

Capital markets union: agreement on venture capital rules

EU rules on venture capital and social enterprises are to be adjusted with the aim of **boosting investment** in start-ups and innovation.

On 30 May 2017, representatives of the Council and the European Parliament agreed on amendments to rules governing investment funds in this sector.

The proposed regulation is part of the EU's plan to develop a fully functioning capital markets union, **diversifying funding sources** for Europe's businesses and long-term projects. It is also linked to the EU's investment plan for Europe.

"If European SMEs are to grow and develop, it is indispensable that financing - both bank and capital market financing - is readily available", said Edward Scicluna, minister for finance of Malta, which currently holds the Council presidency

"This regulation will help stimulate market financing and thereby boost economic growth."

The EU has been falling **behind the United States** in this sector. According to the Commission, an extra €90 billion would have been available between 2009 and 2014 for financing European companies if venture capital markets had been as developed as in the US.

The proposal adjusts rules adopted in 2013 to encourage investment in European venture capital funds (Euveca) and European social entrepreneurship funds (Eusef).

Amending regulations 345/2013 and 346/2013, it makes those funds available to **fund managers** of all sizes and expands the **range of companies** that the funds can invest in. It also makes the **cross-border marketing** of such funds cheaper and easier.

Regulations 345/2013 and 346/2013 lay down requirements for investment in Euveca and Eusef funds, which relate respectively to:

young and innovative companies;
enterprises whose aim is to achieve a positive social impact.

Presidency and Parliament representatives agreed on the following amendments:

larger fund managers, i.e. those with assets under management of more than €500 million, will henceforth be able to market and manage Euveca and Eusef funds;

the **range of companies** in which Euveca funds can invest is expanded to include unlisted companies with up to 499 employees (small mid-caps) and SMEs listed on SME growth markets.

Next steps

The agreement will be submitted to EU ambassadors in the coming days for endorsement on behalf of the Council. The Parliament and the Council will then be called on to adopt the regulation without further discussion.

The regulation will start to apply **three months after its entry into force**.

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