



Press Release

BAI welcomes Digital Finance Package and new EU Commission Action Plan on Capital Markets Union

- Alternative investment industry will play an important role in the new CMU;
- However, reforms in securitisation, the ELTIF Regulation or the Solvency II Directive are long overdue;
- Newly introduced Digital Finance Package is an important step in setting the course for technological change in the capital markets and the investment industry.

Bonn, September 25, 2020. The Bundesverband Alternative Investments e.V. (BAI), the central representative of the alternative investments industry in Germany, welcomes both the new Action Plan for the Capital Markets Union and the Digital Finance Package which was presented by the European Commission yesterday.

BAI Managing Director **Frank Dornseifer** comments on the modified and extended action plan for the capital markets union as follows: "Almost exactly five years after the presentation of the EU action plan for the creation of a Capital Markets Union, a quasi- CMU 2.0 was presented yesterday. Unfortunately, little has changed since then, both in terms of objectives and challenges. In essence, the aim is still to improve access to capital, especially for small and medium-sized enterprises, and at the same time to expand investment opportunities for private and, of course, institutional investors, and to do so across borders. Some progress has certainly been made towards an integrated European capital market, but the question remains as to why, after five years, the agenda has not been advanced significantly further. The corona pandemic is certainly not to blame for this, however, it is now increasing the need for action, and significantly so".

BAI believes that the two EU projects presented yesterday are of great importance for the alternative investment industry. On the one hand, alternative investment funds take on a variety of financing functions in the entire economy, both on the equity and on the debt side. On the other hand, these funds act as capital accumulation points for a large number of investors who are looking for yield-boosting investment opportunities, especially in the ongoing low interest rate environment. The various reform projects regarding ELTIF, solvency, securitisation, etc. are

therefore of great importance not only for the asset managers but also for the investors behind them.

The list of reform projects in the field of European financial market regulation presented yesterday is long: Solvency, CRR/Basel, ELTIF, securitisation, MiFID, PRIIPS, etc. BAI had already expressed criticism in the past, arguing that parts of these regulatory complexes hindered rather than encouraged investment and investment activity. It therefore remains to be seen whether the new action plan will provide a noticeable improvement. Nevertheless, from BAI's point of view it seems as if the EU Commission has recognised that remedies must also be found in other areas, such as insolvency law or the treatment and refund of withholding taxes within the EU, which are very fragmented.

Regarding the Digital Finance Package, which was also presented yesterday, **Frank Dornseifer** added: "It is not surprising that the Digital Finance Package is presented at the same time as the new CMU Action Plan. Whether crowdfunding, the use of distributed ledger technology for raising capital for small and medium-sized enterprises, or, of course, the regulation of crypto-assets and the associated market infrastructure; all these are important future topics with which the competitiveness and functionality of the European capital market can be strengthened, but which also require a prudential and operational regulatory framework. Precisely because many young (technology) companies are entering the market and driving innovation, it must be ensured that new regulation actually enables innovation and does not hinder it. If not, the Digital Finance Package 2.0 will be available in five years' time and past mistakes will have to be corrected once again. It is therefore necessary to set the right course now."

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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 231 businesses.