

# What U.S. fund managers fundraising in Europe need to know

*Here's what U.S. private markets fund managers need to get right before fundraising in Europe from regulatory route to operating model. [Marcia Rothschild](#) and [Scott Kraemer](#) unpack the strategic decisions that can shape access, compliance and long-term growth.*

For U.S. private markets fund managers, Europe represents one of the world's deepest, most sophisticated pools of institutional capital. But while the opportunity is significant, the route into Europe is rarely straightforward. Unlike the U.S., the EU isn't a single, harmonized market, rather it's a layered regulatory environment where each structural choice carries consequences for speed-to-market, investor access and long-term scalability.

In a recent episode of Aztec Group's [Alternative Insight](#) podcast, regulatory and fund structuring specialists gave a step-by-step guide to what U.S. managers must understand before entering the European arena. As experienced fund administrators in Europe we've found that to succeed, managers must make informed decisions early, choose the right operating model, and avoid assumptions based on U.S. norms.

Here are the main points from the discussion. You can also download our short guide and checklist to European fundraising [here](#).

## **AIFMD: The first fork in the road**

The [Alternative Investment Fund Managers Directive \(AIFMD\)](#) governs how EU and non-EU managers can raise capital from EU investors, with three distinct routes to access:

1. **EU Marketing Passport** - The gold standard route for full EU access, which requires an [AIFM](#). In broad terms an AIFM (Alternative Investment Fund Manager) is the firm responsible for managing and operating an alternative investment fund (AIF), this entails overseeing its investments,

risk management, and regulatory compliance on behalf of investors.

There are two options for managers: Establishing your own EU AIFM (Alternative Investment Fund Manager), a 12-month+ endeavor with strict capital requirements, or partnering with an authorized, third-party AIFM.

Whichever option you choose at this stage, you will be entering a fully regulated model with strict regulatory responsibilities, substance requirements and ongoing compliance obligations.

- 2. National Private Placement Regimes (NPPRs)** - these are country-specific regulatory frameworks under AIFMD that allow fund managers, particularly non-EU or non-passporting AIFMs, to market alternative investment funds to professional investors in individual European jurisdictions. It is a lighter-touch route for marketing non-EU funds, but one that varies dramatically between member states, with some states blocking them altogether. Also, some countries, like Germany, impose a "[Depo-Lite](#)" requirement along with NPPRs. "Depo-Lite" refers to a lighter-touch depositary model under Articles 36 and 42 of AIFMD, typically used by non-EU or non-passporting funds, offering greater flexibility through multiple service providers, fewer geographic restrictions, and no strict liability for asset loss compared to a full-scope depositary.
- 3. Reverse solicitation** - A low-touch but high-risk approach where the investor initiates the relationship. There's no marketing approval required, but the legal risk is significant and fact-specific.

*Why this matters:*

The route you choose determines your regulatory burden, cost base, investor reach and timeline. Many U.S. managers underestimate how early this decision must be made and how hard it is to unwind once commitments are in place.

### **Europe: A three-layer regulatory landscape**

A point that bears repeating is that Europe operates on three distinct regulatory layers:

1. Global standards
2. EU-wide regulation (like AIFMD and SFDR)

### 3. National implementation, interpretation and add-ons

For example, Luxembourg, the Netherlands and Germany may sit under the same European directive, but they interpret rules differently and impose different expectations around substance, oversight and regulatory reporting.

*Why this matters:*

There is no single European approach. Structuring decisions must be tailored jurisdiction by jurisdiction.

#### **SFDR: ESG classification has become a strategic decision**

The Sustainable Finance Disclosure Regulation (SFDR) categorizes funds marketed under AIFMD as:

- Article 6: no ESG commitment
- Article 8: promotes ESG characteristics
- Article 9: sustainable investment as an objective.

For U.S. managers, the challenge is twofold:

- European LPs increasingly avoid Article 6 funds altogether
- Some U.S. investors view strong ESG positioning as politically sensitive.

*Why this matters:*

Managers must craft an ESG narrative that works on both continents, one which is consistent, intentional and aligned to the strategy.

#### **Scale and substance: Where U.S. fund managers get tripped up**

There is a recurring pattern our teams have picked up: U.S. managers too often underestimate the substance required to operate effectively in Europe.

A number of U.S. firms launched “registered AIFMs” in Luxembourg, structures with limited permissions and lighter oversight, then discovered they couldn’t run the strategy they intended. What looked like a quick entry into Europe became an expensive detour.

*Why it matters:*

Strategy must dictate structure, not the reverse.

## Offshore vs. onshore: The Channel Islands decision

Jersey and Guernsey offer simpler, faster, and less burdensome regulatory environments than EU jurisdictions. However:

- You sacrifice access to the EU marketing passport
- Some institutional investors prefer EU-domiciled vehicles.

These jurisdictions are often ideal for certain private credit, infra-debt and specialist strategies, but are far from universal.

## Operational partners: Why outsourcing decisions matter

When using the AIFMD marketing passport, U.S. managers rely on a network of long-term [service providers](#), each with its own role:

- AIFM - A key difference between U.S. and EU regimes is [the AIFM role](#). An AIFM governs the fund under AIFMD rules and is responsible for risk management, valuation oversight, compliance, regulatory filings and, potentially, elements of portfolio management oversight.
- Depositary - Under AIFMD, most European fundraising requires [an authorized depositary](#): an independent function monitoring cash flows, safekeeping assets, verifying ownership, overseeing valuation processes and ensuring the fund is managed in accordance with local regulations. Its purpose is investor protection, creating a challenge function that regulators view as non-negotiable.
- Fund administrator - The fund administrator handles [the operational lifecycle of a fund](#) ensuring that valuation cycles, investor notices, and reporting obligations are executed accurately and on time. For U.S. managers used to leaner operational setups, the European environment adds layers including multi-jurisdictional filings, GAAP variations, regulatory disclosure frameworks, and heightened investor reporting standards. A high-quality administrator brings the technology, templates and specialized expertise and track record required to meet these expectations.
- Placement agent (where required) - A placement agent introduces the fund to relevant institutional investors and guides the fundraising strategy for the region. They also support regulatory navigation, investor targeting and messaging to ensure the fund is positioned effectively across different

European markets.

The quality of this ecosystem directly affects:

- onboarding speed
- reporting accuracy
- regulator engagement
- investor experience

And because these relationships last a decade or more, misalignment can create costly friction.

One-stop-shop models, where [AIFM, fund administration and depositary services](#) sit within the same provider group, can reduce pain points, eliminate duplication, increase operational efficiency and streamline oversight.

### **Planning before outreach: The pitfall to avoid**

The biggest and most common mistake? Speaking to investors before establishing the correct regulatory pathway. The best approach is to map first and market second. Failure to do so can undermine a reverse solicitation strategy, trigger unintended regulatory obligations, force restructuring mid-raise and jeopardize the overall timeline of getting to market.

### **A checklist for U.S. managers**

European capital rewards preparation. For firms willing to invest time upfront, the path becomes significantly smoother building long-term investor confidence and scalability.

Here's a summary of what to consider:

- A clear regulatory route
- A strategy-aligned operating model
- Early-stage legal and regulatory mapping
- The right mix of outsourced partners
- A consistent ESG narrative
- An understanding of jurisdiction-level nuance.

A fund administrator, with a proven track record in Europe, can guide managers efficiently through the process, handling the heavy lifting and taking on the

critical tasks necessary to ensure compliance with European regulations, smooth operations, and effective fund management on an ongoing basis. To better prepare for a successful fundraise in Europe contact us directly and make use of our high-level checklist summary and detailed [guide to fundraising in Europe](#).



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