12 March 2026

Via online submission: https://finance.ec.europa.eu/regulation-and-supervision/consultations-0/targeted-consultation-eu-venture-and-growth-capital-funds-reform_en

European Commission
1049 Bruxelles
Brussels, Belgium

Re: European Commission, Targeted Consultation on the EU Venture and Growth Capital Funds Reform

Dear Sir/Madam

MFA[1] appreciates the opportunity to respond to the European Commission's ("**Commission**") targeted consultation on the functioning of the Alternative Investment Fund Managers Directive ("**AIFMD**"), with a particular focus on small and mid-sized alternative investment fund managers ("**AIFMs**") and the development of venture and growth capital in the European Union ("**EU**") (the "**Consultation**").[2]

MFA supports the Consultation's goals of seeking to tailor the AIFMD for the benefit of smaller AIFMs and provide reasonable, targeted relief for smaller AIFMs. MFA represents a broad cross-section of global alternative asset managers, many of which operate within, and are authorised under, the AIFMD framework. Our members provide long-term capital to European businesses, offer investment opportunities for institutional investors including pension funds, and play an important role in supporting innovation, productivity and economic resilience across Member States.

AIFMD has made a meaningful contribution to investor protection, supervisory convergence and the establishment of an EU framework for alternative investment management. However, more than a decade after its introduction, market structures, fund strategies and investor expectations have evolved considerably. Certain core elements of the current framework – particularly threshold design, reporting architecture, governance

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1 Managed Funds Association ("**MFA**"), based in Washington, D.C., New York City, Brussels, and London, represents the global alternative asset management industry. MFA's mission is to advance the ability of alternative asset managers to raise capital, invest it, and generate returns for their beneficiaries. MFA advocates on behalf of its membership and convenes stakeholders to address global regulatory, operational, and business issues. MFA has more than 180 fund manager members, including traditional hedge funds, private credit funds, and hybrid funds, that employ a diverse set of investment strategies. Member firms help pension plans, university endowments, charitable foundations, and other institutional investors diversify their investments, manage risk, and generate attractive returns throughout the economic cycle.

2 European Commission, Targeted Consultation on Venture Capital and Growth Capital Funds (2026), avail. at https://finance.ec.europa.eu/document/download/d970bdc8-b9fe-44b6-91e2-d205846c569f_en?filename=2026-venture-growth-capital-funds-targeted-consultation-document_en.pdf

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calibration and leverage measurement – may no longer adequately reflect the diversity of business models and risk profiles across the industry.

Executive Summary

A summary of MFA's comments is as follows:

- **AIFM asset size alone is an insufficient proxy to assess whether regulatory relief is appropriate**. AIFMD continues to rely heavily on static Assets under Management ("**AuM**") thresholds that trigger abrupt transitions from registration to full authorisation. This "cliff effect" imposes a substantial and immediate escalation in prescriptive requirements, even where a manager's underlying liquidity profile, leverage usage and investor base remain unchanged. Closed-ended funds with locked-up commitments, limited leverage and professional investors may exceed quantitative thresholds without elevating systemic risk.
- **MFA recommends a more risk-based and outcomes-focused approach**. High-level standards for governance, investor protection and risk management should continue to apply across all AIFMs. However, detailed procedural and documentary requirements should be reserved for clearly identified risks. We encourage consideration of graduated supervisory tiers to reduce artificial growth disincentives, such as structured transition or observation periods when thresholds are exceeded, and recalibration of reference metrics – potentially including Net Asset Value ("**NAV**").
- **MFA further recommends reconsideration of the leverage measurement under Annex IV**. Reliance on gross metrics, such as Gross Notional Exposure ("**GNE**"), can overstate economic risk by failing to account for netting, hedging and collateral. More economically meaningful measures would improve supervisory insight while avoiding unintended distortions. Refinements to leverage metrics should avoid rigid quantitative caps that could impair prudent risk management practices.
- **MFA recommends that the Commission reconsider the duplicative, inefficient dual-sided reporting regimes.** The same is true for divergent national pre-marketing notification procedures, which also should be reconsidered. A single EU-wide reporting hub accessible to national competent authorities ("**NCAs**"), greater harmonisation, and a move toward single-sided reporting would reduce administrative burden and improve data quality without weakening oversight.
- **MFA urges the Commission to preserve longstanding global market access through delegation and National Private Placement Regimes ("NPRRs")**. The Commission further should avoid importing bank-style prudential concepts into a sector that **does** not take deposits, does not benefit from public backstops, and manages long-term capital on behalf of professional investors. A proportionate, calibrated and internationally coordinated approach will be critical to ensuring that regulatory reform strengthens – rather than constrains – the EU's competitiveness in global alternative asset management.

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While our comments are framed in the context of this targeted Consultation, they are intended more broadly to identify opportunities to improve the overall AIFMD framework, including as it applies to larger AIFMs.

As many of the recommendations set out in this response fall outside the scope of the ongoing negotiations on the Market Integration and Supervision Package, MFA encourages due consideration in the Commission's wider review and future reform initiatives.

MFA stands ready to continue engaging constructively with the Commission and supervisory authorities to develop a framework that preserves robust investor protection and financial stability, while fostering capital formation, innovation and sustainable growth across the EU. Should you have questions or require additional information, please do not hesitate to contact Nicolo Bertoncello (nbertoncello@mfaalts.org) or the undersigned (rhailey@mfaalts.org).

Yours faithfully,

/s/ Rob Hailey

Rob Hailey
Managing Director, Head of EMEA Government Affairs
MFA

ANNEX

QUESTIONS AND RESPONSES

Q 1.2. Do you consider that the requirements under the current AIFMD framework adequately take into account the diversity of business models and risk profiles of small and mid-sized AIFMs? Yes/No/Don't know. Please explain. [textbox, max 5000 characters]

MFA response

No.

In practice the Directive remains predominantly calibrated to the organisational complexity, footprint and risk characteristics of large, diversified alternative asset managers. Many of its core requirements – notably those relating to governance, risk management, reporting, and remuneration – are applied in a largely uniform manner once authorisation thresholds are crossed, with insufficient differentiation based on underlying risk drivers.

For instance, AIFMs managing closed-ended funds typically operate with investments subject to considerable contractual withdrawal restrictions, limited or no leverage, low portfolio turnover and a professional investor client base. Such characteristics materially reduce liquidity, contagion, and run risks. However, AIFMD continues to equate assets under management ("**AuM**") as a proxy for risk, despite the fact that size alone is a poor indicator of systemic relevance.

Fixed compliance costs under AIFMD – particularly those related to reporting, governance and organisational requirements – disproportionately affect smaller and mid-sized managers. These costs do not scale with risk and consume a significantly higher share of management fee revenues than for large managers, directly constraining the ability of emerging AIFMs to grow and expand cross-border.

The current framework therefore incentivises structural inefficiencies, including the artificial fragmentation of fund structures or the deliberate limiting of AuM to remain below regulatory thresholds. These inefficiencies often are only mitigated by reliance on third country structures, which helps smaller AIFMs remain competitive.

A more risk-based and proportionate approach – tailored to fund structure, leverage, liquidity and investor base – would significantly improve the effectiveness of the AIFMD while strengthening, rather than weakening, supervisory focus on areas of genuine risk.

Q 1.3. Do the current national regimes applicable to nationally registered, small-size AIF managers (AuM < EUR 500 million) need a more proportionate regulatory approach? Yes/No/Don't know. Please explain. [textbox, max 5000 characters]

MFA response

Yes.

MFA recommends a more proportionate approach to the regulation of small-size AIF managers than currently exists. As documented in the Commission's study ("**EC Study**") ,[3] in several jurisdictions[4] sub-threshold regimes have evolved into quasi-authorisation systems, imposing extensive reporting obligations, local substance requirements, supervisory fees and operational constraints that exceed the minimum standards envisaged by the AIFMD. This divergence undermines the functioning of the Single Market, increases legal uncertainty and discourages cross-border fundraising, ultimately running contrary to the stated objectives of the Savings and Investments Union.

A more proportionate and harmonised approach would lessen the administrative burden and create a more gradual pathway from sub-threshold status to full authorisation, rather than the current, steep regulatory cliff. Greater convergence in national regimes is critical, as member states would strengthen the role of sub-threshold managers as an entry point for innovation, competition and new investment strategies within the EU alternative investment ecosystem.

Q 1.4. Do AIFMD provisions applicable to mid-size AIFMs (AuM > EUR 500 million) need a more proportionate regulatory approach? Yes/No/Don't know. Please explain. [textbox, max 5000 characters]

MFA response

Yes.

The transition from sub-threshold status to full AIFMD authorisation currently entails a substantial and immediate increase in regulatory obligations, even though the manager's underlying risk profile typically remains materially changed. The EC Study confirms that this "cliff effect" discourages managers from scaling organically, consolidating funds or expanding cross-border.[5] Mid-sized managers frequently face compliance costs that are comparable in structure – though not in scale – to those borne by very large AIFMs, despite operating significantly simpler business models.

A more tailored, proportional approach to regulation would ensure that applicable rules reflect the size, operations, complexity and strategy of the investment manager. The current AIFMD framework includes detailed procedural and documentary requirements in areas such as risk management, remuneration and governance: all areas where equivalent regulatory outcomes could be achieved in a less prescriptive manner. Allowing firms greater flexibility in how they meet overarching standards would preserve investor protection while enhancing cross-border efficiencies and fostering competition among different business models.

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3 European Commission, Study of Barriers to and Drivers of the Scaling-Up of Venture Capital and Growth Capital Funds (2025), avail. at https://op.europa.eu/en/publication-detail/-/publication/6531d67f-a978-11f0-89c6-01aa75ed71a1/language-en.

4 *See id* at §4.3 (citing comparative matrices of ten different countries, including Belgium, France, Germany, Italy, Luxembourg, Netherlands, Poland, Estonia).

5 *Id.* at p.177.

Importantly, considerations of proportionality should apply beyond merely small and mid-sized AIFMs. A risk-based and outcomes-focused approach should apply to all AIFMs, including large managers. Linking regulatory intensity mechanically to AuM creates structural disincentives to grow. Increasing the level or intensity of regulation as firms cross AuM thresholds discourage expansion, and as discussed above, incentivise managers to engineer their business to remain below regulatory categories (or simply invest for growth in non-EU jurisdictions). Linking an increasing number of prescriptive rules to size alone creates obstacles to firms' ability to scale-up, with consequences for the EU's competitiveness.

MFA supports the Commission's consideration of changes to the threshold reference basis from AuM to Net Asset Value ("**NAV**"), which may more accurately reflect economic exposure. However, irrespective of the metric used, thresholds should not trigger automatic and materially more burdensome requirements. It is possible to maintain consistent, high-level regulatory standards across all AIFMs while calibrating the degree of prescription downward as firms grow, without compromising effective supervision and investor protection. This would mitigate cliff-edge effects and support organic development of EU-based managers.

Similarly, the current authorisation process remains complex, time-consuming and costly. Simplifying and streamlining authorisation would reduce barriers to market entry and expansion, contributing to a more competitive alternative asset management ecosystem in Europe. Enhanced and structured dialogue with mid-sized and larger AIFMs would allow regulators to better understand operational realities and test the appropriateness of supervisory expectations in practice.

Finally, coordination with other major jurisdictions is essential. The UK's Financial Conduct Authority ("**FCA**") is currently reviewing its classification framework and exploring enhanced proportionality within its regime. Maintaining active dialogue with UK authorities – and with other key markets – will be critical to avoiding regulatory divergence that could disadvantage EU managers. The U.S. Securities and Exchange Commission ("**SEC**") has long supported proportionate requirements for certain smaller private fund managers. A coordinated approach will help preserve and enhance EU competitiveness, support capital formation and ensure that regulatory reform strengthens, rather than constrains, the EU's position in global alternative asset management.

Q 2.1. Do you find the current AIFMD framework – featuring two separate AuM thresholds (EUR 100 million for leveraged AIFs and EUR 500 million for unleveraged AIFMs), both incorporating leverage in the calculation – appropriate? Yes/No/Don't know. Please explain. [textbox, max 5000 characters]

MFA response

No.

The current binary regulatory structure does not sufficiently reflect the diversity of modern fund structures and strategies, nor does it meaningfully distinguish between managers with fundamentally different risk profiles. Many private credit or venture capital funds are closed-ended, deploy capital over multi-year investment horizons, and operate with extended redemption limits. These strategies typically employ limited leverage at the fund level and do not have depositors or offer regular redemptions (*i.e.*, the funds do not engage in liquidity transformation). Their risk transmission channels therefore differ materially from other fund types. Nonetheless,

the current framework relies heavily on quantitative AuM thresholds – combined with inaccurate, exaggerated leverage measurements – that may trigger full authorisation and enhanced regulatory obligations without a corresponding change in actual risk.

Including certain forms of structural or portfolio-level leverage in AuM calculations can artificially accelerate threshold breaches. MFA does not support including leverage in AuM calculations for this reason. Subscription credit facilities or portfolio company-level financing, for example, are common and often prudentially managed tools in private markets. They however may inflate exposure metrics even where investor commitments remain locked up and liquidity risk is unchanged. This dynamic further contributes to cliff-edge effects and may distort growth incentives, encouraging managers to structure around thresholds rather than expand organically.

More broadly, and this concern applies to the entirety of the AIFMD framework, the way in which leverage is currently measured and reported can be misleading. Annex IV reporting relies on distorted metrics such as Gross Notional Exposure ("**GNE**"), which presents an incomplete and sometimes distorted view of leverage risk.

GNE moreover does not necessarily account for offsetting exposures, hedging arrangements or collateral, and therefore may overstate economic risk. As the Bank of England and other central banks have observed, identical gross exposure figures can reflect very different underlying risk profiles depending on the characteristics of the positions involved.[6] Gross exposure metrics alone also meaningfully fail to indicate potential losses, margin calls, or liquidity demands that a fund may face. The use of GNE thus weakens the usefulness of leverage thresholds that rely on such measures and may lead to supervisory conclusions that are not risk-sensitive. (Please see also MFA's response to Question 4.4.)

MFA supports a proportional and outcomes-based approach to regulation to ensure that applicable rules reflect the size, operations, complexity, and strategy of the investment manager. High-level standards for governance, investor protection, and risk management should apply consistently across all AIFMs. However, granular and highly prescriptive requirements should be reserved for clearly identified circumstances where specific risks warrant detailed intervention. The current framework contains procedural and documentary requirements that could achieve the same regulatory outcomes through more flexible means, thereby preserving investor protection while enhancing cross-border efficiencies and competition among different business models.

With respect to thresholds specifically, proportionality in regulatory limits should enable firms to grow without triggering abrupt and disproportionate increases in regulatory burden. Linking a greater number of prescriptive rules to the mere crossing of quantitative thresholds creates structural disincentives to scale and may reduce the attractiveness of the EU as a location for expansion. Shifting the reference basis from AuM to NAV would better

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6 *See, e.g.*, Bank of Eng., Financial Stability Report 64–66 (Dec. 2013) (explaining that gross notional and other headline exposure measures can be misleading because economically similar positions may entail very different levels of market, credit, and liquidity risk depending on netting, collateralization, maturity, and optionality); Bank for Int'l Settlements, OTC Derivatives Statistics at End-June 2014, BIS Q. Rev., Sept. 2014, at A121, A123 (noting that gross notional amounts "tend to overstate economic risk" and that risk exposures depend on contract characteristics and offsetting positions).

reflect economic exposure. However, irrespective of the metric used, thresholds should not automatically entail an escalation of prescriptive requirements: MFA recommends a reasonable period of transition between the two, so that the escalation of regulatory obligations is more gradual and less of a cliff. It is possible to maintain consistent high-level regulatory standards across all AIFMs while calibrating supervisory intensity and reporting frequency in a manner that avoids cliff-edge effects.

Q 2.2. Is the current EUR 500 million AuM threshold as triggering the requirement to obtain an AIFM license appropriate, particularly considering market evolution, inflation, effective oversight and other factors? Please explain and provide evidence. Consider the pros and cons and indicate particularly the possible impact national discretions have on the single market. Yes/No/Don't know. Please explain. [textbox, max 5000 characters]

MFA response

No.

The current threshold was established more than a decade ago in a markedly different market environment and has not been recalibrated to reflect structural developments in EU capital markets, the growth of private assets, inflationary effects, or the evolution of fund structures. Over time, this static threshold has become less effective as a proxy for systemic relevance or supervisory priority.

As discussed in MFA's response to Question 2.1, AuM is an imperfect indicator of risk. Nevertheless, crossing this arbitrary threshold triggers a substantial and immediate increase in regulatory obligations. This cliff-edge effect moreover discourages managers from scaling organically, consolidating strategies, or expanding cross-border – all outcomes that run counter to the objectives of the Savings and Investments Union. This cliff-edge also may discourage business combinations with other managers that are in the best interests of the funds they manage.

MFA encourages the Commission to conduct a comprehensive cost-benefit analysis grounded in current market data collected from AIFMs to support any reconsideration of existing AuM thresholds. Such an assessment would allow policymakers to evaluate how many firms are captured by the threshold, the incremental supervisory benefits achieved, and the compliance costs imposed – especially on mid-sized managers.

Importantly, recalibration should not be limited to a simple inflation-based adjustment. Inflation alone does not drive growth in AuM; it is the structural expansion of the private capital industry, institutional allocation trends and capital formation dynamics that tend to increase manager size. A more appropriate approach would be to periodically re-run the analytical framework originally used to set the thresholds, using updated market data to determine whether the calibration remains proportionate. This would ensure that the threshold remains risk-sensitive and evidence-based over time.

Consideration should also be given to introducing intermediate tiers with graduated obligations. A tiered system could allow supervisory intensity and reporting frequency to increase progressively and preserve effective oversight while avoiding disproportionate compliance burdens.

National discretions further complicate the picture. Divergent supervisory practices, gold-plating and varying interpretations of organisational requirements can amplify the regulatory impact of crossing the threshold and

fragment the Single Market. Greater harmonisation and supervisory convergence would reduce uncertainty and support cross-border activity.

Q 2.5. Which other regulatory changes, if any, do you consider necessary in the context of establishing and operationalising thresholds under AIFMD? [textbox, max 5000 characters]

MFA response

Several complementary regulatory changes are necessary to ensure that thresholds function as an effective, proportionate and growth-supportive tool.

First, as stated above, the current binary structure of the AIFMD threshold regime should be replaced with a graduated or phased regulatory tiers. The abrupt transition from registration to full authorisation creates a well-documented cliff effect that can discourage asset managers from growing their businesses. Introducing intermediate tiers with progressively enhanced obligations would allow a move away from a regime where a sudden and comprehensive compliance burden would be triggered solely based on aggregated AuM.

Second, MFA supports well-defined opt-in and transition mechanisms to ease the movement from sub-threshold obligations to full AIFMD authorisation. Consideration should be given to introducing an appropriate observation or grace period – such as 180 days – when a manager passes the relevant threshold. This would allow firms to adjust operationally, enhance systems where necessary, and engage constructively with supervisory authorities without facing immediate disruption. Without such transition mechanisms, firms may be compelled to take action to avoid crossing the threshold, thereby distorting market behaviour. In formulating any proposal, the Commission should seek to decouple threshold crossing from automatic and immediate escalation of prescriptive requirements, focusing instead on structured regulatory engagement.

Finally, leverage definitions and calculation methodologies should be refined. As noted above, certain forms of temporary or structural leverage – such as subscription facilities – may artificially inflate exposure metrics without materially increasing financial stability risks. Aligning leverage measurement more closely with economic exposure and liquidity risk would materially improve the relevance of thresholds as supervisory indicators.

Q 4.1. Which AIFMD provisions, if any, do you consider impose disproportionate administrative or operational burdens on midsized AIFMs, and where would targeted proportionality measures most improve efficiency without reducing investor protection or effective oversight? [textbox, max 5000 characters]

MFA response

Annex IV reporting represents one of the most significant recurring and resource-intensive burdens under AIFMD. While this burden is particularly acute for mid-sized AIFMs with limited economies of scale, the need for reform applies to all AIFMs, irrespective of size. The frequency, granularity and standardisation of Annex IV reporting requirements are broadly identical for mid-sized and very large AIFMs, despite substantial differences in operational complexity, strategy, leverage usage and footprint. As confirmed by the Commission's study[7] and by

[7] *See supra* note 3.

ESMA's recent consultations, reporting and disclosure obligations rank among the highest compliance costs faced by market participants.

Further, there is growing divergence between Annex IV reporting and the Form PF regime administered by the SEC and the Commodity Futures Trading Commission ("**CFTC**"). Both reporting regimes were developed after the 2008 financial crisis to support macroprudential monitoring of systemic risk. Over time, however, both Annex IV and Form PF have expanded far beyond their initial mandates. MFA recommends that the Commission coordinate with U.S. regulators to refocus Annex IV on its core objective: monitoring systemic and macroprudential risks arising from AIFM activities. Fields and data requirements that do not directly serve this purpose should be streamlined or removed. A more focused approach would reduce operational burden without diminishing supervisory effectiveness.

In addition to the intrinsic complexity of Annex IV, AIFMs face duplicative transaction reporting obligations across multiple EU regimes. A number of EU directives and regulations impose "dual-sided" reporting requirements on both sell-side firms (such as banks and brokers) and buy-side firms (such as asset managers). Examples include transaction reporting under MiFID, derivatives reporting under EMIR, securities financing transaction reporting under SFTR, and wholesale energy product transaction reporting under REMIT.

The U.S. and other jurisdictions rely on the dealers to report transactions. MFA recommends that the Commission follow suit and eliminate such dual-sided reporting in favour of single-sided reporting, whereby the executing dealer – already subject to extensive trade reporting infrastructure and supervisory oversight – would be solely responsible for fulfilling the reporting obligation.

Dual-sided reporting increases operational costs, raises the risk of inconsistent or mismatched data, and imposes significant infrastructure burdens on asset managers – particularly smaller and mid-sized firms. Often, dealers already report transactions on behalf of buy-side counterparties pursuant to contractual arrangements. Smaller and mid-sized firms also incur considerable expense should they elect to outsource reporting to a third-party vendor.

With single-sided reporting, authorities would continue to receive sufficient information from the dealer side, which is generally better positioned in terms of systems and reporting capacity. Eliminating duplicative reporting would reduce barriers to entry, support new managers, and enhance EU competitiveness – objectives fully aligned with the Commission's capital markets integration agenda. It would also bring the EU closer in line with other global financial centres.

Beyond reporting, governance and organisational requirements can also impose disproportionate burdens. Independence criteria, internal function segregation and extensive documentation obligations are frequently calibrated to large institutional structures. For partnership-based or entrepreneurial mid-sized firms, compliance may require artificial restructuring rather than meaningful risk mitigation. Remuneration rules similarly introduce complexity, particularly where carried interest models already embed long-term alignment.

In addition, procedural inefficiencies outside core reporting merit attention. For example, divergent national pre-marketing notification procedures for non-EU AIFMs create avoidable costs and delays. Introducing a single EU-

wide template for pre-marketing notifications would enhance clarity, predictability and administrative efficiency, making the EU a more attractive destination for international investment.

Importantly, these suggested improvements are not limited to mid-sized AIFMs. Streamlining duplicative reporting, refocusing Annex IV on macroprudential objectives, harmonising procedures and reducing unnecessary prescription would benefit all AIFMs and strengthen the overall attractiveness and competitiveness of the EU alternative asset management framework, while fully preserving investor protection.

Q 4.4. Which elements of the Annex IV AIFMD reporting, leverage reporting and regulatory disclosures could be streamlined for midsized AIFMs to reduce recurring compliance costs while preserving effective supervisory oversight and the integrity of the market? Please explain. [textbox, max 5000 characters]

MFA response

Annex IV reporting presents a significant opportunity for refinement while fully preserving supervisory effectiveness and market integrity. Although mid-sized AIFMs bear a disproportionate share of the operational burden due to more limited resources, improvements to reporting architecture would benefit all AIFMs and enhance the quality, comparability and usefulness of regulatory reporting data across the EU.

A more proportionate calibration of reporting frequency would be appropriate for closed-ended funds with long investment horizons, stable capital structures and limited leverage. Such funds typically do not experience rapid changes in liquidity profile or exposure. Adjusting reporting intervals to better reflect the underlying risk dynamics would meaningfully reduce recurring compliance costs without impairing supervisory visibility.

Beyond frequency, the content and methodology of leverage reporting warrants careful reassessment. GNE, which captures the total size of derivative positions without recognising offsetting exposures, netting arrangements, collateral or margin, can significantly overstate economic risk. Identical gross exposure figures may correspond to materially different risk profiles depending on whether positions are directional, hedged, margined or centrally cleared. The same concern applies to other gross leverage metrics, including measures of gross synthetic leverage, which do not account for sensitivity to risk factors or distinguish between derivatives used to increase risk and those used to hedge it. Indeed, as noted earlier, the Bank of England has explicitly noted that GNE "is not informative about the potential losses and liquidity demands that a fund could face," precisely because it omits these critical contextual elements.

More comprehensive risk metrics would provide supervisors with a more accurate understanding of actual exposure. Mark-to-market leverage, for example, reflects the current value of positions and incorporates netting and margining, offering a more economically meaningful picture of risk. Other approaches, such as commitment-based or regulatory leverage measures used in certain jurisdictions, may also be appropriate in specific contexts. In assessing leverage-related risks, MFA urges regulators to consider factors including netting arrangements, asset class, tenor, margin and collateral practices, and clearing status. These dimensions materially affect the degree of financial stability risk posed by a position and allow for more tailored macroprudential analysis.

At the same time, refinement of leverage metrics should not lead to rigid or prescriptive leverage caps.

Leverage can be employed in different ways and may be used as a risk-mitigating tool employed to hedge interest rate, currency or credit exposures and thereby reduce overall portfolio volatility. Counterparty credit risk is actively managed by financing providers through margin requirements, haircuts and ongoing monitoring. These market-based mechanisms capture real-time risk far more effectively than static quantitative limits. An overly prescriptive approach could disrupt legitimate risk management practices and impair market functioning. A framework grounded in transparency, governance and internal risk controls would better align with fiduciary obligations while safeguarding financial stability.

Ongoing work in the US to recalibrate Form PF – originally designed for macroprudential monitoring – highlights the importance of refocusing systemic reporting on its core purpose. Both Form PF and Annex IV have expanded well beyond their initial objective of enabling regulators to monitor for systemic or macroprudential risk. Closer coordination between EU authorities and their international counterparts to streamline overlapping fields and concentrate on data that directly informs financial stability analyses would reduce irrelevant information, improve comparability between jurisdictions, and strengthen supervisory insight.

Finally, harmonised interpretation and implementation across Member States remains essential. Divergent approaches to Annex IV data points create reconciliation costs and uncertainty for cross-border managers. Clearer definitions, consistent data standards and materiality thresholds would improve data quality while reducing operational complexity.

Q 4.6 Which AIFMD remuneration related requirements, if any, disproportionately affect midsized AIFMs, and how? Which proportionality measures, if any, warrant particular consideration and what cost savings would they imply? [textbox, max 5000 characters]

MFA response

The current rules concerning remuneration result in significant and disproportionate operational costs for firms, primarily arising from the compilation of disclosures, engagement with material risk-takers, commissioning legal analysis, and the production of relevant documentation. Firms' experience is that counterparties – the primary intended user – are not utilising the remuneration data as part of their investment decisions.

It is also the case that the current rules are out of step with other major jurisdictions – including the U.S., Singapore, Hong Kong and emerging offshore financial centres – placing the EU at a competitive disadvantage in a global marketplace for talent. This can serve as a disincentive for firms to expand their operations in the EU and/or for international firms to consider the EU as a destination for investment.

Q 6.1. What specific challenges or inefficiencies within the current regulatory framework (outside the scope of the market integration and supervision package which reviews the AIFMD regarding fund managers operating in a group structure, passporting for depositary services and improved cross-border marketing of funds) have not been addressed in this consultation, and should be considered by the Commission in the EU venture and growth capital funds reform? [textbox, max 5000 characters]

MFA response

Beyond the immediate scope of this consultation, MFA sees several structural inefficiencies that continue to constrain the scalability and global competitiveness of EU markets and merit coordinated reform:

- A central concern remains the fragmentation of supervisory reporting across Member States. Asset managers are frequently required to submit substantially similar information to multiple NCAs, each operating distinct systems, formats and timelines. While direct supervision should remain national, the establishment of a single EU reporting hub – accessible by NCAs – would materially reduce duplication, improve data consistency and enhance supervisory coordination. What is often perceived as a lack of data actually is a consequence of nationally siloed reporting. A centralised infrastructure would strengthen oversight while reducing administrative cost.
- In parallel, dual-sided reporting obligations under regimes such as MiFID/R, EMIR and other transaction reporting frameworks continue to impose unnecessary burdens. Requiring both sell-side and buy-side counterparties to report the same trade creates duplication and increases the risk of inconsistent data. A shift to single-sided reporting – placing the obligation on the executing dealer, which already maintains the necessary reporting infrastructure and expertise – would reduce barriers to entry, particularly for smaller managers, and improve overall data quality. This reform would directly support Single Market objectives and enhance EU competitiveness.
- Annex IV reporting also warrants further recalibration. As noted elsewhere, GNE leverage metrics without sufficient recognition of netting, collateral and hedging misrepresent actual risk exposure. Revising Annex IV to incorporate more economically meaningful measures of leverage – aligned with fund strategy and risk profile – would greatly improve supervisory insight while reducing unnecessary complexity for firms. It furthermore is critical that policymakers resist importing bank-like prudential concepts into the alternative asset management framework. AIF managers do not take deposits, do not benefit from public backstops, and manage long-term capital on behalf of professional investors within robust governance and disclosure frameworks. Imposing rigid, bank-style capital or leverage requirements would risk creating disproportionate burdens, discouraging innovation and placing EU managers at a competitive disadvantage relative to other global financial centres. A calibrated, risk-sensitive approach remains essential.
- Cross-border market access must also be preserved and strengthened. Delegation arrangements and NPPRs are integral to globally diversified investment strategies and provide EU investors with access to international opportunities. Their continued availability is critical to maintaining the EU's integration within global capital markets. In this context, divergent national pre-marketing notification regimes for non-EU AIFMs create avoidable cost and delay. A single EU-wide pre-marketing notification template would enhance predictability and efficiency, reinforcing the EU's attractiveness as an investment destination.
- The Short Selling Regulation similarly merits targeted reform to better support liquidity and price discovery. Short selling contributes to market efficiency, enhances liquidity, supports price formation and assists in identifying corporate misconduct. The current firm-level public disclosure regime for net short positions may inadvertently reduce activity, encourage herding behaviour and increase volatility. Replacing individual public disclosures with anonymised, aggregated issuer-level disclosures, establishing a centralised EU portal for short position reporting, and limiting short selling bans to exceptional

circumstances would preserve transparency while protecting legitimate risk management and trading strategies. Alignment with recent UK reforms – such as aggregate issuer-level disclosure, clearer scope definitions and the removal of certain sovereign restrictions – would reduce cross-border inconsistencies for firms operating in both jurisdictions.

- Finally, broader tax fragmentation, divergent investor classification rules and constraints arising from interactions with other prudential regimes continue to impede cross-border capital formation. Addressing these issues in tandem with reporting simplification, enhanced supervisory coordination and proportionate prudential calibration would materially strengthen the effectiveness of venture and growth capital reform.