

BAI Newsletter II/2025 – April 2025

Editorial article from Frank Dornseifer, Managing Director, BAI e.V.

Coalition agreement in place, private capital is being sought

As designated German Chancellor Friedrich Merz announced, CDU/CSU and SPD presented the coalition agreement before Easter under the sober yet expectation-raising title "Responsibility for Germany." However, the agreement is still subject to approval by the SPD membership vote, which concludes on April 29. Of particular note for our industry is the role assigned to private capital within the coalition agreement. Whether in the sections on investment initiatives, transport, heating, financing, or competitiveness, the importance and urgency of involving private capital in tackling the diverse financing challenges is consistently emphasized. Building on initiatives or projects from the previous legislative period, such as the WIN Initiative or the Future Financing Act II, large-scale investment offensives are now to be launched, including in the areas of start-up and SME financing, infrastructure, transformation, and innovation. One specific measure mentioned is the so-called Germany Fund, through which at least ten billion euros of federal equity are to be provided via guarantees or financial transactions. These funds are to be leveraged to at least 100 billion euros with the help of private capital and guarantees. Simultaneously, the new federal government is committing to create a legally secure and European-competitive framework for fund investments in infrastructure and renewable energies under capital market law. This includes targeted adjustments to tax regulations. Additionally, by improving investment opportunities for institutional investors, the availability of venture capital, among other things, is to be increased. Furthermore, the future federal government explicitly supports a Solvency II reform, aimed at lowering capital requirements, particularly for infrastructure projects and venture capital.

Anyone who has closely followed our association's work in recent years will recognize ideas and demands in the coalition agreement that we have repeatedly put forward in position papers, statements, hearings, and so on - precisely because we represent institutional investment and alternative asset classes. It must be acknowledged, of course, that there were already many positive approaches and initiatives in the previous legislative period. On paper, at least, the new coalition agreement marks a step into a new dimension. Whether this will result in concrete action remains to be seen. But as an interest group, we will actively work to ensure that the strong commitments in the coalition agreement do not remain mere declarations.

There is also positive news to report at the European level as almost simultaneously, and with a slight lead, the EU Commission recently presented its agenda for the Savings and Investments Union (SIU), which also contains important and welcome declarations of intent and initiatives for our sector. However, the Commission's initial assessment is rather sobering, as the Capital Markets Union project has so far not been a success story. Institutional investors such as insurers and pension funds, while being important pillars of the European financial system, have thus far invested too little in alternative asset classes such as venture capital, private equity, or infrastructure. The EU Commission is now emphasizing, with welcome openness, that action must be taken to ensure this group of investors does not face unnecessary regulatory obstacles when accessing these asset classes. It specifically identifies

the Solvency II framework for insurance companies as well as the prudent person principle in the context of pension funds as such undue regulatory barriers that need to be removed. These efforts and initiatives will also be familiar to anyone who has followed our positions in relevant European-level consultations and legislative proposals. In the run-up to the SIU, we have consistently called for more decisive and coherent action from the European legislator and therefore explicitly welcome the recently launched first consultation on the integration of EU capital markets, which includes, among other things, a comprehensive section on the asset management sector.

Taken together, the two dossiers make it clear that a long-overdue shift in thinking is now taking place - both at the national and at the European level. So far, there have been rather selective changes and improvements for investments via or in alternative investment funds. Examples include the so-called Long-Term Equity (LTE) module under Solvency II, progressive regulations for credit funds (i.e. the private debt asset class), or national initiatives such as the introduction of the infrastructure quota and the increase of the venture capital quota in the Investment Ordinance. What is now needed is a holistic and forward-looking approach to future legislative initiatives in order to mobilize private capital for the immense financing challenges ahead. The EU Commission and the new German federal government are expected to take concrete steps to improve the effectiveness and efficiency of the European capital market and its key players. As always, the BAI will engage with this process constructively and critically. Our members are, of course, invited to contribute actively, particularly through the association's work in the relevant specialist committees and working groups. An excellent opportunity to do so will be offered at this year's pre-event for the AIC on 6 May 2025. This will be preceded by a meeting of the Committee on Fund and Market Regulation, which will focus on the aforementioned EU Commission consultation. It will also be complemented by a dialogue with H       Bussi      , Head of the Asset Management Unit at the European Commission.

#AIC2025

And very soon, it will be that time again. From 6 to 8 May 2025, Kap Europa will once again open its doors for the most important and largest conference on alternative investments in the German-speaking region. Following the tremendous success of last year's AIC, which welcomed nearly 1,000 participants - including more than 100 institutional end-investors - we are once again heading toward a new attendance record, particularly among institutional investors. As always, we have secured outstanding keynote speakers, promising presentations, and panel discussions featuring member companies, investors, and sponsors. The exclusive supporting programme - ranging from the investor workshop and investor dinner to the regulatory pre-event and the get-together at Westhafen Pier, along with a wide variety of networking opportunities - continues to set the AIC apart.

The registration deadline is approaching soon. Hence, don't miss this opportunity and we look forward to seeing you soon at Kap Europa!

BAI General Meeting

This year's BAI General Meeting took place on 2 April. Once again, we were able to look back on a very successful fiscal year and build on the positive developments and results of previous years in many areas of our association's work - even though the 2024 business year was undoubtedly shaped by political, market-related, and regulatory challenges. In addition to advocacy successes on the

regulatory front, the BAI Board was also able to present very positive developments and outcomes in the areas of market engagement, public relations, and events. Our numerous publications - such as the annual Investor Survey, last year's infrastructure study, the Alternative Investments Meta Outlook, and our newsletters - continue to enjoy high popularity. The same applies to our wide range of events, from our flagship conference AIC and the significantly expanded symposia to the ESG Workshop, InnovationsDay, and a large number of expert webinars. We are also pleased to report strong growth in our overall membership as for the first time, we surpassed the milestone of 300 member companies in the past fiscal year. For the first time, we surpassed the milestone of 300 member companies in the past fiscal year. This is an exceptional achievement, a testament to the quality of our association's work which further underscores the importance and relevance of the BAI.

Our member companies can access the annual report, including the presentation and detailed information on activities across the various areas, via the members' platform.

Focus Topic: ELTIF, Evergreens, and Semi-Liquid Strategies

We have been observing for some time now a growing interest, both among a large number of member companies in the private markets sector and institutional investors, not only in the European fund format ELTIF, which has recently seen the first funds approved in Germany, but also in semi-liquid funds and evergreen structures in general. Earlier this year, Dr Philipp Bunnenberg, Head of Alternative Markets at our office, published a guide for investors on this topic, exploring its characteristics, market development and potential applications. I would strongly recommend [this publication](#) to you as further reading.

However, regulatory questions also arise with these structures, particularly regarding liquidity management. Recently, we have also taken a position on this matter with the European Securities and Markets Authority (ESMA), which addressed a broad set of questions concerning the determination of liquidity profiles and the use of liquidity management tools. This consultation is especially relevant for open, credit-providing AIFs, i.e., the next generation of private debt funds under AIFMD-II, which is now set to be implemented in Germany, after the so-called Fondsmarktstärkungsgesetz (Fund Market Strengthening Act) could not be passed by the previous coalition.

We therefore dedicate this extensively structured BAI newsletter to this topic. The world of open and closed funds is coming together, and we are witnessing a dynamic market development, not only with ELTIFs, as this newsletter also highlights.

As always, I would like to conclude by thanking all the authors and sponsors who have contributed to this newsletter and who have once again contributed some very readable specialist articles.

I also wish you - as I hope you always do - an informative and entertaining read of the BAI Newsletter and I look forward to seeing you again at #AIC2025

Frank Dornseifer

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