

France Digitale's answer to the consultation on EU venture and growth capital funds reform

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About France Digitale: Founded in 2012, France Digitale is the largest startup association in Europe, bringing together over 2,000 startups, investors (venture capitalists and business angels), and incubators. The association's goal is to enable startups to scale across the EU single market and help build Europe's tech champions.

Executive summary

France Digitale welcomes the European Commission's initiative to review the regulatory framework for EU venture and growth capital fund managers, within the context of the broader Savings and Investment Union (SIU) strategy and the EUR 750–800 billion annual investment gap to be filled in.¹ This consultation addresses critical barriers that prevent EU fund managers from achieving the scale necessary to compete globally and adequately support the financing needs of European scaleups. A more competitive and integrated EU fund ecosystem is essential to mobilise long-term capital for innovative European companies and to reduce the financing gap relative to global competitors.

Our key positions:

We call on the Commission to introduce a **tiered regulatory framework** with three levels:

- **removal of national goldplating** for sub-EUR 500 million managers,
- a **reformed EuVECA**, to be called **EU Growth** and to act as a "28th regime" for venture and growth capital (EUR 500 million to EUR 2 billion),
- a **full AIFMD** scope above EUR 2 billion.

This framework must eliminate national gold-plating through maximum harmonisation, reduce reporting burdens and support for proportionate regulation that reflects the specific risk profiles and business models of venture and growth capital funds.

To mobilise capital and facilitate cross-border fundraising and investment, the Commission should also **incentivise institutional allocations** into the revised EU Growth/EuVECA funds.

Challenges faced by EU venture and growth capital funds

The current regulatory framework creates obstacles for fund managers seeking to operate across borders in the EU. This fragmentation contradicts the Savings and Investments Union objectives and prevents the emergence of larger European fund managers capable of providing the substantial capital required by scaleups.

While investor protection is paramount, the current "one-size-fits-all" approach fails to account for the distinct risk profile of venture and growth capital funds (long-term, illiquid, sophisticated investors). European startups face a critical funding gap at the growth stage, forcing many to seek financing from non-EU investors and/or relocate. EU fund managers need both greater individual fund sizes to write larger tickets and the ability to operate multiple funds across borders efficiently.

¹ European Commission, *Communication on the Savings and Investment Union* COM(2025) 124 final (published 19 March 2025).

The current landscape is characterised by barriers that prevent optimal capital allocation. Some Member States add requirements beyond EU minimum standards through gold-plating, forcing fund managers to navigate complex and divergent regulatory regimes. Public and private institutional investors impose local investment requirements and "home country" allocation percentages rather than allowing European portfolio construction. The EUR 500 million threshold adds unnecessary complexity for fund managers who wish to market cross-border, as they must opt in to full AIFMD requirements. AIFMD reporting requirements prove costly and time-consuming, requiring manual and data entries, and external providers to complete them. Finally, EuVECA is not recognised by institutional limited partners (LPs) as providing meaningful advantages, whilst its restrictive eligibility criteria exclude most scaleup investments.

Practitioner perspectives

« We initially launched OneRagtime under the EuVECA framework, which was well suited to an emerging structure and involved lighter operational, human and financial costs. However, we later transitioned to an AIFMD structure at the request of institutional investors, who viewed this regulatory status as more robust and more aligned with the standards expected from professional asset managers. » – Stéphanie Hospital, CEO and founder of OneRagtime, and Vice-President of France Digitale

« The reporting burden is substantial: external providers must be hired to comply with AIFMD reporting several times in a year, the XML format requires manual document completion, and the process is both time-consuming and costly, particularly for teams of approximately 20 people. » – Emmanuelle de Roux, Chief Financial Officer at Ventech

« European venture capital faces barriers that prevent the emergence of scaled and competitive fund managers, compared to our American and Asian competitors. National and regional fragmentation forces artificial geographic allocation preventing us from deploying capital based on opportunity and merit. Moreover, Europe's fragmented pension systems provide far less capital to VC than the US model, and our lack of liquidity events creates a vicious cycle that limits returns and capital recycling. Fund-of-funds and tax incentives for cross-border investment would help to allow capital to flow freely to the best opportunities so we can support our scaleups through their full growth trajectory. » – Alexis Le Portz, Partner at Truffle Capital

« Beyond the baseline of MiFID II, the absence of a unified 'professional investor' standard creates significant hurdles. National regimes often introduce additional or bespoke categories (such as Germany's "semi-professional investor" status), each with its own eligibility criteria and minimum investment thresholds. In practice, these regulatory differences make cross-border fundraising very challenging as they increase administrative and compliance burdens for fund managers, and ultimately reduce the overall efficiency of the European Capital Markets Union. » – Charles Rousset, Chief Financial Officer and Secretary General at Serena Capital

« EuVECA offers a simplified European passport, enabling VCs to market throughout the EU without requesting separate national authorisations. This represents substantial savings in both time and procedural costs. However, EuVECA's lack of visibility remains problematic. Beyond the passport benefits, compliance obligations constitute a significant financial burden. Our externalised RCCI (compliance officer) has become a major expense item, with de facto imposed daily rates between EUR 1,000 and EUR 1,500. Our compliance budget thus increased by 30% between 2022 and 2023. These direct costs do not include tool expenses or the considerable staff time spent on investor onboarding and KYC collection. » – EuVECA-eligible Venture Capital Fund

« The European passport isn't automatic: we must notify each country through the AMF, then local regulators validate and charge fees. It's both administratively burdensome and costly. The EUR 500 million threshold is a glass ceiling: cross it and you face full AIFMD whether managing EUR 600 million or EUR 3 billion, massive reporting, ultra-strict compliance eating profitability and time. France Digitale advocates for a '28th regime' (EU Growth) opening all 27 markets instantly and raising the threshold to EUR 2 billion so VC funds can complete 2-3 growth cycles before facing regulation designed for financial giants. » – Clara Yeremian, Senior Fund Controller at Revaia

Assessment and calibration of AIFMD and EuVECA thresholds

The current EUR 500 million threshold creates a critical barrier to scaling for venture and growth capital fund managers. It creates a "regulatory cliff" that discourages growth near the threshold and triggers full AIFMD compliance at a stage where fund managers lack resources for extensive reporting.

Below the threshold, national approaches diverge significantly. France is among the most exigent Member States and this may contribute to its underperformance in venture capital investment as a percentage of GDP compared to Nordic or Benelux countries, despite France having the largest absolute venture capital market in Europe. According to Invest Europe data, France recorded EUR 13.8 billion in venture capital investment in 2024, yet this represents 0.48% of GDP compared to Sweden's 0.89% or Estonia's 0.71%.²

France Digitale's proposal: a tiered framework

France Digitale's primary objective is to enable the emergence of **larger venture and growth capital fund managers** capable of competing globally while maintaining appropriate investor protection. This objective aligns with the SIU's goal of channeling European savings toward investment in innovation.

To achieve this goal, the regulatory framework must enable fund managers to grow from EUR 100–500 million to EUR 1+ billion in assets under management (AuM) without prohibitive regulatory friction. The framework must facilitate seamless fundraising and investment across EU Member States while reducing national and regional investment mandates that constrain capital allocation to the most promising projects. Regulatory requirements must match actual risk profiles. Finally, appropriate regulatory frameworks must be established to channel institutional (pension and insurance) and retail savings into venture capital.

The reform of venture and growth capital legislation has to be effective to the broader SIU strategy. The EUR 10 trillion of retail savings currently held as bank deposits³ represents an enormous untapped resource for financing European innovation. Regulatory frameworks must inspire confidence and incentivise investment in VC asset classes, cross-border barriers must be eliminated to create scale and liquidity, and regional fragmentation must end to the whole Europe's benefit, enabling capital allocation based on opportunity rather than national or local mandates.

For the EU venture and growth capital funds reform, **we propose a tiered framework with three distinct levels** to address the scaling challenges faced by venture and growth capital fund managers.

² Invest Europe, [European Private Equity Activity Report 2024](#) (published February 2025).

³ European Commission, [Savings and Investments Union Communication](#), COM(2025) 124 final, 19.3.2025

Tier 1: Below EUR 500 Million in AuM

Maximum harmonisation principles should apply to prevent Member States from requiring full authorisation beyond EU minimum standards, especially for sub-threshold managers.

Tier 2: EUR 500 Million to EUR 2 Billion AuM – EU Growth as “the 28th Regime for Venture and Growth Capital”

We propose transforming EuVECA into “EU Growth”: the "28th regime" for venture and growth capital, creating a voluntary opt-in framework for fund managers that sits alongside national regimes. This approach would provide fund managers with a credible alternative to attract LPs.

Proportionality rationale: Fund managers between EUR 500 million and EUR 5 billion represent only approximately 8% of EU AuM, according to ESMA data cited in the European Commission's targeted consultation document (2026).⁴ The current EUR 500 million threshold creates an immediate cliff. A tiered approach creates breathing room for scaling by reducing regulatory burden without meaningful increase in systemic risk. In the current geopolitical context, venture and growth capital funds should benefit from additional proportionality, given their focus on supporting real economy growth. A EUR 2 billion threshold better serves the policy objective of enabling scaled European VC managers because it provides the necessary runway for a typical growth trajectory (2-3 fund cycles), ensures managers only face maximum compliance when they genuinely have institutional scale and appropriately balances investor protection with competitiveness given the minimal systemic risk at this level (8% of EU AuM).

Framework characteristics: EU Growth would provide full management and marketing passporting rights across the EU. Reporting requirements would be scaled appropriately to the risk profile of venture and growth capital funds. Operational requirements would be simplified for venture and growth specialists. Fund managers could opt in from zero AuM, with the EUR 2 billion threshold subject to review in three to five years if circumstances change.

Investment flexibility: The reformed framework must permit investment in all non-listed companies, particularly scaleups. The current requirement to invest 70% in small and medium-sized enterprises should be removed to reflect the reality of growth capital investment and provide managers with the flexibility needed to construct optimal portfolios. Annual turnover or balance sheet thresholds and employee number limits should be increased substantially. The framework must allow follow-on investments in portfolio companies that exceeded thresholds after the initial investment to continue supporting it throughout its growth trajectory. This is essential for the venture capital business model, enabling funds to preserve ownership and support winners.

Rebranding and positioning: We recommend rebranding EuVECA as "EU Growth" to create a meaningful and recognisable label. The current name lacks market resonance and fails to communicate the framework's purpose to institutional and retail investors.

Institutional investor access: The framework should incentivise investment from insurance companies and pension funds through appropriate regulatory mechanisms. This could include proportionate capital treatment under Solvency II and application of the prudent person principle under the IORP Directive (Article 19).

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https://finance.ec.europa.eu/document/download/d970bdc8-b9fe-44b6-91e2-d205846c569f_en?file_name=2026-venture-growth-capital-funds-targeted-consultation-document_en.pdf

Retail investor access: EU Growth investors investing at least EUR 100k should benefit from proportionate protection measures appropriate to their commitment level and the nature of venture capital investment, rather than the maximum protection framework designed for liquid retail products. This approach enables funds to access a broader LP base while maintaining appropriate investor protection. This measure aligns with the SIU objective of channeling retail savings toward productive investment.

Tier 3: EUR 2+ Billion AuM

Managers above EUR 2 billion in AuM would operate under full AIFMD scope with enhanced supervision reflecting their systemic importance. All AIFMD-authorized funds under 2 billion AuM would automatically qualify as EuVECA/EU Growth vehicles, ensuring coherence across the regulatory framework.

The transition to fully authorized AIFM creates significant operational and financial challenges, requiring managers to implement new compliance infrastructure, reporting systems and organisational frameworks while simultaneously managing fundraising and portfolio activities. To prevent the current "regulatory cliff" effect, we recommend introducing a 6-12 month transitional period when managers exceed the EUR 2 billion threshold.

Benefits of the proposed approach

For fund managers, the proposed framework would provide access to LP capital throughout the EU while reducing compliance costs substantially. The facility of passporting throughout the European Union, combined with harmonised reporting and operational requirements, would eliminate the current fragmentation where fund managers must navigate 27 different national regimes, each with distinct documentation, timing, and procedural demands. The "28th regime" approach of EU Growth offers a credible alternative to navigating 27 different national frameworks and incentivises the mobilisation of capital at EU level.

Institutional and retail investors would benefit from greater choice of specialised managers and access to the best emerging managers regardless of location. The framework would enable portfolio diversification across the EU and align with the SIU objective of optimal capital allocation. A harmonised "professional investor" standard would reduce legal uncertainty.

European startups and scaleups would gain better access to growth capital and support for cross-border expansion. Larger fund sizes would enable venture capital managers to write the substantial cheques required during growth stages, reducing dependency on non-EU capital sources.

For the EU as a whole, these measures would create deeper and more integrated capital markets, directly enabling the SIU's EUR 10 trillion retail savings mobilisation objective identified in the Commission's March 2025 Communication. The emergence of competitive EUR 500 million to EUR 5 billion venture and growth capital funds would strengthen European sovereignty in strategic technologies.

A forward-looking strategy

The Commission's preparatory analysis highlights a key barrier: EU venture and growth capital funds face difficulties attracting institutional investors such as pension funds, insurance companies and long-term savers, which are critical LPs for scaling funds. This impedes the ability of EU-based managers to reach scales that would enable them to compete with US and Asian peers.

The SIU must prioritise measures that make investment in VCs more attractive for institutional investors. This includes developing EU-wide long-term savings products that channel household and institutional savings into VC funds, updating prudential and capital requirements and adapting risk-based capital treatments to facilitate greater allocation to equity-like fund structures. In particular, obtaining regulatory adjustments under Solvency II and the IORP Directive to reduce capital costs is the key to unlocking institutional allocations.

We support the Commission's development of Savings and Investment Accounts (SIAs) as a mechanism to channel European household savings toward investment in innovation. However, to change citizen behaviour at the speed and scale required to address the EUR 750–800 billion annual investment gap, Europe must be willing to deploy carefully designed fiscal incentives.

The UK's Enterprise Investment Scheme (EIS) and Seed Enterprise Investment Scheme (SEIS) demonstrate how tax relief can successfully de-risk long-term equity investment while mobilising retail capital into high-growth companies. Over two decades, these schemes have channelled billions of pounds into British startups and scaleups, creating a cultural shift toward equity ownership and patient capital allocation.

We recommend that the European Union adopts a disciplined version of such incentives, tied to long holding periods, eligibility criteria limiting incentives to qualifying investments in EU Growth funds or direct investments in European growth companies in strategic sectors, transparency and guardrails against mis-selling. **A capital gains relief after a minimum holding period, loss relief and inheritance tax incentives would reward patient ownership and retail participation.**

Beyond retail mobilisation, we support public-private structures that put long-duration institutional balance sheets to work financing European growth capital. Insurance entities structurally require assets matching their extended liability schedules. A **European 'top-up' mechanism could bridge this gap by enabling long-dated European Investment Bank issuance, purchased by insurers, to invest in or finance private growth funds focusing on European strategic sectors.** The EIB could participate either through direct co-investment alongside conventional limited partners, while accepting concessional or zero fee arrangements reflecting its public mandate, or via subordinated financing instruments ranking ahead of equity but behind senior debt. This top-up approach could extend to state investment vehicles operating nationally or thematically. Executed with appropriate safeguards, this establishes a transmission mechanism converting cautious institutional savings into entrepreneurial risk capital and sustainable infrastructure strengthening European economic sovereignty. The critical challenge is achieving pan-European scale while maintaining governance independence from political interference and commercial discipline sufficient for sustained performance delivery.

Conclusion

The reform of the EU venture and growth capital funds framework represents a strategic imperative within the Savings and Investment Union agenda. Without ambitious reform, European scaleups will continue relying on non-EU capital, value creation and strategic control will shift outside Europe, and the EUR 750-800 billion annual investment gap in innovative companies will persist.⁵

France Digitale urges the Commission to seize this opportunity to create the regulatory conditions for European venture and growth capital funds capable of competing globally. The transformation of EuVECA into EU Growth – a credible "28th regime" for venture and

⁵ European Commission, *Communication on the Savings and Investment Union* COM(2025) 124 final (published 19 March 2025).

growth capital – combined with elimination of national gold-plating and regional investment mandates, would mark a decisive step toward achieving Capital Markets Union objectives.

The regulatory foundation established today will determine whether European startups become global champions or relocate to more supportive ecosystems.

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