EU Market Integration: The 5 changes that matter most for private markets

The European Commission's Market Integration Package proposes meaningful modernisations to the EU's regulatory landscape for the bloc's financial sector. Designed to reduce fragmentation, improve supervisory consistency and support cross-border activity, the proposed reforms directly target challenges faced by private markets, where complex multi-jurisdictional structures and cross-border fundraising are standard. ***Angel Ramon Martinez Bastida*** *and* ***Dave Griffin*** *explain the changes that will have the most impact for private markets and AIFMs.*

Although still at the proposal stage, the Market Integration Package demonstrates the EU's ambition to streamline its regulatory architecture. The reforms must now be reviewed and agreed by both the European Parliament and the Council, and – once adopted – would generally apply 12 to 24 months after entering into force. However, while substantial changes are unlikely before 2027, we've highlighted five things which we believe are relevant for private markets to consider today.

1. A more harmonized cross-border marketing regime for EU AIFMs

The proposed reforms directly tackle longstanding inconsistencies in how member states interpret and enforce the Alternative Investment Fund Management Directive (AIFMD) marketing rules. Supervisory practices currently vary widely, with different requirements for the content and format of promotional materials and higher costs for funds marketed in several jurisdictions.

The Commission aims to address this by:

- Removing marketing and pre-marketing rules from AIFMD and transferring them into the Cross-Border Distribution of Funds Regulation, which applies directly and eliminates national discretion

- Shortening notification and de-notification processing timelines
- Mandating a European Securities and Markets Authority (ESMA) review of member state fees and charges linked to marketing
- Eliminating restrictive pre-marketing rules, such as:
    - the 18-month rule linking pre-marketing to deemed marketing
    - the 36-month cooling off period after de-notification

For private markets, where blind pool AIFs often depend on long, phased fundraising periods, these changes materially reduce friction and improve cross-border fundraising certainty.

What it means: In theory there is a single market for financial services throughout the EU member states, but in practice AIFMs find themselves having to navigate a patchwork of jurisdictional-specific requirements for each border they cross. These regulatory hurdles add complexity and cost to marketing a fund in the EU and even influence decisions around which pools of capital in which countries to approach. Removing these hurdles is a step in the right direction of a true single market, and should improve the fundraising potential of the EU.

2. A New ESMA mandate over marketing communications

Marketing communication standards have historically been challenging for private markets, particularly where fund structures make "past performance" and "forward looking" disclosures difficult.

The Commission addresses this by requiring ESMA to produce a delegated act covering:

- What constitutes a marketing communication;
- Principles of information that is fair, clear, and not misleading;
- How risks, costs, fees and performance should be presented; and
- Standard drafting expectations.

Crucially, the file highlights that the Package will shape how communication rules interact with blind pool private funds, where current rules "do not work very well". This could lead to more realistic, tailored requirements for private markets strategies.

What it means: This change should be a real boost for private markets. By giving

ESMA a clear mandate to set consistent marketing standards, the rules can finally reflect how blind pool strategies work in practice. It should bring much needed clarity, reduce unhelpful constraints, and help managers communicate in a way that is both compliant and meaningful for investors.

3. A more flexible delegation framework for AIFMs

Delegation — particularly intragroup delegation — is fundamental to private markets operating models. Today, group entities must satisfy the same oversight tests as third party delegates.

The Package proposes to:

- Disapply certain due diligence and monitoring obligations when the AIFM delegates functions to an EU group entity;
- Require only simple notification, not full assessment, for intragroup delegation; and
- Retain the letterbox prohibition and ensure AIFMs remain fully liable for delegated functions.

This is one of the most commercially significant reforms for private markets, enabling more efficient use of group resources while maintaining regulatory safeguards.

What it means: Intragroup delegation has always been far safer and more transparent than outsourcing to external providers, because group entities operate under aligned governance, culture and controls. By simplifying the requirements for EU group delegations while keeping the letterbox prohibition and full AIFM liability, the Commission is recognising this reality. It allows AIFMs to use their internal expertise more efficiently without weakening investor protection.

4. Depo Lite availability across the EU and a new depositary passport

Private markets funds, especially closed ended AIFs, have historically relied on depositaries established and regulated in the jurisdiction of the fund, which was mandated by the AIFMD. This is why the markets for depositaries in the larger funds jurisdictions of Luxembourg and Ireland have grown and matured, whereas other jurisdictions have fewer depositaries of scale as well as less choice.

The file outlines two changes that may reshape this landscape:

1. Depo Lite models – for closed ended AIFs, member states will no longer have discretion to prohibit Depo Lite arrangements

2. Depositary passporting – AIFs will be allowed to appoint a depositary located in another member state, provided it is a Markets in Financial Investments Directive (MiFID) investment firm or credit institution authorized to operate cross-border.

This potentially increases optionality for AIFMs and could gradually diversify depositary markets outside established hubs, though entrenched practices in Luxembourg and Ireland are likely to limit quick shifts.

What it means: This potential opening up of the depositary provider market should offer more choice for fund managers when making appointments and in managing the performance of depositaries. This, in turn, could put downward pressure on fees and/or upward pressure on performance expectations and represent a real shake-up of the depositary market. However, with an ever-increasing focus on regulatory compliance and an expectation that service providers continue to invest in tech-enabled delivery platforms, are institutional fund managers and their investors going to look beyond established providers in established jurisdictions in search of a potential minimal cost saving? It is unlikely, at least in the short term.

5. New supervisory dynamics for large AIFM groups

For large private markets groups operating across several member states, supervisory fragmentation can create operational inefficiencies.

The proposed reforms introduce:

- ESMA-led annual reviews of supervisory approaches for groups with >EUR 300bn AUM and multi-jurisdictional AIFMs;
- Identification of diverging, duplicative or inconsistent supervisory practices; and
- Recommendations to national regulators to harmonise oversight.

This is not direct ESMA supervision, but a new layer of supervisory coordination aimed at eliminating cross-border inconsistencies impacting large private markets platforms.

What it means: For large private markets platforms, this is a very welcome development. Intra-EU supervisory divergence has long created duplicate expectations, parallel requests and unnecessary friction. ESMA's new coordination role won't replace national supervision, but it will help align approaches and remove inconsistencies across member states. That makes the system safer and more predictable and ultimately allows large AIFM groups to focus more on running their businesses and less on navigating differing supervisory interpretations.

The proposed outcome

While the Market Integration Package does not fundamentally reshape AIFMD, which remains the central framework for private markets in the EU, it introduces significant, focused amendments to key areas of the regime.

In summary, the reforms would support:

- Smoother cross-border distribution;
- Clearer and more proportionate marketing rules;
- More efficient intragroup operating models;
- Greater flexibility in depositary arrangements; and
- Improved supervisory convergence.

For AIFMs and private markets sponsors, these changes could reduce the administrative burden and improve operational scalability, provided regulators apply the new tools in a pragmatic and harmonized manner.

Aztec will continue monitoring the evolution of the proposals as they move through the legislative process. If you'd like to discuss any of the proposed changes, please contact us.

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