



Mr Michel Barnier  
Commissioner Internal Market and Services  
European Commission  
200 Rue de la Loi  
1049 Bruxelles

16 August 2011

Dear Commissioner,

I write to you regarding the on-going work on creating a new European regime for venture capital. BUSINESSEUROPE believes that the EU should create a passport that would allow managers to manage small funds and to raise capital across the EU.

In Europe, companies, and especially small and medium-sized companies, depend highly on bank lending to access finance. New capital rules for banks will affect the ability of banks to lend to businesses and liquidity requirements will lead to a bias towards government debt as opposed to equity which is considered more risky. A similar effect is caused by the implementation of Solvency II rules which discourage investments in long-term bonds below AAA-rating.

As demand for capital intensifies, companies will thus find it increasingly difficult to obtain the finance they need for investment. It is crucial that European rules on venture capital support market liquidity and make it easier for businesses to access debt and equity funding investments. Investors should be encouraged to invest long-term risk capital in European companies at a time when we need such partnerships between European companies and long-term European investors to generate employment and economic growth.

Therefore, the EU should create a passport that would allow managers to manage small funds and to raise capital across the EU. The scope of such a proposal should be broad to include both venture and enterprise capital funds and also other investors such as "business angels", high net worth individuals, and family offices as these are an important part of the investor base of small funds. In order not to cut off capital from these latter categories, a fitting regime would allow investments as well from institutional and professional investors as defined in the Markets in Financial Instruments Directive (MiFID), but also from investors that would invest a high minimum amount of capital and/or can provide an independent and reliable assessment of their financial know how. Any regime for small fund managers should be voluntary to avoid disproportionate burdens for funds which choose to operate domestically and/or do not wish to obtain an EU-wide passport.



There should be a separate initiative for small funds' managers rather than a modification of the Alternative Investment Fund Managers Directive (AIFM Directive) as many of the provisions of that directive are not proportionate for them. The aim of such a new EU regime should not be to facilitate tax incentives as the main problem faced by small funds' managers involved in cross-border activities relates to fundraising and not investing. Issues related to taxation should be addressed in separate initiatives.

Lastly, it is important that small and medium-sized companies which are owned by funds managed by the same funds' manager do not lose their SME status in the context of the EU SME definition. Application of the concept of "linked enterprises" included in the EU definition should thus not lead to aggregating all those companies so that they are no longer considered to be an SME in the context of the definition.

We remain at your disposal should you wish to discuss this subject further.

Yours sincerely,

Philippe de Buck