

3 June 2025

## Section 1 Simplification and Burden Reduction

1. "Is there a need for greater proportionality in the EU regulatory framework related to the trade, post-trade, asset management and funds sectors (e.g. in the scope or application of regulation, or the obligations for smaller market actors)?"

**\*\*Response:\*\*** 1 – Strongly agree.

INREV strongly supports embedding greater proportionality in the EU regulatory framework. The current one-size-fits-all model treats all AIFMs similarly regardless of fund structure, investor profile, or risk. This creates a disproportionate compliance burden for small and mid-sized real estate AIFMs, especially those managing closed-ended, illiquid funds with professional investors.

Tailored rules—for example, simplified Annex IV reporting or lighter liquidity requirements—would ensure that regulation is risk-sensitive and does not undermine competitiveness. Proportionality would also support capital markets participation from a broader range of managers, boosting diversity and innovation.

INREV has long advocated for proportionality to be embedded into the core of EU financial regulation. For example, proportionality could be operationalised through simplified reporting obligations (e.g. Annex IV), less frequent or streamlined disclosures for non-retail real estate funds, and lighter regulatory touch on issues such as liquidity stress testing, which are less relevant for illiquid funds.

2. Should the AIFMD threshold for sub-threshold AIFMs take into consideration market evolution or inflation, for example by empowering the Commission to adopt a delegated act every five years to adjust the threshold to inflation?

**\*\*Response:\*\*** 1 – Strongly agree.

INREV strongly supports the adjustment of the AIFMD threshold for sub-threshold AIFMs to account for market developments and inflation. The current threshold—set over a decade ago—does not reflect the economic reality of today's market, particularly in the non-listed real estate sector, where asset values have significantly increased in nominal terms. As a result, many real estate AIFMs are now classified as "full-scope" managers not because of increased complexity or risk, but simply due to inflationary growth in asset valuations.

This creates regulatory obligations that are often disproportionate to the size, structure, and investor base of these funds—typically long-term, illiquid vehicles marketed to professional investors. A mechanism for periodic indexation, such as empowering the Commission to adjust thresholds via delegated acts every five years, would restore the intent of proportionality while maintaining regulatory consistency. If ESMA were to take on a greater supervisory role over AIFMs, tasking it with monitoring and recommending threshold adjustments would further enhance responsiveness to market developments.

Furthermore, this change would help ensure a more level playing field across EU jurisdictions, avoiding unnecessary administrative burdens for fund managers who unintentionally breach outdated thresholds.

**3. Is there a need for greater proportionality in the rules applying to smaller fund managers under AIFMD, such as tailored liquidity or reporting requirements, or reduced authorisation and compliance costs?**

**\*\*Response:\*\*** 1 – Strongly agree.

INREV strongly supports embedding greater proportionality into the AIFMD framework to better reflect the scale, complexity, and risk profile of smaller AIFMs, particularly in the non-listed real estate sector. Many of these managers oversee closed-ended funds with long-term investment horizons and institutional investors, operating with limited leverage and minimal liquidity risk. Yet they face a similar regulatory burden as large, complex AIFMs managing leveraged, open-ended vehicles or retail-oriented strategies.

This creates a structural inefficiency: smaller real estate AIFMs must allocate substantial resources to meet Annex IV reporting obligations, maintain extensive internal control systems, and meet capital requirements that may not match their actual operational risks. These costs disproportionately impact smaller managers and new market entrants, acting as a barrier to entry and limiting competition and innovation.

A more proportionate regime would allow NCAs and/or ESMA to tailor requirements such as:

- Less frequent or simplified Annex IV reporting;
- Reduced obligations for firms that do not market to retail investors;
- Streamlined authorisation and supervisory procedures;
- Tailored liquidity risk management frameworks aligned with the fund's underlying asset profile.

These reforms would preserve supervisory effectiveness while enabling a healthier and more diverse AIF market.

**4. Are there barriers to cross-border activities due to the fact that AIFMD and UCITS are Directives rather than Regulations, and would converting them into Regulations help reduce fragmentation and increase harmonisation?**

**\*\*Response:\*\*** 1 – Strongly agree.

INREV strongly supports converting AIFMD and UCITS from Directives into directly applicable Regulations to reduce legal fragmentation and ensure greater consistency across Member States. As Directives must be transposed into national law, they have led to divergent interpretations, implementation delays, and instances of regulatory gold-plating. This has a particularly adverse effect on cross-border fund managers, who face duplicative or inconsistent requirements when operating in multiple jurisdictions.

For non-listed real estate AIFMs, such inconsistencies are not theoretical—they manifest in practical barriers to cross-border marketing, pre-marketing notifications, investor disclosures, and supervisory engagement. For example, Member States apply different rules for reverse solicitation, impose varying requirements for facilities agents, and interpret “marketing” differently, even under the harmonising efforts of the Cross-Border Distribution of Funds Directive. This undermines the functioning of the AIFMD passport and contributes to unnecessary compliance burdens.

A Regulation would enhance the legal certainty and effectiveness of the single market by ensuring uniform application across the EU. It would prevent NCAs from introducing additional administrative layers that erode the intent of harmonised legislation and would foster supervisory convergence and investor trust. INREV supports a principles-based approach to regulation, focused on high-level objectives rather than overly detailed rules, which helps maintain flexibility while ensuring consistent application. Importantly, it would also support the EU’s broader objective of reducing fragmentation and increasing market integration.

**5. Would increased alignment and simplification between sectoral frameworks (such as between AIFMD and MiFID) improve the consistency and efficiency of EU capital markets regulation?**

**\*\*Response:\*\*** 1 – Strongly agree.

INREV strongly supports greater alignment and simplification across sectoral frameworks such as AIFMD and MiFID. While these frameworks serve distinct purposes, their overlapping provisions—particularly concerning delegation, conflicts of interest, remuneration policies, and marketing rules—often create duplication and legal uncertainty for asset managers.

For example, many real estate AIFMs that are authorised to provide ancillary MiFID services must comply with duplicative and sometimes contradictory requirements on organisational arrangements, conduct rules, and reporting standards. This redundancy is resource-intensive and unnecessary for firms that operate under consistent business models across both regimes. Misaligned definitions (e.g., what constitutes “marketing” under AIFMD versus “investment advice” under MiFID) further complicate compliance and may inadvertently restrict cross-border activity.

Streamlining and aligning these frameworks would simplify implementation, reduce the compliance burden, and ensure a clearer, more stable regulatory environment for market participants. INREV supports a principles-based approach that ensures rules are fit for purpose without layering unnecessary complexity.

**6. Should the requirements under the PRIIPs Regulation be simplified or made more proportionate for certain types of funds or investors?**

**\*\*Response:\*\*** 1 – Strongly agree.

INREV strongly supports revising the PRIIPs Regulation to reflect the specific features of long-term, illiquid investment funds such as non-listed real estate vehicles, which are typically targeted at professional investors. The current PRIIPs Key Information Document (KID) framework is overly

prescriptive and based on assumptions that do not align with the characteristics or investor base of these funds.

The standardised presentation of risk indicators, performance scenarios and cost metrics within the KID is primarily designed for retail investors and liquid, frequently traded instruments. When applied to closed-ended real estate funds, it often results in disclosures that are confusing, misleading or simply not reflective of the fund's structure, time horizon, or income profile. In particular, the requirement to produce performance scenarios using volatility-based models severely distorts expected outcomes for low-volatility, income-producing assets such as real estate.

A tailored approach for institutional or professional-only funds is therefore needed—one that allows managers to disclose information in a format that reflects the actual structure and investment profile of the fund, such as lock-in periods, income distribution strategies, valuation processes and liquidity constraints. This would improve transparency, reduce confusion, and ensure disclosures serve their intended purpose.

**7. Do you have any additional recommendations to simplify EU or national law and/or supervisory practices in order to reduce compliance costs and burdens for market participants?**

**\*\*Response:\*\*** Yes.

INREV welcomes the opportunity to offer additional recommendations aimed at reducing regulatory complexity and enhancing efficiency for non-listed real estate fund managers operating across the EU. Fragmentation in supervisory practices and national implementation of EU rules continues to be one of the most significant barriers to cross-border scale and efficiency.

We propose the following measures to support simplification and convergence:

- **Establish a centralised EU reporting gateway** for fund-related disclosures (e.g., Annex IV), eliminating the need to adapt filings to the technical formats and timelines of each Member State.
- **Develop a single EU-wide register** for authorised AIFMs and marketed AIFs, enabling host regulators and investors to access consistent, up-to-date information, and reducing duplicative notifications across jurisdictions.
- **Simplify marketing and pre-marketing notifications** by creating a single digital EU portal for all cross-border distribution filings.
- **Encourage proportional and transparent ESMA and NCA fees**, particularly for smaller and sub-threshold AIFMs, whose cost burden per unit of AUM is significantly higher than that of large fund platforms.
- **Reduce duplication in supervisory reporting and fund approvals** by enhancing supervisory cooperation and recognition of group-wide compliance and risk functions.

These steps would materially reduce operational complexity, lower compliance costs, and foster the development of a more competitive and integrated EU fund market.

Another key area of concern for non-listed real estate fund managers relates to external valuer liability under AIFMD Article 19(10). The current formulation exposes external valuers to unlimited liability for

losses resulting from "negligence", a term that lacks harmonised interpretation across Member States. In some jurisdictions, even minor errors may fall within the definition of negligence, making it uninsurable and commercially untenable for many professional valuers.

As a result, valuers in key markets such as France and Spain (following RICS professional guidance) routinely decline external valuer mandates under AIFMD. This has forced many AIFMs to revert to internal valuations, despite the broader industry preference—and investor expectation—for independent third-party valuation. This undermines longstanding principles of transparency, good governance, and investor protection.

INREV recommends that the Commission propose that article be modified to state that under Article 19(10): "the external valuer is subject to unlimited liability to the AIFM for any losses suffered by the AIFM from the external valuer's serious error or intentional failure to perform its tasks.". This would offer legal certainty, allow professional indemnity insurance to function properly, and restore confidence in external valuation practices. A harmonised standard would also ensure a level playing field across Member States and support greater consistency in fund governance and reporting.

## **8. Does the existing framework apply disproportionate regulatory burdens on the use of new technologies and innovation (e.g. cloud services, AI, blockchain)**

**\*\*Response:\*\*** 2 – Rather agree.

Digital onboarding, DLT-based registers, and tokenisation are increasingly used by real estate AIFMs. However, the regulatory framework lacks clarity around how these innovations fit within AIFMD, MiFID and CSDR. Uncertainty hinders investment in new tools that could otherwise enhance efficiency and transparency.

Clear, proportionate guidance on digital tools—including interoperability with legacy regulation—is needed.

## **9. Would further centralisation or EU-level supervision contribute to simplification and burden reduction in EU capital markets?**

**\*\*Response:\*\*** 1 – Strongly agree.

INREV supports a more centralised EU-level supervisory framework, which would significantly enhance the consistency, efficiency, and fairness of capital markets regulation across the EU. For real estate AIFMs, particularly those managing pan-European fund platforms, the current model—based on national competent authorities (NCAs)—results in fragmented oversight, duplicative procedures, and variable interpretations of common EU rules such as AIFMD.

These discrepancies are particularly evident in areas such as marketing notifications, pre-marketing rules, substance requirements, ESG reporting expectations, and enforcement approaches. This patchwork of supervision imposes material cost and legal uncertainty for managers attempting to scale operations across Member States and contributes to a less competitive EU funds market, particularly when compared to more unified jurisdictions like the US.

EU-level supervision—either through enhanced convergence powers for ESMA or by assigning cross-border supervisory responsibilities to a centralised authority—would create a level playing field,

eliminate regulatory arbitrage, and reduce the administrative burden for cross-border fund managers. It would also increase transparency for institutional investors, simplify oversight for European supervisors, and support the Commission's goal of completing the Capital Markets Union.

## **Section 2 Trading**

All questions in this section are N/A for INREV's remit as real estate AIF representation is not involved in secondary securities trading or equity liquidity pools.

## **Section 3 Post-trading**

All questions in this section are N/A to INREV's scope, which focuses on non-listed real estate structures not reliant on EU CSD or post-trade infrastructures.