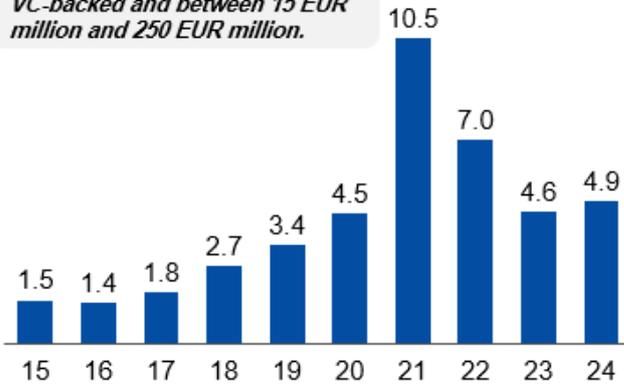
■ One ■ Two ■ Three and more

Note: In France, all fund managers are required to be authorised as AIFMs.

# Germany

## Value of transactions\*, EUR billion, 2015-2024

*The transaction is included if it's VC-backed and between 15 EUR million and 250 EUR million.*

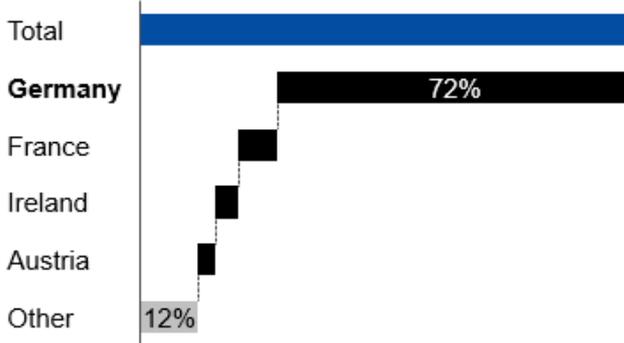


Median transaction size, 2022-2024 **32** EUR million

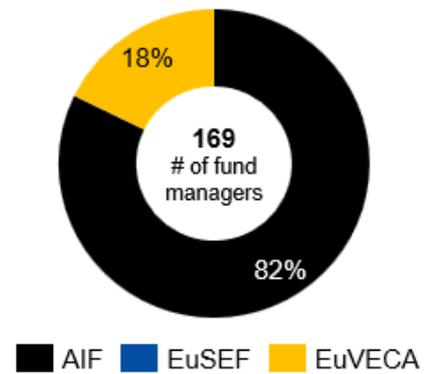
Share of transaction value in GDP, 2022-2024 **0.16%**

Total number of active LPs, as of 2025 **657**

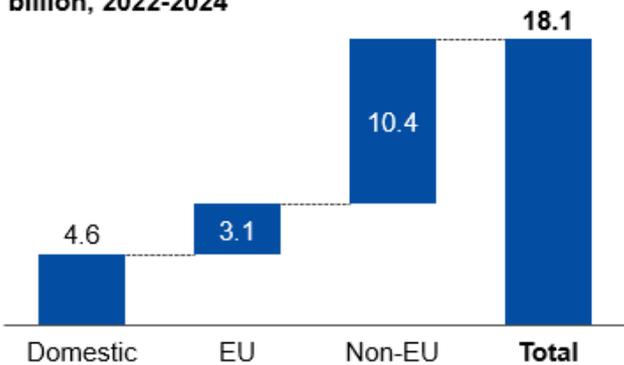
## Value of transactions of local venture and growth capital funds by scaleup (investee location), % of Total, 2022-2024



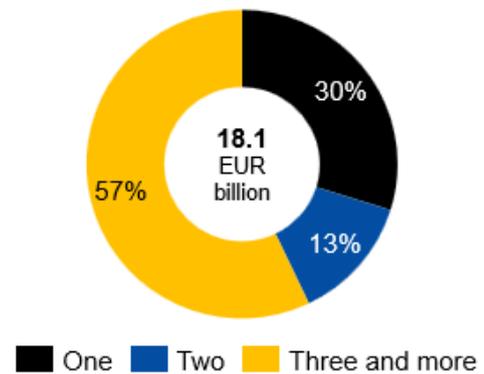
## Number of venture and growth capital fund managers by legal framework



## Value of transactions into local scaleups by source of funding (investor location), EUR billion, 2022-2024



## Value of transactions by number of investors, % of Total, 2022-2024

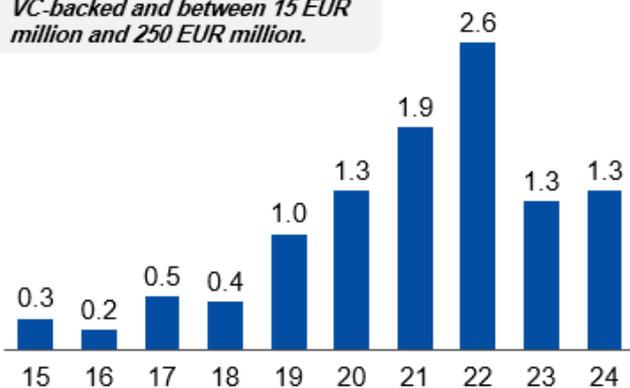


\* Germany is the investee HQ location

## Sweden

### Value of transactions\*, EUR billion, 2015-2024

*The transaction is included if it's VC-backed and between 15 EUR million and 250 EUR million.*

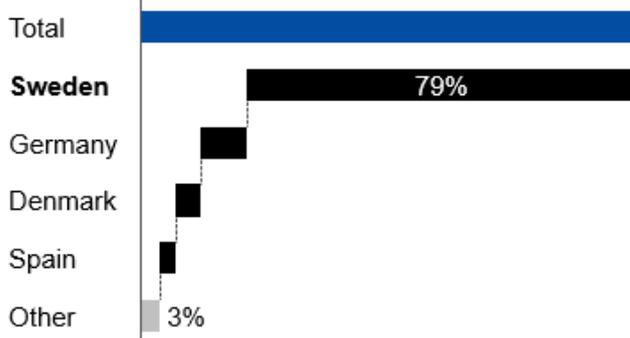


Median transaction size, 2022-2024 **33** EUR million

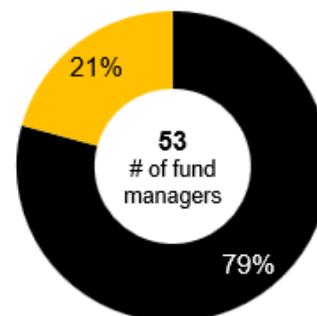
Share of transaction value in GDP, 2022-2024 **0.64%**

Total number of active LPs, as of 2025 **152**

### Value of transactions of local venture and growth capital funds by scaleup (investee location), % of Total, 2022-2024

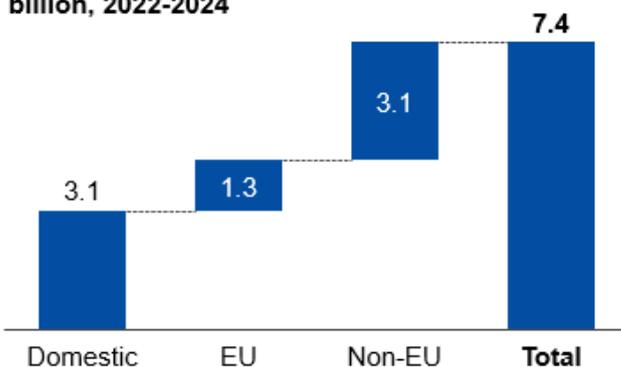


### Number of venture and growth capital fund managers by legal framework



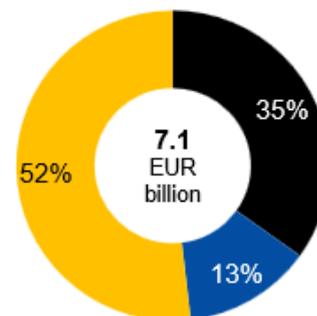
■ AIF ■ EuSEF ■ EuVECA

### Value of transactions into local scaleups by source of funding (investor location), EUR billion, 2022-2024



\* Sweden is the investee HQ location

### Value of transactions by number of investors, % of Total, 2022-2024

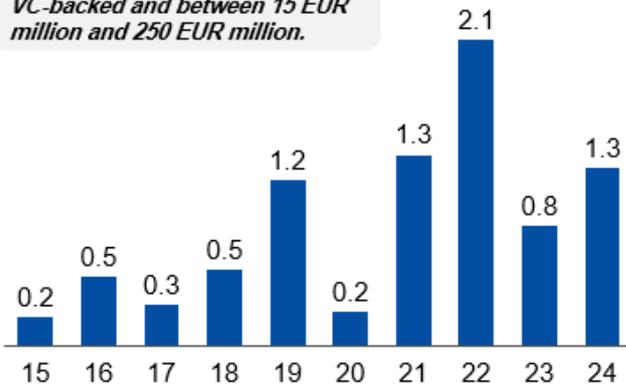


■ One ■ Two ■ Three and more

# Spain

## Value of transactions\*, EUR billion, 2015-2024

*The transaction is included if it's VC-backed and between 15 EUR million and 250 EUR million.*

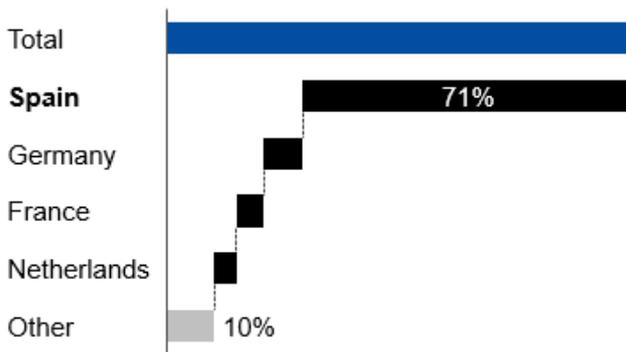


Median transaction size, 2022-2024 **31** EUR million

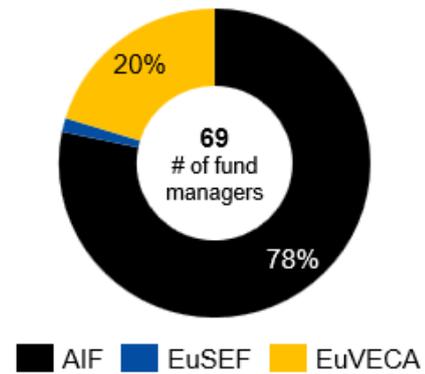
Share of transaction value in GDP, 2022-2024 **0.19%**

Total number of active LPs, as of 2025 **183**

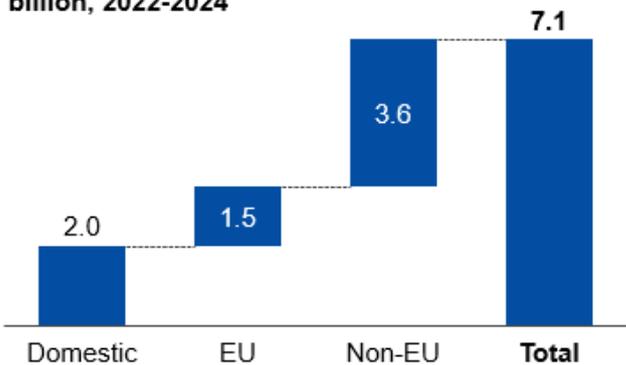
## Value of transactions of local venture and growth capital funds by scaleup (investee location), % of Total, 2022-2024



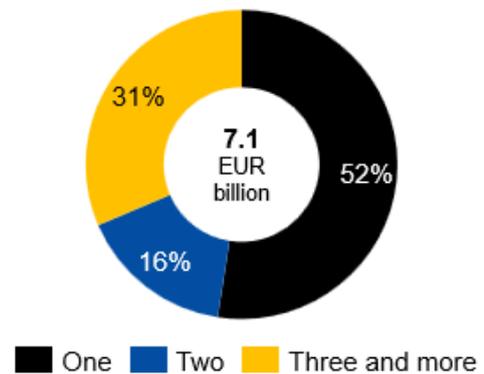
## Number of venture and growth capital fund managers by legal framework



## Value of transactions into local scaleups by source of funding (investor location), EUR billion, 2022-2024



## Value of transactions by number of investors, % of Total, 2022-2024

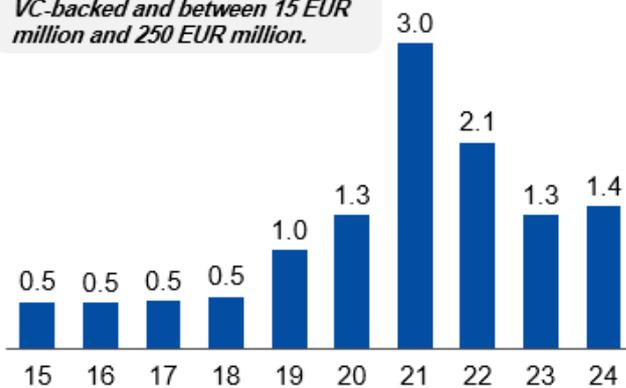


\* Spain is the investee HQ location

# Netherlands

## Value of transactions\*, EUR billion, 2015-2024

*The transaction is included if it's VC-backed and between 15 EUR million and 250 EUR million.*

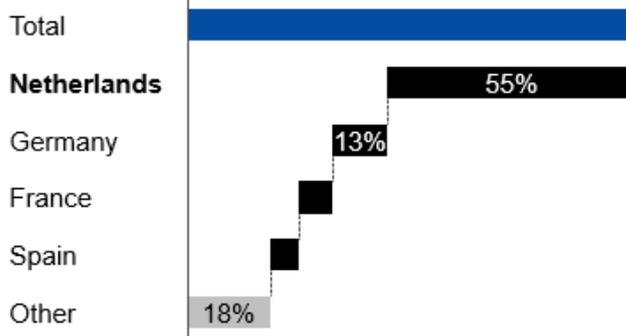


Median transaction size, 2022-2024 **34** EUR million

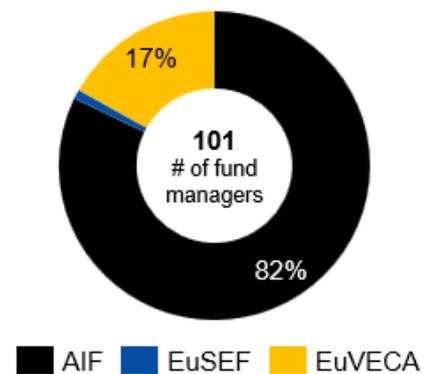
Share of transaction value in GDP, 2022-2024 **0.23%**

Total number of active LPs, as of 2025 **196**

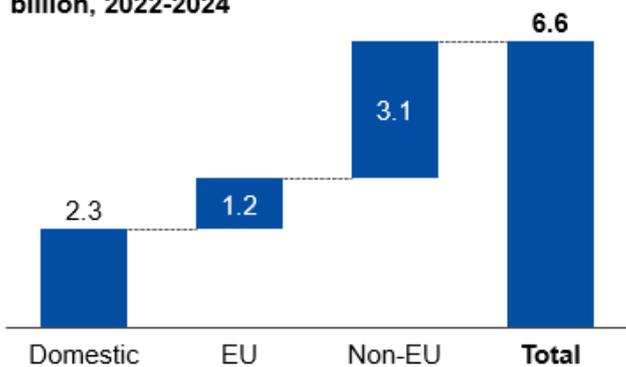
## Value of transactions of local venture and growth capital funds by scaleup (investee location), % of Total, 2022-2024



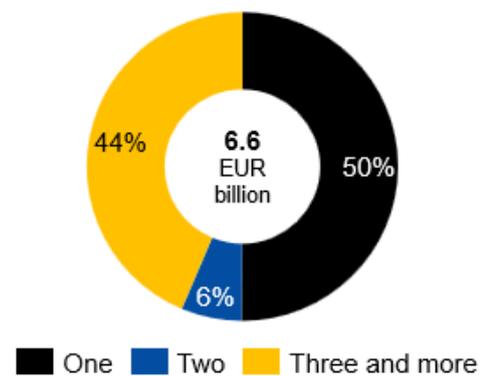
## Number of venture and growth capital fund managers by legal framework



## Value of transactions into local scaleups by source of funding (investor location), EUR billion, 2022-2024



## Value of transactions by number of investors, % of Total, 2022-2024

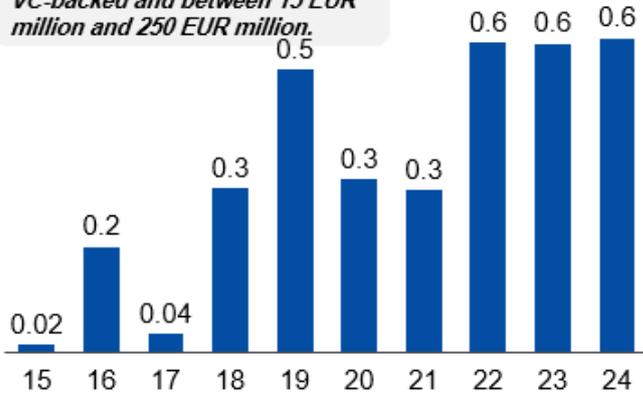


\* Netherlands is the investee HQ location

# Italy

## Value of transactions\*, EUR billion, 2015-2024

*The transaction is included if it's VC-backed and between 15 EUR million and 250 EUR million.*

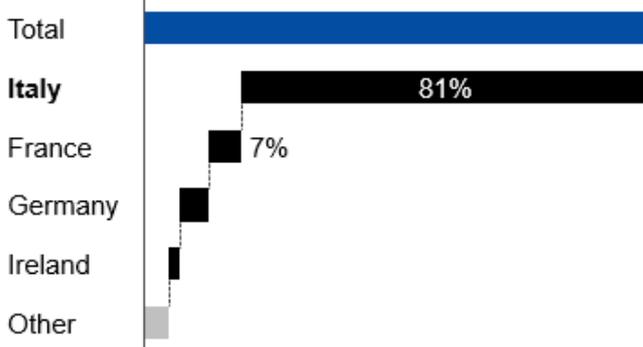


Median transaction size, 2022-2024 **37** EUR million

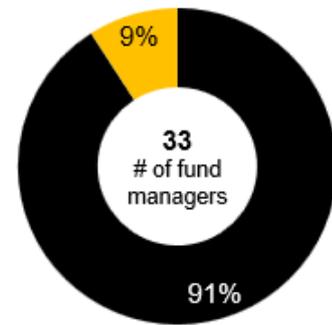
Share of transaction value in GDP, 2022-2024 **0.08%**

Total number of active LPs, as of 2025 **260**

## Value of transactions of local venture and growth capital funds by scaleup (investee location), % of Total, 2022-2024

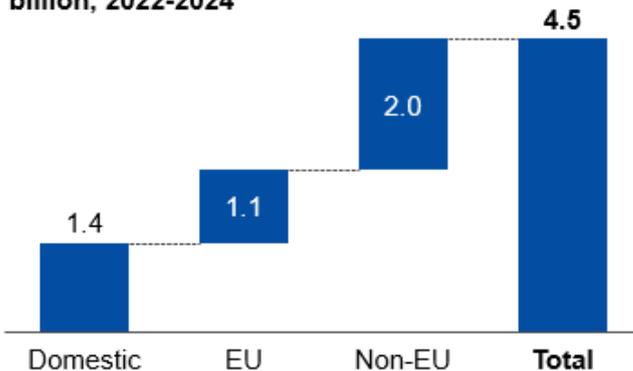


## Number of venture and growth capital fund managers by legal framework



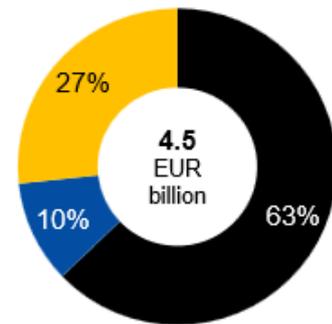
■ AIF ■ EuSEF ■ EuVECA

## Value of transactions into local scaleups by source of funding (investor location), EUR billion, 2022-2024



\* Italy is the investee HQ location

## Value of transactions by number of investors, % of Total, 2022-2024

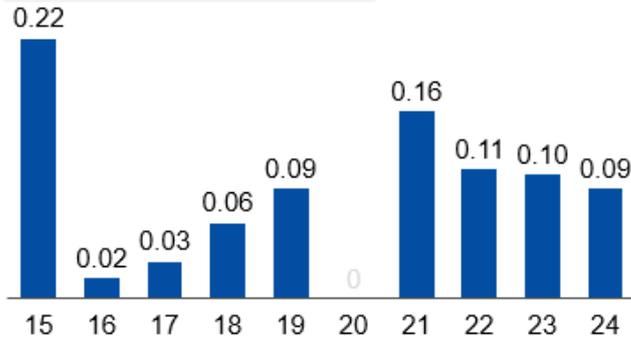


■ One ■ Two ■ Three and more

# Luxembourg

## Value of transactions\*, EUR billion, 2015-2024

*The transaction is included if it's VC-backed and between 15 EUR million and 250 EUR million.*

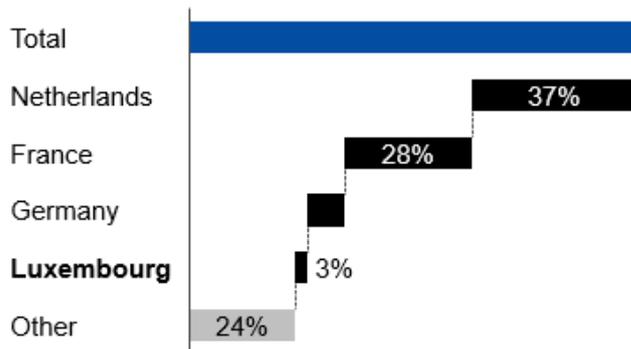


Median transaction size, 2022-2024 **30** EUR million

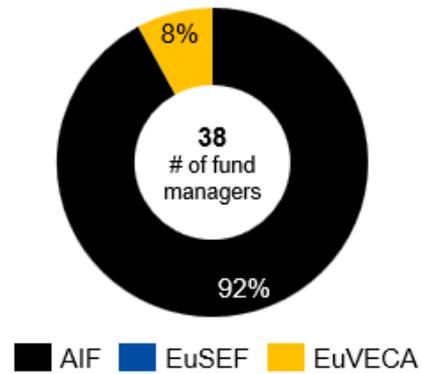
Share of transaction value in GDP, 2022-2024 **0.39%**

Total number of active LPs, as of 2025 **74**

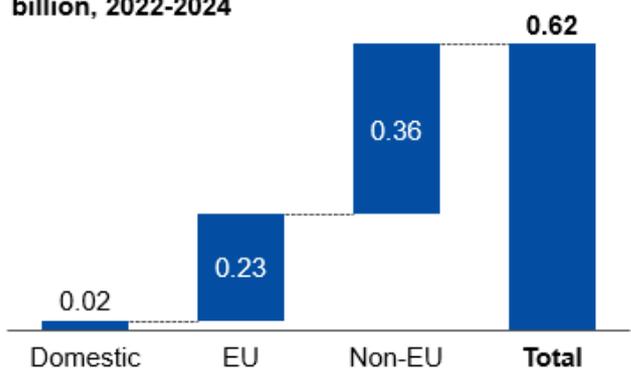
## Value of transactions of local venture and growth capital funds by scaleup (investee location), % of Total, 2022-2024



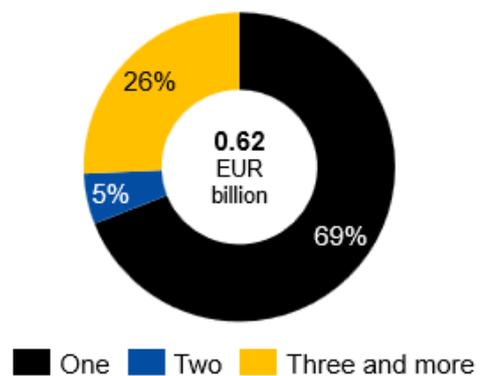
## Number of venture and growth capital fund managers by legal framework



## Value of transactions into local scaleups by source of funding (investor location), EUR billion, 2022-2024



## Value of transactions by number of investors, % of Total, 2022-2024

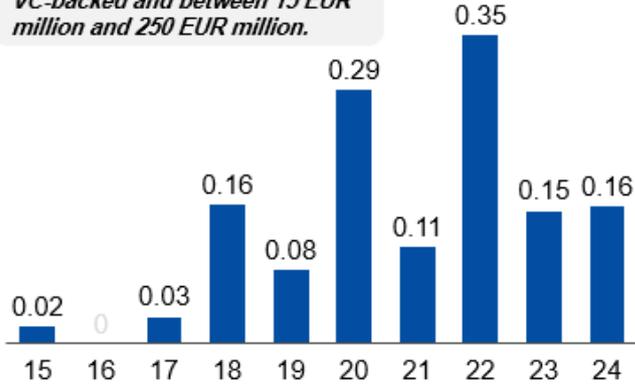


\* Luxembourg is the investee HQ location

# Estonia

## Value of transactions\*, EUR billion, 2015-2024

*The transaction is included if it's VC-backed and between 15 EUR million and 250 EUR million.*

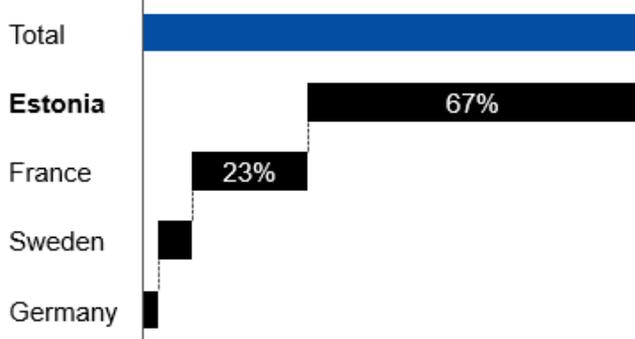


Median transaction size, 2022-2024 **37** EUR million

Share of transaction value in GDP, 2022-2024 **0.55%**

Total number of active LPs, as of 2025 **21**

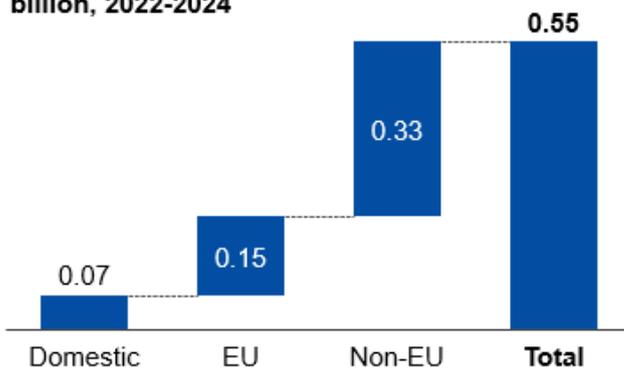
## Value of transactions of local venture and growth capital funds by scaleup (investee location), % of Total, 2022-2024



## Number of venture and growth capital fund managers by legal framework

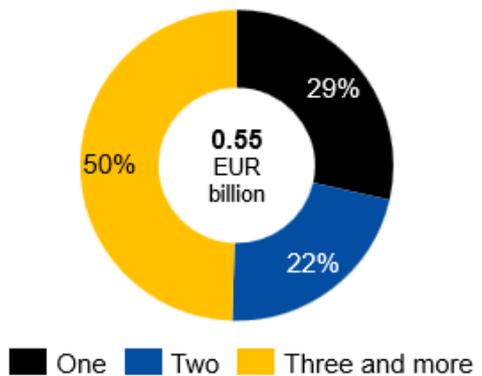


## Value of transactions into local scaleups by source of funding (investor location), EUR billion, 2022-2024



\* Estonia is the investee HQ location

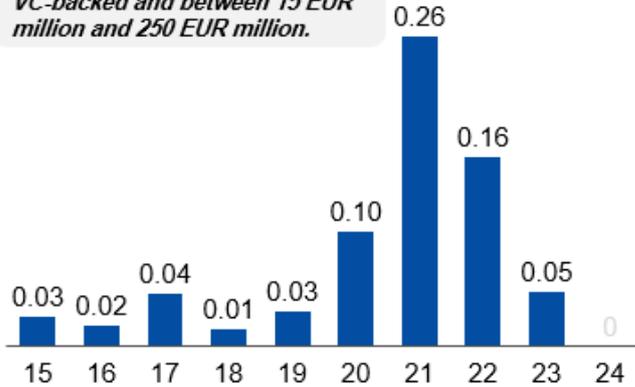
## Value of transactions by number of investors, % of Total, 2022-2024



# Poland

## Value of transactions\*, EUR billion, 2015-2024

*The transaction is included if it's VC-backed and between 15 EUR million and 250 EUR million.*

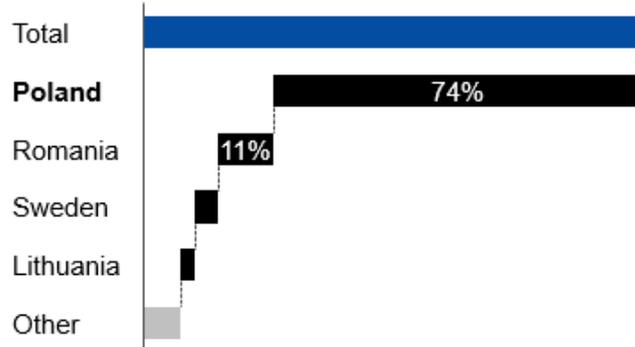


Median transaction size, 2022-2024 **25** EUR million

Share of transaction value in GDP, 2022-2024 **0.02%**

Total number of active LPs, as of 2025 **14**

## Value of transactions of local venture and growth capital funds by scaleup (investee location), % of Total, 2022-2024

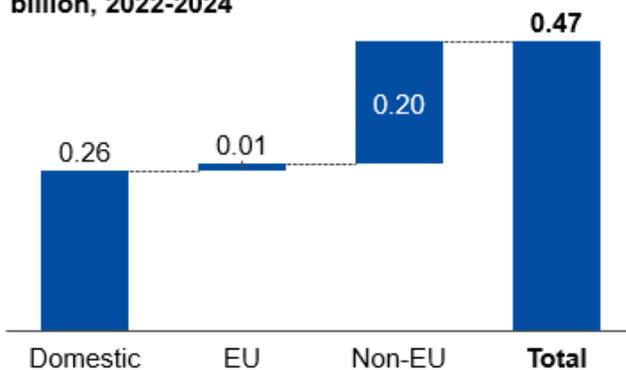


## Number of venture and growth capital fund managers by legal framework

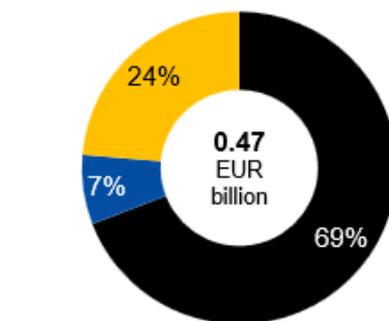


Legend: AIF (black), EuSEF (blue), EuVECA (yellow)

## Value of transactions into local scaleups by source of funding (investor location), EUR billion, 2022-2024



## Value of transactions by number of investors, % of Total, 2022-2024



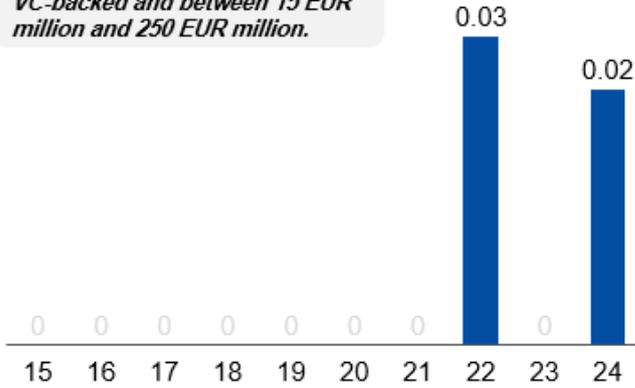
Legend: One (black), Two (blue), Three and more (yellow)

\* Poland is the investee HQ location

# Bulgaria

## Value of transactions\*, EUR billion, 2015-2024

*The transaction is included if it's VC-backed and between 15 EUR million and 250 EUR million.*

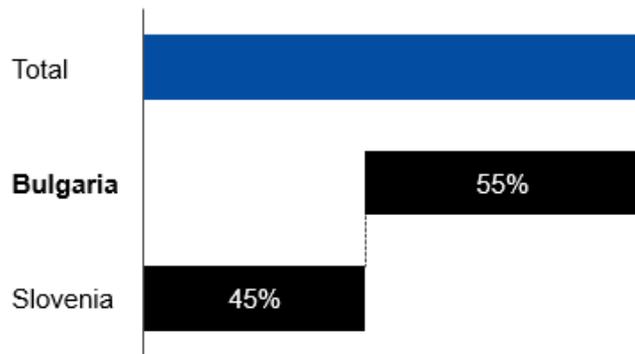


Median transaction size, 2022-2024 **27** EUR million

Share of transaction value in GDP, 2022-2024 **0.02%**

Total number of active LPs, as of 2025 **3**

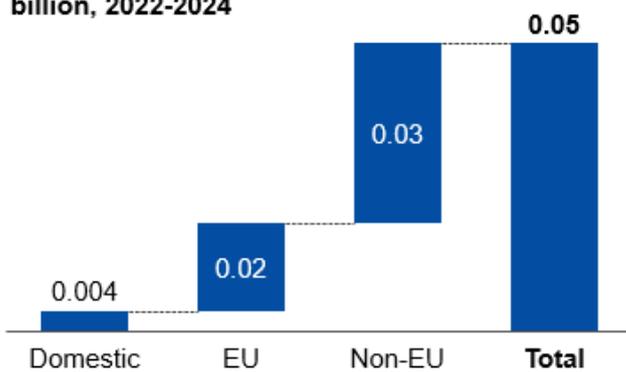
## Value of transactions of local venture and growth capital funds by scaleup (investee location), % of Total, 2022-2024



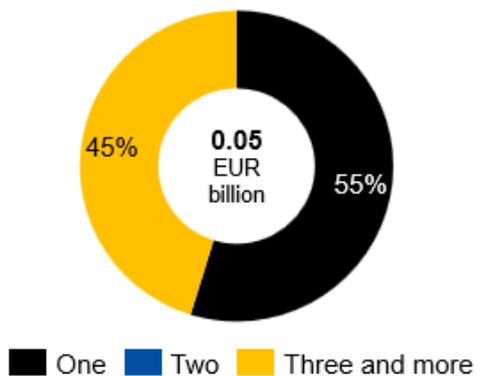
## Number of venture and growth capital fund managers by legal framework



## Value of transactions into local scaleups by source of funding (investor location), EUR billion, 2022-2024



## Value of transactions by number of investors, % of Total, 2022-2024



\* Bulgaria is the investee HQ location

## Annex 4. Interview programme

**Table 23. Structure of fund manager interviewee sample with insights in the report to date – Country of fund manager HQ.**

Region	Country	Number of fund managers	% of Total
BeNeLux	Netherlands	7	16%
	Luxembourg	2	5%
CEE	Czechia	2	5%
	Estonia	3	7%
	Bulgaria	1	2%
	Poland	2	5%
Northern Europe	Sweden	1	2%
	Finland	1	2%
	Norway	1	2%
International (with EU presence)	US, Singapore, Pan-European	4	9%
Southern Europe	Spain	2	5%
	Italy	4	9%
Western Europe	Germany	6	14%
	France	7	16%
	Austria	1	2%
<b>TOTAL</b>		<b>44</b>	<b>100%</b>

Source: Civitta.

**Table 24. Structure of interviewed fund managers by average ticket size.**

Average ticket size	Number of fund managers	Share of Total
Larger ticket (over 10M in average ticket)	14	32%
Smaller ticket (up to 10M in average ticket)	30	68%
<b>TOTAL</b>	<b>44</b>	<b>100%</b>

Source: Civitta.

**Table 25. Structure of interviewed fund managers by size of fund (largest or latest).**

Size of fund (largest or latest), EUR	Number of fund managers	Share of Total
<100M	8	18%
100M-250M	21	48%

Study of barriers to, and drivers of, the scaling-up of funds investing in innovative and growth companies

Size of fund (largest or latest), EUR	Number of fund managers	Share of Total
250M-500M	5	11%
500M-1B	2	5%
Above 1B	8	18%
<b>TOTAL</b>	<b>44</b>	<b>100%</b>

Source: Civitta.

**Table 26. Structure of fund manager interviewee sample with insights in the report to date – Legal framework.**

Legal framework	Number of fund managers	% of Total
<b>AIFM</b>	26	59%
<b>AIFM, EuVECA</b>	3	7%
<b>EuSEF</b>	1	2%
<b>EuVECA</b>	7	16%
<b>Other</b>	7	16%
<b>TOTAL</b>	<b>44</b>	<b>100%</b>

Source: Civitta.

**Table 27. Structure of institutional investor interviewee sample with insights in the report to date – Country of domicile.**

Region	Country	Number of institutional investor	Share of Total
<b>BeNeLux</b>	Luxembourg	1	5%
	Netherlands	2	10%
<b>CEE</b>	Bulgaria	2	10%
	Estonia	1	5%
	Latvia/Lithuania	1	5%
	Poland	2	10%
<b>Northern Europe</b>	Sweden	3	14%
	Denmark	1	5%
	Finland	1	5%
<b>Southern Europe</b>	Italy	1	5%
	Spain	1	5%

Study of barriers to, and drivers of, the scaling-up of funds investing in innovative and growth companies

Region	Country	Number of institutional investor	Share of Total
Western Europe	France	2	10%
	Germany	1	5%
	Austria	1	5%
Other	Singapore	1	5%
TOTAL		21	100%

Source: Civitta.

**Table 28. Structure of institutional investor interviewee sample with insights in the report to date – Type.**

Type	Number of institutional investors	Share of Total
EU-level public investor	1	5%
National-level public investor	6	29%
Private pension fund	5	24%
Insurance company	5	24%
Asset manager	3	14%
Family office	1	5%
TOTAL	21	100%

Source: Civitta.

**Table 29. List of completed interviews – Fund Managers.**

#	Institution / Organisation	Type	HQ country	Legal framework	Fund size (largest or latest), EUR
1	Amundi	PE	France	AIFM	500M-1B
2	BaltCap	PE	Estonia	AIFM	100M-250M
3	BlackRock	PE	International	AIFM	Above 1B
4	Cipio Partners	PE	Germany	EuVECA	100M-250M
5	Credo Ventures	VC	Czech Republic	Other <sup>101</sup>	<100M

<sup>101</sup> Funds are domiciled in Jersey.

Study of barriers to, and drivers of, the scaling-up of funds investing in innovative and growth companies

#	Institution / Organisation	Type	HQ country	Legal framework	Fund size (largest or latest), EUR
6	EQT Ventures	PE	Sweden	AIFM	Above 1B
7	Indaco Venture Partners	VC	Italy	AIFM	100M-250M
8	Innova Capital	PE	Poland	Other <sup>102</sup>	250M-500M
9	Kibo Ventures	VC	Spain	AIFM, EuVECA	100M-250M
10	LIFTT	VC	Italy	AIFM	100M-250M
11	Omnes Capital	PE	France	AIFM	Above 1B
12	Rubio Impact Ventures	VC	Netherlands	EuSEF	100M-250M
13	UVC Partners	VC	Germany	EuVECA	250M-500M
14	Ysios Capital	VC	Spain	AIFM, EuVECA	100M-250M
15	Alliance VC	VC	Norway	AIFM	<100M
16	Maven 11 Capital	VC	Netherlands	AIFM	<100M
17	NewSpace Capital	PE	Luxembourg	AIFM	100M-250M
18	P101 Ventures	VC	Italy	EuVECA	100M-250M
19	Presto Ventures	VC	Czech Republic	Other	100M-250M
20	SHS Capital	PE	Germany	EuVECA	250M-500M
21	TIIN Capital	VC	Netherlands	Other <sup>103</sup>	100M-250M
22	NordicNinja	VC	Finland	AIFM	100M-250M

<sup>102</sup> Funds are domiciled in Luxembourg as AIFs with ALTER DOMUS MANAGEMENT COMPANY S.A. playing the role of AIFM.

<sup>103</sup> Funds are domiciled in the Netherlands, and the fund manager (TIIN Capital B.V., TIN Capital Fund Management B.V.) is registered as an AIFMD “light” manager. Funds: TIIN TechFund 3 B.V., Dutch Security TechFund Coöperatie U.A., RD Investment Coöperatie U.A., TIIN Capital Co-Invest Coöperatief U.A., TIIN Mobility Co-Invest Coöperatief U.A., TC Fund Invest B.V., European Cyber Tech Fund V.

Study of barriers to, and drivers of, the scaling-up of funds investing in innovative and growth companies

#	Institution / Organisation	Type	HQ country	Legal framework	Fund size (largest or latest), EUR
23	Icos Capital	VC	Netherlands	EuVECA	<100M
24	Wendel Group	VC	France	AIFM	100M-250M
25	General Catalyst	VC/PE	International	AIFM	Above 1B
26	Equity United	PE	Estonia	Other <sup>104</sup>	<100M
27	PureTerra Ventures	VC	Netherlands	EuVECA	100M-250M
28	Black Peak Capital	PE	Bulgaria	AIFM	100M-250M
29	CommerzVentures	VC	Germany	AIFM	250M-500M
30	Future Energy Ventures	VC	Germany	AIFM	100M-250M
31	MIG Capital	PE	Germany	AIFM	100M-250M
32	Movens Capital	VC	Poland	AIFM	<100M
33	Atomico	VC	International	AIFM	500M-1B
34	OTB Ventures	VC	Poland	Other <sup>105</sup>	100M-250M
35	Forbion	VC	Netherlands	AIFM, EuVECA	Above 1B
36	Apex Ventures	VC	Austria	EUVECA	<100M
37	Superangel	VC	Estonia	Other <sup>106</sup>	<100M
38	Supernova Invest	VC	France	AIFM	250M-500M

<sup>104</sup> Equity United GP1 OÜ is registered in Estonia as a small fund manager without authorisation.

<sup>105</sup> Funds are domiciled in the Netherlands, and the fund manager is registered as an AIFMD “light” manager. Funds: OTB Fund 2 Coöperatief U.A.; OTB Fund Coöperatief U.A.; Growth Fund I C.V.

<sup>106</sup> Superangel Funding Secured OÜ is registered in Estonia as a small fund manager without authorisation.

Study of barriers to, and drivers of, the scaling-up of funds investing in innovative and growth companies

#	Institution / Organisation	Type	HQ country	Legal framework	Fund size (largest or latest), EUR
39	Siparex Groupe	VC/PE	France	AIFM	Above 1B
40	BNP Paribas Asset Management	VC	France	AIFM	100M-250M
41	FSI	VC	Italy	AIFM	Above 1B
42	Eurazeo	VC/PE	International	AIFM	Above 1B
43	Blue Forward Fund	VC	France	AIFM <sup>107</sup>	100M-250M
44	AI Capital	VC	Luxembourg	AIFM	100M-250M

Source: Civitta.

**Table 30. List of completed interviews – Institutional Investors.**

#	Institution / Organisation	Type	HQ country
1	Allianz Global Investors	Asset manager	France
2	Erste Group	Asset manager	Austria
3	Temasek	Asset manager	Singapore
4	EIF	EU-level public investor	Luxembourg
5	Lemonade Stand	Family Office	Estonia
6	Allianz Insurance	Insurance company	Germany
7	PZU	Insurance company	Poland
8	Folksam	Insurance company	Sweden
9	Vidacaixa	Insurance company	Spain
10	Bulgarian Guarantee Fund	Insurance company	Bulgaria
11	Bpifrance	National-level public investor	France

<sup>107</sup> Fund is managed by Seventure Partners.

Study of barriers to, and drivers of, the scaling-up of funds investing in innovative and growth companies

#	Institution / Organisation	Type	HQ country
12	<b>FMFIB</b>	National-level public investor	Bulgaria
13	<b>PFR Ventures</b>	National-level public investor	Poland
14	<b>Tesi</b>	National-level public investor	Finland
15	<b>CDP Italy</b>	National-level public investor	Italy
16	<b>Oost NL</b>	National-level public investor	Netherlands
17	<b>INVL Asset Management</b>	Private pension fund	Lithuania / Latvia
18	<b>Skandia Pension Fund</b>	Private pension fund	Sweden
19	<b>Alecta</b>	Private pension fund	Sweden
20	<b>AP Pension</b>	Private pension fund	Denmark
21	<b>Shell Pensions Netherlands</b>	Private pension fund	Netherlands

Source: Civitta.

## Annex 5. Detailed comparison of legal frameworks governing venture and growth funds operations in 10 selected countries

### 5.1. Extended legislation analysis

**Table 31. Extended legislation analysis matrix<sup>108</sup>.**

1. Incorporation and operational setup of fund vehicles
<p><b>BULGARIA:</b> No dedicated legal form for VC funds exists under Bulgarian law. VC structures typically adopt:</p> <p>Limited partnerships (komanditno druzhestvo, KD) with a general partner formed as an LLC.</p> <p>Joint stock companies (JSCs), partnerships limited by shares (KDA), or contractual funds (though rare in practice).</p> <p>Bulgarian law permits flexibility in legal form, provided the structure qualifies as an AIF under the AIFM Act (transposing Directive 2011/61/EU).</p> <p>Under the Collective Investment Schemes and Other UCIs Act, a special category of “national investment funds” exists for AIFs investing in transferable securities. However, venture capital funds targeting start-ups are generally structured as closed-end investment companies open only to professional or qualified investors.</p> <p>AIFM thresholds are fully aligned with the AIFMD:</p> <p>AIFMs managing portfolios above EUR 100 million (if leveraged) or EUR 500 million (if unleveraged and closed-ended) require full authorisation from the Financial Supervision Commission (FSC).</p> <p>Sub-threshold AIFMs may rely on a registration regime, with lighter reporting and governance requirements.</p> <p>Capital requirements for full-scope AIFMs:</p> <p>EUR 125,000 for external AIFMs;</p> <p>EUR 300,000 for internally managed AIFs.</p>
<p><b>ESTONIA:</b> Estonian law does not provide a dedicated legal form for venture capital funds. VC structures typically take the form of:</p> <p>Limited partnerships (usaldusühing, UU), with the general partner established as a private limited company (OÜ);</p> <p>Public limited companies (AS); or</p> <p>Contractual funds, governed by fund rules and managed by a licensed management company.</p> <p>Estonian legislation offers flexibility in structuring, provided the vehicle qualifies as an AIF under the Investment Funds Act (IFA) and is managed by a duly compliant AIFM.</p> <p>AIFM thresholds (aligned with AIFMD):</p> <p>Above EUR 100 million (leveraged) or EUR 500 million (unleveraged, closed-ended): full authorisation from the Financial Supervision Authority (Finantsinspektsioon) is required.</p> <p>Below thresholds: managers may operate under a registration regime, subject to simplified oversight and lighter capital requirements.</p> <p>Capital requirements (AIFMD-aligned):</p> <p>EUR 125,000 for external AIFMs;</p> <p>EUR 300,000 for internally managed AIFs.</p>

<sup>108</sup> Legal corpus and materials related to the analysis can be found through the following link: [OneDrive Folder](#)

**FRANCE:** France offers a dedicated legal and regulatory framework for venture capital and private equity funds, with a range of specialised vehicles available under the French Monetary and Financial Code (Code monétaire et financier). Commonly used fund structures include:

Société de libre partenariat (SLP) – a flexible limited partnership introduced in 2015, broadly aligned with Anglo-Saxon LPs and ideal for VC/PE strategies.

Fonds professionnel de capital investissement (FPCI) – a contractual fund designed specifically for professional investors.

Société de capital risque (SCR) – a joint stock company for private equity investments.

Société en commandite simple (SCS) – a classical limited partnership.

Société par actions simplifiée (SAS) – occasionally used for bespoke fund structures.

Fonds commun de placement à risques (FCPR) – a regulated contractual vehicle for risk capital investments.

All of these vehicles qualify as AIFs under the AIFMD and must be managed by an authorised or registered AIFM.

Where the AIFM is located determines the competent regulator:

In France, managers must be authorised by the AMF (Autorité des marchés financiers) as portfolio management companies entitled to manage AIFs.

In another EU Member State, the AIFM must hold authorisation from its home regulator and obtain an AIFMD passport to manage French AIFs cross-border. The passport procedure is harmonised at EU level (see Commission Implementing Regulation (EU) 2024/913 of 15 December 2023) and specified in France by AMF Instruction No. 2008-03.

In a third country, managers require specific AMF approval and must comply with the provisions of the Code monétaire et financier, AMF General Regulation, and the relevant AMF instructions, positions, and guidelines.

Exemption regime. Managers are not required to hold full authorisation where:

assets under management remain below the thresholds set by the AIFMD (EUR 100 million, or EUR 500 million under the conditions in Article R. 532-12-1 of the Code monétaire et financier, depending on leverage); and

all investors are professional clients.

Even in this case, managers and their AIFs must be registered with the AMF. However, they cannot access the benefits of the AIFMD regime, such as passporting, unless they obtain full authorisation.

**GERMANY:** Germany has no dedicated legal form for venture capital funds. The predominant structure for VC and private equity is the closed-ended Spezial-AIF, typically organised as a GmbH & Co. KG limited partnership under the Capital Investment Code (Kapitalanlagegesetzbuch – KAGB).

This model combines:

a Kommanditgesellschaft (KG) as the fund vehicle, tax-transparent and granting limited liability to investors (LPs);

a Gesellschaft mit beschränkter Haftung (GmbH) acting as general partner;

a separate Kapitalverwaltungsgesellschaft (KVG) serving as the AIFM responsible for portfolio and risk management.

The GmbH & Co. KG structure is widely adopted for VC strategies, as it closely mirrors the Anglo-Saxon limited partnership model both structurally and fiscally.

AIFMs (KVGs).

AIFs must be operated by a KVG, which either manages the portfolio itself or delegates management to another regulated portfolio manager. KVGs require authorisation from BaFin under the KAGB.

A special regime exists for registered KVGs (i.e. Small AIFMs under AIFMD/KAGB):

If managing only Special-AIFs, the KVG is subject to registration and reporting obligations only.

If also managing retail AIFs, broader rules apply, including conduct, organisational and depositary requirements.

Fund approval.

For retail AIFs, BaFin approval of fund rules is required to ensure regulatory compliance and investor protection.

For Special-AIFs (restricted to professional or semi-professional investors), no approval is required—notification to BaFin suffices.

**ITALY:** Venture capital funds in Italy are regulated as AIFs under:

Legislative Decree No. 58/1998 (Testo Unico della Finanza – TUF); and

The Bank of Italy/CONSOB regulations, Decree Law 34/19 “decreto crescita”, later adopted as Law 58/19.

Common VC structures include:

Closed-end funds (Fondi Chiusi), typically established as reserved AIFs (FIA riservati) and managed by an external Società di Gestione del Risparmio (SGR).

Investment companies with fixed capital (SICAFs), which may be externally or internally managed.

Variable capital investment companies (SICAVs).

Reserved AIFs, open only to professional investors or certain well-informed investors, benefit from lighter regulatory procedures:

No product pre-approval is required (simple notification to CONSOB suffices).

Specific VC vehicles for SMEs: Società di Investimento Semplice (SIS) (up to 25 million EUR).

Italian AIFMs must apply for authorisation to the Bank of Italy. The application must comply with regulatory requirements and is decided upon by the Bank of Italy, having consulted CONSOB, within 90 days of filing.

EU AIFMs may manage AIFs in Italy either through a branch or under the freedom to provide services (FOS). In both cases, the AIFM must notify its home regulator pursuant to Article 33 AIFMD. The home authority then forwards the notification/communication to the Bank of Italy and CONSOB.

For branches, operations may begin after receiving a confirmation from the Bank of Italy, or, if no confirmation or request for clarification is issued, 60 days after transmission. For freedom to provide services (FOS), operations may begin as soon as the home authority’s communication reaches the Bank of Italy.

Contractual AIFs not reserved to professional clients (other than SICAVs/SICAFs) require prior approval of their regulations by the Bank of Italy, which has 60 days to assess compliance with general criteria. However, no prior approval is required where the rules follow the simplified regulatory scheme, or where they only deviate from existing funds of the same SGR in terms of object, investment policy, characteristics, or expenses. Contractual AIFs reserved to professional investors are approved directly by the AIFM’s board of directors, without Bank of Italy authorisation. The regulation must nonetheless be notified to the Bank of Italy and CONSOB.

The by-laws of SICAVs and SICAFs must be approved by the Bank of Italy, in consultation with CONSOB, within 90 days of filing a complete application. However, the Capital Law has introduced important simplifications for third-party managed vehicles (i.e. managed by an SGR or EU AIFM), particularly those reserved to professional investors:

For third-party managed SICAVs/SICAFs reserved to professional investors, no Bank of Italy authorisation is required. The manager is responsible for incorporation, verifying compliance of the by-laws, and filing them with the Bank of Italy within 10 days of incorporation.

For third-party managed SICAVs/SICAFs not reserved to professional investors, incorporation remains the responsibility of the external manager, but operations cannot commence until the Bank of Italy has approved the by-laws in accordance with the requirements for non-reserved AIFs.

The Capital Law also removed third-party managed SICAVs and SICAFs from the Bank of Italy’s public register of such entities.

The regulation of an Italian AIF managed by an EU AIFM must be approved by the Bank of Italy within 30 days of receiving the home authority’s notification. The notification must include:

the AIF regulation;

a depositary agreement with an Italian bank (pursuant to Article 83 of Regulation (EU) 213/2013);

information on any delegation of management;

and a certificate from the home authority confirming that the AIFM is authorised to manage funds of comparable type in its home jurisdiction.

**LUXEMBOURG:** Luxembourg provides a wide range of flexible vehicles for venture capital and private equity funds, governed by the Law of 15 June 2004 on SIFs, the Law of 15 June 2004 on SICARs, the Law of 23 July 2016 on RAIFs, and the Partnership Laws (SCS/SCSp):

SICAR (Société d'Investissement en Capital à Risque): tailored to PE/VC, subject to lighter diversification rules.

SIF (Specialised Investment Fund): suited for diversified institutional strategies.

RAIF (Reserved Alternative Investment Fund): introduced in 2016, not directly supervised by the CSSF but requiring a fully authorised AIFM.

SCSp/SCS (special limited partnerships): flexible company-type vehicles, not fund wrappers unless managed by an AIFM.

Authorisation and supervision.

Part II UCIs, SIFs, SICARs: subject to authorisation and ongoing supervision by the CSSF.

RAIFs and non-product-law AIFs (e.g. SCSp): no CSSF authorisation, hence no direct CSSF supervision.

AIFM requirements.

All Luxembourg-domiciled AIFs must be managed by an AIFM:

A Luxembourg registered AIFM (sub-threshold),

A Luxembourg authorised AIFM, or

An EEA authorised AIFM.

For AIFs other than RAIFs, a non-EEA AIFM may also be appointed. AIFMs may delegate portfolio or risk management, or seek advice from third parties.

Thresholds.

If assets under management remain below AIFMD limits (EUR 100m leveraged, or EUR 500m unleveraged closed-ended with a minimum 5-year lock-up), the AIFM may register with the CSSF instead of seeking full authorisation. Registered AIFMs face limited reporting obligations but do not benefit from the AIFMD passport.

Authorised AIFMs.

Luxembourg Authorised AIFMs must obtain CSSF approval and comply with the AIFM Act, as further specified in CSSF Circular 18/698. Authorised AIFMs may use the AIFMD passport to manage and market AIFs across the EEA, subject to CSSF notification.

EEA AIFMs.

An EEA Authorised AIFM may manage a Luxembourg AIF using the passport. The CSSF is notified by the AIFM's home regulator, and no direct filing is required by the AIFM. Marketing is notified to the home regulator of the EEA AIFM.

**NETHERLANDS:** In the Netherlands, the regulatory regime focuses on the AIFM rather than the fund itself (unless the fund is internally managed). AIFMs active in the Netherlands fall within the scope of the AIFMD as implemented in the Dutch Act on Financial Supervision (Wet op het financieel toezicht – AFS) and related regulations.

General rule.

Under Article 2:65 AFS, an AIFM may not manage an AIF or market its units in the Netherlands without authorisation from the AFM (Autoriteit Financiële Markten). Exemptions apply where an EU AIFM uses the AIFMD passport, a Dutch AIFM qualifies for the Small Managers Regime, or other exceptions are available.

Small Managers Regime (section 2:66a AFS).

Dutch AIFMs may rely on this regime if both the AuM thresholds and the placement restrictions are respected:

AuM thresholds:

≤ EUR 100 million; or

≤ EUR 500 million where all AIFs are unleveraged, closed-ended, and locked-in for ≥ 5 years.

Placement restrictions: interests in an AIF may be marketed only:

to professional investors; or

to fewer than 150 investors; or

with a minimum commitment of EUR 100,000 per investor.

(Only one restriction may be applied per AIF.)

For the EUR 100,000 minimum commitment, the AFM requires:

a commitment of at least EUR 100,000 (exclusive of costs);

the first drawdown per investor must be at least EUR 100,000;

commitments must never fall below EUR 100,000.

Registration.

An AIFM relying on the regime must register itself and its AIF(s) with the AFM by submitting a form (including AuM details and investment strategy). A fee of EUR 4,400 applies. Once accepted, the AIFM and its AIFs are listed in the AFM's public register. Marketing may begin immediately after submission (no waiting period). Additional AIFs must be registered two weeks before marketing starts.

If an AIFM exceeds the AuM thresholds for at least three months, or breaches the placement restrictions, it must apply for full AFM authorisation within 30 days.

Other exemptions.

EU sub-threshold AIFMs may register under the Dutch Small Managers Regime (if marketing only to professional investors).

EEA authorised AIFMs may rely on the AIFMD marketing passport.

Non-EEA AIFMs may manage or market under the Dutch national private placement regime (Article 42 AIFMD).

AIFMs seeking to market AIFs under EuVECA, EuSEF or ELTIF designations must obtain specific AFM approval for the relevant label.

**POLAND:** Under the Act of 27 May 2004 on Investment Funds and the Management of Alternative Investment Funds ("IFA"), the following vehicles qualify as alternative investment funds (AIFs):

Closed-end investment funds (CEIF)

Specialised open-end investment funds (SOEIF)

Alternative investment companies (AICs)

Investment funds (CEIF, SOEIF) are distinct legal entities under Polish law, whereas an AIC is structured as a commercial company or partnership, including:

Capital companies (e.g. Sp. z o.o. – limited liability company, S.A. – joint-stock company, SE – European company);

Limited partnerships (Sp.k.) or partnerships limited by shares (S.K.A.), typically with a corporate general partner.

Traditional closed-end investment funds (fundusze inwestycyjne zamknięte – FIZ), managed by licensed management companies (towarzystwa funduszy inwestycyjnych – TFI), remain possible but are less common for VC.

Authorisation and supervision.

Establishment of an investment fund (except non-public CEIFs) requires prior approval from the KNF (Komisja Nadzoru Finansowego). Amendments to fund statutes may also require KNF consent.

All investment funds are entered into the public register of investment funds maintained by KNF.

AICs are not themselves subject to KNF authorisation; only their managers require authorisation or registration. External AIC managers must notify KNF of each new AIC they manage. AICs are entered in the commercial register like other companies or partnerships.

Management.

Investment funds (CEIF, SOEIF) must be managed by an investment fund company (IFC), authorised by KNF.

AICs:

If structured as a company → managed internally (the AIC itself acts as the AIC manager).

If structured as a partnership → managed externally by a separate AIC manager, usually the general partner.

Thresholds.

An AIC manager may remain registered (rather than authorised) if the total value of portfolios under management does not exceed the PLN equivalent of EUR 100m.

This limit rises to the PLN equivalent of EUR 500m where the AICs are unleveraged and participation rights are locked in for at least five years.

Exceeding these thresholds requires full authorisation from KNF.

Fit and proper requirements.

Members of governing bodies of IFCs and AIC managers must have full legal capacity, a good reputation, and no criminal record. For IFCs and licensed AICs, certain members must additionally hold a university degree or investment advisor licence, and possess relevant professional experience.

**SPAIN:** Although Spanish law recognises several AIF structures, the main alternatives used in practice are Private Equity/Venture Capital Funds (Fondos de Capital Riesgo – FCRs) and Hedge Funds (Fondos de Inversión Libre – FILs).

FCRs are generally closed-ended and governed by Law 22/2014 on venture capital, private equity, other closed-ended investment entities, and their managers. A subtype, the ECR-Pyme, focuses on SMEs and is subject to adapted asset composition rules.

FILs are typically open-ended (though they may be structured as closed-ended in some cases) and regulated by Law 35/2003 of 4 November on collective investment institutions, together with its implementing Regulation 1082/2012 of 13 July (RD 1082/2012).

Both FCRs and FILs may also be organised in corporate form—as Sociedades de Capital Riesgo (SCRs) or Sociedades de Inversión Libre (SILs)—which can be advantageous for certain investors from a tax perspective.

Management.

FCRs may be managed either by Sociedades Gestoras de Capital Riesgo (SGEICs) (closed-ended fund managers) or by Sociedades Gestoras de Instituciones de Inversión Colectiva (SGIICs) (CIS management companies).

FILs, however, may only be managed by SGIICs.

AIFMD thresholds.

Spain applies the standard AIFMD thresholds:

AIFMs managing portfolios above EUR 100 million (leveraged) or EUR 500 million (unleveraged, closed-ended) must obtain full authorisation.

Sub-threshold AIFMs may operate under a lighter registration regime.

Investment rules.

All ECRs (venture capital/private equity entities) must be closed-ended AIFs and are required to invest primarily in unlisted equity.

Formation of an ECR requires:

CNMV (Comisión Nacional del Mercado de Valores) approval of the fund's constitution (charter, bylaws, and business plan).

FCRs are formed via a fund regulation (contract) and do not have legal personality.

Managers of both AIFs under Law 22/2014 and AIFs under Law 35/2003 are required to be authorised as an alternative investment fund manager under the AIFMD and are subject to supervision by the CNMV.

**SWEDEN:** Alternative investment funds (AIFs) in Sweden may be organised as:

Special funds;

Common contractual funds; or

Associations, such as limited liability companies, trading partnerships, or limited partnerships (kommanditbolag).

Whether an association qualifies as an AIF depends on its object, i.e. whether it meets the definition of an AIF under Article 4 AIFMD (2011/61/EU).

In practice, real estate and private equity funds in Sweden are most often structured as limited liability companies or limited partnerships.

Regulatory framework.

The main legislation is the Swedish Alternative Investment Fund Managers Act (AIFMA – lag om förvaltare av alternativa investeringsfonder), which focuses primarily on AIF managers (AIFMs).

Additional rules are set out in the SFSA (Finansinspektionen) regulations on AIFMs (FFFS 2013:10).

AIFs structured as limited liability companies or LPs must also comply with Swedish company law.

For special funds that qualify as AIFs, the Swedish UCITS Act and the SFSA UCITS regulations (FFFS 2013:9) apply to the extent relevant.

## 1.1 Legal forms

**BULGARIA:** No dedicated legal form for VC funds.

**ESTONIA:** No dedicated legal form for venture capital funds exists under Estonian law.

**FRANCE:** France offers a tailored regime for professional private equity funds, including FPCI (Fonds Professionnel de Capital Investissement), which provides tax and regulatory benefits.

**GERMANY:** Germany allows VC/PE funds to use structures like GmbH & Co. KG and Special Investment Funds, but there is no specific legal form exclusively designed for VC/PE with unique benefits.

**ITALY:** Italy has a dedicated legal form for small ticket VC/PE (the SIS). Standard AIF vehicles are also used (e.g., RAIFs, SICAF/SICAVs).

**LUXEMBOURG:** Luxembourg offers VC/PE-specific legal forms such as the SICAR and RAIF (when used for PE/VC), with tax benefits and a light regulatory regime for well-informed investors.

**NETHERLANDS:** The Netherlands allows flexible fund structures like CVs and FGRs, often used for VC/PE, but these are not uniquely designed for VC/PE and offer no special benefits.

**POLAND:** Poland allows VC funds to operate under the general AIF framework, using legal forms such as limited partnerships or capital companies. While widely used for VC, these forms are not ad hoc vehicles and offer no special benefits specific to VC investing.

**SPAIN:** Spain provides dedicated private equity and venture capital vehicles under Law 22/2014, including the FCR, SCR, and ECR-Pyme, all of which are AIFs. These legal forms offer a tailored structure for VC and PE investments.

**SWEDEN:** Sweden allows VC/PE to use ABs or limited partnerships, with some regulatory flexibility, but there is no separate legal form with ad-hoc advantages for VC/PE funds.

## 1.2 Tax transparency

**BULGARIA:** Bulgarian funds enjoy tax transparency – collective investment schemes, national investment funds, and other AIFs are exempt from Bulgarian corporate income tax, making the fund itself tax-neutral.

**ESTONIA:** Estonia offers a highly favourable tax regime for VC funds. The principal vehicle – the Estonian limited partnership fund (LPF) – is fully tax-transparent, meaning the fund itself is not a taxpayer. Profits earned by the fund are treated as profits of the investors (look-through), and non-resident investors usually incur no Estonian tax on fund distributions.

**FRANCE:** France offers both transparent and opaque fund vehicles. Many common PE/VC structures are tax-transparent and not subject to corporate income tax (CIT) at fund level. These include most professional funds (FCPs – common contractual funds with no legal personality) such as FPCI, FCPR, FCPI, FIP, and the SLP/SLPS, which by law enjoy the same tax treatment as FCPIs.

FCPs (FPCI, FCPR, FCPI, FIP) are contractual vehicles without legal personality, governed by the French Monetary and Financial Code (CMF), in particular Art. L. 214-24-24 et seq. and Art. L. 214-28.

SLP (société de libre partenariat), introduced by Ordonnance n° 2015-1127 of 10 September 2015, is a partnership-type vehicle with legal personality but expressly granted tax transparency under Art. L. 214-162-1 CMF.

BOFiP (BOI-IS-CHAMP-10-30) confirms that SLPs are classified alongside FCPIs for purposes of CIT exemption.

Under French tax law, funds without legal personality (e.g. FCPs) are generally not liable for CIT and are treated as tax-transparent (CGI Art. 206 and related BOFiP rulings).

**GERMANY:** As a default rule, AIFs fall under the German Investment Tax Act (GITA), subject to partial taxation at fund level (e.g. German-source dividends, real estate). Transparent treatment applies to AIFs structured as partnerships (typical for closed-ended PE/VC funds), which are taxed under general income tax rules instead of GITA. Partnerships may also trigger trade tax if classified as carrying out a trade or business.

German resident investors: taxed on distributions and capital gains, subject to minimum annual lump-sum taxation.

Non-resident investors: generally exempt from German tax, except for source income under general rules.

Pension funds: usually tax-exempt, but exemption can be lost if they invest in trading partnerships.

A separate and uniform tax return (Feststellung) must be filed where one or more investors are German tax-resident or treated as transparent for German tax purposes.

**ITALY:** Foreign EU/EEA funds (UCITS or AIFs managed by authorised AIFMs) are exempt from Italian-source withholding tax. They are not formally tax-transparent but are treated the same as Italian funds, with no fund-level taxation and investor-level taxation occurring in the investor's jurisdiction.

Non-EU/EEA funds remain subject to a 26% withholding tax on Italian-source income. The regime does not establish full transparency but provides functional pass-through treatment for eligible EU/EEA funds.

**LUXEMBOURG:** Luxembourg AIFs structured as SCS or SCSp are tax transparent. Non-resident investors without a Luxembourg permanent establishment are generally not taxed in Luxembourg on their participation, provided there is no underlying Luxembourg-source income or assets. Resident investors are taxed on a look-through basis according to the type of income realised by the SCS or SCSp.

Luxembourg AIFs set up in corporate form (e.g. SA, SCA) and typically subject to one of the Fund Product Laws are treated as opaque. Non-resident investors without a Luxembourg permanent establishment are in principle not taxed in Luxembourg on their participation, and no withholding tax applies to distributions. Resident investors are taxed upon distribution or disposal of shares, irrespective of the nature of profits generated by the AIF.

The regime thus provides flexibility to adapt fund structuring to investor requirements.

**NETHERLANDS:** By default, a Dutch CV is tax-transparent, with partners taxed directly on underlying income. An FGR is also treated as transparent unless it qualifies as a taxed investment fund entity. Opaque vehicles, such as a B.V. or a public fund company, are subject to Dutch corporate income tax.

**POLAND:** Polish AIFs are generally treated as taxable entities. Specialised funds, whether closed-end (FIZ) or open-end (SFIO), as well as Alternative Investment Companies (AICs), are subject to Polish corporate income tax (CIT) on income at the fund or company level. No general pass-through regime applies.

**SPAIN:** Spanish VC/PE funds are generally taxable entities rather than pass-through. Closed-ended funds (FCR) and companies (SCR) are subject to corporate income tax at a reduced rate. No specific exemptions apply for sovereign wealth or pension funds. Tax treatment depends on the fund's legal form and the investor type, with no full transparency regime.

**SWEDEN:** All Swedish special funds are exempt from taxation and do not pay Swedish income tax. AIFs that do not qualify as special funds are subject to the Swedish corporate tax rate of 20.4% if domiciled in Sweden. External and internal AIFMs are taxed under the rules applicable to their legal form, for example a Swedish limited liability company is taxed at the corporate rate. Investors in Swedish special funds without an investment savings account must pay income tax, while non-resident investors are generally taxed in their country of residence.

### 1.3 Depository Requirements

**BULGARIA:** Full-scope authorised AIFMs must appoint an independent depository for each AIF, as required by the AIFMD. Bulgarian law follows this rule, requiring the depository (generally a bank or custodian) to be named in the fund's documentation. Sub-threshold AIFMs, which are only registered, are not required under national law to appoint a depository.

**ESTONIA:** Full-scope authorised AIFMs must appoint an independent depository for each AIF, while sub-threshold AIFMs registered only are not required to do so under Estonian law. Depository functions may also be performed in other EU states.

The depository of a fund established in Estonia must be registered in the Estonian Commercial Register as a public limited company or a branch of a foreign company. For funds established in another EEA Member State but offered in Estonia, the depository may be a foreign credit institution or investment firm if (i) it is authorised in its home country to provide equivalent securities custody services under § 44(1) of the Securities Market Act, and (ii) it is subject to supervisory standards equivalent to those for EU credit institutions or investment firms.

For alternative funds offered in Estonia with a third-country depository, the following conditions must be met:

- (i) a cooperation and information exchange agreement exists between the third country and the Estonian Financial Supervision Authority (if the fund manager is not based in Estonia);
- (ii) the depository is subject to prudential requirements comparable to those in the EEA, including minimum capital, and effective supervisory oversight is in place;
- (iii) effective AML/CFT measures exist in the third country or the depository's jurisdiction, with active international cooperation;
- (iv) a tax agreement consistent with Article 26 of the OECD Model Tax Convention, including a multilateral tax treaty, is in place between Estonia and the third country.

**FRANCE:** An AIF established in France must appoint a depositary with its registered office or a branch in France. If the AIF is established in a third country and its management company is authorised by the AMF, the depositary may be located either in France or in the AIF's home country. Where the AIF is established in a third country and its reference Member State is France, the depositary may be established in France, in the AIF's home country, or in the home or reference Member State of the management company. The list of eligible entities acting as depositaries for third-country AIFs is determined by order of the Minister of the Economy.

(See Art. L. 214-24-7, L. 214-24-8 CMF; AMF RG Arts. 323-23-A et seq.)

**GERMANY:** Full-scope authorised AIFMs must appoint an independent depositary for each AIF. Sub-threshold AIFMs (registered-only) are not required under national law to appoint a depositary. The depositary, or at least a branch thereof, must be domiciled in Germany (See § 80 et seq. KAGB).

**ITALY:** Applicable regulations require each AIFM to appoint a single custodian for the assets of every AIF it manages. The custodian role may only be performed by regulated entities such as Italian banks, Italian branches of foreign banks, Italian investment firms, and Italian branches of foreign investment firms (See Articles 47–50 CLF; Title VIII Bank of Italy Regulation on Collective Investment Undertakings).

**LUXEMBOURG:** Full-scope authorised AIFMs must appoint an independent depositary for each AIF, while sub-threshold AIFMs are not required under national law to do so (See Articles 19 and 3, Luxembourg AIFM Law of 12 July 2013).

**NETHERLANDS:** Full-scope authorised AIFMs must appoint an independent depositary for each AIF, while sub-threshold AIFMs are not required under national law to do so (See AFM AIFMD Q&A).

**POLAND:** Investment funds and authorised AICs must appoint a depositary responsible for safekeeping assets, maintaining asset records, and monitoring cash flows. This function may only be carried out by certain regulated entities, such as banks, financial institutions, or the National Deposit of Securities (See Articles 9, 23, 72 et seq. of the Act of 27 May 2004).

**SPAIN:** Full-scope authorised AIFMs must appoint an independent depositary for each AIF, while sub-threshold AIFMs are not required under national law to do so (See Art. 50 Ley 22/2014).

**SWEDEN:** Full-scope authorised AIFMs must appoint an independent depositary for each AIF. Sub-threshold AIFMs (registered only) are not required under national law to appoint a depositary. In Sweden, depositaries are subject to licensing requirements (See Chapter 9 of the Alternative Investment Fund Managers Act (2013:561)).

#### 1.4 Delegation

**BULGARIA:** Under Bulgarian law, management companies may delegate portfolio management and related functions to third parties if they notify the Financial Supervision Commission, retain effective oversight, and avoid conflicts of interest. Delegation must be expressly provided for in the fund's prospectus and cannot reduce the manager to a letter-box entity. If investment management is delegated, the delegate must be licensed and supervised, and prior FSC approval is required. Responsibility for delegated tasks always remains with the management company.

A management company may manage an AIF without a licence under Article 201 if the AIF's portfolio consists solely of financial instruments. It may also manage an AIF portfolio by delegation if licensed for the additional services under Paragraph 2, Item 2, and the management relates only to portfolios of financial instruments (See Article 86(8) and Article 106 of the Bulgarian AIF Act; Ordinance No. 44 of 20.10.2011).

**ESTONIA:** An AIFM may not delegate portfolio or risk management to such an extent that it becomes a "letter-box" entity (See § 364 et seq. of the Investment Fund Act).

**FRANCE:** An AIFM must not be considered a letter-box entity and must maintain sufficient substance. It may not delegate or outsource the entirety of the management of the collective investments and mandates for which it is responsible. These rules apply to both portfolio management companies and self-managed vehicles (See Art. L. 532-9 II CMF; AMF RG Art. 318-58 et seq.).

**GERMANY:** The delegate must be authorised or registered in its home country. If the delegate is domiciled outside the EU, it must appoint a domestic authorised agent to receive notifications and service of process from the competent German authority (See § 36 KAGB).

**ITALY:** An AIFM may not delegate so much of its portfolio or risk management that it becomes a “letter-box” entity. Under Art. 33 of the CLF and the Bank of Italy Regulation of 5 December 2019, AIFMs may outsource internal functions to third-party service providers, including portfolio management, internal control, anti-money laundering, or other functions specific to the AIF’s assets (e.g. project management and property management for real estate AIFs, calculation agency and credit special servicing for credit AIFs). If the outsourced function is considered “important” or “essential” for the AIFM’s operations, the outsourcing must be notified in advance to the Bank of Italy, which has 30 days to raise objections.

**LUXEMBOURG:** As per the Luxembourg AIFM Law of 12 July 2013 and CSSF Circular 18/698, AIFMs may delegate portfolio management and risk management functions, but not both entirely and always subject to limitations (see sub-chapter 6.1 of the circular). Delegation that would render the Investment Fund Manager a letter-box entity is incompatible with the authorisation conditions. The CSSF reviews delegation and outsourcing on a case-by-case basis, taking into account the size, nature, and complexity of the operations and parties involved. Certain core activities must always be performed by the IFM and cannot be delegated. Compared with some other jurisdictions, Luxembourg applies a more flexible approach (See Article 18 Luxembourg AIFM Law; Section 7 CSSF FAQ on AIFMD; Section 7 Circular CSSF 12/546; CSSF Circular 18/698).

**NETHERLANDS:** Portfolio management and risk management may only be outsourced to a party subject to financial regulatory supervision or with prior approval from the AFM. The AIFM must be able to supervise and monitor the outsourced party, which must comply with the relevant provisions of Parts 3 and 4 of the Dutch Act on Financial Supervision (FSA). An AIFM may not outsource so many functions that it loses substance and becomes a letter-box entity (See AFM AIFMD Q&A).

**POLAND:** An IFC or authorised AIC manager may outsource specific functions, including portfolio management, to local or foreign entities. Depending on the scope of functions outsourced, this may be restricted or subject to conditions set out in the IFA, such as the requirement to obtain a permit from the FSA (See Article 46 of the Act of 27 May 2004).

**SPAIN:** AIFMs may delegate or outsource certain activities to third-party service providers where necessary, provided they comply with the applicable regulatory rules and standards (See Art. 65–66, Ley 22/2014).

**SWEDEN:** The service provider must be authorised or registered in its home country, when the delegation involves portfolio or risk management. If the service provider is domiciled outside the EU, it must appoint a domestic authorised agent to receive notifications and service of process from the Swedish authority (See Chapter 8, Section 14 or Section 16 of the Alternative Investment Fund Managers Act (2013:561)).

### 1.5 Registration and setup requirements

**BULGARIA:** An application for a licence to operate as an investment company must be submitted to the Commission using a standard form approved by the Deputy Chairperson, together with:

- the statute
- information on subscribed and paid-in capital
- documents for board members, representatives of legal entities on the board, or other authorised managers, including details of their professional qualifications and experience
- the management company contract and the depositary services contract
- information on persons holding directly or indirectly 10% or more of the voting shares or exercising control, including declarations on the origin of funds, whether borrowed, and taxes paid in the last five years (standard form required)
- portfolio valuation and NAV calculation rules
- the investment company prospectus and key investor information document
- risk management rules
- other documents as required by ordinance

An application for authorisation to organise and manage a common fund must also be submitted using the standard form, with:

- common fund rules
- decision of the management company’s competent body to establish the fund
- portfolio valuation and NAV calculation rules
- depositary services contract
- prospectus and key investor information document
- risk management rules
- other documents as required by ordinance

The Commission verifies compliance based on the submitted documents. If the information is incomplete, irregular, or further proof is needed, the Commission issues a notice and sets a deadline of between one and two months to correct deficiencies or provide additional documentation (See Article 12 of the Bulgarian AIF Act).

**ESTONIA:** To obtain an operating licence, the management of a newly established fund manager must submit a written application to Finantsinspektsioon together with the documents and data required under the Investment Funds Act, including:

Statutes of an existing business, or for a new business, a notarised foundation contract and proof of paid-in share capital

Business plan in line with the Investment Funds Act

Initial balance sheet and income/expense review (or latest monthly accounts), plus annual reports for the past three years if available

Internal rules or draft proposals

Information on management and supervisory board members (personal details, education, positions held, responsibilities, and supporting documentation on fitness and propriety)

Information on the auditor and internal auditor

Information on the fund's managing director, including education, work history, and contract effective upon licensing

Shareholder list with details on holdings and voting rights

Data on persons directly or indirectly controlling more than 10% of voting shares

Data on businesses in which the applicant or its managers hold more than 20%, including capital, activities, and shareholding details

Documentation certifying net own funds for operating businesses, with auditor's report

Internal or draft bookkeeping rules

Proof of payment to the Investor Protection Sectoral Fund, if the licence covers additional services under § 9(1) 2 or 3 of the Act

Finantsinspektsioon must decide on the licence application within two months of receiving complete documentation, and in any case within six months of submission (See FINANTSINSPEKTSIOON website; § 414 et seq. Investment Funds Act; § 453 et seq. for small investment funds).

**FRANCE:** The process is iterative and requires submission of a template application form together with supporting documents to the AMF for review. The forms are detailed but allow cross-referencing and are considered relatively user-friendly. Supporting documents to be provided include service provider agreements, board member documentation, ownership structure, relevant policies, lease agreement, and articles of association. The AMF is the entry point for all applications and notifications related to authorisation procedures, and AIFMs must use AMF forms for applications or notifications.

**GERMANY:** The process is iterative and requires submission of supporting documents to BaFin. There are no standardised application forms. Key documents include a formal business plan and ownership structure. An AIFM may apply for authorisation even without having set up its first AIF, but must obtain permission to manage each subsequent AIF. Preparing an application typically takes 1–2 months. BaFin has three months to review a complete application, extendable by another three months, but in practice approval usually takes 6–12 months. Application documents must be submitted in German, though BaFin may accept English on a case-by-case basis. The process is generally considered lengthy.

**ITALY:** There are no Bank of Italy application templates. Supporting documents required include a bank attestation of paid-up share capital, information on the AIFM's funding sources, business plan, ownership structure, and documentation proving adherence to a compensation scheme. In practice, the Bank of Italy usually takes 6–8 months to review and approve an AIFM application, depending on whether the AIFM manages sub-threshold AIFs. Approval of an AIF's regulation takes around 60 days, unless the fund is restricted to professional investors, in which case no approval is needed. The procedures for AIFM authorisation and fund regulation approval are generally carried out in parallel. Application documents must be filed in Italian.

**LUXEMBOURG:** The authorisation procedure before the CSSF is iterative and requires submission of a standard application form together with extensive supporting documentation. The CSSF's forms are

detailed yet relatively user-friendly, allowing for cross-referencing. Supporting documentation generally includes:

- Agreements with service providers;
- Documents relating to board members and senior management;
- Ownership structure details;
- Constitutional documents or agreements;
- Internal policies.

All applications and notifications must be submitted through the CSSF, which acts as the single entry point for authorisation procedures. Preparation of the application file usually takes 1–2 months before filing. The CSSF's review and approval process typically requires 6–8 months. The CSSF has significant experience in handling a wide variety of cases, including fully authorised AIFMs, conversions of existing management companies into AIFMs, and so-called "Super ManCos."

An AIFM can apply for authorisation without having established its first AIF. However, this is conditional on the AIFM (i) providing information on the AIF(s) it intended to manage; and (ii) subsequently applying for permission to manage each new AIF.

(See CSSF website)

**NETHERLANDS:** To qualify under the registration regime, units managed must either be offered to fewer than 150 persons or acquired for at least €100,000 per participant (or have a nominal value per right of at least €100,000). If these requirements are satisfied, the manager is exempt from the licensing regime but must register.

To obtain a licence, managers must demonstrate compliance with multiple conditions from the moment they undertake licensed activities, including:

- transparent control structure
- controlled and sound business operations
- policy to prevent and manage conflicts of interest
- careful delegation
- controlled remuneration
- solvency and liquidity

Registration includes a review of investor disclosures. Assessment of the manager, AIF(s), and depositary extends to day-to-day policymakers (fit and proper), supervisory directors, and qualifying shareholders.

Alongside the application form, additional forms must be submitted:

- Notification form AIFs
- Notification form AIFM depositary
- Application form for suitability and reliability testing for each board or supervisory board member

The AFM must decide within 13 weeks of receiving the licence application, extendable by a further 13 weeks. If additional data or documents are requested, the review period is suspended until the AFM receives the requested information. If the supplement is not provided adequately or on time, the AFM may leave the application unprocessed or put it on hold (See AFM AIFMD Q&A).

**POLAND:** A company's application for authorisation to establish an investment fund must include:

- investment fund statutes
- depositary agreement for safekeeping of assets
- statutes of the founding company and an extract from the commercial register
- personal data of management and supervisory board members
- personal data, qualifications, professional experience, and criminal record information of depositary board members responsible for depositary functions
- personal data of persons employed by the company or relevant entities under Article 46(1)–(3) with significant influence on fund activities, including investment decisions
- personal data of persons appointed by the depositary to perform contractual duties
- qualifications, professional experience, and criminal record information for the persons under points 6 and 7, particularly relating to investments in securities and property rights forming the fund's assets
- extracts from the register of entities entrusted with the company's duties
- the investment fund prospectus and its summary
- identification of the securitisation originator and the key terms of related agreements, for standardised securitisation funds

The Commission must grant authorisation within two months of submission (See Article 22 of the Act of 27 May 2004).

**SPAIN:** The process is iterative and requires submission of an application form and supporting documents to the CNMV for review. Shareholders and board members must demonstrate fitness, probity, and relevant professional experience. Requirements also apply regarding central administration, internal governance, and risk management. Additional documents include a programme of activities, details of the AIFs to be managed, minimum capital information, financial projections, ownership and organisational structure, and questionnaires for staff in pre-approval controlled functions. A two-week pre-authorisation phase is available, during which a dedicated English-speaking CNMV coach guides applicants and answers queries to facilitate relocation to Spain. Formal authorisation is granted within two months if requirements are met and documentation is substantially complete.

**SWEDEN:** An AIFM must state in its application the authorisation(s) being sought, and the application must be signed by an authorised representative. In addition to the requirements in Chapter 3, section 5 of the Alternative Investment Fund Managers Act (2013:561), the application must include:

- board minutes or equivalent confirming that the governing body approved the application
- a registration certificate from the Swedish Companies Registration Office (or equivalent), issued within the last two months, showing that the AIF manager holds the minimum initial capital required under Chapter 7, section 1 of the Act
- a copy of the articles of association or equivalent regulations specifying the operations to be conducted
- minutes from the general meeting or equivalent decision-making body adopting the articles of association or regulations
- a business plan in line with Chapter 3, section 5(1)(3) of the Act, prepared in accordance with sections 10–36
- board minutes, equivalent documentation, or written confirmation that the governing body has adopted the fund rules or equivalent regulations
- a copy of the insurance letter if liability insurance has been taken out pursuant to Chapter 7, section 5 of the Act

Finansinspektionen must notify the AIF manager of its decision within three months of submission of a complete application. The review period may be extended once, by up to three months, if special reasons exist, and the AIFM must be informed of the extension (See Chapter 3, Section 5 of the Alternative Investment Fund Managers Act (2013:561); Chapter 3 of the Finansinspektionen's Regulatory Code).

## 2.1 Registration and setup fees

**BULGARIA:** The FSC tariff includes a one-off licence fee of EUR 4,000 and an annual supervision fee that varies according to the type and scope of the AIFM's licence or registration and the number of funds managed (See FSC website).

**ESTONIA:** The application fee for an operating licence as a fund manager is EUR 3,000. EEA AIFMs must pay periodic supervision fees either (i) in proportion to the share of assets of the AIF managed by their Estonian branch, or (ii) in proportion to the share of assets of the Estonian AIF managed on a cross-border basis (See FINANTSINSPEKTSIOON website).

**FRANCE:** There are no application examination fees. AIFMs supervised by the AMF, including those passporting into France on a services basis or through a branch, must pay annual periodic fees. These are calculated on the basis of assets under management as of 31 December of the previous year, notified by 30 April of the current year, to which a set rate is applied (See AMF Redevance Guide).

**GERMANY:** The application fee for initial authorisation ranges from €10,000 to €40,000 depending on the complexity of the institution. Supervisory fees apply to licensed institutions, including asset managers (KVGs), and are calculated according to financial capacity, scope of activities, and size (e.g. AUM or turnover) under FinDAG and its fee regulation (FinDAGKostV). The minimum fee is €250, but for large institutions fees in the tens of thousands are common. Appointment of a custodian incurs additional costs of €100–5,000. Notary fees and legal drafting costs are also significant (See Sections 14, 16 et seq. FinDAG).

**ITALY:** In Italy, no one-off application or filing fee is charged for the initial authorisation of UCITS funds, their managers, or AIFMs. Applications to extend the scope of services or activities of an asset manager, such as offering new investment services or managing additional fund types, require formal Bank of Italy authorisation. No regulatory fee is charged for such applications, but any extension increases the annual supervisory contributions payable to Consob, which are calculated based on the number of authorised activities (See Invest Europe Response to Commission's Targeted Consultation, Annex).

**LUXEMBOURG:** Additional fees may apply depending on the entity's structure, such as for branches abroad or umbrella structures, though umbrella authorisation fees are typically lower than standalone fees. CSSF examination fees range between EUR 5,000 and EUR 10,000. According to interviews, total set-up costs are generally high, estimated at EUR 50,000 to EUR 100,000 (See CSSF Grand-Ducal Regulation of 23 December 2022).

**NETHERLANDS:** The AFM charges an application fee of EUR 5,500, plus additional fees for suitability and reliability tests. For each person assessed, the suitability (fitness) assessment fee is EUR 2,900 and the reliability (integrity) assessment fee is EUR 700. The AFM also levies annual supervisory fees on managers and managed funds, though the amounts vary and are not published in a fixed tariff schedule (See AFM website).

**POLAND:** To register as an Alternative Investment Company, including many VC and PE funds under Polish law, an entry fee of approximately EUR 2,000 (in PLN) must be paid upon submission of the application to the KNF. In addition, an authorisation fee of about EUR 4,500 (in PLN) is charged for processing and granting authorisation. After registration or authorisation, AIFs and AICs are subject to annual supervisory fees payable to the KNF, set at roughly EUR 750 (in PLN) per year. Incorporation fees include around 250 PLN for National Court Register (KRS) filings plus about 100 PLN for publication in the official journal. For sub-threshold managers, only notification is required and no fees are charged (See KNF website).

**SPAIN:** The application fee is EUR 10,000. Notifications or applications to extend the scope of services or activities of an asset manager cost EUR 3,000. Additional expenses arise from notary registration of SCRs, registration, and full approval processes (See Invest Europe Response to Commission's Targeted Consultation, Annex).

**SWEDEN:** Applications for initial authorisation: UCITS ManCo and AIFMs SEK 525,000 (approx. EUR 48,000), with a proposed increase to SEK 690,000 (approx. EUR 63,000) from July 2025; registered (sub-threshold) AIFM SEK 33,000 (approx. EUR 3,000); new UCITS fund SEK 52,500 (approx. EUR 4,800).

Approvals of UCITS sub-funds are charged the same as for a new UCITS fund (SEK 52,500 / EUR 4,800).

Notifications or applications for extension of services: UCITS ManCo authorisation to manage AIFs / AIFM authorisation to manage UCITS SEK 172,000 (approx. EUR 15,700); new investment strategy for authorised AIFMs SEK 25,500 (approx. EUR 2,300); MiFID top-up licence for authorised AIFMs or UCITS ManCos SEK 172,000 (approx. EUR 15,700).

(See Invest Europe Response to Commission's Targeted Consultation, Annex).

## 2.2 Capital requirements

**BULGARIA:** The subscribed capital of an investment company must be at least BGN 500,000. The company's capital is registered in the commercial register at incorporation and must at all times equal the net asset value, without falling below BGN 500,000. Capital increases or decreases in line with changes in net asset value, including through the sale or redemption of units (See Article 7 of the Bulgarian AIF Act).

**ESTONIA:** A UCITS, alternative fund or pension fund manager may operate only as a public limited company or a European company. If founded as a new company, its share capital must be at least EUR 125,000. For an existing company, the initial capital must likewise be at least EUR 125,000. Own funds are defined in accordance with Articles 26–88 of Regulation (EU) No 575/2013, with Tier 2 capital limited to one-third of Tier 1. The own funds of a fund manager must equal at least:

- the minimum initial capital requirement under § 333 of the Act
- the initial capital plus an additional 0.02% of the amount by which the market value of managed assets (including delegated assets) exceeds EUR 250,000,000
- 25% of fixed overheads, calculated in line with Article 13 of Regulation (EU) 2019/2033

The total own funds requirement may not exceed EUR 10,000,000. With permission of the Financial Supervision Authority, up to 50% of the additional own funds requirement may be covered by a guarantee from a credit institution or insurer.

An AIFM must also hold liability insurance against risks from professional negligence or hold additional own funds sufficient to cover obligations related to the AIFs it manages (See § 333 et seq. Investment Fund Act).

**FRANCE:** An initial capital of EUR 125,000 is required under the General Regulations of the AMF. Additional own funds must equal 0.02% of the amount by which the AIFM's AUM exceeds EUR 250 million, subject to a minimum equal to one quarter of audited annual fixed overheads. AIFMs must also hold further own funds sufficient to cover professional indemnity risks, or alternatively maintain appropriate professional indemnity insurance (See AMF RG Arts. 321-10 et seq.).

**GERMANY:** Authorised AIFMs are subject to the capital requirements of the KAGB, while registered AIFMs are not. Authorised AIFMs must hold initial capital of EUR 300,000 (external) or EUR 125,000 (internal). Depending on assets under management, BaFin may require additional own funds up to a maximum of EUR 10 million. Own funds must always equal at least one quarter of fixed annual costs. Professional liability risks must be covered by additional funds amounting to 0.01% of assets under management or by insurance. Authorised AIFMs are also restricted in how they may invest their own funds. Registered AIFMs are not subject to these requirements and need only hold the minimum capital required for their legal form, meaning they may have significantly fewer assets available to satisfy liability claims (See § 25 KAGB; BaFin website).

**ITALY:** Initial capital of EUR 1 million is required, reduced to EUR 500,000 for AIFMs managing closed-ended AIFs restricted to professional investors only, and to EUR 50,000 for sub-threshold AIFMs as provided in the regulations. Additional own funds must equal 0.02% of the amount by which the AIFM's AUM exceeds EUR 250 million, with a minimum equal to one quarter of audited annual fixed overheads. AIFMs must also hold further own funds to cover professional indemnity risks equal to 0.01% of AUM, or alternatively maintain appropriate professional indemnity insurance (See Title II, Chapter V, Section III, Bank of Italy Regulation on Collective Investment Undertakings).

**LUXEMBOURG:** Initial capital of €125,000 is required for external AIFMs and €300,000 for internal AIFMs. Additional own funds must equal 0.02% of the amount by which the AIFM's AUM exceeds €250 million, subject to a maximum requirement of €10 million. Further own funds must cover professional indemnity risks equal to 0.01% of AUM, or alternatively appropriate professional indemnity insurance must be maintained (See Article 8 Luxembourg AIFM Law).

**NETHERLANDS:** Initial capital of EUR 125,000 is required, or EUR 300,000 if the AIF is established as an investment entity with legal personality without a separate AIFM. Additional own funds are required if no professional indemnity insurance is in place, plus 0.02% of the amount by which AUM exceeds EUR 250 million. These additional own funds must not be less than one quarter of audited annual fixed overheads (See AFM AIFMD FAQ).

**POLAND:** The company's initial capital must be at least the PLN equivalent of EUR 125,000, calculated using the average exchange rate announced by the National Bank of Poland on the day before submission of the application. If an association carries out the activity referred to in Article 45(2)(1), the initial capital requirement rises to EUR 730,000 in PLN equivalent.

Initial capital includes paid-up share capital plus issue premium, retained earnings, net profit pending approval (if from audited statements), and reserves, less any uncovered losses from previous years. The company must maintain own capital of at least 25% of the costs incurred in the preceding financial year.

When the value of assets of investment funds and collective securities portfolios managed exceeds the PLN equivalent of EUR 250,000,000, the company must immediately increase its equity by an additional 0.02% of the excess amount (See Article 49 et seq. of the Act of 27 May 2004).

**SPAIN:** Initial capital of EUR 300,000 is required, or EUR 125,000 if the AIFM is self-managed. Additional own funds must equal 0.02% of the amount by which AUM exceeds EUR 250 million, with a minimum equal to one quarter of audited annual fixed overheads. Further own funds to cover professional indemnity risks must equal 0.01% of AUM, or alternatively appropriate professional indemnity insurance must be maintained (See Art. 48(a) Ley 22/2014; Art. 100(1)(a) Royal Decree 1082/2012).

**SWEDEN:** An internal AIFM must hold initial capital of at least EUR 300,000. An external AIFM must hold initial capital of at least EUR 125,000 at the time of authorisation. If fund assets exceed EUR 250 million, the AIFM must hold additional own funds equal to 0.02% of the excess amount, including assets delegated to another manager but excluding assets managed on behalf of another entity. Total own funds, including initial capital, are capped at EUR 10 million. To cover liability risks from errors or negligence, the AIFM must maintain either sufficient additional own funds or appropriate liability insurance (See Chapter 7 of the Alternative Investment Fund Managers Act).

### 2.3 Other fees and costs

**BULGARIA:** N/A.

**ESTONIA:** After registration small AIFMs must pay a supervision fee of EUR 500 per year.

**FRANCE:** Annual contribution (AIFM-level):

- Based on AUM as of 31 December of the previous year;
- Payable by 30 April each year;
- Minimum of EUR 2,000;

Flat-rate annual fee per AIF/sub-fund:

- €2,000 per AIF or sub-fund marketed in France;
- Applies regardless of fund domicile (French or foreign).

See AMF Relevance Guide.

**GERMANY:**

Annual maintenance fees (per sub-fund): AIF review procedures: EUR 113.

Registration of EuVECA or EuSEF manager: EUR 3,029 (one-time).

Notification updates (per sub-fund): Updates to passporting info: EUR 952 (one-time).

De-notification: EUR 284-637 (one-time).

ELTIFs, EuVECA, EuSEF (passporting out): No fixed fee – charged based on time spent by BaFin.

**ITALY:** Each year Consob sets the fees payable by supervised entities, including foreign asset management companies operating in Italy via branch or services. For 2024, Consob Resolution no. 22915 of 6 December 2023 establishes the following fees for AIFMs:

Marketing of units or shares of non-reserved AIFs after completion of the Article 44 CFA authorisation procedure: EUR 2,140 per fund or sub-fund

Marketing of units or shares of AIFs to professional investors after completion of the Article 43 CFA procedure: EUR 1,085 per fund or sub-fund

AIFMs enrolled in the Asset Managers' Registry of the Bank of Italy as of 2 January 2024 and offering funds to retail clients in Italy, where marketed volumes exceed EUR 100,000:

- up to EUR 1,000,000: EUR 4,820
- up to EUR 10,000,000: EUR 14,455
- up to EUR 100,000,000: EUR 24,090
- up to EUR 1,000,000,000: EUR 33,730
- up to EUR 3,000,000,000: EUR 43,365
- above EUR 3,000,000,000: EUR 50,590

No application fee applies to outward or inward passport notifications by asset management companies (See Invest Europe Response to Commission's Targeted Consultation, Annex).

**LUXEMBOURG:** The CSSF charges a lump sum fee for the marketing of foreign AIFs in Luxembourg of EUR 3,000 for a standalone AIF and EUR 5,500 for an AIF with compartments. The same amounts apply annually thereafter. No application fee is charged for an AIFM passport notification, and no fees apply for premarketing AIFs (See CSSF Grand-Ducal Regulation of 23 December 2022).

**NETHERLANDS:** The AFM does not charge fees for outward or inward AIFMD passport notifications, nor periodic fees for EEA AIFMs passporting into the Netherlands. However, fees may be introduced in the future. If a passported EEA AIFM establishes a branch in the Netherlands, the AFM charges supervision fees relating to Dutch conduct of business rules, including suitability and integrity tests for daily policymakers or co-policymakers where applicable (See AFM website).

**POLAND:** The registry fee is EUR 300 for each EU AIF marketed solely to professional investors and EUR 1,200 in other cases, with an additional EUR 1,200 for each sub-fund (or EUR 300 if marketed only to professionals) starting from the second sub-fund. EU AIFs must also pay an annual supervisory fee of EUR 300 for each fund distributed to professional clients, or EUR 1,000 in other cases. If sub-funds are distributed in Poland, the annual fee increases by EUR 200 per sub-fund marketed to professional clients and EUR 500 per sub-fund in other cases.

**SPAIN:** EEA and third-country AIFMs established in Spain through a branch may be required to pay periodic fees depending on their regulated activities, but no such fees apply to AIFMs passported into Spain on a services basis. The CNMV does not charge an application fee for outward or inward AIFMD passport notifications. Upon registration, AIFs must pay a lump sum of EUR 2,602 and an annual flat fee of EUR 3,122 thereafter. These amounts are subject to updates under each annual General State Budget (See Invest Europe Response to Commission's Targeted Consultation, Annex).

**SWEDEN:** The SFSA does not charge an application fee for inward AIFMD marketing passport notifications. Sweden does, however, charge an application fee for all authorisation applications. The SFSA does not require AIFMs that passport into Sweden on a services basis to pay periodic fees.

### 3. Marketing framework and fees

**BULGARIA:** An AIFM authorised by its home State authority may manage and market AIFs in Bulgaria directly or through a branch if its home authority notifies the Bulgarian Financial Supervision Commission (FSC) with the documents required under the Collective Investment Schemes and Other Undertakings for Collective Investments Act (CISOUCIA) and confirms the AIFM's authorisation. Even where an AIFM holds an existing passport under another single market directive (e.g. UCITS), a separate notification to the home authority is required to manage or market AIFs on a passported basis. Marketing in Bulgaria is limited to professional investors, unless the AIF is structured as a national investment fund, in which case a prospectus must be approved.

Non-EEA AIFMs may market AIFs in Bulgaria if they are not marketed elsewhere in the EEA, provided that the AIFM complies with CISOUCIA, cooperation arrangements exist between Bulgaria and the AIF's or AIFM's home country, and the FSC approves the marketing.

From interviews: VC/PE funds seeking investment must undergo public procurement procedures, which creates a disadvantage for non-Bulgarian funds.

**ESTONIA:** AIFMs authorised in their EEA home State may exercise passport rights for management and marketing in Estonia on a cross-border or branch basis, as set out in the Investment Funds Act. To manage an AIF established in Estonia, an EEA AIFM must submit the relevant documents to the Estonian Financial Supervision Authority (EFSA) through its home authority. The same procedure applies for establishing a branch. Management may commence once the EFSA has received confirmation from the home authority.

To market an EEA AIF in Estonia, the AIFM must notify the EFSA through its home authority, after which marketing can begin once the EFSA has received the required information. Marketing of a Non-EEA AIF by an EEA AIFM is permitted if the AIF is not marketed elsewhere in the EEA and is marketed through private placement, subject to notification to the EFSA. The EFSA must respond within 30 business days.

Article 43 AIFMD has been implemented into Estonian law, allowing public placement of an EEA AIF in Estonia if it is also permitted in the AIF's home State. The AIFM must submit to the EFSA a statement from the home authority confirming compliance with AIFMD and home State requirements, together with the public offer prospectus. A public offer may commence once the EFSA has given consent, within six months of the application or within two months of receiving all required information.

Article 42 AIFMD has also been implemented, allowing marketing of a Non-EEA AIF by a Non-EEA AIFM if the AIF is not marketed in other EEA States and the marketing is by private placement. Notification must be submitted to the EFSA, which has 30 business days to respond. Public placement by non-EEA AIFMs is also possible under the Investment Funds Act. Non-EEA AIFMs wishing to market or manage AIFs in Estonia must comply with local private and public placement regimes.

**FRANCE:** Rules on marketing AIFs are set out in the MFC, the AMF General Regulations, and the relevant AMF instructions, positions, and guidelines. The AMF defines marketing as the offering or placement of AIF units or shares, by means such as advertising, direct marketing, or advice, with the aim of encouraging subscriptions or purchases. Marketing AIFs in France without authorisation is subject to criminal and disciplinary sanctions.

To market in France, the initiator must either:

- use the AIFM passport to market to professional investors, or
- obtain prior AMF approval if marketing to retail investors or if the AIF is located in a third country.

French AIFs may be marketed to retail investors with prior AMF approval. For EU AIFs, the passporting regime under the AIFMD currently applies only to marketing to professional investors.

**GERMANY:** Marketing of alternative funds in Germany requires BaFin authorisation or an AIFMD marketing passport, except for German sub-threshold managers. Externally managed German AIFs in corporate form may not market their own shares or interests; marketing must be carried out by the KVG or an authorised intermediary. Sub-threshold KVGs may market the Special-AIFs they manage to professional and semi-professional investors without prior registration.

In principle, AIFs may be registered for marketing to retail investors, but certain funds such as single hedge funds cannot be marketed to retail clients and may only be offered as Special-AIFs, limited to professional and semi-professional investors. The notification process and required materials vary depending on whether retail investors are targeted. For EU AIFMs, once the home regulator has submitted the notification to BaFin, BaFin generally only checks completeness, and marketing may begin as soon as the EU AIFM is informed by its home authority of the submission.

Some investors, such as pension schemes or small insurance companies not covered by Solvency II, face investment restrictions requiring AIFs or their managers to grant specific rights to make the funds eligible. The EuVECA and ELTIF regimes apply to the marketing of those funds across the EU and EEA.

According to BaFin FAQs, placement activities in Germany by EU “registered-only” or non-EU managers are deemed to occur where (i) the fund has been established (first closing with investors), or (ii) the fund terms are ready to be sent to investors for acceptance.

**ITALY:** Marketing of Italian AIFs in Italy and other EU Member States is subject to prior notification to Consob under the CLF and the Consob Issuers Regulation. Notification requirements for Italian AIFMs vary depending on whether the AIF is Italian or from another EU country, open- or closed-ended, reserved or non-reserved, and whether it is marketed to professional or retail investors. EU AIFMs face specific notification rules depending on whether they market Italian AIFs or AIFs from other EU countries managed by them. These provisions mirror Articles 31 et seq. of the AIFMD.

Depending on the features of the AIF offering in Italy, public offering rules under the CLF and Issuers Regulation may apply, requiring a prospectus and KIID. Since January 2023, Regulation (EU) 2021/2259 extended the use of the PRIIPs KID to all UCITS and AIFs marketed to retail investors. For non-retail clients, managers may provide either the PRIIPs KID or the KID under Regulation (EU) 1286/2014 alongside the prospectus.

Non-EU AIFs and AIFs managed by non-EU AIFMs cannot currently obtain marketing authorisation in Italy. Italian reserved AIFs cannot be marketed to retail investors unless expressly permitted in the fund regulation or by-laws (Art. 14(2) DM 30/2015). Italian non-reserved AIFs may be marketed to retail investors, and reserved AIFs may be marketed to them if the conditions of Art. 14(2) DM 30/2015 are met.

AIFMs marketing in Italy must also comply with MiFID II conduct rules, including pre-contractual and ex-post disclosures, appropriateness assessments, and product governance obligations.

**LUXEMBOURG:** There are no specific restrictions on marketing an EEA AIF to professional investors in Luxembourg, provided it is managed by an authorised EEA AIFM that has completed the home regulator notification process. Non-EEA AIFs managed by an authorised EEA AIFM may also be marketed to professional investors if the AIFM complies fully with the AIFMD (except depositary requirements under the depositary lite regime), cooperation arrangements exist with the supervisory authority in the AIF’s home jurisdiction, and the jurisdiction is not listed as non-cooperative by FATF.

AIFs managed by non-EEA AIFMs can be marketed to professional investors in Luxembourg if the CSSF has been notified, the AIFM reports on the AIF marketed, investors receive information under Article 23 AIFMD, provisions on control of non-listed companies and asset stripping are respected, cooperation arrangements exist with the supervisory authority of the AIF’s home jurisdiction, and the jurisdiction is not listed as non-cooperative by FATF.

Part II UCIs are AIFs that can be marketed to all retail investors in Luxembourg. For marketing to retail investors outside Luxembourg, local rules apply unless the UCI qualifies as an ELTIF, in which case the retail passport across the EEA applies. SIFs, SICARs, and RAIFs are limited to well-informed investors. Non-Luxembourg AIFs managed by an EEA AIFM may be marketed to retail investors in Luxembourg if authorised by the CSSF under Regulation No. 15-03 implementing Article 46 AIFMD, provided the AIF is under permanent supervision in its home jurisdiction and managed in line with risk-spreading principles.

**NETHERLANDS:** A Dutch authorised AIFM may offer AIF interests to professional investors and to non-professional investors who invest more than EUR 100,000. To market to non-professional investors investing less than EUR 100,000, the AIFM must comply with the Dutch “retail top-up regime,” which imposes additional compliance, disclosure, and reporting obligations.

An EEA AIFM authorised under Article 6(1) AIFMD may market AIFs in the Netherlands to professional investors with a passport under Article 32 AIFMD. Such AIFMs may also market to non-professional investors investing more than EUR 100,000, or to those investing less if they comply with the Dutch retail top-up regime, subject to a notification to the AFM.

Recent amendments allow sub-threshold AIFMs from other EEA states to market AIFs to professional investors in the Netherlands if the Dutch sub-threshold regime requirements are met. Non-EEA AIFMs may only market AIFs in the Netherlands under the Dutch NPPR. An authorised EEA AIFM marketing a non-EEA AIF in the Netherlands must also comply with the NPPR.

Additional marketing restrictions apply for EuVECA, EuSEF, and ELTIF funds. An EuVECA or EuSEF fund may be marketed to Dutch retail investors with a minimum subscription of EUR 100,000. ELTIFs may be marketed to retail investors in the Netherlands in line with the ELTIF regime.

When marketing to non-professional investors in the Netherlands, a PRIIPs KID must always be provided, regardless of investment amount. Where interests are offered under the retail top-up regime to non-professional investors below EUR 100,000, further disclosure requirements apply. Closed-ended AIFs with tradable units must publish an approved prospectus under the Prospectus Regulation (EU 2017/1129), unless an exemption applies.

Dutch AIFMs under the small managers regime may market to retail investors if they respect placement restrictions (e.g. fewer than 150 investors or EUR 100,000 minimum subscription). In such cases, a selling legend must be included in offering materials, and if marketing extends beyond professionals, an exemption statement in AFM format and a KID must also be provided. Closed-ended AIFs with tradable units must publish a prospectus unless exempt.

Professional investors must be provided with a prospectus containing the Article 23 AIFMD disclosures. Non-EU AIFMs marketing in the Netherlands under the NPPR must also provide such a prospectus and comply with SFDR and Taxonomy Regulation disclosure obligations on a mutatis mutandis basis.

**POLAND:** When marketing units or shares of an EU AIF in Poland, the AIF must establish adequate technical and organisational arrangements to ensure:

- proper transfer, subscription, and redemption of units/shares in accordance with the AIF’s internal regulations
- investor access to information on acquisition, subscription, and redemption of units/shares in Poland, as well as payment of redemption proceeds
- the ability of investors to exercise rights related to their investment, including complaints procedures and access to information on the handling of such complaints
- investor access to documents and information referred to in Articles 222a, 222b, and 222d of the IFA, with the ability to review and copy them
- participant access to information on the obligations of the EU AIF carried out through these arrangements, provided on a durable medium
- effective information exchange between the Polish Financial Supervision Authority (KNF) and the EU manager

The notification of marketing an EU AIF in Poland, and all appended documents, must be in Polish or English, or translated accordingly. EU AIFs may be marketed to retail investors in Poland only if authorised under Article 5(1) of Regulation (EU) 2015/760 (ELTIF Regulation).

**SPAIN:** Marketing of financial instruments in Spain must be carried out by management companies, tied agents, or entities authorised to provide investment services. Cross-border marketing of EEA AIFs managed by authorised AIFMs benefits from passporting rights, but only for professional investors. Marketing to retail investors requires prior registration with the CNMV.

Cross-border marketing of non-EEA AIFs to professional investors generally requires CNMV authorisation, subject to cooperation arrangements with the AIF's home supervisory authority and provided the jurisdiction is not listed as non-cooperative by FATF.

FCRs and FILs may be marketed to retail investors if the investor subscribes at least EUR 100,000 and signs a risk acknowledgement declaration, and the investment is based on a personalised recommendation from a licensed adviser. Where the investor's financial assets do not exceed EUR 500,000, the minimum investment must be at least EUR 10,000 and may not exceed 10% of net wealth.

Marketing of AIFs to retail investors, as well as marketing of non-EU AIFs managed by an EU AIFM or AIFs managed by a non-EU AIFM, requires prior CNMV authorisation under Articles 15 ter, quater, and quinquies of Law 35/2003 (CIS) or Articles 77–79 of Law 22/2014 (private equity). The CNMV may request a legal opinion from an independent expert confirming compliance with the applicable requirements and from the relevant foreign supervisor confirming reciprocal treatment for Spanish CISs.

**SWEDEN:** AIFMs authorised in their EEA home State may exercise passporting rights to market EEA AIFs to professional investors in Sweden on a cross-border or branch basis. Under the Swedish Alternative Investment Fund Managers Act (Lag (2013:561)), the AIFM must notify its home authority, which then transmits the marketing passport.

Marketing of non-EEA AIFs, or of AIFs to non-professional or retail investors, requires a specific marketing authorisation from the Swedish Financial Supervisory Authority (SFSA). Non-EEA AIFMs wishing to market in Sweden must also apply for SFSA authorisation.

### 3.1 Definition of marketing

**BULGARIA:** N/A.

**ESTONIA:** "Marketing" should be understood as direct or indirect offering or placement at the initiative of the AIFM or on behalf of the AIFM of units or shares of an AIF managed by that AIFM to or with investors domiciled or with a registered office in Estonia.

See § 10 of the Investment Fund Act

**FRANCE:** The AMF Guidelines (Position AMF n° 2014-04) define marketing in France as the presentation of a financial instrument on French territory by any means (advertising, direct marketing, placement, advice, etc.) with the aim of encouraging an investor domiciled or registered in France to subscribe or purchase it. French law does not recognise a separate concept of pre-marketing.

The AMF position clarifies that the following are not considered marketing:

- subscription, purchase, or sale of AIF units/shares at the initiative of the investor, provided the investor has specifically identified the AIF and is authorised to invest
- transactions in the context of a portfolio management agreement for a third party, where the instruments are permitted under the portfolio mandate
- transactions in the context of an AIF's financial management, where the instruments are eligible for inclusion in the AIF's assets

This definition is seen as broader than that under the AIFMD.

**GERMANY:** "Offering" includes both offers in the strict legal sense and broader concepts such as an invitatio ad offerendum (invitation to make an offer). "Placement" refers specifically to active selling of fund units or shares, since "marketing" requires activity directed at promoting sales. Simply responding to an investor's order is not considered marketing. The offering or placement must concern an investment fund, meaning either an already established fund or one ready to receive subscriptions (See Section 293(1) sentence 1 KAGB; BaFin FAQ on Marketing).

**ITALY:** Under the Banca d'Italia Regulation on collective investment, "marketing" is defined as any offer, invitation to offer, or promotional message addressed to investors, in any form, initiated by or on behalf of the manager, whether directly or indirectly, to encourage subscription or purchase of fund shares (See Title II, Section II, Chapter III, 3, Bank of Italy Regulation on Collective Investment Undertakings).

**LUXEMBOURG:** The 2013 AIFM Law adopts the AIFMD definition of marketing as any direct or indirect offering or placement, at the initiative of the AIFM or on its behalf, of units or shares of an AIF it manages to investors domiciled or with their registered office in the EU (See Art. 1(9) Luxembourg AIFM Law; Section 21 CSSF FAQ on AIFMD).

**NETHERLANDS:** The Dutch Act on Financial Supervision (AFS) does not use the term “marketing” but instead “offering,” defined as making, directly or indirectly, a sufficiently specific offer to enter into an agreement regarding units in an AIF, or directly or indirectly requesting or obtaining monies from a client for participation in an AIF.

There is no strict rule as to which activities qualify as an offering. Discussions with a prospective investor, such as calls or meetings, or providing a teaser or term sheet, may or may not qualify depending on the circumstances. However, providing a final prospectus (including the subscription form) to a Dutch investor always constitutes an offering (See AFM AIFMD FAQ).

**POLAND:** N/A.

**SPAIN:** Under Law 22/2014, marketing of an AIF is defined as the acquisition of clients through advertising activity carried out by or on behalf of the AIF, its management company, or intermediaries, with the purpose of securing contributions of funds, assets, or rights to the AIF.

Advertising activity covers any communication directed at potential investors to promote the subscription or acquisition of AIF units or shares. This includes, in particular, telephone calls, home visits, personal letters, emails, or any electronic communications forming part of a publicity or marketing campaign.

A campaign is deemed to take place within Spain if it targets investors resident in Spain. For electronic communications, it is presumed to be directed to Spanish residents if the AIF, its management company, or their agents propose the subscription or purchase of units/shares or provide information enabling Spanish residents to evaluate and subscribe to the offer.

**SWEDEN:** The Swedish Alternative Investment Fund Managers Act (AIFMA) defines marketing broadly, covering direct and indirect offerings and placements to investors domiciled or registered in the EEA. This includes any promotional activity such as advertising, telemarketing, brochures, emails, internet campaigns, or investor events.

The preparatory works to the AIFMA clarify that marketing is not possible until the AIF actually exists. For private equity funds, this means that the vehicle generally qualifies as an AIF only upon “first closing,” since before that there are typically no assets under management. Investor contacts or similar activities before first closing are therefore not regarded as marketing under the Directive (See Chapter 1, Sections 11 and 14 AIFMA).

### 3.2 Pre-marketing rules

**BULGARIA:** EEA AIFMs may engage in pre-marketing of AIFs in Bulgaria, whether not yet established or not yet compliant with marketing procedures, provided that the Bulgarian Financial Supervision Commission (FSC) receives a pre-marketing notification via the AIFM’s home authority within two weeks of the activity commencing.

Information shared with potential professional investors during pre-marketing must not allow them to commit to acquiring units or shares, must not take the form of a subscription document, and must not include incorporation deeds, articles of association, a prospectus, or an offer in final form.

For 18 months after pre-marketing begins, the AIFM cannot rely on reverse solicitation in Bulgaria. Pre-marketing by non-EEA AIFMs is not provided for under Bulgarian law.

**ESTONIA:** In Estonia, an EEA AIF may be pre-marketed to professional investors by an EEA AIFM, provided the pre-marketing is documented. During pre-marketing, it is prohibited to provide:

- information or documents detailed enough to allow investment decisions
- documents or drafts enabling subscription of units or shares
- final versions of fund documents such as articles of association, partnership agreements, fund rules, or prospectuses of funds not yet established.

If such drafts are shared, they must clearly state that they do not constitute an offer or invitation to subscribe and that the information is not conclusive.

An AIFM must ensure that professional investors do not acquire units or shares during pre-marketing. If, within 18 months of pre-marketing, a professional investor subscribes to the units or shares referred to, the notification procedure under the Investment Funds Act applies.

The AIFM must notify the EFSA via its home authority within two weeks of starting pre-marketing. The notice must include the period of pre-marketing, an overview of the investment strategy, and a list of the pre-marketed AIFs or sub-funds.

**FRANCE:** Until the implementation of Directive (EU) 2019/1160, the AMF already recognised pre-marketing under Position 2014-04 as an activity distinct from marketing and not subject to AMF authorisation or notification. Directive 2019/1160, which amended the AIFMD, introduced harmonised EU rules on pre-marketing, broader than the original French approach. It was implemented in France by Ordonnance No. 2021-1009 of 31 July 2021, and Position 2014-04 was updated accordingly.

Marketing is now defined in Article L. 214-24-0 MFC as any direct or indirect offer or placement, at the initiative or on behalf of a French management company, an EU manager, or a third-country manager, of units or shares of an AIF they manage to investors domiciled or registered in France.

Pre-marketing is defined in Article L. 214-24-2-1 MFC as the provision of information or communication on investment strategies by an AIFM (or on its behalf) to potential professional investors in France or another EU Member State to test their interest in an AIF or sub-fund not yet established or not yet notified for marketing under the AIFMD. This must not amount to an offer or placement to invest.

Pre-marketing is not permitted where information provided:

- is sufficient to allow investors to subscribe or acquire units/shares of the AIF
- consists of subscription forms or similar documents (draft or final)
- includes constitutional documents, a prospectus, or offering documents.

The AMF has retained a specific local regime for pre-marketing UCITS and for contacts with non-professional clients willing to invest more than EUR 100,000. This regime is distinct from the EU Directive 2019/1160 framework.

**GERMANY:** German rules distinguish pre-marketing from marketing based on the nature of the information provided to professional and semi-professional investors. Activities qualify as pre-marketing if:

- the information is not sufficient for investors to commit to subscribing to AIF units or shares
- no subscription forms or equivalent documents are provided, whether draft or final
- no constitutional documents, prospectuses, or offering documents of a not-yet-authorized AIF in final form are provided

If draft prospectuses or offering documents are shared, they must not allow an investment decision and must clearly state that they do not constitute an offer or invitation to subscribe, and that the information is incomplete and subject to change.

Where these conditions are not met, the activities qualify as marketing, and the AIF must be registered for marketing in Germany.

**ITALY:** Article 42-bis CLF, introduced by Legislative Decree No. 191/2021 implementing Directive (EU) 2019/1160, defines pre-marketing of reserved AIFs as the provision of information or communications, directly or indirectly, on investment strategies or ideas by an Italian or EU AIFM (or on their behalf) to prospective professional investors resident or domiciled in the EU, in order to test their interest in an Italian or EU AIF not yet established or not yet notified for marketing in the relevant Member State. Pre-marketing may never constitute an offer.

Pre-marketing is prohibited in Italy where the information provided:

enables investors to commit to subscribe for units or shares of the AIF

amounts to subscription forms or similar documents, in draft or final form

amounts to the final version of the incorporation deed, prospectus, or other documents of an AIF not yet established

If draft prospectuses or offering documents are shared, they must not allow investment decisions and must clearly state that they do not constitute an offer or invitation to subscribe, that the information is incomplete, and that it may be subject to change.

**LUXEMBOURG:** Luxembourg has transposed Article 30a AIFMD on pre-marketing into Articles 28-1 and 28-2 of the AIFM Act. Pre-marketing is defined as the provision of information or communication, direct or indirect, on investment strategies or ideas by an AIFM or on its behalf to potential professional investors domiciled or registered in the EEA, in order to test their interest in an AIF or compartment not yet established or established but not yet notified for marketing in the relevant Member State. Such activity must not amount to an offer or placement to invest.

Under Article 28-1 of the AIFM Act, a Luxembourg Authorised AIFM may pre-market in Luxembourg and any other EEA Member State, provided that the information shared is not sufficient to allow investors to commit to invest, does not consist of subscription forms or similar documents in draft or final form, and does not include constitutive documents of a not-yet-established AIF in final form.

**NETHERLANDS:** For authorised AIFMs and AIFMs marketing an AIF with an EuVECA label, pre-marketing is defined as the provision of information or communication, direct or indirect, on investment strategies or ideas by an EU AIFM or on its behalf to potential professional investors domiciled or registered in the Union, in order to test their interest in an AIF or compartment not yet established, or established but not yet notified for marketing in that Member State. Such pre-marketing must not amount to an offer or placement to invest.

Authorised AIFMs and AIFMs with an EuVECA label may engage in pre-marketing, except where the information provided:

- is sufficient to allow investors to commit to acquiring units or shares
- amounts to subscription forms or similar documents, in draft or final form
- amounts to constitutional documents, a prospectus, or offering documents of a not-yet-established AIF in final form

Draft prospectuses or offering documents may be shared only if they do not allow investment decisions and clearly state that they do not constitute an offer or invitation to subscribe, that the information is incomplete, and that it may be subject to change.

For AIFMs under the Small Managers Regime that are not marketing an EuVECA-labelled AIF, whether an activity constitutes pre-marketing is assessed under Dutch law on when interests in a fund are considered marketed in the Netherlands.

**POLAND:** EEA AIFMs may engage directly or through an authorised intermediary in pre-marketing of AIFs that are not yet established or established but not yet notified for marketing, provided that the Polish Financial Supervision Authority (PFSA) receives a pre-marketing notification within two weeks of the start of such activities.

Information shared with potential professional investors during pre-marketing must not:

- be sufficient to allow investors to commit to acquiring participation rights in the AIF
- take the form of subscription forms or similar documents, including drafts
- present the final version of articles of association, incorporation documents, prospectus, or other offering materials of an AIF not yet established

If a potential investor acquires participation rights in the AIF within 18 months of the start of pre-marketing, the formal notification procedure for marketing is triggered.

Pre-marketing must be documented by the EU manager. It may be carried out directly by the manager or through intermediaries such as investment firms and their agents, foreign investment firms and their agents, banks, credit institutions, management companies, or other EU managers.

(See Articles 263k and 263m of the IFA)

**SPAIN:** Spain has implemented Directive (EU) 2019/1160 on cross-border distribution of collective investment undertakings. Pre-marketing is defined as the provision of information or communication, direct or indirect, on investment strategies or ideas by a management company authorised in Spain or on its behalf to potential professional investors domiciled or registered in the EU, in order to test their interest in an AIF or compartment not yet established, or established but not yet notified for marketing in the Member State where investors are domiciled. Pre-marketing must not amount to an offer or placement to invest, and no subscription documents may be provided.

Pre-marketing is limited to professional investors. AIF management companies must submit a pre-marketing notification form to the CNMV before engaging in such activities. Any subscription by an investor within 18 months of pre-marketing will be treated as marketing, requiring completion of the formal registration procedure.

**SWEDEN:** Sweden has implemented Directive (EU) 2019/1160 on cross-border distribution of collective investment undertakings, including rules on pre-marketing. An EEA AIFM authorised in its home state under the AIFMD may engage in pre-marketing in Sweden of an EEA-based AIF without further authorisation, provided the AIFMD conditions are met.

A foreign AIFM that has notified its intention to cease marketing an AIF may not conduct pre-marketing in Sweden for 36 months from the date of the notification. This restriction applies both to units or shares of the AIF and to similar investment strategies or ideas.

No provisions exist for pre-marketing in Sweden by non-EEA AIFMs.

### 3.3 Reverse solicitation

**BULGARIA:** N/A.

**ESTONIA:** In Estonia, the safe harbour for reverse solicitation is very narrow and must be strictly investor-led. The Investment Funds Act does not expressly define or regulate “reverse solicitation” (as referred to in Recital 70 of the AIFMD) or explicitly exclude it from the concept of “marketing.” However, since Estonian law recognises marketing as activity initiated by the AIFM, investments into non-EEA AIFs or other foreign schemes made at the sole initiative of investors are generally not considered marketing by the AIFM.

**FRANCE:** In France, reverse solicitation is recognised but applied narrowly and assessed on a case-by-case basis. The AMF requires proof that the investment was genuinely initiated by the investor. The AMF Marketing Guide defines reverse solicitation as the purchase, sale or subscription of units or shares of an AIF in response to an unsolicited request from an investor, concerning a specifically identified AIF, and only where the investor is authorised to make such an investment.

**GERMANY:** In Germany, the EU pre-marketing rules have been extended to non-EU managers. Pre-marketing of an AIF in Germany by a German or non-German manager (other than “registered-only” managers) must be notified to BaFin directly or via the home regulator of an EU manager. Any subscription by German investors within 18 months of the start of pre-marketing will trigger the formal marketing notification procedure and exclude reliance on reverse solicitation. According to BaFin FAQs, reverse solicitation — i.e. investor-initiated approaches — is permissible, even where the manager has engaged in general advertising activities, provided these are not linked to specific funds (See BaFin FAQ on Marketing).

**ITALY:** No statutory safe harbour; CONSOB views reverse solicitation narrowly.

**LUXEMBOURG:** In Luxembourg, the CSSF defines reverse solicitation as the provision of information about an AIF and the making available of its units or shares for purchase solely following an investor’s own initiative (or that of its agent), without any solicitation from the AIF, its AIFM, or any intermediary acting on their behalf. Two conditions must be met: (i) the investor (or its agent) must have approached the AIFM or the AIF on its own initiative to obtain information or invest, and (ii) neither the AIFM, the AIF, nor an intermediary acting for them may have solicited the investor regarding the relevant AIF (See Section 21, CSSF FAQ on AIFMD).

**NETHERLANDS:** In the Netherlands, reverse solicitation is not codified in the AFS but an implied safe harbour is recognised. The explanatory notes to the AFS clarify that, for offerings to professional investors, no “offering” occurs where the investment is made solely at the initiative of the investor. Reliance on reverse solicitation is only possible if no prior marketing activities regarding the AIF in question have taken place in the Netherlands. It remains uncertain whether this exemption also applies to marketing AIFs to retail investors.

**POLAND:** Safe harbour exists (low guidance)

**SPAIN:** There is no reference in the legislation. No general safe harbour (all offers require CNMV process).

**SWEDEN:** Safe harbour accepted but blocked for 36 months after de-registration.

(See Chapter 7b of the Alternative Investment Fund Managers Act)

### 3.4 National Private Placement Regimes - NPPRs

**BULGARIA:** In Bulgaria, private placement is permitted. After submitting a notification to the FSC, an AIFM may conduct private placements to professional investors. Marketing to non-professional investors requires submission and approval of a prospectus. The notification must include the documentation required under CISOUCIA. No fees currently apply for marketing under the private placement regime. Pre-marketing is not allowed under the NPPR.

**ESTONIA:** In Estonia, private placement is permitted. Once an AIFM submits a notification of intent to market under the private placement regime to the EFSA, it may commence activity. The notification must include all information required by the Investment Funds Act. No fees currently apply for marketing under the private placement regime. An AIF may also be marketed in other EEA Member States to professional investors, provided that pre-marketing documentation does not amount to an offer or invitation to subscribe and the information provided is not conclusive (See § 268 et seq. and § 408 et seq. Investment Funds Act).

**FRANCE:** In France, private placement is permitted. An AIFM may conduct private placement to investors if it benefits from the AIFMD passporting procedure or obtains specific authorisation from the AMF. The notification must be accompanied by the relevant documents depending on whether the AIFM intends to manage a French AIF on a cross-border basis or exercise a branch passport in France. No fees currently apply under the private placement regime. Non-authorised (registered-only) AIFMs cannot rely on French pre-marketing rules (See Arts. L. 214-24-1 CMF; Position AMF n° 2014-04).

**GERMANY:** In Germany, private placement cannot generally be exercised. Marketing of funds requires prior notification to BaFin, with very limited exceptions, most notably reverse solicitation. Private placement is only possible for vehicles or structures exempt from the German Capital Investment Code (implementing AIFMD). Both EEA and non-EEA AIFMs may conduct pre-marketing of AIFs to potential professional and semi-professional investors. EEA AIFMs must request their home authority to notify BaFin, while non-EEA AIFMs must inform BaFin of pre-marketing activities within two weeks of commencing them (See BaFin FAQ on Marketing).

**ITALY:** In Italy, private placement is permitted. Once a notification is submitted to Consob and the Bank of Italy, an AIFM may carry out private placement to professional investors, in accordance with Legislative Decree no. 58/1998, Section 43. Consob issues annual resolutions setting the applicable supervisory fees. EEA AIFMs may also conduct pre-marketing of reserved AIFs to professional investors in Italy, provided that Consob receives a prior notification from the AIFM's home State authority (See Arts. 42-bis–44 CLF).

**LUXEMBOURG:** In Luxembourg, private placement is permitted. Upon notification to the CSSF, an AIFM may conduct private placement to professional investors. No EU passport exists for marketing AIFs to non-professional investors. A prospectus may be required, subject to certain exceptions. There are currently no fees for marketing under the private placement regime, but pre-marketing is not allowed under the NPPR (See Arts. 44–46 Luxembourg AIFM Law).

**NETHERLANDS:** In the Netherlands, private placement is permitted. After submitting a notification to the AFM, an AIFM may conduct private placement to professional investors. A separate notification is required for EEA AIFMs to market to non-professional investors. Only non-EEA AIFMs from designated states may carry out private placement to non-professional investors, subject to completing a national notification form with the AFM and paying a registration fee of EUR 4,400 per non-EEA AIFM. No fees apply under other private placement regimes. Both designated state and other non-EEA AIFMs must file a pre-marketing notification form with the AFM before engaging in pre-marketing activities (See AFM AIFMD FAQ).

**POLAND:** In Poland, private placement is permitted. After notifying the PFSA, an AIFM may conduct private placement to professional investors and, in certain cases, to non-professional investors. The notification must include the EEA AIF's internal regulations and certification that the AIFM is authorised in its home State. No fees currently apply under the private placement regime. EEA AIFMs may also pre-market AIFs not yet established or not yet notified for marketing to professional investors in Poland, provided the PFSA receives a pre-marketing notification within two weeks of commencing such activities.

**SPAIN:** In Spain, private placement is not permitted. Marketing to professional investors requires notification to the CNMV. Marketing a non-EEA AIF to non-professional investors requires prior authorisation from the CNMV. Management companies of OEICs or CEICs may conduct pre-marketing to potential professional investors for funds not yet established or established but not yet notified for marketing, provided a pre-marketing notification form is submitted to the CNMV beforehand (See Arts. 75–79 Ley 22/2014).

**SWEDEN:** In Sweden, private placement is permitted. Upon submitting a notification to the SFSA, an EEA AIFM may market an EEA AIF to professional investors. Marketing of a non-EEA AIF or marketing to non-professional investors requires prior authorisation from the SFSA, with specific rules on which funds may be offered to non-professional investors. Notifications by EEA AIFMs must include certification that the AIFM is authorised in its home Member State. There are currently no fees for notifications by EEA AIFMs, though fees apply where a licence is required. EEA-based AIFMs authorised under the AIFMD may conduct pre-marketing of EEA AIFs in Sweden without further authorisation, while no framework exists for pre-marketing by non-EEA AIFMs or UCITS.

### 3.5 Marketing Fees

**BULGARIA:** Bulgarian law does not provide for initial or subsequent registration fees for passporting AIFs, nor for annual supervision fees related to their marketing. At present, there are no fees applicable under the private placement regime (See Art. 251 CISOUCA).

**ESTONIA:** A public offering of an AIF founded in another Member State that is not closed-ended may only begin once consent has been granted by Finantsinspektsioon (§ 413<sup>1</sup>(1) Investment Funds Act). The registration of such an offering is subject to a processing fee of EUR 600, payable upon application (§ 457(3) Financial Supervisory Authority Act). No other fees or charges are levied by Finantsinspektsioon for cross-border management activity (See FINANTSINSPEKTSIOON, “Regulatory fees and charges”).

**FRANCE:** France does not charge an application fee for outward or inward AIFMD passport notifications. However, AIFMs passporting into France on a services basis or through a branch must pay annual periodic fees to the AMF, calculated on the basis of AuM as of 31 December of the previous year and notified by 30 April of the current year. The marketing of an EEA AIF in France is subject to an AMF “Redevance” payable upfront and annually (around EUR 2,000 per AIF or per sub-fund). Evidence of payment must be submitted with the passporting documents under Article 32 AIFMD. The full list of fees is available in the AMF Redevance Guide. Currently, there are no fees for marketing under the private placement regime (See AMF Redevance Guide).

**GERMANY:** Marketing to semi-professional and professional investors is subject to BaFin fees depending on the statutory seat of the AIFM and AIF. BaFin charges a one-time notification fee of EUR 466 per EU AIF or sub-fund for EU AIFMs, and EUR 1,641 per EU AIF or sub-fund for non-EU AIFMs. An annual fee of EUR 113 per EU AIF or sub-fund is levied for the review of documents. For marketing to retail investors, BaFin charges EUR 1,641 per EU AIF or sub-fund, applicable to both EU and non-EU AIFMs. De-notification fees also apply, amounting to EUR 284 per fund or sub-fund for AIFs (non-retail notifications), with separate amounts for UCITS (See BaFin website).

**ITALY:** Each year Consob sets the fees payable by supervised entities, including foreign asset managers operating in Italy via branch or services. For 2024 (Consob Resolution no. 22915 of 6 December 2023):

Marketing of units/shares of non-reserved AIFs after completion in the prior year of the Art. 44 CFA authorisation: EUR 2,140 per fund or sub-fund.

Marketing of units/shares of AIFs to professional investors after completion of the Art. 43 CFA procedure: EUR 1,085 per fund or sub-fund.

AIFMs enrolled as of 2 January 2024 in the Asset Managers' Registry and offering funds to retail clients in Italy, where marketed volumes exceed EUR 100,000:

up to EUR 1,000,000: EUR 4,820

up to EUR 10,000,000: EUR 14,455

up to EUR 100,000,000: EUR 24,090

up to EUR 1,000,000,000: EUR 33,730

up to EUR 3,000,000,000: EUR 43,365

above EUR 3,000,000,000: EUR 50,590

No application fee applies to outward or inward passport notifications by asset management companies. PRIIPs manufacturers must pay EUR 270 for each newly acquired KID (not for subsequent updates), capped at EUR 102,000 per manufacturer per year (See Consob Resolution no. 22915 of 6 December 2023).

**LUXEMBOURG:** The CSSF charges a lump sum fee for the marketing of foreign AIFs in Luxembourg: EUR 3,000 for a standalone foreign AIF and EUR 5,500 for a foreign AIF with compartments. The same fee applies annually thereafter. No application fee is charged for an AIFM passport notification, and no fees apply for pre-marketing AIFs. Unlike some jurisdictions, no fee is levied on marketing communications unless specifically requested by the CSSF. There are also no fees to market under the private placement regime (See CSSF Grand-Ducal Regulation of 23 December 2022).

**NETHERLANDS:** The AFM does not charge fees for outward or inward AIFMD passport notifications, nor periodic fees for EEA AIFMs passporting into the Netherlands. However, fees may be introduced in the future. If a passported EEA AIFM establishes a branch in the Netherlands, the AFM will charge supervision fees, including for the suitability and integrity tests of the daily policymakers or co-policymakers of the EEA AIFM, where applicable (See AFM AIFMD FAQ).

**POLAND:** The registry fee is EUR 300 per EU AIF if marketed solely to professional investors and EUR 1,200 in other cases (plus EUR 1,200 for each additional sub-fund, or EUR 300 if marketed solely to professionals, starting from the second one). Annual supervisory fees apply: EUR 300 per EU AIF marketed to professional clients or EUR 1,000 in other cases, with an additional EUR 200 per sub-fund (excluding the first) marketed to professionals, or EUR 500 in other cases.

**SPAIN:** EEA and/or third-country AIFMs established in Spain as a branch may be required to pay periodic fees depending on the regulated activities they conduct, but no such fees apply to AIFMs passported into Spain on a services basis. The CNMV does not charge an application fee for outward or inward AIFMD passport notifications. However, upon registration, AIFs must pay a lump sum of EUR 2,601.51 and an annual flat fee of EUR 3,121.81 thereafter. Fee amounts are updated annually under the General State Budget. (See CNMV Resumen de Tasas)

**SWEDEN:** As of 2025, Sweden has implemented updated application fees for AIFs under Articles 36 and 42 AIFMD:

- Article 36 AIFMD: SEK 25,500.
- Article 42 AIFMD: SEK 18,000.

The SFSA does not require AIFMs that passport into Sweden on a services basis to pay periodic fees.

#### 4. Reporting and disclosure obligations

**BULGARIA:** Pre-contractual disclosures: all AIFs managed by authorised AIFMs must comply with Article 23 AIFMD, covering investment strategy, risks, fees, conflicts of interest, valuation and redemption policies, typically through an offering memorandum.

Periodic reporting:

- Annual reports must be prepared for AIFs, including audited financial statements and a narrative review of activities, and submitted to investors and the FSC.
- Professional investor funds usually provide quarterly or annual investor updates as a matter of practice.
- Retail funds (offered via a public prospectus) are subject to additional ongoing disclosure, including semi-annual updates and financial reporting under the Public Offering of Securities Act.

Annex IV reporting must be submitted by authorised AIFMs to the FSC and ESMA on a quarterly or annual basis depending on size and leverage, covering portfolio composition, risk exposures and liquidity metrics.

**ESTONIA:** Pre-contractual disclosures must comply with Article 23 AIFMD, covering investment strategy, risks, leverage policy, fees, liquidity arrangements, and conflicts of interest, typically set out in an offering memorandum or private placement memorandum.

Ongoing disclosures:

- All AIFs managed by authorised AIFMs must produce an annual report, including audited financial statements and a narrative on fund activity, to be filed with investors and the FSA.
- VC fund managers generally provide quarterly or semi-annual investor updates by market practice, though not legally required.
- Retail-oriented funds offered under a public prospectus are subject to more frequent disclosure, including semi-annual updates and NAV publication.

Annex IV reporting to Finantsinspektsioon and ESMA is mandatory for all authorised AIFMs, with frequency depending on AUM and leverage (quarterly or annually).

Sub-threshold AIFMs have lighter obligations, generally limited to annual confirmation of assets under management and occasional statistical filings to maintain registration.

**FRANCE:** Under French law, disclosure duties for AIFs largely follow the AIFMD framework as well as the requirements of the Sustainable Finance Disclosure Regulation (Regulation (EU) 2019/2088). Investors must receive pre-contractual documentation before subscribing, including the information specified in Article 23 AIFMD. Where relevant, sustainability-related disclosures must also be provided depending on the classification of the fund under the SFDR. In addition, each AIF must prepare an annual report within six months of the end of the financial year.

Beyond these harmonised EU obligations, national rules impose extra reporting duties on certain categories of French funds such as FCPR, FPCI, SLP, FPS and OFS. These vehicles are required to prepare a semi-annual report within two months after the close of each semester. This report must present the composition of the fund's portfolio, net assets, units or shares outstanding, liquidation value and any off-balance sheet commitments. The section relating to asset composition is subject to verification by the statutory auditor of the fund.

Finally, managers under the supervision of the AMF must report regularly to the authority. This includes the transmission of AIFMD reporting, as well as ad hoc notifications relating to specific events, such as breaches of investment limits, indemnity payments to investors, or financial data such as net asset value and assets under management.

**GERMANY:** In Germany, managers of both retail and non-retail funds are subject to annual reporting obligations, requiring the preparation and publication of reports. In addition, contractual funds and investment stock corporations (AG) with variable capital must also prepare semi-annual reports, which are likewise subject to publication.

**ITALY:** The AIFM is required to keep detailed records and accounting books for each AIF or SICAF under management. These include a daily transaction log (libro giornale) documenting all operations, management activities, and the issue and redemption of units or shares. An annual report must also be prepared, together with a directors' report, both of which are subject to audit; in the case of a SICAF, the annual financial statements are included as well. In addition, a semi-annual report (relazione semestrale) must be produced covering the management of the AIF during the first half of the financial year. A prospectus must also be maintained, showing the value of units or shares and the total value of the AIF each time units are issued or redeemed. On a semi-annual basis, each AIF is further subject to specific reporting obligations, which include financial information, details of the portfolio composition, a recap of issued units or shares, and the corresponding values..

**LUXEMBOURG:** Luxembourg regulated vehicles such as SIFs, SICARs and Part II UCIs must file periodic reports with the CSSF for statistical and supervisory purposes. In addition, all AIFs managed by an authorised AIFM fall within the scope of Annex IV reporting under the AIFMD, meaning that the corresponding reports must also be submitted to the CSSF.

**NETHERLANDS:** Investors must receive an annual report for each AIF, prepared in accordance with the requirements of Article 22 AIFMD. Where the retail top-up regime applies, the manager is further required to meet a set of enhanced compliance, disclosure and reporting obligations.

**POLAND:** Pre-contractual disclosures must align with the requirements of Article 23 AIFMD and include details on the fund's strategy, risks, fee structure, investment restrictions and governance framework. These disclosures are typically provided in the form of a private placement memorandum. Ongoing reporting obligations include the preparation of annual financial statements for each AIF, accompanied by an auditor's report, as well as periodic regulatory filings to the KNF, which may be required monthly, quarterly or annually depending on the fund's size and complexity.

**SPAIN:** Pre-contractual disclosure obligations require the provision of an offering memorandum or prospectus that sets out the investment strategy, fee structure, risk profile, valuation methodology and investment policy. Spanish law also requires disclosure of the statutory obligation to invest at least 60% of assets in qualifying SMEs, together with any government support or special rights attached to the vehicle.

On an ongoing basis, AIFs must file an annual report with both the CNMV and investors, which includes audited financial statements, a review of performance, confirmation of compliance with the 60% investment rule, and disclosure of fees and any material changes or breaches. Investors also typically receive quarterly or semi-annual updates on portfolio composition and net asset value. Annex IV reporting must be made to the CNMV either quarterly or annually, depending on the size of the AIFM.

For ECR-Pyme vehicles benefitting from public support, additional transparency is required, such as reporting on job creation and SME growth. Where the fund is marketed under the EuVECA label, the disclosure regime of that Regulation applies alongside CNMV requirements. The CNMV closely monitors compliance with investment ratio rules and transparency duties..

**SWEDEN:** Within six months of the close of each financial year, every AIFM must prepare and submit an annual report for each EEA-based AIF under its management and for every AIF it markets in the EEA. This report must also be made available to investors upon request and sent to the SFSA, as well as to the competent authority in the AIF's home jurisdiction if the fund is domiciled outside Sweden.

Special funds are subject to quarterly reporting obligations. At the end of each calendar quarter, the AIFM must file with the SFSA a report including a profit and loss account, a balance sheet with specifications, and information on the calculation of own funds and capital requirements. These reports must reflect the position as of the quarter-end and be submitted by 21 April, 21 July, 21 October and 21 January respectively.

In addition, AIFMs must submit periodic reports to the SFSA covering the principal markets in which they operate, the financial instruments traded, each fund's key exposures and concentrations of risk, the proportion of illiquid assets in each AIF, any changes to liquidity management arrangements, the risk profile of each fund and the systems used for risk management, the main categories of assets held, and the results of stress testing exercises.

Upon request, the SFSA may require an updated list of all AIFs under management as at the end of each quarter and annual reports for each fund managed or marketed within the EEA.

## 5. Local presence and substance tests

**BULGARIA:** An AIFM must be established in Bulgaria and keep its registered office in the country. The fund's financial statements are subject to a mandatory annual audit. There is no legal requirement to appoint an external administrator, and many AIFMs either self-administer or rely on third-party providers for NAV calculation and investor servicing.

When marketing to professional investors, there is no obligation to appoint a local agent. For retail offerings, however, a local paying agent and legal representative must be designated to handle prospectus filings and investor support functions.

Although not set out in statute, the FSC generally expects that key personnel such as directors and portfolio managers remain accessible to the regulator, that outsourcing arrangements do not reduce the AIFM to a "letterbox" structure, and that while foreign staff may be engaged, effective control must be exercised from Bulgaria.

**ESTONIA:** AIFMs must be incorporated under Estonian law and maintain a registered office in the country. The fund's financial statements are subject to an annual audit.

For marketing to professional investors, no local agent is required. In the case of retail offerings, however, a local paying agent and legal representative must be appointed to handle prospectus submissions and communication with retail investors.

Although there is no formal rule requiring local employees, in practice regulators expect that key functions such as directorship, portfolio management and compliance remain based in or readily accessible from Estonia. Foreign personnel may be engaged, but strategic and operational control must ultimately be exercised from Estonia.

**FRANCE:** Under the AIFMD, an AIFM established in an EU Member State may manage French AIFs through the passporting procedure. This mechanism allows any AIFM authorised by its home regulator in the EU or the EEA to manage French AIFs without the need for additional authorisation in France.

By contrast, an AIFM established in a third country must obtain specific authorisation from the AMF before it can manage a French AIF. Such authorisation is conditional on compliance with the same regulatory requirements that apply to French AIFMs, as well as additional conditions, including the appointment of a legal representative in France, the existence of a bilateral or multilateral tax treaty between France and the AIFM's home country, and an effective cooperation agreement between the AMF and the home regulator of the AIFM. Consequently, it is not strictly necessary for a French AIF to be managed by a French AIFM.

French AIFMs themselves must satisfy a set of organisational and prudential standards. They must obtain AMF authorisation to manage AIFs, establish their registered office in France, and appoint at least two directors, with one engaged full-time and the other devoting at least 20% of their time to the role. They are required to designate a compliance officer responsible for internal controls and to adhere to conduct of business rules that ensure the protection of investors. In addition, French AIFMs must maintain systems to prevent and manage conflicts of interest, adopt policies and procedures for AML/CFT compliance, and hold own funds in line with EU capital requirements.

**GERMANY:** A German-domiciled AIF does not need to be managed or advised by an entity established in Germany. Management may be carried out on a cross-border basis by an AIFM located elsewhere in the EU, provided the AIFM complies with the requirements of the AIFMD and the KAGB. Likewise, portfolio management or advisory functions may be delegated to entities outside Germany, as long as the delegation framework respects the applicable oversight and supervision rules.

However, substance requirements apply locally, particularly in relation to the KVG. To obtain authorisation, the KVG must demonstrate sufficient operational presence in Germany, including adequate staffing, infrastructure, and resources to ensure effective fund management. The regulator generally expects a significant on-the-ground presence—potentially a double-digit number of employees—though the specific requirements vary according to the size and type of funds managed. Substance considerations also extend to delegated portfolio managers or advisors, who may be subject to authorisation obligations depending on the nature of the fund's assets.

**ITALY:** Chapter II-bis of Title III of the CLF, which transposes the AIFMD provisions on cross-border management, allows both EU and non-EU AIFMs to manage Italian AIFs. EU AIFMs may do so under the European passport, which permits them to manage AIFs established in another Member State either through a branch or under the freedom of services regime. This requires the EU AIFM to be duly authorised in its home State to manage AIFs of the same type as the Italian vehicle, for the fund's regulation or by-laws to be approved by the Bank of Italy, and for a depositary agreement to be in place. Management must be conducted in accordance with the Italian rules governing AIFs. Italian AIFMs (SGRs, SICAVs and SICAFs) must, in turn, be incorporated as joint stock companies established and registered in Italy.

**LUXEMBOURG:** In Luxembourg, there is no general requirement for the AIF's manager or advisor to be domiciled locally. However, RAIFs must appoint an Authorised AIFM established in the EEA. For AIFs constituted under one of the corporate forms provided by the Companies Act, the domicile of the fund must correspond to the seat of its central administration, which is deemed to coincide with its registered office. For Part II UCIs, SIFs, SICARs, and RAIFs, the obligation to maintain the administration in Luxembourg is expressly stated in the relevant product legislation.

AIFs set up as FCPs must be managed by a Luxembourg management company, which may either be registered or authorised as an AIFM with the CSSF or appoint an external AIFM. In all cases, the administration of Luxembourg AIFs must be located in Luxembourg. In practice, core administrative functions — such as accounting, NAV calculation, preparation of annual reports, register-keeping, and transfer agency services — are typically delegated to a Luxembourg-based registrar and administrator authorised under the Financial Sector Act.

**NETHERLANDS:** In the Netherlands, an AIFM authorised in another EEA Member State under Article 6(1) AIFMD may manage a Dutch AIF on a cross-border basis using the management passport, provided that the procedure set out in Article 33 AIFMD is followed. This requires submission of specified documentation and information to the home State regulator of the AIFM, which then communicates with the AFM.

Sub-threshold AIFMs established in another EEA Member State may also manage or market AIFs to professional investors in the Netherlands, but they must complete a registration process with the AFM before doing so.

Non-EEA AIFMs may manage a Dutch AIF cross-border if a cooperation agreement exists between the regulator of the non-EEA AIFM's home jurisdiction and the AFM, provided that the jurisdiction is not classified by FATF as non-cooperative. In such cases, the non-EEA AIFM must submit a notification to the AFM, including an attestation from its home regulator, and must comply with Dutch disclosure, transparency, and reporting requirements.

From a tax perspective, Dutch entities that are non-transparent under domestic law (such as Co-ops, BVs, NVs, and open FGRs) are treated as Dutch tax residents by virtue of their incorporation in the Netherlands. However, in an international tax context, the effective place of management of the entity may also be relevant in determining tax residency.

**POLAND:** Under the Polish Investment Funds Act (IFA), both investment fund companies (IFCs) and authorised alternative investment company (AIC) managers must be incorporated as commercial companies in Poland. As a general rule, Polish AIFs must also be incorporated and registered domestically. The IFA requires that an investment fund and its IFC share the same registered office and address, ensuring both incorporation and management are based in Poland. In contrast, while AIC managers must be incorporated in Poland, there is no statutory requirement that their management seat also be located there.

However, the IFA provides a mechanism for EU managers to take over the management of certain Polish AIFs (such as SOEIFs, CEIFs or externally managed AICs) where statutory conditions are satisfied and an agreement is in place with the local manager. An EU manager in this context refers to a legal entity incorporated in another EU Member State and duly authorised by its home regulator to perform AIF management. Such managers may operate in Poland either directly or via a branch, provided the notification procedure with the Polish Financial Supervision Authority (FSA) has been completed.

Both IFCs and authorised AIC managers may also outsource specific functions, including portfolio management, to Polish or foreign entities. However, outsourcing arrangements are subject to restrictions under the IFA, and in certain cases prior approval or a permit from the FSA is required.

Finally, EU AIFs and EU managers may operate in Poland on a cross-border basis, subject to compliance with the detailed rules set out in the IFA.

**SPAIN:** In Spain, AIFs structured as corporate entities that are internally or self-managed must be legally domiciled and have their central administration located within Spanish territory. Where AIFs are externally managed, they may be managed or advised on a cross-border basis by EU AIFMs or advisors operating under the freedom to provide services or through a branch in Spain, provided that the foreign entity is duly authorised in its home Member State to manage or advise the same category of AIF. Spanish AIFs may also appoint advisors established in third countries, outside the EU.

Spanish AIFMs themselves must maintain both their registered office and their place of effective management in Spain. Their governing body must take the form of a board of managers with at least three members. All members are required to demonstrate good professional standing and integrity, and the majority must possess adequate expertise and experience in finance, business administration, or management.

With respect to external advisors, AIFMs are required to verify that such advisors are of good repute and have sufficient experience aligned with the investment strategies of the AIF. More broadly, Spanish AIFMs must ensure they have adequate technical and human resources to perform their functions effectively and to exercise oversight over any delegated activities. The level of substance required is assessed by reference to the nature, scale, and complexity of the AIFM's operations and is determined by the supervisory authority on a case-by-case basis.

**SWEDEN:** In Sweden, EU AIFMs may provide management services for AIFs under the AIFMD passport regime. The passport also extends to ancillary services, such as MiFID investment advice and discretionary portfolio management. In addition, EU AIFMs may apply to the Swedish Financial Supervisory Authority (SFSA) for authorisation to manage a Swedish special fund.

By contrast, non-EU AIFMs are not currently permitted to manage AIFs in Sweden. This restriction may, however, be lifted in the future once the AIFMD passporting framework for third-country managers becomes effective.

## 5.1 Local directors

**BULGARIA:** While no explicit legal requirements on residency of directors or senior staff are prescribed, the FSC expects effective management and decision-making to be located in Bulgaria.

**ESTONIA:** There is an implicit requirement for effective management to be located in Estonia, although there are no explicit statutory residency requirements for directors or key personnel. Finantsinspektsioon expects that core management functions are exercised in Estonia.

**FRANCE:** In France, EU AIFMs authorised under the AIFMD and operating under the freedom to provide services are not required to appoint resident directors or trustees.

For third-country AIFMs that do not benefit from the passporting regime, a legal representative in France must be designated. This representative serves as the local point of contact and is responsible for ensuring compliance with French laws and regulations, with adequate resources to perform these functions.

Where investment decisions are taken collectively by a governing body (e.g. investment or management committee), a majority of the financial managers participating in the decision-making process must be resident or physically present either in France or within a branch of the management company established in another EU or EEA Member State.

**GERMANY:** Local resident directors are required for the KVG to be granted authorisation. At least two directors are required who are fit and proper.

**ITALY:** In Italy, the regulatory framework does not explicitly impose a minimum number of locally resident directors or trustees for AIFMs.

However, the supervisory authorities place strong emphasis on the adequacy of corporate governance and organisational arrangements to ensure sound and proper management of AIFs. The Consolidated Law on Finance (CLF) and the Bank of Italy Regulation of 5 December 2019, which implements AIFMD principles in domestic law, set out detailed requirements in this regard. These include the appropriate quantitative and qualitative composition of governing bodies, a clear separation of functions between management, strategic supervision, and internal control, the presence of a sufficient number of independent directors (with an exemption for sub-threshold AIFMs), structured information flows with supervisory authorities, and restrictions on combining the roles of chair of the management body and chief executive officer (again, with an exemption for sub-threshold AIFMs). Additional obligations cover self-assessment procedures for governing bodies and the establishment of internal committees where necessary.

**LUXEMBOURG:** The Companies Act in Luxembourg does not expressly impose a residency requirement for directors, but it does require that the company's effective management be exercised in Luxembourg. In practice, this results in Luxembourg AIFs generally appointing at least one resident director, while avoiding a board structure where the majority of directors are based in the same foreign jurisdiction.

Conducting officers are, as a rule, expected to be permanently established in Luxembourg, though they may reside in neighbouring jurisdictions provided they can commute daily. For AIFs directly supervised by the CSSF, administrative practice goes further: the regulator usually expects that the majority of board members be Luxembourg residents, and best practice also favours the inclusion of at least one independent director.

**NETHERLANDS:** No specific requirements for Dutch resident trustees or directors apply to AIFs.

**POLAND:** Polish law does not impose a residency requirement for members of an AIF's governing bodies. Nevertheless, the corporate governance principles published by the FSA indicate that the regulator expects the management body of any supervised entity to include a sufficient proportion of individuals who are proficient in Polish and possess appropriate expertise and knowledge of the domestic financial market to ensure effective management.

**SPAIN:** Spanish AIFMs are expected to have local resident directors to satisfy the substance requirements.

**SWEDEN:** N/A.

## 5.2 Local service providers

**BULGARIA:** In Bulgaria, the depositary of an AIF must be a credit institution licensed to operate as a bank in Bulgaria.

**ESTONIA:** Depositary requirement:

All AIFs managed by authorised AIFMs must appoint a depositary institution established in Estonia.

The depositary must be a licensed bank or financial institution meeting local eligibility criteria.

**FRANCE:** No explicit requirement for the custodian to be based in France.

**GERMANY:** No explicit requirement for the custodian to be based in Germany.

**ITALY:** Under the Italian Consolidated Law on Finance (CLF) implementing the AIFMD, certain service providers are compulsory for AIFs. Every Italian AIF must appoint a depositary, which may be an Italian bank, the Italian branch of an EU or non-EU bank, an investment firm, or the Italian branch of an EU or non-EU investment firm, provided it is specifically authorised by the Bank of Italy to perform depositary functions. In addition, the fund must appoint an external auditor or auditing firm to certify the financial statements and issue an audit opinion. For AIFs investing in non-listed assets such as real estate or credits, the appointment of independent experts for asset valuation is also required.

Furthermore, in accordance with Article 43-bis AIFMD (as amended by Directive 2019/1160 on the cross-border distribution of UCITS and AIFs to retail investors), AIFMs intending to market AIF units or shares to retail investors in Italy must ensure that local facilities are available. These facilities must process subscriptions, payments, repurchases and redemptions, provide information on the handling of such orders and payments, facilitate investor rights, make fund information and documentation accessible, supply investors with information relevant to the tasks performed, and act as a contact point with competent authorities. These functions may be carried out directly by the AIFM, including electronically, or through a third-party service provider. However, when a specific activity requires a local authorisation (e.g. payment intermediation), it may only be entrusted to duly licensed entities in Italy, such as banks or authorised payment institutions.

**LUXEMBOURG:** In Luxembourg, every AIF must appoint either an external Registered AIFM or an external Authorised AIFM, unless the fund itself is structured as a legal entity and has obtained CSSF registration or authorisation as an internally managed AIF. For RAIFs, the requirement is stricter: they must always designate an external AIFM that is authorised in the EEA.

Where an AIF is managed by an Authorised AIFM, or is itself authorised as an internally managed AIF, it must also appoint a depositary established in Luxembourg. The depositary is responsible for cash monitoring, the safekeeping of assets, and the performance of oversight duties in accordance with the AIFM Act. In addition, such AIFs are required to have their annual financial statements audited by a certified statutory auditor (*réviseur d'entreprises agréé*).

**NETHERLANDS:** In the Netherlands, authorised AIFMs are required to appoint a depositary for each AIF they manage. As a rule, the depositary must itself be licensed—typically as a trust office, an investment firm, or a credit institution—unless a specific exemption applies.

Where an AIF managed by an authorised AIFM does not have its own legal personality, the assets under management must be legally owned by a separate entity (the so-called Legal Owner). This entity's articles of association must limit its purpose exclusively to holding the legal ownership of the assets of one or more AIFs. If there is a significant risk that the assets of one AIF might not provide sufficient recourse, the Legal Owner may only hold assets for that single AIF.

**POLAND:** Polish law requires that investment funds and authorised alternative investment companies (AICs) appoint a depositary. The depositary is responsible for safekeeping the assets, maintaining asset records, and monitoring cash flows. This function may only be carried out by certain regulated institutions, such as banks, financial institutions, or the National Depository for Securities.

Funds also appoint agents for maintaining investor registers. For contractual investment funds (CEIFs), cooperation with issuance agents is mandatory. AICs structured as joint-stock companies or partnerships limited by shares must keep a shareholder register, which can only be maintained by specialised entities such as brokerage firms or public notaries.

On the staffing side, investment fund companies (IFCs) are required to employ at least two investment advisers and one licensed securities broker. An authorised AIC manager must employ at least one investment adviser, especially if the AIC is offered to retail investors. In practice, managers usually also engage external providers for valuation, legal, tax, accounting, and other support functions.

**SPAIN:** Spanish law requires the appointment of an AIFM for externally managed AIFs. The AIFM is responsible for portfolio management, risk management, administration, and the marketing of units or shares. Certain functions may be delegated to third-party service providers, provided this complies with the regulatory standards and conditions set out under applicable law.

A depositary must also be appointed, except in the case of AIFs managed by sub-threshold AIFMs under Law 22/2014, where the assets under management fall below the thresholds established in the AIFMD. In addition, each AIF must appoint an external auditor.

AIFMs are obliged to disclose to investors all appointed service providers, specifying their respective duties and outlining the rights of investors in relation to those services.

**SWEDEN:** In Sweden, non-local service providers such as administrators, custodians, and other ancillary service providers are generally not subject to registration or regulation. However, if a Swedish AIFM delegates portfolio or risk management, the delegate must be authorised or registered in its home jurisdiction. Where the delegate is domiciled outside the EU, it is further required to appoint a locally authorised agent in Sweden to receive notifications and service of process from the Swedish regulator.

Where the outsourced function falls within the scope of MiFID services, the provider must hold the appropriate licence under the regulations of the SFSA.

If Swedish law requires the appointment of a depositary for a Swedish AIF, the depositary must be established in Sweden or, at minimum, operate through a Swedish branch.

## 6. Prudential rules and gold-plating thereof

**BULGARIA:** Pension funds in Bulgaria are not permitted to invest in alternative assets (based on the interviews).

For insurers, Bulgaria remains subject to Solvency II regulation, allowing more flexibility in alternative investment allocations (based on the interviews).

**ESTONIA:** Under Solvency II, Estonian insurers face the same framework as in the rest of the EU, including high capital charges on equity and venture capital exposures. The domestic insurance sector is relatively small and invests conservatively. No additional local rules restrict asset allocation for Solvency II firms, which follow the EU's risk-based regime. In principle, Estonian insurers could apply the long-term equity capital charge of 22% for qualifying VC investments, but, as elsewhere in Europe, this option has seen little use.

Estonia's mandatory second pillar pension system has historically been among the most liberal in terms of investment policy. A 2019 reform abolished most asset class caps, allowing pension funds to invest up to 100% in equities (previously limited to 75%). Managers can provide different types of funds, ranging from conservative (bond-heavy) to progressive (without a fixed equity ceiling). There are also almost no restrictions on international investments.

This framework enables Estonian pension funds to allocate to venture capital funds, both domestic and foreign, as part of their equity or alternative portfolios. The system operates under "prudent person" rules, which emphasise diversification and liquidity management instead of rigid limits. However, a change in 2021 made the funded pillar voluntary, allowing participants to withdraw their savings early. This increased the need for liquidity and created uncertainty. As a result, managers have been cautious about committing capital to long-term illiquid assets. In practice, exposure to venture capital has been modest, typically via funds-of-funds or the state-backed Fund of Funds (KRR) to support the local start-up market.

Overall, Estonia maintains few regulatory barriers to VC investment; the main limitations are market-driven (small asset pool and liquidity needs from potential withdrawals) rather than explicit legal restrictions.

**FRANCE:** French insurers are among the largest institutional investors in Europe and are fully subject to the Solvency II regime. This framework imposes high capital charges on private equity and venture capital, with unlisted equities facing shocks of up to around 49% under the standard formula. The French regulator does not apply additional quantitative limits beyond Solvency II, instead relying on the directive's "prudent person" principle. At the policy level, however, France has been active in encouraging investment in the real economy, notably through the creation of supplementary professional retirement funds (FRPS).

The 2018–2019 amendments to Solvency II, strongly backed by France, introduced the Long-Term Equity (LTE) asset class, which benefits from a reduced 22% capital charge for qualifying holdings. French insurers may apply this treatment to venture capital fund exposures provided they commit to holding the investment for at least five years and meet strict conditions. In practice, the requirements — including EEA-only equity exposure and stringent risk management standards — have limited the practical use of the LTE classification. No French-specific capital surcharges apply to VC, but insurers must apply look-through rules to fund investments. Overall, French insurers face the same solvency constraints as their EU peers, but operate within a policy framework that is supportive of greater allocations to private equity.

France's pension system is predominantly pay-as-you-go, leaving limited space for funded institutional pension schemes. A significant development came in 2017 with the introduction of Additional Occupational Pension Funds (FRPS), created through the transposition of the EU IORP II Directive. FRPS are dedicated retirement vehicles governed by French insurance law but subject to prudential rules aligned with Solvency I, rather than Solvency II. French insurers were permitted to transfer their portfolios of retirement contracts into FRPS under ACPR approval, with a deadline of 31 December 2022. By early 2023, most major French insurers active in the retirement market had completed this transfer. In parallel, the 2019 Loi Pacte introduced wide-ranging reforms to defined benefit and defined contribution pension schemes as well as to company long-term savings plans (PERCO), reshaping the structure of occupational and personal retirement savings in France.

**GERMANY:** Germany's insurance sector is fully subject to Solvency II, which in principle grants broad investment flexibility since there are no formal equity caps. In practice, however, venture capital and private equity allocations remain limited because of the high capital charges under the Solvency II standard formula and because of internal risk policies shaped by a traditionally conservative investment culture. Many German life and pension insurers also continue to rely on the Anlageverordnung (Investment Ordinance) for the management of their guarantee assets. This ordinance, updated in 2023, establishes portfolio ceilings for certain asset classes, particularly for smaller insurers outside Solvency II and for pension institutions. Under these rules, "risk capital" assets – covering listed equities, private equity funds, hedge funds, commodities and similar investments – are capped at 40% of the portfolio, up from the earlier 35%. Within this ceiling, private equity funds remain subject to a 15% sub-limit and alternative investment funds such as hedge funds to a 7.5% sub-limit. The 2023 reform also introduced a standalone 5% allocation quota for infrastructure investments, excluded from the general 40% cap.

For insurers, this means that venture capital commitments are constrained both by Solvency II's capital treatment and by the Investment Ordinance's quantitative limits. The German supervisor, BaFin, emphasises strict risk management for higher-risk assets, but there is no targeted capital relief for venture capital beyond the EU-wide long-term equity framework.

The same cautious approach extends to occupational pensions. German schemes include Pensionskassen, Pensionsfonds and pension insurance contracts, all supervised by BaFin. Historically, Pensionskassen and professional pension schemes (Versorgungswerke) applied the Anlageverordnung ceilings to their guarantee assets, which in practice limited equity and private equity exposure to around 35% of total risk assets, with a maximum of 15% in private equity funds. Pensionsfonds, structured more flexibly as defined-contribution vehicles, enjoyed somewhat greater freedom but generally still adhered to prudent allocation rules. The 2023 reform under the Second Pension Strengthening Act expanded the permissible share of risk assets to 40% and introduced a specific carve-out for infrastructure, reflecting policy efforts to foster long-term investment. Overall, while the IORP II framework – implemented in Germany through the EbAV regulation – enshrines the "prudent person" principle, the prevalence of defined-benefit promises and guaranteed interest rates has reinforced a conservative stance towards illiquid assets such as venture capital.

**ITALY:** Italian insurers fall under Solvency II and the national Code of Private Insurance. Since 2016, Italy has not imposed additional quantitative investment limits on insurers; the previous domestic rules were repealed and replaced by the EU's "prudent person" principle. In principle, this allows insurers to allocate to closed-end funds, EuVECAs, ELTIFs and similar vehicles pursuing venture capital strategies, subject to Solvency II's capital requirements.

In practice, however, Italian life insurers frequently manage traditional policies through gestioni separate (segregated accounts), which are governed by conservative rules issued by IVASS (e.g. Regulation No. 38/2018). These internal prudential rules typically constrain risk assets to around 10–20% of the portfolio in order to safeguard guaranteed returns. While not mandated by Solvency II itself, these limitations effectively restrict the role of venture capital in insurers' general accounts. Any material investment in illiquid funds such as VC would also trigger close scrutiny from IVASS to ensure that policyholder protection, governance, and expertise requirements are met. In addition, Solvency Capital Requirement (SCR) charges for venture capital—treated as Type 2 equity—are high, and insurers must apply look-through requirements to underlying holdings, further discouraging large-scale allocations.

Pension funds in Italy are subject to Ministerial Decree No. 166/2014, which establishes both quantitative and qualitative constraints. Pension assets must be invested primarily in regulated markets, with alternative investments capped at 20% of total assets. Within this ceiling, no more than 5% may be invested in a single fund or issuer, ensuring diversification. Closed-end funds, including private equity and venture capital vehicles, fall within this 20% bucket. Beyond the quantitative rules, the decree requires due diligence and ongoing risk monitoring. COVIP, the pension regulator, has issued guidance emphasising that boards must understand the risk characteristics of private equity and venture capital strategies, and that investments should be channelled through vehicles offering sufficient transparency and oversight. Pension funds that use alternative assets must also report to COVIP on risk, liquidity, and valuation methods, reinforcing a qualitative governance layer on top of the numerical caps.

**LUXEMBOURG:** Luxembourg does not impose additional domestic requirements beyond Solvency II in relation to venture capital exposures. Insurers established in Luxembourg are therefore subject to the same equity and fund capital charges as set out under the EU framework, with no national “gold-plating” provisions.

Pension vehicles, such as SEPCAVs and ASSEPs, are regulated by the Law of 13 July 2005 (implementing the IORP Directive) as amended in 2019. These rules are based on the prudent person principle rather than quantitative limits on specific asset classes. Accordingly, pension managers may allocate freely across equities, bonds, real estate, and alternative assets, provided that the investments comply with requirements on diversification, security, and liability matching. The main quantitative restriction concerns employer-related assets, which cannot exceed 5% of the fund’s portfolio in line with IORP II.

**NETHERLANDS:** Dutch insurers are subject to the Solvency II framework, including the high capital requirements attached to equity and venture capital exposures. The Dutch regulator (DNB) does not impose additional quantitative restrictions beyond Solvency II, but places strong emphasis on risk management, own-risk and solvency assessments (ORSA), and liability matching. Any caution towards VC exposure is therefore primarily driven by capital efficiency considerations rather than domestic regulatory prohibitions.

The Dutch pension system, the largest in Europe, is governed by the Pensioenwet and the FTK (financial assessment framework). Both operate on the prudent person principle and do not prescribe statutory limits on asset classes. Pension trustees are expected to manage assets in line with fiduciary duties, diversification, and solvency requirements. This gives Dutch pension funds wide discretion to allocate to private equity and venture capital. In practice, the major funds (such as ABP and PFZW) typically allocate 5–10% of their assets to private equity, with a portion invested in venture capital, often indirectly via funds-of-funds or specialised managers. The main constraints are internal risk policies and liquidity management. Given their long-term investment horizons and scale, Dutch pension funds have become significant institutional backers of venture capital, including through dedicated government-supported fund-of-funds initiatives.

**POLAND:** Poland’s pension framework has been reshaped in ways that effectively exclude venture capital from institutional allocations. The former second-pillar funds (OFEs) were always tightly constrained, limited largely to listed securities with caps on foreign assets. Following the 2014 reform, all OFE government bonds were transferred to the state and the funds were forced into a minimum 75% equity allocation, leaving no room for illiquid alternatives such as private equity or VC.

Between 2019 and 2022, the system was overhauled with the creation of Employee Capital Plans (PPKs), an auto-enrolment defined-contribution scheme, while the OFEs were gradually dismantled. PPKs are structured as target-date funds and subject to prescriptive allocation rules: a fixed split between Polish and foreign equities and bonds, with mandatory weightings (e.g. at least 40% of the equity portfolio in WIG20 large-caps, no more than 30% in mid/small caps, and at least 20% in foreign equities). On the fixed-income side, at least 70% must be invested in treasury or bank debt, with the remainder still confined to liquid instruments. There is no allowance for unlisted securities or illiquid funds, meaning VC allocations are not possible.

The voluntary third-pillar products (IKE/IKZE accounts and employer PPE plans) also route savings primarily through mutual funds or insurance wrappers that focus on listed markets. While individuals may indirectly gain exposure to private equity or venture strategies through specialist vehicles, institutional pension capital in Poland remains barred from VC by design. Historically, foreign investment caps (e.g. OFEs’ 30% ceiling on overseas assets) further reinforced the narrow investment universe, limiting both diversification and alternative allocations.

**SPAIN:** Spain’s pension fund regulations (primarily the Reglamento de Planes y Fondos de Pensiones) impose explicit investment limits. Spanish pension funds must adhere to diversification and maximum exposure rules by asset type.

On the qualitative side, Spain’s pension supervision (Dirección General de Seguros) requires that each fund have an investment policy statement respecting these limits and that the control commission of the plan monitors risk.

Pension funds in Spain cannot invest more than 30% of AuM in UCITS assets (from interview insights).

**SWEDEN:** Sweden's pension system is split between insured occupational pensions and dedicated pension companies or foundations. Insurance-based plans are governed either by Solvency II or, in the case of certain occupational pension companies, by Sweden's implementation of the IORP II framework. Neither regime prescribes fixed quantitative limits, relying instead on the prudent person principle and internal risk management.

A key exception is the state buffer system, particularly the AP funds (AP1–AP4), which are subject to a separate investment law. Recent reforms introduced a cap allowing up to 40% of their portfolios in illiquid assets, including private equity and venture capital, giving them more flexibility while still maintaining diversification safeguards.

Corporate pension foundations and other private occupational vehicles generally operate under the prudent person rule as well, with no statutory ceilings on alternatives. In practice, many prefer to maintain higher liquidity to match liabilities, but this is a market-driven choice rather than a regulatory requirement. Overall, Sweden's pension regulation imposes few hard restrictions, with the AP funds standing out as the main case where explicit limits are codified.

#### SUPPLEMENT B – FDI Restrictions

**BULGARIA:** In Bulgaria, a foreign investor planning to undertake a covered FDI must first obtain prior clearance. The notion of foreign investor includes any individual who is not a national of an EU Member State and who makes, or intends to make, an FDI in Bulgaria, as well as any legal entity seated outside the EU.

Entities established in an EU Member State but controlled by a non-EU person – either directly or indirectly – are treated as deemed non-EU entities and also qualify as foreign investors. The same applies where an EU-based entity or person is contractually bound or otherwise subject to internal rules giving non-EU persons control over the investment, or where an EU entity invests in its own name but on behalf of a non-EU person.

FDIs are subject to screening if they may affect areas listed under Article 4(1) of the EU Investment Screening Regulation and meet any of the following conditions: acquisition of at least 10% of the capital of a Bulgarian undertaking; investment exceeding €2 million; acquisition of at least 10% in a Bulgarian undertaking engaged in high-tech activities; or a “new investment” exceeding €2 million.

These thresholds are set aside where the investor has, directly or indirectly, non-EU state participation in its capital, meaning that even small-scale investments may be screened. The exemption does not apply if the investor is linked to Russia or Belarus, or if the FDI concerns the production of oil-derived energy products and related critical infrastructure. However, Bulgarian law allows parliament to designate certain “low-risk” countries for which small investments with state participation would not trigger review.

**ESTONIA:** In Estonia, the FIRAA (Foreign Investment Requirements and Authorisation Act) applies to any direct or indirect acquisition by a foreign investor of a qualifying holding, control over a target undertaking, or part of its assets. This includes both shareholdings and other forms of influence.

A qualifying holding is defined as owning at least 10% of the shares or voting rights in a target, or having significant influence over its management by other means. Control includes majority voting rights, the right to appoint or remove most members of the management body, control through shareholder agreements, or the ability to exercise dominant influence.

The notion of foreign investor under FIRAA includes (i) natural persons who are nationals of a third country (i.e. non-EU; including dual nationals with at least one third-country nationality) or stateless persons, (ii) undertakings incorporated under the laws of a third country, and (iii) any undertaking controlled by such persons or entities.

FIRAA targets include entities operating in sectors considered strategic or vital to national security and public interest. These comprise providers of essential services such as electricity, gas, fuel, district heating, water and sewage, data transmission, payment and cash circulation services, as well as suppliers of food and medicinal products. The regime also covers all state-owned companies in which the state holds a qualifying holding, defence and dual-use goods producers, media service providers with national reach (TV, radio, print and online news), railway infrastructure managers, certified aerodrome and heliport operators, air navigation service providers, and operators of maritime ports that are part of the trans-European transport network.

**FRANCE:** In France, the foreign direct investment (FDI) screening regime is administered by the Minister of Economy and Finance, with practical handling by the General Directorate of the Treasury (Direction générale du Trésor).

A transaction is subject to prior authorisation if all three of the following conditions are met:

Investor criterion:

- The transaction is carried out by:
  - A foreign natural or legal person; or
  - A French entity controlled by such a foreign person.
- Definition of investment:
  - The transaction qualifies as an “investment” under French law, meaning it involves:
  - The acquisition of control of a French-law entity; or
  - The acquisition of all or part of a branch of activity of a French-law entity; or
  - For non-EU and non-EEA investors only, exceeding—directly or indirectly, alone or jointly—the threshold of 25% of the voting rights of a French-law entity.

Sensitive activity criterion:

- The target entity carries out an activity in France—even occasionally—that:
- Involves the exercise of public authority, or
- Is in a sensitive sector, i.e., an area where the investment may affect public policy, public security, or national defence interests.
- These sensitive activities are defined in a dedicated Decree and include (non-exhaustively):
  - Military and defence-related activities (weapons, ammunition, explosives)
  - Dual-use items and technologies
  - Security of information systems
  - Transport networks and services
  - Water and energy supply
  - Electronic communications networks and services
  - Protection of public health
  - R&D in critical technologies, including:
    - Cybersecurity
    - Artificial intelligence
    - Robotics
    - Semiconductors
    - Quantum technologies
    - Energy storage
    - Additive manufacturing
    - Biotechnologies
    - Dual-use research

An EEA country is treated as an EU Member State only if it has signed an administrative assistance agreement with France for combating tax fraud and evasion. This condition affects the classification of both investors and entities when determining whether the 25% threshold rule applies.

Thus, a prior authorisation is required if the investor is non-EU/EEA (as defined), the transaction meets the investment definition, and the target is active in a sensitive sector.

**GERMANY:** The German FDI screening mechanism applies differentiated rules depending on the sector and the type of investment:

Sector-specific review applies to any direct or indirect acquisition of 10% or more of the voting rights of a domestic company engaged in military-related activities or encryption technologies, by a foreign investor.

Cross-sectoral review applies to any direct or indirect acquisition of 10% or 20% or more of the voting rights of a domestic company active primarily in critical technologies or critical inputs, by a foreign investor.

Domestic companies include:

- Legal entities and partnerships with their registered office or headquarters in Germany.
- Domestic branches of foreign legal entities or partnerships with their own headquarters in Germany.
- Permanent establishments of foreign legal entities or partnerships in Germany, if managed from within Germany.

Foreign investor is defined as:

- For the cross-sectoral review: any investor resident outside the EU or EFTA.
- For the sector-specific review: any investor resident outside Germany, including EU or EFTA investors.

The cross-sectoral review can apply to all business sectors, with a notification requirement triggered by acquisition of companies involved in certain activities, including but not limited to:

- Operators of critical infrastructure (energy, IT, telecoms, transport, health, water, food, financial services) that meet defined thresholds.
- Developers or modifiers of sector-specific software for critical infrastructure.
- Organisations monitoring telecom facilities.
- Providers of cloud computing services above defined thresholds.
- Companies engaged in telematics infrastructure.
- Media companies with broad circulation and public influence.
- Providers of services for state communication infrastructure.
- Companies involved in the design or manufacture of personal protective equipment or production facilities for such equipment.
- Manufacturers or distributors of essential medicinal products, active ingredients, or medical devices relevant to managing life-threatening or highly contagious infectious diseases.

The review applies to acquisitions of domestic companies by way of share or asset deal, if the thresholds below are met:

- In the sector-specific review, notification is mandatory for acquisitions reaching or exceeding 10% of the voting rights.
- In the cross-sectoral review:
  - Notification is mandatory at 10% for acquisitions involving activities 1 to 7 (critical infrastructure etc.).
  - Notification is mandatory at 20% for activities 8 to 27 (public health, media, medical devices, etc.).

A review may also occur at 25% for other sectors, although no notification is required at that threshold.

Subsequent increases in shareholding also trigger new notification and review requirements when reaching or exceeding 20%, 25%, 40%, 50%, 75%, or full ownership—depending on the sector.

Additionally, section 56(3) of the AWW allows review of acquisitions that result in effective control over a domestic company even where the 25% voting rights threshold is not met.

**ITALY:** In Italy, the foreign direct investment (FDI) screening mechanism is governed by Law Decree No. 21 of 15 March 2012, as amended. It allows the Italian government to review and, if necessary, block or impose conditions on foreign investments that may threaten national security, public order, or other fundamental national interests. The review is conducted by the Presidency of the Council of Ministers, through an internal office known as the Department for Administrative Coordination (Dipartimento per il Coordinamento Amministrativo – DICA).

The mechanism applies to investments made by both EU and non-EU investors in a number of sensitive sectors. These include the defence and national security sectors, where the regime covers military-related technologies as well as more recent areas such as 5G networks and cloud infrastructure relevant to public administrations or national interest.

Beyond the defence perimeter, the screening mechanism applies to a wider range of sectors identified in EU Regulation 2019/452. These include critical technologies and dual-use items (such as artificial intelligence, robotics, semiconductors, cybersecurity, aerospace, energy storage, quantum and nuclear technologies, nanotechnologies, and biotechnologies); critical infrastructure (covering energy, transport, water, communications, financial services including credit and insurance, and health infrastructure such as the manufacture and distribution of medical or personal protection devices); the supply of critical inputs (such as raw materials, energy, and food security); access to or control over sensitive information, including personal data; and any investment that could affect the freedom and pluralism of the media.

Transactions in these sectors are subject to prior notification and review if they result in the acquisition of control or significant influence over an Italian entity. The government may prohibit or impose conditions on such investments if it determines that they pose risks to essential national interests. Although the regime applies to both EU and non-EU investors, the level of scrutiny tends to be higher for non-EU entities.

**LUXEMBOURG:** Luxembourg's foreign direct investment (FDI) screening mechanism applies to investments made by foreign investors that are intended to establish or maintain a direct and lasting relationship with a Luxembourg-based entity, provided that the investment grants the investor control over the entity and that the target operates in a critical sector within the Grand Duchy. This mechanism does not apply to portfolio investments—those aimed solely at achieving financial returns without any element of control or influence over the target.

For the purposes of the screening regime, a foreign investor is considered to exercise control if they directly or indirectly hold the majority of the voting rights in a Luxembourg entity; have the right to appoint or remove the majority of the members of the entity's administrative, management, or supervisory body; or are able to control the majority of the voting rights through arrangements with other shareholders. In addition, an investor is presumed to exercise control if they hold 25% or more of the voting rights in the Luxembourg entity.

The screening mechanism is limited to transactions involving entities active in strategic sectors considered essential to public order, security, or national interests. These include energy, transportation, water, healthcare, communications, data processing and storage, aerospace, defence, finance, media, and agri-food industries.

**NETHERLANDS:** In the Netherlands, a general foreign direct investment (FDI) screening regime exists alongside sector-specific mechanisms to safeguard national security. The general regime is established under the *Wet Veiligheidstoets investeringen, fusies en overnames* (Vifo Act), which entered into force on 1 July 2023 but applies retroactively to transactions completed after 8 September 2020. This retroactive scope means that post-closing reviews are possible.

The regime is further detailed in two implementing decrees: the *Besluit veiligheidstoets investeringen, fusies en overnames* (Decree on Security Review on Investments, Mergers and Acquisitions) and the *Besluit Sensitieve Technologie* (Decree on Sensitive Technology). However, sector-specific regimes continue to apply in the telecom, electricity, and gas sectors, governed respectively by Article 86f of the *Elektriciteitswet 1998*, Article 66e of the *Gaswet*, and Chapter 14a of the *Telecommunicatiewet*. In those cases, the Vifo Act does not apply.

The Minister of Economic Affairs and Climate is responsible for administering the regime. In practice, notifications are submitted to the *Bureau Toetsing Investeringen* (BTI), a specialised unit within the Ministry.

The Vifo Act applies equally to Dutch, EU, and non-EU investors and covers three categories of target undertakings:

Vital suppliers, defined as undertakings whose services are considered essential to Dutch society, such as providers of heat transport, nuclear energy, air transport, gas storage, extractable energy, banks, and financial market infrastructure.

Undertakings active in sensitive technologies, including those involved in dual-use items requiring an export licence under Article 3(1) of EU Regulation 2021/821, as well as military products. The Decree on Sensitive Technology expands the scope by designating technologies such as quantum, photonics, semiconductors, and high-assurance technologies as sensitive or highly sensitive. However, the Vifo Act's retroactive application does not extend to technologies added to the list only through the Decree.

Operators of business campuses, which are entities that manage areas hosting a concentration of enterprises engaged in public-private partnerships focused on strategic or economically important technologies.

For the Vifo Act to apply, the target undertaking must be established in the Netherlands, meaning it has its principal place of business or effective management in the country. The legal form or registered office is not determinative. Furthermore, even if a target does not directly qualify as a vital provider, campus operator, or sensitive technology company, it may still fall within scope if it exercises control or significant influence over another Dutch-based entity that does.

**POLAND:** Polish foreign direct investment (FDI) screening is governed by the Act of 24 July 2015 on the control of certain investments. The Act establishes a dual structure for investment control, with responsibilities divided between certain members of the Council of Ministers and the President of the Office of Competition and Consumer Protection (UOKiK). Specifically, the Minister of State Assets and the Minister of Defence handle cases involving 17 strategic companies listed in a government order, while UOKiK is responsible for overseeing transactions involving other protected entities.

The purpose of the regime is to safeguard public order, safety, and health, as stated in Articles 2 and 12b of the Act. Although UOKiK published procedural guidelines in May 2024, these do not include definitions or interpretative guidance on the substantive terms "public safety" or "public health."

The Act applies to investments by investors from outside the EU, EEA, or OECD that result in acquiring or reaching significant participation thresholds—defined as 20% or 40% of voting rights—or gaining control over a protected entity. The threshold of 20% captures even minority stakes. However, internal corporate reorganisations that do not involve new investors are exempt. The scope of the regime also includes asset deals.

The sectors covered by the screening regime include electricity production, fuel production and transport, fuel storage, gas regasification and liquefaction, chemicals and fertilisers, manufacturing and trade of military and police-use goods (including explosives), and gas or electricity distribution.

**SPAIN:** In Spain, foreign direct investments (FDI) are regulated by Article 7 bis of Law 19/2003, of 4 July, which requires prior authorisation when two cumulative conditions are met: one relating to the nature of the investment, and the other to the investor's origin or ownership.

An investment falls under the regime if it results in the acquisition of 10% or more of the share capital of a Spanish company, or if it entails the acquisition of control over a Spanish company or assets, according to the definitions in the EU Merger Regulation and the European Commission's Consolidated Jurisdictional Notice.

The regime applies when the investor is not a resident of the EU or EFTA, either because they are based in a third country or, although based in the EU or EFTA, are ultimately owned or controlled by non-EU/EFTA persons. Ownership or control is presumed when non-EU/EFTA persons directly or indirectly hold at least 25% of shares or voting rights in the investor, or otherwise exercise control.

The regime only applies to investments in companies operating in strategic sectors. These include:

- Critical infrastructure, as listed in the National Catalogue of Strategic Infrastructure under Law 8/2011, covering physical or virtual infrastructure related to energy, transport, water, health, communications, media, data processing or storage, aerospace, defence, electoral and financial systems, and sensitive land or real estate.
- Critical technologies and dual-use items, as defined in EU Regulation 2021/821, covering areas such as artificial intelligence, semiconductors, robotics, cybersecurity, energy storage, quantum and nuclear technologies, and nanotechnologies.
- Key enabling technologies identified in the Horizon Europe programme, such as advanced materials, photonics, nano- and microelectronics, digital security, and connectivity.
- Technologies developed under projects or programmes financed significantly by EU or Spanish funds, especially those listed in the Annex to Regulation (EU) 2019/452.
- The supply of critical inputs, particularly non-substitutable components or software essential to the continuity of basic services or state functions. In practice, the Ministry of Economic Affairs and Digital Transformation (MINECO) gives special attention to market shares and the strategic materials listed in Regulation 2024/1252, including the lists of strategic and critical raw materials.
- Access to or control of sensitive information, especially personal data or data related to strategic infrastructure, essential services, or official non-public databases, as well as any activity subject to a GDPR Impact Assessment under Article 35(3) GDPR.
- The media sector.

Prior authorisation is mandatory where all conditions are met, and the investment concerns any of these strategic sectors.

**SWEDEN:** Sweden's general screening regime for foreign direct investments (FDI) is governed by the Swedish Foreign Direct Investment Review Act (FDI Act), which entered into force on 31 December 2023. The Act applies to transactions closing on or after that date. It complements an earlier screening mechanism introduced in January 2021 under the Protective Security Act (PSA), which concerns the transfer of security-sensitive activities. While the FDI Act falls under the scope of Regulation (EU) 2019/452 on FDI screening in the EU, the Swedish government considers that the PSA does not.

The FDI Act applies to investments in undertakings with their registered office in Sweden that conduct activities deemed eligible for protection. The rules apply regardless of the investor's country of origin, meaning that domestic-to-domestic investments are covered. However, only transactions involving investors from outside the EU may be prohibited or subject to conditions on national security grounds.

The regime covers a broad range of investment forms, including direct and indirect acquisitions of shares, listed and unlisted, as well as asset deals and internal restructurings. Notification is required when the investment results in the acquisition or increase of voting rights to or beyond the thresholds of 10%, 20%, 30%, 50%, 65%, or 90%, or when the investor otherwise gains influence over the target's management. Different thresholds apply for certain entities such as limited partnerships or trusts, and for greenfield investments. Share issuances on a pro rata basis are excluded from the regime.

The screening applies irrespective of the size or value of the transaction, and there are no market share or deal value thresholds. Covered sectors include:

- Essential services: These include services, infrastructure, or activities considered necessary to ensure societal functions and public safety. The Swedish Civil Contingencies Agency (MSB) has issued detailed regulations defining a wide range of such services.
- Security-sensitive activities: Activities falling under the scope of the PSA.
- Sensitive personal data and location data: Involves large-scale processing of special categories of personal data under Article 9(1) GDPR, or the use of products or services involving the processing of location data from fixed or mobile communication networks.
- Critical raw materials, metals and minerals: Covers prospecting, extraction, enrichment, or sale of materials strategically important to Sweden, as listed in Annex 1 of the Government ordinance on FDI review.
- Military equipment: Includes the development, manufacture, research, or supply of military equipment or technical support for such equipment under the Military Equipment Act.
- Dual-use items: Covers items listed in Annex I of Regulation (EU) 2021/821, including their development, manufacture, or technical support.
- Emerging and strategic technologies: Refers to the research, development, or supply of products or technologies considered emerging or strategically important. A detailed list is provided in Annex 2 of the FDI review ordinance.

Overall, the Swedish FDI Act establishes a comprehensive framework that captures a broad spectrum of investments and sectors, with a strong focus on national security, public safety, and technological sovereignty.

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