

Position Paper on the Integration of the Capital Markets Union and Efficient Supervision



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Introduction

INREV welcomes the European Commission's continued efforts to advance the Capital Markets Union. A truly integrated EU capital market is essential to unlocking cross-border potential, reducing barriers to scale, and strengthening the global competitiveness of European financial markets. However, progress remains hindered by persistent regulatory fragmentation, inconsistent supervisory practices, and a framework that often fails to reflect the structure and risk profile of non-listed real estate investment funds.

This paper reflects the practical realities faced by investment managers operating across borders and sets out targeted recommendations for achieving a streamlined, efficient, and integrated regulatory environment. These proposals are intended to support the Commission's broader objectives of reducing compliance burdens, strengthening supervisory convergence, and enabling a more effective, resilient Capital Markets Union.

Greater Proportionality in the EU Regulatory Framework

INREV strongly supports embedding greater proportionality into the EU financial services framework. The current one-size-fits-all approach imposes a disproportionate compliance burden on small and mid-sized real estate AIFMs, particularly those managing closed-ended, illiquid vehicles targeted at professional investors. These managers face the same regulatory expectations as large, complex managers, despite operating with markedly different structures, risk profiles, and investment horizons.

INREV calls for tailored rules that ensure regulation is risk-sensitive and does not undermine the competitiveness or diversity of the EU investment fund market. Proportionality should be operationalised through simplified reporting obligations (such as Annex IV), less frequent or streamlined disclosures for non-retail real estate funds, and a lighter regulatory touch on requirements, such as liquidity stress testing, that are not meaningful for long-term, illiquid strategies.

Proportionality within the AIFMD Framework

Many AIFMs in the non-listed real estate sector manage institutional-only funds characterised by limited leverage and low liquidity risk. Despite this, they are subject to the same regulatory requirements as managers of retail-oriented or leveraged open-ended funds. This misalignment creates a structural inefficiency, placing a disproportionate burden on smaller firms and acting as a barrier to market entry for new participants.

A more proportionate approach within the AIFMD framework, whereby national competent authorities (NCAs) and ESMA are empowered to tailor requirements to reflect the risk profile and structure of such funds. This should include allowing for less frequent or simplified Annex IV reporting, reducing obligations for firms not targeting retail investors, streamlining authorisation and supervisory procedures, and aligning liquidity risk management frameworks with the illiquid nature of the underlying assets.

Adjustment of the AIFMD Threshold

INREV also supports the adjustment of the AIFMD threshold for sub-threshold AIFMs to account for inflation and evolving market dynamics. Introducing periodic indexation through a delegated act would restore the original intent of proportionality. Empowering ESMA to monitor and recommend

adjustments would further enhance responsiveness and ensure a level playing field across jurisdictions.

Replacing Directives with Regulations

INREV strongly supports the replacement of directives with directly applicable regulations to promote more efficient and unified supervision of EU capital markets. Regulations prevent Member States from introducing national variations or ‘gold-plating’ and offer a more consistent legal framework across jurisdictions. INREV strongly supports strengthening the supervisory convergence tools of the European Supervisory Authorities and transferring certain supervisory functions to the EU level.

Such EU-level supervision would generate meaningful synergies and help eliminate national divergences. INREV agrees with the Commission that uniform supervision and market integration are closely linked. Granting more supervisory powers at the EU level would reduce national discretion, eliminate barriers, limit regulatory arbitrage, and build trust among market participants. Furthermore, principle-based regulations would further simplify implementation and align with the Commission’s broader goal of streamlining EU financial legislation.

Alignment of Sectoral Frameworks

INREV supports greater alignment between AIFMD and MiFID to eliminate duplicative obligations and legal uncertainty. Streamlined frameworks and harmonised definitions would promote coherence and reduce the burden on asset managers.

Simplification of EU and National Supervisory Practices

INREV proposes the establishment of a central EU reporting gateway to streamline regulatory filings across jurisdictions. We also recommend creating a unified EU-wide register for authorised AIFMs and AIFs to enhance transparency and reduce duplication. A single digital portal for marketing notifications should be introduced to simplify cross-border fund distribution procedures. Additionally, INREV calls for supervisory fees that are proportionate, particularly to ease the burden on smaller managers. Lastly, a crucial measure would be the formal recognition of group-level compliance frameworks to reduce redundancy and improve oversight efficiency.

Clarifying External Valuer Liability

The current formulation of Article 19(10) creates disincentives for third-party valuations due to legal uncertainty. INREV advocates for liability to be linked only to serious error or intentional misconduct.

Innovation and Technology Adoption

Uncertainty around the regulatory treatment of DLT, tokenisation, and digital onboarding inhibits adoption. INREV urges the Commission to provide regulatory clarity and harmonised standards to support innovation.

Centralised Supervision

Significant operational burdens arise from fragmented financial supervision across the EU. Varying supervisory practices and inconsistent enforcement among Member States increase compliance costs and create barriers to cross-border activity, especially for companies operating in multiple jurisdictions.

This national-level fragmentation leads to duplicative reporting and outdated procedures. Cross-border firms lack a single supervisory counterpart capable of overseeing their EU-wide operations consistently. Building national supervisory capacity may be less efficient than establishing central oversight at the EU level.

INREV agrees with the Commission that only coordinated EU-level action can effectively address these issues. National solutions are insufficient to resolve the fragmented and cross-border nature of the EU capital markets. A unified supervisory framework would help remove regulatory barriers, foster market integration, enhance efficiency and competitiveness, and ensure equal treatment of all market participants, regardless of location.

Without EU intervention, fragmentation will persist, undermining innovation, deterring institutional investment, and limiting the scalability and global competitiveness of European capital markets. INREV supports stronger EU supervisory coordination as a necessary step toward achieving a coherent and functional Capital Markets Union.

Unlocking Cross-Border Potential in EU Capital Markets

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. INREV calls on reducing regulatory fragmentation, enhancing supervisory convergence, and supporting innovation, while preserving high standards of investor protection.

Fragmentation from Entity-Based Supervision

Current rules require AIFMs to replicate functions like AML and internal audit in every Member State, even where effective group-level systems already exist. This is inefficient and undermines economies of scale, hampers integrated oversight, and imposes disproportionate burdens on cross-border managers. 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 Intra-Group Functions Would Improve Efficiency and Reduce Costs

INREV strongly supports the recognition of intra-group compliance, risk management, and audit functions to reduce costs and improve efficiency for cross-border real estate investment managers. Despite many pan-European groups operating effective centralised oversight frameworks, current supervisory rules require duplication of these functions in every Member State, leading to higher costs, fragmented oversight, and reduced consistency.

Recognising centralised functions would support better resource allocation, particularly for medium-sized managers expanding across borders. This reform would enhance supervisory convergence and contribute to a more integrated and competitive EU fund market.

Call for a unified EU reporting framework, supported by a centralised digital platform

The fragmented reporting requirements across EU Member States remain a major inefficiency for real estate investment managers operating cross-border. Differences in interpretation, formats, and submission processes under frameworks like AIFMD lead to duplication, increased operational risk, and higher compliance costs, particularly for managers of multiple SPVs.

INREV calls for a unified EU reporting framework, supported by a centralised digital platform, to enable consistent disclosures, improve data quality, and support supervisory efficiency. Such a system would ease the burden on managers, promote transparency, and advance the objectives of EU market integration.

Diverging National Supervisory Practices Hinder Cross-Border Operations

Inconsistent national interpretations of EU rules continue to create significant operational barriers for real estate AIFMs. Despite harmonisation efforts under AIFMD and the CBDF, Member States apply rules differently in key areas such as pre-marketing, reverse solicitation, and fund de-notification.

Examples include varying requirements for pre-marketing notifications, unnecessary formalities for de-notification, and inconsistent rules for facilities agents. These divergences force managers to engage local legal counsel in each jurisdiction, raising costs and delaying cross-border fund launches.

Stronger Supervisory Convergence and EU-Level Oversight Would Enhance Integration

INREV strongly supports further harmonisation of supervisory practices and, where appropriate, direct EU-level supervision to address regulatory fragmentation that weakens the single market. Real estate investment managers operating cross-border face inconsistent application of AIFMD rules (on marketing, delegation, valuation, and reporting), resulting in redundant filings, compliance inefficiencies, and regulatory arbitrage.

INREV supports the adoption of binding technical standards, common templates, and enhanced coordination through ESMA. For systemic or multi-jurisdictional platforms, EU-level supervision could improve consistency, data comparability, and investor confidence, helping to realise the Capital Markets Union in practice as well as in principle.

How Fragmentation Causes Operational Difficulties

The inconsistent interpretation and implementation of EU legislation by NCAs create significant operational challenges for non-listed real estate AIFMs. These divergences undermine the predictability of the regulatory environment and weaken the effectiveness of the AIFMD passport.

Examples include inconsistent pre-marketing and reverse solicitation rules, duplicative marketing and registration procedures, and varying ESG reporting expectations under SFDR. These discrepancies increase compliance costs, introduce legal risk, and diminish the appeal of cross-border fund structures for institutional investors.

Regulatory Barriers to Cross-Border Data Sharing and Transparency

Regulatory fragmentation is a major obstacle to effective cross-border data sharing and transparency. Real estate fund managers face differing national requirements for reporting, formats, and submission platforms, leading to duplicated efforts, increased resource use, and a higher risk of inconsistencies.

Harmonised reporting templates and a central EU reporting platform coordinated by ESMA would streamline data submission, improve comparability, reduce operational burdens, and strengthen investor protection across the EU.

Targeted Reforms to Reduce Fragmentation in EU Capital Markets

In order to reduce horizontal fragmentation in the supervision, INREV recommends:

- 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.

Enabling DLT Adoption to Support Innovation and Efficiency

Distributed ledger technology (DLT) is a valuable tool to streamline fund operations, increase transparency, and lower compliance costs. However, regulatory and legal uncertainties currently obstruct its use.

Challenges include unclear legal status for tokenised fund units, lack of recognition for DLT registers, limited guidance on AML/KYC for digital onboarding, national restrictions on electronic investor registers, and outdated definitions of ownership and settlement in EU law.

INREV advocates for a modular authorisation framework under CSDR and harmonised EU-level regulation to support technological neutrality and enable the adoption of DLT-based infrastructures. This is essential for promoting innovation and facilitating cross-border scalability in real estate investment markets.

Conclusion

The successful integration of the capital market union hinges on reducing regulatory fragmentation, achieving supervisory convergence, and enabling innovation through harmonised, modern frameworks. The current patchwork of national rules creates barriers to efficient, scalable cross-border fund operations.

INREV urges the Commission and co-legislators to prioritise reforms that recognise group-level structures, streamline cross-border procedures, and standardise digital reporting and disclosures. Clarifying the regulatory treatment of emerging technologies like DLT will also be essential to future-proof the framework. Addressing these practical issues is key to realising the Capital Markets Union's goals and enhancing the EU's global financial competitiveness.