## BAI Newsletter VI/2024 – December 2024

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

Ladies and gentlemen, dear members, dear Santa Claus,

The year 2024 was a tough one, both in a positive and negative sense. Although you don't always know whether the positive is really positive and vice versa. Trump's election victory, for example: first - at least for some - a shock, and then perhaps a salutary wake-up call!? The end of the traffic light coalition: instead of horror without end, now finally an end without horror! Although theater or comedy is probably a better description of the last trials and tribulations of the three-party coalition.

From our industry's perspective, it would have been desirable if legislative proposals such as the Act to Strengthen the Fund Market, the Future Financing Act II and the Act to Strengthen Occupational Pensions II had been passed by parliament after all. For too long, we have campaigned in particular for the strengthening of the fund location and new, more pragmatic rules for credit funds (AIFMD II, KAGB), the modernization and flexibilization of tax law for investment funds through an expansion of the investment catalog, status-neutral investments in/via commercial partnerships, etc. (InvStG), the introduction of an infrastructure quota and an increase in the risk capital quota (AnlV), etc. for us not to mourn the end of these laws now.

And that brings us to you, dear Santa Claus: can't you do something about it? Many, many investors, whether institutional or private, would have benefited from this, a "boom" or even a "double boom", so to speak! Even the entire German economy, including the infrastructure in Germany and small and medium-sized enterprises, would benefit. The fact that we now have to go back to the drawing board, as in Monopoly (without collecting 4,000 euros!), is not only extremely annoying, but also contains a certain irony. After all, these projects were the responsibility of the former FDP-led Federal Ministry of Finance and are now on ice and that is - to reference an anecdote from the traffic light break - "stupid". It remains to be seen who will take the credit in the next legislative period. February 23 could therefore also be referred to as "D-Day".

So, the year 2024 is on the cards and the new government will have to fix it. At least all parties/factions that could form a new government on the basis of the current forecasts have indicated that there is a broad consensus on the content of the laws and it is understood that there is an immediate need for action, even if they do not become a real election campaign issue. In this respect, we can relax for the Christmas break and then be surprised by the vote of confidence and the subsequent federal election. In the meantime, the draft laws are in the drawer and can then be quickly reintroduced into the parliamentary process - with a new, attractive name. There may even be further tangible improvements, e.g., in terms of reducing bureaucracy. Because there is a lot to do too!

And that brings us to the beautiful topic of ESG, the focus of this newsletter, and the newly constituted EU Commission. The Green Deal had already lost a lot of traction under the previous Commission, particularly due to the messed-up ESG regulation, with often contradictory or inconsistent regulations, far too much complexity and excessive bureaucracy. Well meant is not always well done. Even the supervisors (e.g. the head of BaFin, Mark Branson) have voiced clear criticism, which is of course highly alarming. It is now up to the new Commission to send out clear signals so that the willingness of the entire financial and real economy to support or drive forward the Sustainable Finance Initiative does not turn around, as can be seen in the USA in some cases. There is no question that the sustainable transformation is a fundamentally important project, but it must be implemented with a sense of proportion and we need priorities that are feasible for everyone involved. This is not about postponing or even questioning climate targets. Politicians who initiate such discussions now are acting foolishly and should not be (re-)elected. We must continue along the sustainable path, and do so consistently and with good and consistent regulation. We owe this not only to future generations! The new magic word is now “Financing the transition”! Because even small steps lead to the goal. In any case, announcements by the new EU Commission already indicate that a course correction is to be made. In any case, this increases the chances that we will at least achieve the goal of climate neutrality within the specified timeframe. Clear and realistic goals definitely boost motivation, as we all know from our school days.

And let's stay in Brussels and Europe for a while: the Capital Markets Union, which has been bobbing along for years, is now becoming the Savings and Investments Union (SIU). Old wine in new bottles? It sounds a bit like it at first, especially with regard to securitizations, which - once again - are to be revitalized. However, there are also other issues that are now to come to the fore as part of the SIU, first and foremost the strengthening of the competitiveness of the European financial sector. It is precisely this aspect, namely competitive framework conditions for the financial/fund industry, that we have been calling for for a long time (see most recently our press release of November 27 on the constitution of the new EU Commission https://www.bvai.de/presse/pressemitteilungen/pressemitteilung-2024-11-27). The European domestic market is still far too fragmented in this respect and the German/European fund/asset management industry has clearly fallen behind the US fund/asset management industry since the global financial crisis. This is not only problematic for the industry itself, but above all for investors, companies, infrastructure projects, etc. in Germany and Europe. German and European funds are often not used to boost the economy, infrastructure, sustainable transformation, etc. here. In other words, we have scored a real own goal in Germany. Or as the traffic light-breaking Federal Chancellor allegedly said: “So. stupid”.

Dear Santa, our wish list is complete: We would like to see a new German government that quickly introduces important laws for the financial market, an EU Commission that sustainably strengthens the European capital market and, above all, cuts the ESG bureaucracy. And we would also like to see investors allocating a lot of money to alternative investments again. In other words: Everything should be better next year!

Although, some things were already good this year. We had another outstanding AIC, great other events such as the BAI Private Debt and the BAI Real Assets Symposium, the BAI InnovationsDay and the BAI Workshop Sustainable Finance & ESG, and just recently the BAI Science Award Ceremony. We also once again had a large number of publications and statements worth reading and insightful, and last but not least, a new record membership of 300 fantastic companies from the alternative investments industry. And as this year's BAI Investor Survey shows, investors are also relatively positive about the future and want to invest again or continue to do so.

So, all in all, reason enough to look to the new year with optimism, which we already did at BAI Insight 60, which we organized together with our member company Commerzbank. A great end to the BAI event formats this year!

And of course, our planning for the new year is also in full swing. The programs for the BAI AIC (6-8 May 2025) and the Private Debt Symposium (6 February 2025) are well advanced. The regulatory to-dos and priorities for the coming year are also clearly crystallizing and we are talking to politicians and supervisory authorities at national and European level in order to represent the interests of our members and the investors behind them in the best possible way. As always at the end of the year, we are once again calling on all member companies and their employees to support our association's work in the relevant committees and to play an active role in the specialist committees, etc. Please do not hesitate to contact us.

But now enough words for this year and we hope you enjoy reading our newsletter, which focuses on the ESG. As always, a big thank you to the authors and sponsors!

The entire office and the BAI Board of Directors wish you a Merry Christmas and a Happy New Year 2025. We look forward to a productive and successful New Year.

**Frank Dornseifer**
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