MALTA

KEY FACTS
EUROPEAN VC FUNDS

THE EUROPEAN VENTURE CAPITAL FUNDS REGULATION IS A REGULATORY FRAMEWORK INTRODUCED BY THE EUROPEAN UNION TO PROMOTE THE GROWTH OF SMALL AND MEDIUM-SIZED ENTERPRISES (SMES) BY FACILITATING ACCESS TO VENTURE CAPITAL.

The EuVECA (European Venture Capital Funds) Regulation makes it easier for fund managers to establish venture capital funds focused on investing in young, innovative companies. The EuVECA designation allows venture capital funds to market themselves across the EU with a "passport," eliminating the need for separate registrations in each country. The EuVECA regime aims to invigorate the venture capital market in Europe, creating a more streamlined and efficient investment environment for startups and SMEs.

KEY FEATURES

> **Investor Eligibility:** EuVECA funds are marketed to professional investors and qualifying high-net-worth individual

> **Fund Structure:** At least 70% of the capital must be invested in qualifying companies, typically unlisted SMEs that meet specific venture capital criteria

> **Cross-Border Benefits:** The EuVECA label allows funds to operate in multiple EU member states, encouraging cross-border investment in innovative businesses

CAN A PROFESSIONAL INVESTOR FUND BECOME AN EUVECA?

A Malta Professional Investor Fund (PIF) can qualify as an EuVECA fund, provided it meets the necessary requirements under both the PIF framework and the EuVECA Regulation.

HOW IT WORKS

EuVECA Requirements

> The fund must register under the EuVECA Regulation, which applies to managers of smaller funds with assets under management below the threshold set by the Alternative Investment Fund Managers Directive (AIFMD).

> The fund must invest at least 70% of its capital in qualifying businesses, which are primarily unlisted SMEs.

> The fund can only market to professional investors and qualifying high-net-worth individuals as defined by the EuVECA Regulation.

Compatibility with the Malta PIF

> Malta PIFs are typically aimed at professional and high-net-worth investors, making them compatible with the EuVECA investor criteria.

> PIFs are flexible structures that can accommodate various investment strategies, including venture capital investments, provided the structure and operations align with EuVECA rules.

> Malta has a well-regulated and flexible financial services framework, which makes it an ideal jurisdiction in which to domicile EuVECA-compliant funds.

Fund Manager Requirements

> A Malta-based fund manager of a PIF wishing to establish the fund as an EuVECA must register with or be authorized under the EuVECA framework.

> If the manager is under the AIFMD threshold (€500 million for unleveraged, closed-end funds), they can choose to operate under the EuVECA Regulation and benefit from the EU-wide marketing passport.

ADVANTAGES OF STRUCTURING A MALTA PIF AS AN EUVECA

EU Passport for Cross-Border Marketing

> EuVECA's cross-border marketing passport allows the fund to market across the EU, without needing separate authorizations in each jurisdiction, opening up a broader investor base and reducing administrative costs.

Targeted Investor Base

> EuVECA funds can reach professional investors and eligible high-net-worth individuals. The EuVECA label adds credibility, appealing to investors looking for regulated venture capital opportunities.

Lighter Regulatory Burden

> EuVECA offers a lighter regulatory regime than AIFMD. Managers of EuVECA funds do not need to comply with the full range of AIFMD requirements if their assets under management are below the AIFMD thresholds. This results in lower compliance costs and simplified reporting requirements, while still providing a solid regulatory framework that offers investor protection. Dedicated to Venture Capital and SMEs

> EuVECA is designed to invest in SMEs and startups, making them attractive to investors seeking high-growth, innovative businesses. This aligns with EU policy goals to promote entrepreneurship and innovation.

Enhanced Investor Confidence

> The EuVECA label provides a level of standardization and regulatory oversight that can increase investor confidence. Funds operating under EuVECA adhere to specific EU-wide standards, enhancing credibility and attracting investors who value regulatory oversight.

Growth-Focused and Regionally Supported

> EuVECA funds can invest across Europe, allowing managers to take advantage of regional differences in innovation and growth potential. They may also benefit from public policies aimed at fostering venture capital and SME development within the EU.

Flexible, Transparent Reporting

> EuVECA offers simplified reporting requirements, reducing administrative burdens while ensuring investors receive clear, transparent information about investments, risks, and costs.

In summary, the EuVECA framework streamlines cross-border investments in SMEs, providing a flexible regulatory regime, access to a targeted range of investors, and an EU-wide marketing passport, all while maintaining a focus on supporting innovative and high-growth companies across Europe.