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Subject: Comment on Proposal to Amend the PEPP Regulation: Long-Term Investment in Private Markets

Dear Sir or Madam,

I write as an Associate Professor of Finance at the University of British Columbia to comment on the proposed amendments to Regulation (EU) 2019/1238 on the pan-European Personal Pension Product. My academic research focuses on venture capital, private equity, and institutional investors in these asset classes. I comment on two aspects of the proposal where my research is particularly relevant.

First, I support allowing greater pension plan investment in private markets. Kortum and Lerner (2000) provide evidence that allowing pension plans to invest in venture capital had a large effect on innovative output in the United States.[1] My joint work with Professor Ilya Strebulaev at Stanford University further highlights the macroeconomic significance of this channel.[2]

Figure 1 from our paper (reproduced here) illustrates that the United States has spawned far more large public companies than other G7 countries, with this divergence beginning in the 1970s and being driven largely by venture capital-backed firms. This period coincided with regulatory changes that allowed American pension funds to invest in private markets. Although innovation is a complex process, the ability of pension plans to invest in venture capital has been associated with substantial economic benefits in the United States.

Second, I encourage caution when imposing disclosure requirements on private market investment managers. My research with Professor Rus Abuzov at the Darden School of Business, University of Virginia, and Professor Ilya Strebulaev examines increases in American public pension plans' disclosure requirements following court rulings.[3] We find that heightened disclosure requirements limited public pension plans' access to top venture capital funds, materially reducing the returns on their private-market portfolios.

Our findings indicate that many venture capital funds view extensive public disclosure as a significant cost. While investor protection and transparency are important objectives, excessive disclosure requirements can unintentionally harm investors by restricting access to high-performing private market opportunities.

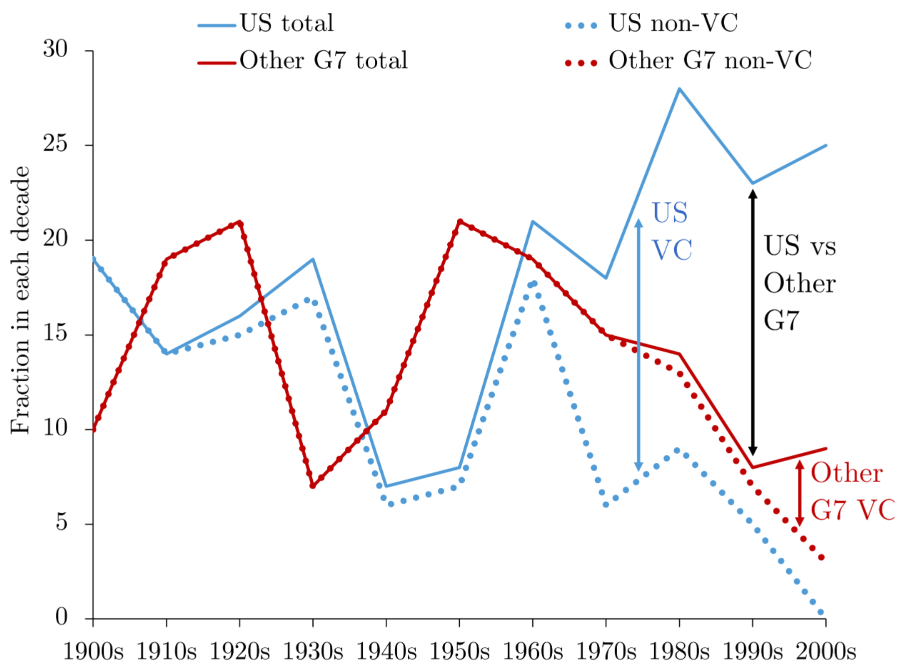
[1] Kortum, S., and J. Lerner (2000). Assessing the Contribution of Venture Capital to Innovation. RAND Journal of Economics.

[2] Gornall, W., and I. Strebulaev (2021). The Economic Impact of Venture Capital.

[3] Abuzov, R., W. Gornall, and I. A. Strebulaev (2025). The Value of Privacy and the Choice of Limited Partners by Venture Capitalists. Journal of Financial Economics, 169(7), 104063.

Figure: Top International Companies Founded in Each Decade

This figure is reproduced from Gornall and Strebulaev (2021) and plots the number of firms founded in each decade that are among today's largest public companies (top 300 in the United States; top 50 in each other G7 country). Solid lines show total firms; dotted lines show non–venture-capital-backed firms, with the difference indicating venture-capital-backed firms.



The views expressed in this submission are my own. My research is funded in part by the Social Sciences and Humanities Research Council of Canada. I have previously provided, and may in the future provide, expert services in matters related to venture capital valuations. These activities are unrelated to the present consultation, and I do not have any material conflicts of interest with respect to this submission.

Sincerely,

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