



Press Release

BAI welcomes improvements to AIFM Directive and ELTIF Regulation and supports a selective development of regulation for Alternative Investment Funds

- New EU package of measures on Capital Markets Union focuses on Alternative Investment Funds (AIFs) as key pillar of the capital markets union
- AIFMD review with proposals for EU regulatory framework for loan-originating AIFs; also selective changes to delegation (including with regard to third countries), liquidity management tools (LMT) and cross-border activities of custodians
- ELTIF review takes up petitions from practitioners; expansion and flexibilization of investment options and greater differentiation between ELTIF for institutional and retail investors increases attractiveness

Bonn, November 25, 2021. The **Bundesverband Alternative Investments e.V. (BAI)**, the central representative of the Alternative Investments industry in Germany, welcomes the measures presented today by the EU Commission to improve the regulatory framework for Alternative Investment Funds (AIFs). 10 years after the adoption of the AIFM Directive and 6 years after the adoption of the ELTIF Regulation, the EU Commission has presented and adopted various legislative acts to further advance the Capital Markets Union and strengthen the role of capital markets in the EU. The central element is the review of the AIFM Directive and the ELTIF Regulation.

BAI Managing Director **Frank Dornseifer** assesses the package of measures as follows: "Our view that the AIFM Directive has proven itself in practice is fully shared by the EU Commission. In the pre-consultation, we had therefore firmly argued that selective improvements and modifications could be reasonable whereas a broad review would simply be counterproductive. In the context of retirement provision, insurers, pension funds, pension schemes etc. now allocate around one third of their funds via AIFs and the trend is rising as the current BAI Investor Survey 2021 shows. Infrastructure projects, real estate, medium-sized companies, etc. are financed. The industry has a preeminent role to play in financing the green deal and the digital transformation. For this reason alone, it must be ensured that the regulatory framework for AIFs is wisely improved."

The BAI positively evaluates, for example, the proposed consolidation or simplification of reporting, or the opening of cross-border activities for depositaries. The BAI also understands that the European Commission is taking up the concerns of the supervisors, such as the specification of the minimum requirement with regard to delegation, especially in the case of third countries (no letter-box entities) and liquidity management.

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From the BAI's point of view, the proposal to introduce an EU-wide regime for loan-originating AIFs was and remains controversial. **Dornseifer** went on to comment on this: "There was no deficit or the like here that should have been remedied, but an EU-wide harmonized regulatory framework also has advantages for providers, some of whom had to contend with market fragmentation in cross-border lending. Private debt will also continue to grow dynamically. Our Investor Survey this year confirms the increasing demand from institutional investors on the one hand. On the other hand, the financing needs of SMEs and infrastructure are increasing. The proposals now presented by the EU Commission could therefore provide important impetus, but it will be important that the actual design and implementation is not thwarted in the end, as for example in Germany, where a largely unrelated alignment with banking supervision law once again nipped the topic of loan funds in the bud."

The review of the ELTIF Regulation also finds positive resonance with the BAI. For example, the investment possibilities for ELTIFs are to be expanded or made more flexible (introduction of fund of funds/master fund structures, admission of minority shareholdings, increase of the market capitalization threshold for listed shareholdings, etc.), especially for ELTIFs that are exclusively marketed to professional investors. At the same time, however, the investment opportunities for private investors are to be readjusted because they also need access to well-regulated longer-term investment products in the fund shell.

Frank Dornseifer explained further: "This flexibilization of investment options and the differentiation between ELTIFs for professional and those for private investors are based on suggestions from the industry after the ELTIF has initially not been accepted in practice. Last year, we saw a certain momentum and the number of ELTIFs approved doubled, but certain regulations were very unwieldy and a uniform set of regulations for professional and private investors only works in the rarest of cases. Finally, we take a positive view of the proposals to make redemptions more flexible, e.g., via a redemption platform for ELTIF units. It is these selective proposals for improvement that could ultimately help the ELTIF to achieve a breakthrough.

In addition to the above-mentioned legislative acts, the SME package of measures also includes proposed amendments to the MiFIR Regulation and the cross-sector introduction of a central digital platform for investment-relevant corporate information of a financial and non-financial nature (European Single Access Point).

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The Bundesverband Alternative Investments e. V. (BAI) is the central interest group of the alternative investments industry in Germany. The federation understands itself as catalyst between professional German investors and recognized offerers of alternative Investments products world-wide. It is committed to ensuring that German institutional and professional investors are able to diversify their capital investments more easily and effectively with regard to alternative investments, in particular with a view to securing German old-age provision in the long term. The BAI promotes public awareness and understanding of alternative investments and is committed to scientific research. It conducts a dialogue with political decision-makers and the responsible supervisory authorities and cultivates exchanges with national and international organisations and associations. The association pursues the goal of achieving legal reforms and further legal education in the interests of its members and their investors and of creating attractive and internationally competitive framework conditions for investing in alternative investments. The circle of BAI members, recruited from all areas of the professional alternative investment business, has grown to more than 250 businesses.