Position Paper in response to Part 2 of the European Commission Targeted Consultation on the Integration of EU Capital Markets

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Unlocking Cross-Border Potential in EU Capital Markets

Introduction

The European Association for Investors in Non-Listed Real Estate Vehicles[1] (INREV) represents the European non-listed real estate investment industry. Its members include institutional investors, fund managers, and service providers committed to transparency, professional standards, and operational efficiency across borders.

This paper is submitted in response to Part 2 of the European Commission's Targeted Consultation on the Integration of EU Capital Markets, which seeks stakeholder input on barriers to deeper integration, greater efficiency, and innovation—particularly in areas such as cross-border operations, supervisory convergence, and the adoption of digital technologies including tokenisation. INREV has chosen to submit this focused position paper as this format ensures a technically robust response grounded in member consensus and INREV's specific areas of expertise.

The current regulatory landscape remains fragmented at the national level, leading to duplicative requirements, elevated compliance costs, and operational inefficiencies that limit cross-border activity and hinder progress toward a fully integrated Capital Markets Union (CMU). This paper presents practical insights and targeted recommendations from INREV's members—particularly those managing pan-European real estate fund platforms—on reducing regulatory fragmentation, enhancing supervisory convergence, and supporting innovation, while preserving high standards of investor protection.

Entity-Level Supervision Creates Barriers for Cross-Border Fund Managers

INREV members operating pan-European real estate fund platforms face significant operational inefficiencies and elevated compliance costs due to the lack of recognition of group-wide governance, compliance, and risk structures. Under current EU law, supervisory frameworks focus predominantly on individual legal entities, requiring asset managers to replicate core functions—such as internal audit, compliance, AML, and risk management—in each Member State where they operate an AIFM, even when those functions are already centralised and effectively implemented at group level.

This approach creates an artificial fragmentation of operating models. It undermines efforts to benefit from economies of scale, hampers integrated oversight, and imposes disproportionate burdens on

[1] INREV is the European Association for Investors in Non-Listed Real Estate Vehicles. We provide guidance, research and information related to the development and harmonisation of professional standards, reporting guidelines and corporate governance within the non-listed property funds industry across Europe.
INREV currently has more than 500 members. Our member base includes institutional investors from around the globe including pension funds, insurance companies and sovereign wealth funds that provide critical income security for more than 172 million people, as well as investment banks, fund managers, fund-of-funds managers and advisors representing all facets of investing in non-listed real estate vehicles in Europe. Our fund manager members manage more than 500 non-listed real estate investment funds, as well as joint ventures, club deals and separate accounts for institutional investors.

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cross-border managers. Particularly for real estate fund groups managing non-leveraged, institutional-only vehicles, this lack of efficiency does not correspond to any enhanced supervisory value or investor protection benefit.

INREV advocates for a more flexible supervisory approach that acknowledges the group-level implementation of compliance and risk frameworks. This would allow firms to better allocate resources, improve consistency in internal oversight, and enhance the competitiveness of EU-based fund groups. Recognition of centralised structures could be paired with robust documentation, group-level accountability, and NCA cooperation.

Recognition of Intra-Group Functions Would Improve Efficiency and Reduce Costs

INREV strongly supports the recognition of intra-group arrangements for compliance, risk management, and audit functions as a key measure to reduce costs and improve efficiency for cross-border real estate fund managers. In practice, many pan-European fund groups already operate with robust and well-documented centralised frameworks for internal control and oversight. However, under the current supervisory structure, these functions must often be duplicated in each Member State where an AIFM or SPV is located, even when a shared function would be more effective and cost-efficient.

This fragmentation not only raises operational expenses but also reduces consistency and dilutes accountability by encouraging siloed reporting and duplicated controls. Recognition of centralised functions would enable real estate AIFMs to maintain high standards of governance while deploying resources more strategically—particularly relevant for medium-sized firms scaling cross-border operations.

Such recognition should be contingent upon demonstrable effectiveness of the centralised arrangement and transparency in governance. It would not only align with the objectives of supervisory convergence and efficiency but also foster a more integrated and competitive EU fund market.

Divergent Reporting Requirements Create Unnecessary Burdens

INREV members have consistently identified fragmented reporting requirements across EU Member States as a key source of inefficiency, particularly for financial groups managing non-listed real estate funds across multiple jurisdictions. Despite efforts to harmonise regulatory reporting under frameworks like AIFMD, real estate fund managers often face varying interpretations, technical formats, and submission processes across different national competent authorities (NCAs).

This leads to duplication of effort, increased operational risk, and higher compliance costs—especially for fund managers with limited resources or those managing a high number of special purpose vehicles (SPVs) in different countries. The lack of a centralised EU-wide reporting gateway also impedes the scalability of fund platforms and discourages new market entrants from expanding cross-border.

A unified EU reporting framework—supported by a standardised digital platform—would allow managers to submit one consistent set of disclosures across the EU, improve data quality, and support supervisory efficiency. It would also align with the Commission's goal of reducing administrative burden while enhancing transparency and market integration.

Diverging National Supervisory Practices Hinder Cross-Border Operations

Real estate AIFMs encounter serious operational friction due to inconsistent national interpretations of EU rules. Despite AIFMD and CBDF aiming for harmonisation, Member States still diverge in their treatment of key areas like pre-marketing, reverse solicitation, and de-notification.

Divergences include:

- Some NCAs require pre-marketing notification even before investor engagement, while others do not.
- De-notification of funds requires unnecessary formalities or cooling-off periods in certain countries.
- Requirements for facilities agents vary widely despite harmonised rules under the CBDF.

These inconsistencies force firms to engage local counsel in every market, increasing costs and delaying launches.

Stronger Supervisory Convergence and EU-Level Oversight Would Enhance Integration

INREV strongly supports further harmonisation of supervisory practices and greater EU-level coordination—or, where appropriate, direct EU-level supervision—to address the persistent fragmentation that undermines the effectiveness of the single market for financial services.

Real estate fund managers operating cross-border encounter differing interpretations of core AIFMD provisions (e.g. marketing, delegation, valuation, and reporting), often leading to inconsistent regulatory treatment, redundant filings, and delayed market entry. These divergences result in compliance inefficiencies, distort competition, and incentivise regulatory arbitrage.

Strengthening supervisory convergence through binding technical standards, common templates, and enhanced coordination mechanisms under ESMA would ensure more predictable and equitable regulatory outcomes. In cases involving systemic or multi-jurisdictional fund platforms, transferring certain supervisory functions to the EU level may offer more effective oversight and remove national bottlenecks.

This shift would also support better data comparability, reduce duplicative supervision, and reinforce investor confidence. INREV believes this evolution is essential to achieve the aims of the Capital Markets Union and ensure that EU fund regulation works as intended in practice, not only in principle.

How Fragmentation Causes Operational Difficulties

INREV members report multiple concrete examples where inconsistent implementation or interpretation of EU legislation by national competent authorities (NCAs) has directly contributed to increased costs, operational friction, and delayed market access for non-listed real estate AIFMs. These divergences reduce regulatory predictability and limit the effectiveness of the AIFMD passport.

Examples include:

- Varying interpretations of pre-marketing and reverse solicitation rules introduced under the Cross-Border Distribution of Funds Directive. Some NCAs require extensive documentation or pre-approval processes for pre-marketing activities, while others take a more flexible approach.

- Duplication of marketing and registration procedures. Even when marketing notifications are submitted under harmonised EU rules, many NCAs impose additional administrative requirements, such as local language disclosures, fees, or mandated use of national portals.
- Inconsistent ESG reporting expectations and enforcement practices under the Sustainable Finance Disclosure Regulation (SFDR) and related initiatives. Fund managers are required to navigate differing levels of supervisory scrutiny and interpretative guidance across jurisdictions.

These divergences not only increase operational costs but also create compliance risk for AIFMs and reduce the attractiveness of cross-border fund structures for institutional investors.

Regulatory Barriers Impede Cross-Border Data Sharing and Transparency

INREV identifies several horizontal regulatory barriers that hinder effective data sharing and reduce transparency across EU jurisdictions—particularly for real estate fund managers operating on a cross-border basis. These barriers primarily result from inconsistent national implementation of EU rules, varying technical standards for supervisory reporting, and the absence of a unified digital infrastructure for data submission.

Fund managers must often prepare and submit similar information (e.g. Annex IV, marketing notifications, investor disclosures) in multiple formats, languages, and platforms depending on the Member State. This redundancy increases the risk of inconsistencies, consumes internal resources, and creates inefficiencies for both fund managers and regulators.

A harmonised set of institutional reporting templates, supported by a central EU reporting platform—potentially coordinated by ESMA—would significantly reduce the operational burden and improve transparency. This would also enhance investor protection by improving data consistency and comparability across borders.

Targeted Reforms Would Reduce Fragmentation in EU Capital Markets

INREV supports several targeted reforms to reduce horizontal fragmentation in the supervision and regulation of EU capital markets, particularly for the non-listed real estate fund sector. These proposals aim to simplify processes, promote consistency, and facilitate cross-border activity while maintaining high standards of investor protection.

Key recommendations include:

- Establishing a one-stop EU supervisory point for AIFMs, where cross-border managers could interact with a central authority for notifications, reporting, and regulatory interpretations, reducing the current inefficiencies of dealing separately with multiple NCAs.
- Streamlining cross-border marketing notifications by introducing a unified EU-wide digital portal. This would facilitate real-time tracking of fund registrations and reduce administrative duplications currently experienced under the AIFMD passport regime.
- Developing harmonised investor disclosure templates, particularly for professional-only funds. Standardised formats would improve comparability and transparency while reducing the legal costs and administrative burden of adapting documents for different jurisdictions.
- Implementing a centralised, digital EU reporting system to replace fragmented Annex IV reporting mechanisms. This system should support machine-readable templates, single data uploads across Member States, and interoperability with existing NCA platforms.

Taken together, these proposals would significantly reduce compliance burdens and enable more efficient supervision of cross-border AIFMs—supporting both the objectives of the Capital Markets Union and the competitiveness of EU financial markets globally.

Enabling DLT Adoption to Support Innovation and Efficiency in EU Markets

INREV recognises that distributed ledger technology (DLT) offers promising potential to streamline fund operations, enhance investor transparency, and reduce compliance costs. However, key regulatory and legal uncertainties currently hinder its adoption:

- The legal status of tokenised fund units and DLT registers is unclear.
- There is no common legal recognition of DLT registers.
- There is limited clarity around AML/KYC requirements for digital onboarding.
- National restrictions on electronic investor registers persist.
- Definitions of ownership, cash, and settlement in EU law require updating to accommodate tokenised assets.

Smart contracts and tokenisation could significantly improve regulatory reporting through automation. A modular, service-level authorisation framework under CSDR would promote technological neutrality and allow DLT-based infrastructures to develop without needing full CSD status. Harmonised EU-level regulation of tokenised real assets and fund interests is important to enable innovation and cross-border scalability in real estate fund markets.

Conclusion

The successful integration of EU capital markets hinges on reducing regulatory fragmentation, promoting supervisory convergence, and enabling innovation through modern, harmonised frameworks. For the non-listed real estate investment sector, the current patchwork of national rules and supervisory practices imposes unnecessary barriers that undermine the efficiency and scalability of cross-border fund operations.

INREV urges the European Commission and co-legislators to prioritise reforms that acknowledge group-level structures, streamline cross-border processes, and harmonise digital reporting and investor disclosure requirements. At the same time, targeted measures to clarify and support the adoption of new technologies—such as DLT—will be critical to future-proofing the EU's regulatory framework.

Only by addressing these practical challenges can the Capital Markets Union achieve its full potential—unlocking growth, improving investor outcomes, and reinforcing the global competitiveness of Europe's financial sector.

We appreciate the consultative approach being taken and look forward to ongoing dialogue with the Commission and other stakeholders as this important initiative progresses.