

EU INDEX CARD

EuSEF - A Regulatory Framework for Social Investment Funds

SBI Key Action # 1

What is it?

The **EuSEF Regulation** sets out a voluntary label for “*European Social Entrepreneurship Funds*”, allowing investors and social enterprises to identify the European funds investing in social businesses.

The approach is simple: the manager of a social entrepreneurship fund established in the EU can apply to the **National Competent Authority (NCA)**³ of his Member State to obtain the “EuSEF” designation. Provided the requirements defined in the Regulation are met, the manager of the fund is then registered with the **European Securities and Markets Authority (ESMA)**⁴ and can use the EuSEF label to market his fund across the European Union.

The EuSEF Regulation aims to:



Regulatory framework



Key Resources

- European Commission proposal for a Regulation of the European Parliament and of the Council on European Social Entrepreneurship Funds (COM(2011)862):
<http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52011PC0862>
- Regulation No. 346/2013 as adopted by the European Parliament and the Council:
<http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32013R0346>
- ESMA website:
<http://www.esma.europa.eu/>
ESMA is an independent EU Authority that contributes to safeguarding the stability of the European Union's financial system by ensuring the integrity, transparency, efficiency and orderly functioning of securities markets, as well as enhancing investor protection.
- List of the NCAs and Board Members:
<http://www.esma.europa.eu/bos>
*Each European MS designates, by law or regulation, a **National Competent Authority** responsible for undertaking the registration of fund managers falling within the scope of the Regulation (e.g. Financial Conduct Authority in the UK or Autorité des Marchés Financiers in FR). The registration forms and procedures for each MS are available on the respective NCA website.*
- Central Database of registered EuSEF managers:
<http://www.esma.europa.eu/content/venture-Capital-and-Social-Entrepreneurship-Funds>

Consultation on the implementing measures of the Regulations on EuSEF (and EuVECA):
<http://www.esma.europa.eu/consultation/Consultation-implementing-measures-Regulations-EuSEF-and-EuVECA>

European Commission website - EuSEF:
http://ec.europa.eu/finance/investment/social_investment_funds/index_en.htm

EVPA | EU Webinar #1 | “EuSEF Regulation” | 25 June 2014:
<http://evpa.eu.com/research-and-policy/policy/eu/eu-webinar-series/>

In practice

Who is eligible?

The EuSEF Regulation No. 346/2013² applies to fund managers who meet the following criteria:

Managers of funds	Art. 2	<ul style="list-style-type: none"> Managing portfolios of qualifying social entrepreneurship funds Established in the EU Below the €500m threshold of the AIFMD*
Funds' portfolio composition	Art. 3(b)	<ul style="list-style-type: none"> Min. 70% of fund capital invested in social sector organisations ("<i>social undertakings</i>") Max. 30% of fund capital invested in non-qualifying investments
Eligible investment instruments and techniques	Art. 3(e)	<ul style="list-style-type: none"> Equity or quasi-equity Secured or unsecured debt and loans Any other type of participation
Eligible investors	Art. 6	<ul style="list-style-type: none"> Professional clients Willing to invest at least €100,000 Have confirmed in writing that they are aware of the risks associated with their investment
Organisation, conduct and transparency of managers	Art. 5	Exposure limited to level of committed capital
	Art. 7	Conduct of business
	Art. 9	Conflicts of interests
	Art. 10	Clear and transparent impact measurement procedures
	Art. 12	Valuation of assets
	Art. 13	Reporting

* Cf. Art. 3(2) of EU Directive 2011/61/EU on Alternative Investment Fund Managers

How does it work?

The EuSEF label assignment process comprises the following steps:

- Fund managers** interested in acquiring the EuSEF label need to register with the National Competent Authority (NCA) of their home Member State
- The **NCA of the home Member State** has the regulatory supervision and compliance responsibility, including the final decision of accepting or rejecting EuSEF applications
- In case of acceptance, the information is passed on to **European Securities and Markets Authority (ESMA)** which keeps a central register of EuSEF funds (updated every 3 months)
- ESMA informs the relevant NCAs of the host Member State(s) in which the fund managers intend to market their fund about the approved EuSEF-registration
- Upon completion of the registration process, the EuSEF-fund managers can use the EuSEF label to market their funds in the host Member State(s) in which they are registered

EuSEF is a voluntary regulatory regime!

Even if they meet these criteria, fund managers have the flexibility to choose whether to register for EUSEF designation, based on their own cost-benefit analysis.

EuSEF-funds today

Since the entry into force of the EuSEF Regulation in July 2013, 3 funds (run by 2 managers) have been registered and included in ESMA's database⁵ (situation in September 2015):



Manager: BonVenture Management GmbH, München
NCA: Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin)
EuSEF: MRI-Pilotfonds and GmbH & Co. KG
Home MS: DE
Host MS: DE, AT



Manager: Phitrust Partenaires
NCA: Autorité des Marchés Financiers (AMF)
EuSEF: Phitrust Partenaires
Home MS: FR
Host MS: BE, DE, FR, LU, NL, UK

Contact

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