

## Press Release

### **BAI supports Location Promotion and Fund Risk Limitation Act (Standortförder- und Fondsrisikobegrenzungs-gesetz)**

- **The legislative package improves the framework for funds and investors in Germany and helps mobilize private capital for the financing of infrastructure, growth, innovation, and transformation.**
- **For infrastructure funds, disadvantages and legal uncertainties for investments in Germany are eliminated.**
- **For credit funds, competitive disadvantages are eliminated through the implementation of harmonized EU requirements and accompanying regulations in investment tax law.**

**Bonn, August 21, 2025.** The **Bundesverband Alternative Investments e.V. (BAI)**, the central representative body for the alternative investment industry in Germany, welcomes the federal government's draft law for the Location Promotion Act and the Fund Risk Limitation Act. Both projects are of great importance for the German fund industry, its investors, and the German economy. The Fund Risk Limitation Act, in particular, transposes the harmonized European rules for credit funds into national law. In addition, German investment law is being made more flexible, for example, by allowing closed-end special funds to be launched in the public fund sector in the future and by easing restrictions for providers of closed-end funds regarding citizen participation in the renewable energy sector. The Location Promotion Act aims in particular to improve the framework conditions for private investment and to strengthen the financial center in general, especially in the areas of infrastructure, renewable energies, and risk and growth capital.

**Frank Dornseifer**, Managing Director of the BAI, assesses the two legislative proposals as follows: "The Fund Risk Limitation Act is essentially a continuation of the Fund Market Strengthening Act from the last legislative period, even if the name of the act does not suggest so. In particular, the Europe-wide harmonization of regulations for credit funds, which are of fundamental importance for the financing of small and medium-sized enterprises and infrastructure projects as well as for transformation, is a real opportunity: not only for the German fund industry, but also for the German economy. However, there are currently no credit funds established in Germany, which is a real shortcoming. This law

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is therefore so important in enabling Germany to catch up with other jurisdictions. The regulation now applicable throughout Europe also contains comprehensive requirements for the risk and liquidity management of credit funds; here, concerns raised by European and international supervisory bodies regarding this rapidly growing sector have been adequately addressed."

**Dornseifer** goes on to say about the Location Promotion Act: "The changes to supervisory law that are now being proposed also need to be backed up by tax law rules, and these are coming almost at the same time as the Location Promotion Act, which ties in with the so-called Future Financing Act II from the last legislative period, which also was not passed. The Location Promotion Act contains several tax law changes and clarifications for funds. Until now, commercial income was prohibited for funds or led to a loss of status, which represented a significant competitive disadvantage compared to foreign funds. The Location Promotion Act finally allows investments in infrastructure and renewable energies without loss of status. Credit funds are also integrated into the investment tax system based on the new supervisory law, eliminating existing competitive disadvantages, for example, compared to Luxembourg.

Given the coalition agreement's objective to mobilize more private capital for financing infrastructure, growth, innovation, and transformation, the two drafts now presented are essential measures. These legislative steps are significant for the planned special fund "Infrastructure and Climate Neutrality," because only with a transparent and competitive supervisory and tax framework will funds and the investors behind them from the entire pension sector invest the desired billions in and from Germany."

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The Bundesverband Alternative Investments e.V. (BAI) is the central representative body for the alternative investments industry in Germany. The association serves as a catalyst between professional German investors and recognized providers of alternative investment products worldwide. It advocates for enabling German institutional and professional investors to diversify their capital investments in alternative investments more easily and effectively, with a particular focus on the long-term security of German pension provisions. The BAI promotes public awareness and understanding of alternative investments and supports scientific research in this field. It engages in dialogue with political decision-makers and relevant regulatory authorities, maintaining communication with national and international organizations and associations. The association aims to achieve legal reforms and developments that benefit its members and their investors and to establish attractive and internationally competitive conditions for investment in alternative assets. The BAI's membership, which includes professionals from all areas of the alternative investments sector, has grown to more than 300 companies.