

EN  
P-015835/2015  
Answer given by Lord Hill  
on behalf of the Commission  
(23.2.2016)

The Capital Market Union (CMU) Action Plan<sup>1</sup> and the Single Market Strategy<sup>2</sup> advocate the creation of a venture capital "fund of funds" as one way to increase finance for companies in their start-up and expansion phase in the European Union. This crucial step in the corporate finance chain is underdeveloped, particularly outside larger Member States.

The precise funding arrangements and mandate for such a vehicle are still under preparation by the Commission. Options that are being explored include a combination of budgetary commitments under existing EU programmes, including Horizon 2020 and resources available through the European Fund for Strategic Investments SME<sup>3</sup> equity window.

The Commission agrees that steps to tackle regulatory, administrative and tax barriers are needed alongside the use of funding instruments. The CMU Action Plan also foresees measures to improve the regulatory framework for European Venture Capital funds (the EuVECA Regulation<sup>4</sup>) to facilitate cross-border marketing/capital-raising by those vehicles, and to promote effective tax treatment of venture capital finance.

These actions are additional and complementary to the existing possibilities for EU support to venture capital for SMEs available, for example, under the European Structural and Investment Funds<sup>5</sup>.

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<sup>1</sup> Communication from the Commission Action Plan on Building a Capital Markets Union (COM(2015) 468).

<sup>2</sup> Communication from the Commission Upgrading the Single Market: more opportunities for people and business (COM(2015) 550)

<sup>3</sup> Small and medium-sized enterprises

<sup>4</sup> Regulation (EU) N° 345/2013 of the European Parliament and of the Council of 17 April 2013 on European venture capital funds (OJ L 115, 25.4.2013, p. 1).

<sup>5</sup> In the 2007-2013 period there are 162 equity funds operating with Structural Funds resources in 16 Member States, both at national and regional level, using EUR 900 million of Structural Funds, and support to equity is also possible under the ESIF framework for 2014-2020.