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Introduction

INREV welcomes the opportunity to provide input on the European Commission's Market Integration and Supervision Package (MISP), part of the broader effort to establish a Savings and Investments Union and deepen European capital markets.

INREV supports the Commission's objective of addressing fragmentation in EU capital markets. Divergent supervisory practices, inconsistent application of common rules and operational barriers to cross-border activity continue to increase compliance costs and reduce the efficiency of fund distribution across the Union.

For the real estate fund industry, which relies structurally on cross-border capital formation and long-term institutional investment, these frictions directly affect the ability of managers and investors to deploy capital efficiently across Member States.

INREV therefore supports measures that enhance supervisory convergence, remove national gold-plating and facilitate effective passporting. However, the priority should be to make the existing framework operate as a genuine single rulebook. Many of the inefficiencies identified stem from regulatory divergence and duplicative national procedures rather than from a lack of EU rules.

INREV's response is guided by three principles. First, integration should facilitate capital formation and support long-term investment into European real assets. Second, harmonisation should reduce operational barriers and ensure consistent interpretation of existing legislation. Third, measures should remain proportionate and workable for different asset classes, reflecting the long-term and predominantly institutional nature of real estate funds.

Cross-border distribution and access to investors

INREV strongly supports the elements of the MISP that remove practical barriers to cross-border fundraising and improve the functioning of the AIFMD passport. For real estate fund managers, cross-border capital raising is a structural feature of the business model, and the current framework often functions in legal terms but not in operational practice. Member States divergences in the treatment of pre-marketing, reverse solicitation and marketing notifications continue to delay fund launches and require the use of local counsel in each jurisdiction, increasing costs and operational risk.

Removal of pre-marketing and reverse-solicitation restrictions

INREV welcomes the removal of the 36-month limitation on pre-marketing and the 18-month look-back period under which reverse solicitation is treated as marketing following the commencement of pre-marketing. These measures would remove artificial constraints on legitimate investor engagement without diminishing investor protection. They will allow managers to maintain dialogue with institutional investors in a practical and business-driven manner while conduct and disclosure obligations remain fully applicable.

Passporting upon authorisation

INREV also supports granting marketing access upon authorisation. The current framework still results in duplicative national procedures and administrative steps that undermine the effectiveness of the passport. More automatic passporting would shorten fundraising timelines, improve predictability and access to investors across Member States. Eliminating these operational delays is essential to achieving a functioning single market for funds distribution and to enabling cross-border fund platforms to scale efficiently.

Removal of host-state notification and local requirements

INREV strongly supports the removal of host-Member-State notification and related local requirements, including additional filing portals, language obligations and local facilities agent and representation requirements. Such requirements represent gold-plating of harmonised EU rules and materially weaken the AIFMD passport. Under the proposed framework, supervisory cooperation between home and host authorities can preserve investor protection without re-creating administrative barriers to marketing.

These measures would significantly improve the operational functioning of the AIFMD passport. However, removing procedural barriers alone is not sufficient. Predictability regarding the scope of marketing activities and consistent supervisory practices across Member States remain necessary to ensure that cross-border distribution can operate effectively across the European Union.

Harmonisation of pre-marketing, including for non-EU AIFMs

INREV further supports a harmonised treatment of pre-marketing across Member States, including for non-EU AIFMs relying on national private placement regimes under Article 42. Current supervisory practices vary significantly, leading to different procedural requirements and compliance expectations depending on the jurisdiction concerned. Clarifying that the EU pre-marketing framework extends to non-EU AIFMs on an equivalent basis would improve legal certainty, reduce fragmentation and promote a level playing field, while existing reporting and transparency safeguards would continue to protect investors.

Centralised EU marketing and documentation platform

INREV supports the establishment of a centralised EU marketing and documentation platform to streamline cross-border processes and reduce duplicative submissions. A single EU interface would enhance transparency, improve supervisory coordination and reduce administrative costs for managers operating across several Member States. To deliver genuine simplification, such a platform should replace parallel national filing systems rather than operate alongside them.

Marketing communications and regulatory consistency

INREV supports the elements of the proposal that clarify the definition and treatment of marketing communications and ensure consistent application across EU regulatory frameworks. For real estate fund managers, fundraising is based on structured dialogue with professional investors and the exchange of detailed technical information throughout a fund's lifecycle. The current framework does

not clearly distinguish promotional activity from ordinary institutional information exchange. As a result, identical materials may be classified as marketing in one Member State and as purely informational in another, creating compliance risk and discouraging cross-border distribution.

Definition of a marketing communication

A clearer, narrower and operational definition of a marketing communication is necessary. The framework should explicitly recognise that genuine solicitation materials, such as pitchbooks and offering presentations, constitute marketing communications, while excluding documents that are not part of an active solicitation process.

Uncertainty particularly arises for materials used for investor due diligence and ongoing monitoring. Due diligence questionnaires and third-party press announcements naming a fund may be treated as marketing communications even where they are provided only in response to investor requests or for transparency purposes. Applying marketing rules to such documentation imposes disproportionate compliance requirements and leads to inconsistent supervisory outcomes. A clear distinction between promotional activity and administrative or informational exchange is therefore required to ensure legal certainty and workable compliance obligations.

Content of marketing communications

INREV recommends that the level 1 framework be explicit that any level 2 acts on the content and format of marketing communications must recognise and reflect different fund strategies and investor bases, and provide sufficient time for existing funds to comply.

Coherence between AIFMD and MiFID

Greater coherence is also needed between the Alternative Investment Fund Managers Directive and the Markets in Financial Instruments Directive. Overlapping and differently interpreted definitions create legal uncertainty where ordinary institutional distribution activity is sometimes re-characterised as investment advice or reception and transmission of orders, despite the absence of an advisory relationship.

A clear confirmation at EU level that AIFMD marketing activity does not in itself constitute MiFID investment advice would materially reduce compliance risk and prevent the inappropriate application of retail-oriented conduct requirements to professional investor engagement. Consistent interpretation of both “marketing” and “pre-marketing” across the two frameworks is essential for the effective functioning of the passport.

Alignment with ESG disclosure rules

The definition of marketing communications also interacts with other EU ESG disclosures and product naming requirements. Divergent interpretations therefore affect documentation, sustainability-related statements and supervisory expectations. Reform should align definitions across regulatory regimes rather than duplicate or reinterpret existing guidance, allowing firms and supervisors to apply a single coherent framework.

Supervisory architecture and ESMA's role

INREV supports the Commission's objective of strengthening supervisory convergence across the Union. Fragmented supervisory practices and inconsistent interpretation of EU legislation remain a material source of operational cost and legal uncertainty for cross-border fund managers. Divergent approaches by national competent authorities to core AIFMD concepts, reporting expectations and marketing practices weaken the effectiveness of the passport and limit the scalability of pan-European fund platforms.

The priority should therefore be consistent interpretation and application of existing EU rules. Many of the cross-border frictions identified by managers arise from national gold-plating, procedural duplication and differing supervisory expectations rather than from deficiencies in the legislative framework itself.

ESMA's role in promoting convergence

INREV supports strengthening the role of European Securities and Markets Authority in promoting harmonised interpretation of EU legislation. ESMA is well placed to develop common definitions, coordinated supervisory guidance and, where appropriate, binding technical standards that ensure consistent application across Member States.

Greater clarity at EU level on key concepts, including marketing, delegation and liquidity management, would materially improve legal certainty and reduce compliance costs for firms operating cross-border. Convergence efforts should focus on supervisory outcomes and core investor protection objectives rather than detailed prescriptive operational requirements. A principles-based framework provides clarity while preserving flexibility for asset classes such as real estate funds, whose investment models differ from liquid asset trading strategies.

Maximum harmonisation rather than centralised supervision

Improving convergence does not require centralising day-to-day supervision at EU level. INREV believes that most of the goals of the SIU could be achieved without taking the final step of transferring broad supervisory powers over AIFMs from national authorities to ESMA.

A regime based on maximum harmonisation, automatic recognition of authorisations and clear limits on national deviations would deliver the majority of integration benefits. Eliminating gold-plating and ensuring consistent interpretation would address most operational barriers without creating additional supervisory layers.

National supervisors retain important expertise regarding domestic legal, corporate and property frameworks relevant to real estate investment. Preserving supervisory responsibility at national level, combined with stronger EU-level coordination and clearer interpretative standards, therefore represents a proportionate and effective solution.

ESMA intervention powers

INREV also urges caution regarding any expansion of ESMA's direct intervention powers. Powers enabling ESMA to suspend cross-border activities or intervene directly in the operations of managers or depositaries would constitute a significant shift in the supervisory architecture established under Alternative Investment Fund Managers Directive.

Industry experience indicates that most cross-border friction arises from divergent interpretation rather than insufficient enforcement. These issues are better addressed through harmonised rules and coordinated supervisory practices. If any intervention mechanism is introduced, it should be narrowly defined, limited to genuinely exceptional circumstances and clearly framed so as not to create parallel supervisory channels or substitute for national oversight.

Recognition of group structures

Supervisory convergence should also recognise the operational reality of cross-border fund groups. The current entity-by-entity approach often requires duplication of governance, compliance and risk functions across jurisdictions, even where robust centralised structures exist within an EU-regulated group.

Acknowledging intra-group arrangements and shared governance frameworks would materially reduce operational burden while preserving accountability at the authorised AIFM level. Pragmatic oversight for intra-group setups would cut costs without compromising AIFM accountability or investor safeguards.

Stability and implementation

Finally, INREV emphasises the importance of regulatory stability. Significant elements of the recent amendments to the AIFMD framework and associated technical standards are still being implemented. Reopening core supervisory structures prematurely would create uncertainty and additional compliance costs.

The immediate priority should be effective implementation of recently agreed reforms and Regulatory Technical Standards, combined with targeted harmonisation to eliminate fragmentation. Stability, clarity and predictability remain essential to maintaining competitiveness and supporting long-term investment within the Union.

Authorisation, delegation and group structures

Recognition of group structures and intra-EU delegation

INREV supports the elements of the proposal that recognise the operational reality of cross-border investment management groups and reduce unnecessary duplication of organisational requirements. Real estate fund managers frequently operate pan-European platforms in which portfolio management, risk management, IT, research, transactions and governance functions are centralised within an EU group structure. The current entity-by-entity supervisory approach does not accommodate these operating models well.

Under the existing framework, firms are often required to replicate internal control functions, oversight processes and documentation across multiple authorised entities even where these functions are already effectively performed at group level. This leads to duplicated compliance activity without a corresponding increase in investor protection.

Recognising intra-group arrangements within the EU would therefore materially improve efficiency and supervisory clarity. Allowing functions to be performed within a regulated group without automatically treating each arrangement as a full AIFMD delegation would reduce operational burdens while preserving accountability at the authorised AIFM level. In practice, such functions operate under common governance, shared policies and unified risk frameworks.

Experience across the industry demonstrates that the lack of recognition of group-wide governance and compliance structures is a significant driver of operational inefficiency for cross-border managers. Permitting centralised functions, with AIFM responsibility and documentation, would align rules with how EU fund groups actually operate.

Simplification of intragroup delegation requirements

INREV also supports simplifying intragroup delegation requirements and oversight processes. The current framework requires detailed delegation agreements, monitoring procedures and recurring due diligence exercises between entities belonging to the same regulated group and operating under the same policies and risk controls.

For institutional real estate funds, these requirements are operationally heavy and generate administrative work without materially improving investor outcomes. Oversight should focus on the effectiveness of governance and decision-making rather than on formalistic process requirements. A calibrated approach would recognise that group entities share systems, reporting lines and senior management accountability.

Simplification should therefore rely on recognition of shared governance and risk management frameworks, reliance on group policies and internal audit structures, and a reduction of repetitive documentation and notification requirements. This would support efficient cross-border operation while maintaining supervisory visibility and responsibility at the authorised manager.

Authorisation and substance requirements

INREV supports clearer and more consistent expectations regarding authorisation and substance. Legal uncertainty persists regarding how national authorities assess substance, governance and decision-making capacity. Divergent interpretations create unpredictability in authorisation processes and supervisory reviews.

AIFMs should retain sufficient substance and decision-making capacity, but supervisory expectations should be clearly defined and applied consistently across Member States. Substance assessments should focus on effective management and accountability rather than prescriptive staffing or location requirements.

In particular, substance requirements should not be used indirectly to restrict legitimate delegation or resource pooling within the EU. Corporate, tax and company law already determine legal presence and governance structures. Supervisory practice should not introduce de facto additional location rules through interpretation.

Stability of the AIFMD delegation framework

INREV considers regulatory stability to be particularly important in the area of delegation. The delegation framework was extensively reviewed during the development of AIFMD II and is currently in the process of implementation. While, within EU groups the focus should be on simplification and operational efficiency rather than additional layers of supervision, reopening other core compromises at this stage would create legal uncertainty and implementation costs for managers and investors. Where delegation involves third-country service providers, the existing safeguards on oversight and responsibility should continue to apply.

Frequent revisions to the delegation regime risk discouraging the establishment of EU-domiciled fund platforms and undermining the competitiveness of the Union as an investment location. Predictability is particularly important for long-term investment strategies such as real estate funds, which rely on stable regulatory frameworks over multi-year investment cycles.

Proportionate supervisory oversight

Supervision of delegation arrangements should remain outcome-based and proportionate. The objective should be to ensure that the authorised AIFM retains control over portfolio management, risk management and investor protection obligations, not to prescribe operational structures.

A principles-based supervisory approach is particularly appropriate for real estate funds, whose activities differ significantly from liquid asset trading strategies. The effectiveness of governance, oversight and accountability should be the determining factors rather than formal organisational arrangements.

Overall, recognising EU group structures and simplifying intragroup delegation would reduce unnecessary operational friction, lower compliance costs and support scalable cross-border fund platforms while maintaining investor protection. These measures would strengthen the functioning of the AIFMD passport and contribute to a genuinely integrated European capital market.

Depositary regime and operational infrastructure

Depositary passport

INREV supports the introduction of a genuine cross-border depositary passport. The current framework requires funds to appoint a depositary in each Member State where the AIF is established.

A depositary passport would allow a fund group to appoint a single authorised depositary to service funds across several Member States while maintaining the existing AIFMD oversight and liability regime. This would improve efficiency without weakening investor protection. The supervisory

objectives of safekeeping, cash monitoring and oversight depend on the robustness of the control framework and liability regime rather than on the geographic location of the depositary.

The measure is particularly important in smaller markets where the local depositary sector is limited. A restricted provider base can delay fund launches and increase both cost and concentration risk.

For the passport to operate effectively in practice, it should be accompanied by maximum harmonisation of depositary requirements. Additional host-state reporting, documentation or local representation conditions risk undermining the operational benefits of cross-border provision. The passport should therefore function on the basis of a single supervisory framework and clearly defined responsibilities, without parallel national overlays.

Depositary functions for real estate assets

The AIFMD depositary framework is rooted in a UCITS-style model focused on safekeeping of financial instruments in custody and does not always map neatly onto real estate structures. Real estate AIFs typically hold properties through SPVs and property-owning companies, meaning the depositary's role is largely one of ownership verification and look-through to underlying assets rather than traditional custody of transferable securities.

In this context, it is important that depositary requirements are applied in a proportionate and consistent manner across Member States. Divergent supervisory interpretations can create uncertainty and additional operational burden for managers operating cross-border structures.

Operational infrastructure and service providers

INREV supports measures that simplify the operational framework surrounding fund administration and depositary interaction. Cross-border real estate funds rely on multiple service providers, including administrators, transfer agents, valuers and property managers. These functions are frequently subject to differing national procedural expectations and documentation requirements, even where the underlying EU rules are harmonised. Fragmented processes increase costs and complexity and can delay the establishment and scaling of fund platforms.

Proportionality within the depositary regime

In addition to the introduction of a depositary passport, INREV emphasises the importance of maintaining a proportionate approach to depositary requirements.

The continued availability of lighter depositary arrangements for smaller or more specialised AIFs is important to avoid imposing the full cost and operational complexity of the standard AIFMD depositary framework where risks are limited. Smaller AIFMs and long-term real asset strategies typically operate with low leverage, infrequent liquidity and predominantly institutional investor bases. In such cases, applying the full AIFMD depositary model does not necessarily improve oversight outcomes but does increase structural costs.

In parallel, the thresholds triggering mandatory application of the full depositary regime should be reviewed. Asset values and fund sizes have increased materially since the original calibration of AIFMD. Static thresholds risk capturing an expanding range of relatively small or mid-sized managers

whose scale does not justify the intensity of the full regime. Periodic recalibration would ensure that regulatory requirements remain aligned with actual risk.

Liquidity, fund categorisation and macro-prudential treatment

Classification of open-end and closed-end AIFs

There is an assumption that some open-end funds are highly liquid and offer frequent redemption opportunities. In the real estate world, while we believe that most loan originating funds for institutional investors are closed end, most others are 'semi-open ended' and only offer redemption opportunities both infrequently and subject to a variety of LMTs, although legally falling within the definition of 'open-end funds' under AIFMD.

Institutional investors such as pension funds and insurers invest for the long term in real estate debt in order to match the generally stable income flows derived from the assets with their long-term liabilities. They do not typically invest in open end real estate funds for liquidity, but rather because they are 'evergreen' and institutional investors can invest for an indefinite period of time with stable income flows without needing to re-invest their capital every so-many years. Infrequent redemptions are normal in loan originating real estate and infrastructure funds for institutional investors, and in some cases redemption intervals may be very long, for example every five years, reflecting the long tenor of the underlying assets.

To develop this point further, even with real estate and infrastructure assets there will be scenarios whereby both more and less frequent redemptions may be more appropriate for investors while still being compatible with the AIF's investment strategy. This includes managers that on the one hand are providing shorter term liquidity financing bridging more complex refinancing of real estate assets, which will be loans of shorter duration than are typical in real estate or infrastructure debt strategies. For strategies such as these, managers may wish to provide investors with more frequent redemptions where there is a natural alignment with the maturity profile of the assets. Shorter redemptions frequencies may also be appropriate for strategies with longer dated assets whereby the cashflows arising from the assets are considered to provide sufficient liquidity to permit such redemptions (noting that this will not always be the case).

As a result, the legal classification of a fund does not necessarily correspond to its economic liquidity profile. This distinction becomes important when the open-end category is used in supervisory analysis, reporting and policy discussions. Treating all open-end AIFs as providers of short-term liquidity risks mischaracterising long-term real asset investment and may lead to inappropriate conclusions about liquidity risk.

Regulatory predictability is important. The AIFMD II framework already establishes comprehensive liquidity management, governance and reporting requirements for AIFMs. Within the Market Integration and Supervision Package, the priority should therefore be clarification of fund categorisation and the interpretation of liquidity data rather than additional liquidity rules.

Targeted technical AIFMD improvements

INREV supports using the MISP initiative to address targeted technical issues in the AIFMD framework that create unintended operational barriers or legal uncertainty in practice. Following the recent adoption of AIFMD II, the priority should be effective implementation combined with limited

clarifications where necessary, rather than a further structural overhaul of the regime. Many of these issues arise from the application of provisions to investment structures whose financing and governance arrangements differ from the activities the rules were originally designed to address.

Shareholder loans and internal financing

To ensure proportional application of AIFMD II, clarification is needed that shareholder loans and similar internal financing arrangements do not qualify as loan origination, for determining whether a fund is subject to the loan origination/loan-originating AIF (LOF) requirements under AIFMD II. Specifically, many of the typical downstream structures in real estate funds (being funds that invest in real estate, not funds that provide lending to third party borrowers and where an AIF provides debt finance to its subsidiaries/holdcos, for efficient tax structuring) will be such that these funds are at risk of being pulled into the definition of a LOF under AIFMD II (whether or not lending is their key investment strategy). This is on the basis that the AIF will be originating loans whose notional value represents at least 50% of the AIF's NAV (second limb of LOF definition). The shareholder loan definition does not reflect how internal loans are often structured (where the loan is not stapled to the equity); therefore the partial carve out does not apply and there will be knock-on disproportionate commercial effects for an AIFM/the AIF it manages to ensure regulatory compliance with AIFMD II.

Further, for these internal arrangements with no underlying risks or third-party commercial lending activities that the regime seeks to address, we would suggest the following amendments:

- amending the definition of “shareholder loans” to remove the requirement for the loan to be stapled to the equity
- extending the exemptions for shareholder loans to include to all the LOF and loan origination requirements (not just adhering to leverage limits for LOFs and having policies and procedures on loan origination)

The current definition of “loan-originating AIF” risks also capturing partnership accounting mechanisms that do not constitute lending in an economic sense. For example, advances made to a general partner in respect of future entitlements may be described contractually as “loans” but do not involve third-party credit risk.

Clarification on these points at EU level would reduce uncertainty and prevent inconsistent supervisory interpretations.

Multiple methodologies for leverage calculations

“Leverage” has various AIFMD consequences, including determination of whether an AIFM is above or below threshold, reporting, maintaining policies, and new leverage limits in the context of loan-originating AIFs. However, the methodology for calculating leverage is not well understood. In particular, there are two areas where INREV considers greater clarity and consistency is required:

Leverage of asset-holding SPVs and portfolio companies

When assessing leverage of an AIF, a distinction should be drawn between leverage at the level of the AIF, and leverage at the level of asset-holding SPVs and portfolio companies. In real estate

investments, borrowing frequently occurs at the asset-holding entity level, rather than at the AIF level - this is a standard financing structure reflecting asset-level risk allocation. The debt is usually ring fenced at the level of the asset-holding SPV and/or portfolio company, with no recourse to the AIF's assets. In those cases, INREV considers that this should not be treated as equivalent to AIF-level leverage for regulatory purposes. Indeed, AIFMR (Commission Delegated Regulation (EU) No 231/2013) clarifies at Article 6(3) (as supplemented by ESMA Q&As), that for private equity-type AIFs, leverage of asset-holding SPVs and portfolio companies does not need to be included if they are non-recourse to the AIF. It is not clear why this position is taken for private equity-type AIFs and not for real estate and real asset AIFs. INREV considers that the treatment should be the same. The ESMA Q&A (QA 1073) on this topic should be withdrawn as it has added unnecessary inconsistency on this point, and Article 6(3) AIFMR should be amended.

“New” leverage calculation for LOAIF leverage limits

Calculation of leverage of a loan-originating AIF for the purposes of the leverage limits in new Article 15(4b) AIFMD excludes borrowing arrangements which are fully covered by contractual commitments from investors, whereas Article 6(4) AIFMR (which applies to all other AIFs, and to loan-originating AIF for all other purposes) only permits those borrowing arrangements to be excluded if they are also “temporary” in nature. It does not make sense to draw a distinction between whether such borrowing arrangements are temporary in nature or not, and it further does not make sense to require AIFs to perform different calculations, which can lead to confusion for investors and regulators. INREV therefore recommends that the “temporary” requirement be removed from AIFMR. The important point is the net exposure of the AIF to any loss.

Conclusion

INREV supports the objectives of the Market Integration and Supervision Package to strengthen European capital markets and improve supervisory coordination. For the real estate fund industry, the key issue is not the absence of EU legislation but the inconsistent interpretation and application of existing rules. The effectiveness of the single market for funds therefore depends primarily on supervisory convergence and operational clarity.

The proposals that facilitate cross-border fundraising, clarify the definition of marketing activity, improve coherence between AIFMD and MiFID, and introduce a depositary passport would materially improve the functioning of the framework. Targeted clarifications regarding delegation, internal financing arrangements, leverage treatment and fund categorisation would further reduce unnecessary operational barriers while maintaining investor protection.

At the same time, reforms should prioritise maximum harmonisation and legal certainty rather than additional layers of supervision. Strengthening coordinated interpretation of EU rules will address most cross-border frictions without centralising day-to-day supervision or reopening recently agreed legislative compromises under AIFMD II.

A stable and predictable regulatory framework is particularly important for long-term real asset investment. Real estate funds channel institutional capital, including pension and insurance savings, into housing, infrastructure and the built environment across the Union. Ensuring that the regulatory



framework operates consistently across Member States will support capital formation, improve market efficiency and contribute to the broader objectives of the Savings and Investments Union.

INREV stands ready to continue engaging constructively with the Commission and other stakeholders throughout the impact assessment and subsequent legislative process. We remain committed to supporting reforms that strengthen the effectiveness and coherence of the EU supervisory framework, are proportionate to the risks addressed and reduce unnecessary operational burdens, while maintaining a high level of investor protection.