

# EDFA Response to the European Commission Consultation on Private Equity Exits

6 May 2026

EDFA welcomes the European Commission's initiative to assess and improve the conditions for private equity and venture capital exits within the European Union. This consultation comes at a critical juncture, where Europe's ability to sustainably finance its innovative companies depends directly on the efficiency of its liquidity mechanisms.

EDFA also considers that any future initiative should be designed from the outset as EEA-relevant, in order to avoid creating new fragmentation between EU and EEA markets and to preserve the integrated nature of European private capital flows.

## A structural liquidity gap weighing on the European ecosystem

A key observation shared by market participants is the structural lack of liquidity in private markets across Europe. This results in significantly longer holding periods, increased uncertainty regarding exit conditions, and ultimately a higher cost of capital for companies.

This liquidity gap is not solely a matter of market depth. It also stems from persistent fragmentation in regulatory and operational frameworks across Member States and, more broadly, across the European Economic Area. Divergences in company law, taxation, contractual documentation, and market practices significantly complicate transactions, particularly in cross-border contexts.

At the same time, fintechs and, more broadly, European technology companies tend to scale early across the Single Market. The absence of an integrated environment for financing and exit operations therefore constitutes a direct constraint on their growth and on their ability to remain anchored in Europe.

## Limited and imperfect exit options

Traditional exit routes—initial public offerings, trade sales, or transactions between funds—remain essential but currently face significant limitations.

European public markets remain relatively unattractive for high-growth companies, notably due to regulatory constraints, high costs, and at times insufficient liquidity. Mergers and acquisitions are, for their part, highly dependent on economic cycles and may lead to consolidations that are not always aligned with companies' long-term development strategies.

In this context, secondary transactions represent a key but still underdeveloped lever in Europe. They could provide an effective mechanism for capital recycling, enabling investors to sell all or part of their holdings without having to wait for a major liquidity event.

At the same time, missing exit options are only one part of the problem. On the investors side, institutional investors often find regulatory constraints when investing into high-risk start-ups or scale-ups. This has been confirmed in the recent report FIVE Task Report (Financing Innovating Ventures in Europe) jointly released by the German Minister of Finance and the French Minister of Finance. In order to mobilize more private capital for innovative companies, regulatory restrictions need to be lifted - therefore EDFA strongly supports the two suggestions made by the European Commission on a Regulatory Sandbox for Private Equity Exits and/or a separate bespoke regime, comparable to the DLT Pilot Regime.

However, the other part of the problem is an insufficient deal flow from early-stage private investments into start-ups to the larger secondary markets for these investment options. That is the reason why EDFA, its members and more than 40 European digital investing platforms have argued to lift the threshold for start-up investments under the European Crowdfunding Service Provider Regime to at least 12M EUR. Similarly, EDFA together with its members and more than 20 leading exchanges for securities have argued that the thresholds within the DLT Pilot Regime need to be lifted, to meet the financing needs of start-ups and scale-ups. Both these measures would lead to more early-stage funding into innovative ventures, leading to more supply for private equity investments, leading to a more liquid secondary market for these companies.

## The key role of a structured secondary market

EDFA considers that the development of an organised secondary market for shares in private companies should be a strategic priority for the European Union and should be conceived in a way that remains open and interoperable with EEA markets.

Such a market would simultaneously address several challenges:

- improving liquidity for private assets;
- facilitating price discovery through more transparent mechanisms;
- broadening the investor base beyond traditional private equity funds;
- reducing the costs and timelines associated with bilateral transactions by improving not only the regulatory framework, but also the operational “plumbing” of private market transactions, including standardised documentation, reliable share registry mechanisms and efficient corporate action processes.

In this context, the concept of a multilateral platform enabling intermittent trading of private company shares appears particularly relevant. A model based on liquidity windows rather than continuous trading would be well suited to the specificities of private markets while allowing for more efficient organisation of transactions.

Such liquidity windows could provide a predictable and controlled framework for secondary transactions, while avoiding the need to replicate the full architecture of public markets. They would also allow issuers, shareholders and investors to prepare transactions in advance, based on a proportionate and standardised information set.

## Conditions for success

To be effective and attractive, a European secondary market platform should be built on several key principles.

First, a clear, harmonised and proportionate regulatory framework is essential. It should strike the right balance between investor protection and the flexibility required for private markets to function efficiently. A proportional approach,

potentially supported by experimental regimes or sandbox frameworks, would be particularly appropriate.

This proportionality should be explicitly risk- and size-based. Smaller and private companies should not be subject to disclosure obligations that resemble a listing prospectus or create excessive administrative burdens. The framework should avoid duplicating existing reporting requirements and should allow platforms to reuse information already produced by companies, such as financial statements, governance documents, cap tables or shareholder information, rather than requiring parallel or bespoke formats.

Second, the standardisation of information made available to investors is a critical enabler. Without imposing disclosure requirements equivalent to those of public markets, a common baseline of periodic disclosure should be established, updated regularly and in particular ahead of each trading window.

This baseline should remain strictly proportionate to the nature, size and risk profile of the company and the transaction. Its purpose should be to provide investors with sufficient, comparable and reliable information, not to transpose public-market disclosure standards into private markets.

Third, access to the platform should be appropriately calibrated to ensure the quality of participants, while allowing for a gradual broadening of the investor base. Opening access to a wider range of institutional investors would significantly contribute to improving liquidity.

A phased approach may be the most realistic path. In a first stage, access could focus primarily on professional and institutional investors, with strong safeguards and eligibility criteria. Over time, and subject to appropriate investor protection measures, the investor base could be broadened where justified by market maturity and supervisory experience.

Finally, technological innovation—particularly through the use of distributed ledger technologies (DLT)—could play a structuring role by facilitating transaction processes, settlement, and share registry management.

However, DLT should be framed as an enabling option rather than a mandatory technological pathway. The future framework should remain technology-neutral, preserve interoperability between different infrastructures, and avoid locking market participants into a single technical architecture. Therefore shares registered under

the laws of a member state - on DLT or otherwise - should be tradeable on such secondary market without the need to re-register them. This requires an open architecture that allows local registrars to access the trade execution data and then settle these in their respective register.

Beyond regulation and technology, operational standardisation will be essential. Harmonised contractual documentation, efficient share transfer procedures, reliable and up-to-date shareholder registers, and clear corporate action mechanics are necessary to reduce transaction costs and timelines. Rules alone will not solve the exit challenge if transactions remain slow, costly or operationally complex.

This poses a tradeoff: the more technology neutrality is kept, the less standardization is possible. Finding the right balance is key.

## A central role for the European Union

The European Union has a decisive role to play in enabling the emergence of such an ecosystem. This notably involves:

- promoting targeted harmonisation of frameworks applicable to private securities;
- supporting the development of pan-European market infrastructures;
- fostering convergence of market practices across Member States;
- encouraging standardised documentation, share registry practices and corporate action processes;
- and encouraging innovation within a secure regulatory environment.

A coordinated European approach is essential to reach sufficient scale and to avoid the proliferation of fragmented initiatives that would replicate current inefficiencies.

This coordination should be designed to avoid new boundaries between EU and EEA markets. Given the cross-border nature of European private capital, an EEA-compatible approach would help maximise scale, liquidity and investor participation.

## Conclusion

Improving exit conditions in private equity is a key lever to strengthen the competitiveness of the European economy. By facilitating capital recycling and reducing market frictions, the European Union can create a more supportive environment for financing innovative companies.

EDFA therefore calls for the establishment of an ambitious, coherent and operational framework to enable the development of a genuine European secondary market for private assets. Such an evolution would not only enhance the attractiveness of the European ecosystem, but also support long-term growth and the economic sovereignty of the Union.

This framework should be proportionate, technology-neutral, EEA-compatible and operationally practical. It should combine regulatory convergence with standardised market practices, efficient transaction mechanics and proportionate disclosure requirements, so that secondary markets can develop at scale without imposing public-market burdens on private companies.

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### **About EDFA**

The European Digital Finance Association is the independent industry body representing the digital finance community. Our mission is to support Europe's global role in the financial technology sector.

Established in February 2020, EDFA unites over a dozen European national fintech associations, their several thousand members, and technology companies. EDFA members range from startups and financial institutions to investors and professional services companies. All can profit from EDFA's position as the single point of contact to promote favorable policy and business opportunity.