

## **BAI Newsletter IV/2022– August 30, 2022**

*Editorial article from Frank Dornseifer*

*Managing Director, BAI e.V.*

Dear Ladies and Gentlemen,

### **Private Debt – good sentiment despite uncertain times?**

The Private Debt boom continues. On a monthly to weekly basis there are reports on relevant portals and conferences about the Private Debt Pipeline, which – unlike to North Stream – continues to flow abundantly. Fund volumes in the single-digit billion range seem to be the rule rather than the exception while Premier League Private Debt firms have raised more than 1.3 trillion USD worldwide in capital over the last five years, according to PDI 100 Rankings. So far so good. It remains to be seen however, how, for example, a possible and possibly not so unlikely recession could affect Private Debt Managers on one hand, portfolio companies on the other. In any case, this is a scenario that market participants, investors especially, should and must consider. The mix of geopolitical turmoil containing supply chain disruptions, shortages of skilled labor, inflation levels unprecedented since the 1970s, interest rate hikes which according to BaFin chief supervisor could overwhelm institutions, and so on, will not leave Private Debt unscathed. It is therefore not surprising that debt servicing and covenants are in focus of underwriting processes in order to keep default ratios low. In the case of existing portfolios, some managers are confronted with real interest rates breaking through the zero line, which in view of typical Private Debt terms, should not cause the BaFin chief supervisor as much concern as bank institutions, that have not sufficiently and precociously hedged against inevitable rate hikes. While on the topic of rising interest rates: It is possible that fixed-income strategies will regain more favor with institutional investors in the event of further interest rate hikes. Corresponding statements from investors were to be heard at relevant conferences.

In short, Private Debt is not and will not remain a boring subject and the variety and bandwidth of expert articles contributed to this newsletters shows, how multifaceted Private debt is and why it is still worthwhile to deal with it intensively. Naturally, this encompasses the regulatory framework, for after the summer break, the final trilogue between European legislative bodies concerning a future EU-wide credit regime begins, which is now becoming very concrete, both in terms of structuring options and in terms of operational requirements. The European Parliament in particular has tabled a large number of amendments – some of them very restrictive – relating to the lending activities of funds, which will certainly lead to controversial debates in the upcoming trilogue negotiations. It is therefore all the more important that the various arguments be carefully examined and objectively discussed in advance so that the regulation does not ultimately take on a prohibitive character and above all, does not leave to much final regulatory competence to the member states, which ultimately prevents rather than enables a single market and cross-border lending activities.

With other European associations, we have repeatedly and clearly called for a pragmatic approach, especially since there are neither market failures nor particular risks looming that can and should be used as grounds for severely limiting regulation. Institutional investors that rely on this asset class now and in the future and thus provide capital – complementary to banks –

cannot be unsettled and disproportionately regulated. Excessive regulatory interventions can lead to a permanent impairment of Private Debts ability to provide funding – not only for SMEs – which could well result in corporate insolvencies as well as losses in economic growth and job security. The maturity that Private Debt has now reached is impressive. Not only are all capital structures covered, but investors are also choosing alternative access channels to invest in Private Debt such as co-investments and secondaries.

## BAI Investor und Member Survey

We would like to take this opportunity to thank all investors and members who – despite summer break and nearly tropical temperatures throughout Germany – have already participated in this year's. This year, we have started both surveys earlier, also at the requests of many participants from the previous year, in order to relieve deadlines and agenda planning in the fall. Based on the interim results, we are very confident that we will build on last year's success. For those of you who have not yet participated, I can certainly encourage you to do so in the near future. As you know, the findings of the survey are not only of very high interest to all parties involved, they are also extremely important to the future orientation and weighing of our association's work. We are also happy to provide participants with a free ticket for the upcoming 2. BAI InnovationsDay, which will take place soon. This too should be a more than welcome occasion to still participate.

## BAI InnovationsDay

And to give you a good overview of the topics we will be presenting at this year's BAI InnovationsDay, here is the agenda:

We start with the opening presentation and keynote-speech of **Dr. Matthias Voelkel**, CEO Boerse Stuttgart Group, on the topic of **“Blockchain, Digital Finance and Crypto – Europe's Opportunities and Challenges in Global Competition and Implications for Institutional Investment”**. It is followed by the panel discussion on “Crypto assets in the portfolio: Challenges for asset managers and investors (structuring, due diligence, risk management, trading)” with participants from DEXTRO Group Germany, NYALA and Plutonoeo Consulting GmbH. The panel will be moderated by Prof. Dr. Philipp Sandner of the Frankfurt School Blockchain Center. This will be followed by the following presentations:

- “Digital Assets & Smart Securities – Opportunities and Challenges of a Digital Capital Market for the Asset Management Industry”, Jens Siebert, KMPG AG Wirtschaftsprüfungsgesellschaft
- “SWIAT – Blockchain for regulated financial market players”, Jonathan Leßmann, SWIAT GmbH
- “Art as an Alternative Hedge against Inflation”, Yassir Benjelloun-Touimi, ARTEX

The second panel discussion on the topic of “Implementation of KryptoFAV and eWpG: funds and securities on the blockchain from the perspective of KVG, depositary, registrar” will be moderated by Dr. Nick Wittek, Jones Day, participants are representatives of BNP Paribas Securities Services, Annerton, Hauck Aufhäuser Lampe and intas.tech.

- “Lessons Learned from Investing in the Blockchain Ecosystem – the VC perspective”, Axel Roitzsch, Cryptofinance.vc and Wolfgang Männel, Blockchain Founders Group

- “Social media monitoring to uncover manipulative behavior in cryptocurrencies”, Dr. Stefan Nann, Stockpulse
- “AI in Asset Management: Getting better all the time!”, Günter Jäger, Plexus

Between the presentation and panel discussions a total of eight selected start-ups in the areas of technologies and asset manages introduce themselves.

- 21.finance AG
- Cadeia GmbH
- F5 Crypto Capital GmbH
- heartstocks
- Kasuria GmbH
- Own AG
- SQ Solutions
- Rudy Capital Beratungsgesellschaft mbH

You can find comprehensive additional information on our [website](#).

So sign up [here](#), happy to receive a free ticket after participating in the investor or member survey.

### **Reconstitution of BAI experts' committees**

In the editorial of the last newsletter and subsequently with a separate mailing of August 3 to the current participations of the BAI experts' committees, I had already informed about the reconstitution of the committees and asked for corresponding expressions of interests, not only for the regular participation in the committees, but also with regard to the co-direction in these committees. In the course of activating the new *membership platform*, which we are already testing in the short term and initially in a pilot phase, we will also involve the relevant specialist committees. Those of you who have already registered will be contacted separately in due course. Those of you who have not yet registered but are also interested in actively participating in one or more committees or sub-working groups in the future are of course also welcome to contact me directly by September 16. Enclosed is the future structure of the experts' committees and working groups.

### **Experts' committee Fund and Market Regulation**

#### **Sub-working groups:**

- AIFMD/UCITS/KAGB
- ELTIF/EuVECA/EuSEF
- MiFID/MiFIR/EMIR
- LeerverkaufsVO
- MiCAR/DLT/DORA/eWPG

## **Experts' committee Investment Taxation**

### **Sub-working groups:**

- InvStG/EStG
- AStG/DAC/ATAD/FTT
- UStG
- GewStG

## **Experts' committee Supervisory law for investors**

### **Sub-working groups:**

- CRR/CRD/KWG
- Solvency II/VAG/AnIV
- EbAV/IORP/PFAV

## **Working group Sustainable Finance**

### **Sub-working groups:**

- SFDR
- Taxonomy
- CSRD
- EET

You can find more information [here](#).

### **To the articles in this newsletter**

As already mentioned at the beginning, we are pleased to present you with this newsletter a large number of very readable expert articles on the main topic of Private Debt. Many thanks to all authors who have contributed to this newsletter.

I wish you – as hopefully always – an informative and entertaining reading of the BAI Newsletter.

Frank Dornseifer