BlackRock

17th March 2025

Directorate-General for Research & Innovation (RTD)
Taskforce on Startups and Scale Ups
European Commission
1049 Brussels
Belgium

RE: Call for Evidence for an EU Startup and Scale Up Strategy

BlackRock[1] is pleased to have the opportunity to respond to the call for evidence on an EU startup and scale up strategy issued by the European Commission.

BlackRock supports a regulatory regime that increases transparency, protects investors, and facilitates responsible growth of capital markets while preserving consumer choice and assessing benefits versus implementation costs.

We welcome the opportunity to comment on the issues raised by this call for evidence and will continue to contribute to the thinking of the European Commission on any issues that may assist with the startup and scale up strategy or the savings and investments union (SIU) work more broadly.

We welcome further discussion on any of the points that we have raised.

Yours faithfully,

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[1] BlackRock's purpose is to help more and more people experience financial well-being. As a fiduciary to investors and a leading provider of financial technology, we help millions of people build savings that serve them throughout their lives by making investing easier and more affordable. For additional information on BlackRock, please visit www.blackrock.com/corporate

Questions:

1. Do you agree that startups and/or scale ups face the hurdles identified in this document (access to finance, regulatory and bureaucratic burdens and fragmentation, access to markets, access to talent and access to infrastructure, knowledge and services)?
2. Are there any additional hurdles faced by startups and/or scale ups?
3. What actions do you think the EU and/or its Member States should take to address these hurdles?

Response to Questions:

Debt and equity are two primary ways businesses can raise capital, each with their own characteristics and implications. Making sure that both are viable options for startups and scale ups is the starting point in encouraging a dynamic ecosystem. There is no one size fits all approach – much depends on the business model and appetite for external participation from founders and managers of the companies. When assessing possible avenues for financing venture and growth capital (V&GC), EU policymakers should seek to enable a range of financing options for early-stage companies.

Private debt is a natural match for young companies, which may still be founder-owned, want to remain privately held but who do not have direct access to public market financing through bond issuance and need capital to finance innovation. Direct lending is typically equity funded by long-term buy-and-hold investors, which aligns with investees' longer term capital commitments. When facilitated through investment funds, these vehicles are typically closed-ended and subject to regulatory reporting and controls on leverage and liquidity risk management under AIFMD requirements.

The lack of scale in EU V&GC markets will not be resolved by legislative changes to investment vehicles or expending political capital to design a 28^{th} regime. The real challenge is that these markets are national; a single market has not emerged at EU level. We recommend a focus on creating better cross-border visibility of investment opportunities – both in terms of investible opportunities and investors themselves. In this way Europe can foster innovation and economic growth, deepening EU markets and crowding-in non-EU investment.

The main driver of success in EU V&GC markets is a manager's transaction experience and local EU presence, given companies prefer to work with lenders who can navigate regional complexities. These markets are relationship-driven with little intermediation and few auction processes. Developing ongoing relationships between sponsors, PE firms and investee companies takes time, but is a vital component in the ecosystem. Europe would benefit greatly from efforts to provide better visibility of investible opportunities in other Member States (MS) through the creation of a common platform for private markets. EU V&GC markets are also deeply reliant on sponsor relationships, and in-depth knowledge of the many different local ecosystems, legal jurisdictions and key market participants (e.g. lawyers, accountants, administrators). It's much harder for new or non-European players to gain a meaningful foothold, which in turn limits the pool of lenders available to young EU companies.

With respect to fund vehicles, we encourage policy makers to consider the potential of the recently updated ELTIF regime to channel long-term investment into various sectors including SMEs, real estate and infrastructure. They offer a broader investment scope compared to EuVECA, which is primarily focused on VC. The EuVECA AUM cap has naturally attracted smaller managers, while ELTIFs are increasingly attractive to more scaled-up operators. The increasing scale of ELTIFs makes them more attractive to a broader range of investors, including institutional investors looking for diversified and long-term investment opportunities. ELTIFs also benefit from a more harmonised regulatory framework across the EU, which facilitates cross-border investments and reduces the administrative burden for fund managers by not having to comply with two different compliance regimes.

Finally, while it could be interesting to explore the feasibility of introducing a 28th regime for smaller companies (e.g. with common rules on insolvency, accounting and reporting, tax, company law), the regime will only succeed if MS, especially national tax authorities, agree to recognise its pan-European status. Otherwise, a 28th regime risks adding an additional layer of complexity or even becoming redundant from the outset.