

## **BAI Newsletter I/2024 – February 2024**

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

Dear Ladies and Gentlemen, dear members,

#### **BAI Agenda 2024 - New year, new regulation?**

The turn of the year rarely marks a real turning point in the regulatory cycle. Legislators and supervisory bodies remain the same, and so do the topics. However, with a view to 2024, there are some parameters that will bring a turning point or some changes that are worth taking a closer look at. But first, let's look at the key topics that will have a significant impact on the association's work this year:

- AIFMD II implementation in the KAGB with a focus on credit funds and liquidity management,
- Practical implementation of the new ELTIF, particularly with regard to distribution and settlement issues,
- further implementation of the Sustainable Finance Regulation, not only in terms of reporting and the expansion of the taxonomy, but above all in view of the review of the SFDR Disclosure Regulation, which could potentially mean a fundamental redesign of the regulatory framework away from the disclosure system towards categorization or scaling,
- Revision of the Investment Ordinance with the introduction of a separate infrastructure quota and a significant streamlining of the requirements and restrictions for fund investments,
- Annual Tax Act 2024, with which fund investments in the area of renewable energies and infrastructure are also to be flanked by (investment) tax law in a practical and competitive manner, after this was not yet possible with the Future Financing Act and Growth Opportunities Act,
- further implementation of European digital assets regulation in the form of MiCAR, DORA and the DLT pilot regime, as well as national requirements from the eWpG, Future Financing Act and Financial Market Digitization Act.

That sounds like a full and ambitious agenda, and it is. However, you should take a closer look at the context and then you can approach this agenda with a bit of optimism.

On the one hand, we have the European elections this year and, for political and campaign reasons alone, this means a certain break in European legislation. In other words, everyone involved can take a deep breath - from early summer until the fall - except the politicians, for whom the election campaign has virtually already begun.

On the other hand, it should be noted that some of the above-mentioned topics are ongoing or almost completed review processes, meaning that existing directives or regulations are - merely - being revised. In other words, the industry is facing selective changes and not a completely new set of regulations with a large implementation effort, as was the case when the sustainable finance package was adopted.

And finally, there are also efforts here in Germany to revise laws with a view to location and competition aspects; the declared aim is therefore to improve regulation, reduce bureaucracy and inconsistencies, etc. Such (de)regulation is to be welcomed in principle and without reservation, provided it is done properly.

Those who want to take a closer look at these topics can - as always - find comprehensive information in our [member portal](#), where we provide regular updates on these and many other topics. We have also posted a [presentation](#) on our homepage with the key points of the regulatory year.

There you will also find our Meta-Outlook 2024, which is at least as worth reading, with market assessments for the year 2024 from around 30 companies from the AI sector. You will hardly find a better compendium.

We started our event season with very well-attended webinars on the new ELTIF, investment opportunities in the Climate Transition and Renewable Energy segment, and ESG in AIFM practice.

In addition, the [program](#) for our flagship conference, the [BAI Alternative Investor Conference](#), has now been finalized and we already have a large number of registrations from representatives of our industry, but also from institutional end investors. We are looking forward to top-class keynote and specialist presentations, dedicated panel discussions, the exclusive investor workshop and, of course, an entertaining get-together. Please note that this year we have limited the number of tickets for the AIC to 850. So please register in time.

#### **Private Debt Symposium / Main topics**

After last year's great success, the [Private Debt Symposium](#) will also take place before AIC on March 5 in Frankfurt, in new premises in two parallel streams. You can still register for this as well – but only until March 1, 2024!.

And that brings us to the main topic of this newsletter, with which we will prepare you for the symposium in a determined and focused manner.

Private debt and corresponding funds are - once again - among the key investment and association topics this year. As we know, investor interest in this investment segment has been growing over the years and continues unabated, as documented by our Investor Survey last year. The industry is also undergoing change - even without the AIFMD review mentioned at the beginning. New, in some cases tailor-made investment structures for investments in the private debt segment are constantly emerging; at the same time, closed-end fund structures that were exclusively open to professional investors are being put to the test. Evergreen structures and semi-liquid funds, for example, are now becoming increasingly popular with both providers and investors. The so-called democratization of private markets is also progressing and the industry is preparing for private investors to invest in this market segment to varying degrees in the future. In this respect, there are great expectations for ELTIF 2.0 in particular.

In this context, the first Europe-wide harmonized regime for credit funds through AIFMD-II will of course also have an impact, bringing with it various regulatory changes, starting with organizational and risk and liquidity management requirements, leverage limits (300% for closed-end funds, 175% for open-end funds), the 5% deductible on the resale of loans, etc.

In view of these trends and regulatory changes, not only this newsletter, but of course also the Private Debt Symposium is a must for anyone involved in private debt. The current market environment should also provide for further and exciting discussions, as it is far from clear whether or when there will be another change of direction in interest rate policy, whether recession scenarios will materialize, etc. Some valuations of portfolio companies should also be treated with caution, which means that defaults and recoveries are likely to be discussed more frequently, as it is far from clear whether rising financing costs can be passed on to customers, for example, or whether there is a risk of payment defaults or even insolvencies.

Last but not least, various supervisory bodies are once again focusing their attention on financial market stability in the entire NBFIs sector, and therefore also on the private debt sector. The EU Commission recently published a non-paper on this topic.

Private debt therefore offers a broad spectrum for discussion and, as an interest group, we are of course happy to take up these issues for you conscientiously.

### **BAI Members' Meeting on March 20th**

Our members have already received an invitation to this year's **general meeting**. Not only do we have an exciting and successful association year behind us to report on, we also have many interesting and innovative topics for the current year - and beyond - which we will also be presenting there. Once again, the general meeting will take place online and we hope for a lively turnout.

### **About the articles in this newsletter**

As usual, in this newsletter we once again present a large number of specialist articles on the topic of private debt that are well worth reading. Many thanks to all the authors who have contributed to this newsletter.



I hope you find the BAI Newsletter informative and entertaining, as always.

Frank Dornseifer