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Commissioner Maria Luís Albuquerque.
Directorate-General for Financial Stability, Financial Services and Capital Markets Union.
European Commission.
1049 Brussels.
Belgium.

11 December 2024

Dear Mrs. Albuquerque,

On behalf of the Alternative Investment Management Association (AIMA), I would like to extend our congratulations to you on your approval by the European Parliament as Commissioner for Financial Services and the Savings and Investment Union.

AIMA[1] is the global representative of the alternative investment industry. Our fund manager members collectively manage just over US$4 trillion in hedge fund and private credit assets. AIMA set up the Alternative Credit Council (ACC) to help firms focused in the private credit and direct lending space. It currently represents 250 members that manage over US$2 trillion of private credit assets. They provide finance to mid-market corporates, SMEs, commercial and residential real estate developments, infrastructure as well the trade and receivables business.

In line with the Strategic Agenda as set out by the Council and the Political Guidelines as set out by President von der Leyen, and indeed as you set out in your recent hearing in the European Parliament, competitiveness will be a defining feature of the new European Commission. At AIMA, we fully support the EU's goal to increase the competitiveness of the EU and unlock the financing needed for the green, digital and social transition.

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[1] The Alternative Investment Management Association (AIMA) is the global representative of the alternative investment industry, with around 2,100 corporate members in over 60 countries. AIMA's fund manager members collectively manage more than US$4 trillion in hedge fund and private credit assets. AIMA draws upon the expertise and diversity of its membership to provide leadership in industry initiatives such as advocacy, policy and regulatory engagement, educational programmes and sound practice guides. AIMA works to raise media and public awareness of the value of the industry. AIMA set up the Alternative Credit Council (ACC) to help firms focused in the private credit and direct lending space. The ACC currently represents over 250 members that manage over US$2 trillion of private credit assets globally. AIMA is committed to developing skills and education standards and is a co-founder of the Chartered Alternative Investment Analyst designation (CAIA) – the first and only specialised educational standard for alternative investment specialists. AIMA is governed by its Council (Board of Directors). For further information, please visit AIMA's website, www.aima.org.

As guardians of investors' capital, we have an ideal viewpoint from which to offer our opinion. It is for this reason that we are writing to you to outline our high-level priorities and how we can contribute to the EU's thought leadership as the workplan for the next 5 years is being developed. Earlier this year, we published our EU Policy Vision Paper[2] which is built on 2 themes: (i) funding the future of Europe, and (ii) strengthening the competitiveness of the EU investment industry. Based on these 2 themes, we put forward specific policy recommendations and we briefly highlight some of these below (and in more detail in the Annex to this letter).

A more recent publication which we released in November 2024 is our Financing the Economy report.[3] Published in partnership with EY, the report shows that the global private credit market has surpassed US$3trn and private credit lenders have invested US$333.4bn of fresh capital during the past year – a significant increase on the US$203bn deployed in 2022. Corporate lending remains dominant with 60% of the overall assets under management (AuM), while asset-backed, real estate and infrastructure debt now account for 40% of the market.

The completion of the Savings & Investment Union (SIU) will inevitably involve an important role for the alternative investment industry. Our sector is indispensable in creating deep and liquid pools of capital. The alternative investment industry plays an ever-increasing role in the entire chain of investing and financial intermediation, contributing to market depth, sophistication, transparency and thus the ability of capital markets to support growth. By providing liquidity and taking on risks that others may avoid, hedge funds help to drive the engine of financial services, ensuring that capital reaches companies and borrowers.

With the right regulatory framework and incentives in place, we are confident that our members can continue investing and delivering capital to businesses and projects which are in need of financing. In that light, I would like to set out several issues which I believe will go a long way towards achieving the completion of the SIU while also enhancing the competitiveness of the EU investment management industry:

1. Securitisation Reform:

   We are pleased to see that the European Commission has committed to reforming the European securitisation framework which has underperformed in the last decade. Securitisation is key to improve financing to the real economy and SMEs as well as channelling investments into strategic areas such as infrastructure, energy and defence projects. In July this year, we published our comprehensive Position Paper[4] on securitisation reform and also responded to the recent Commission consultation.[5]

2. Burden Reduction:

   We were particularly pleased to hear your comments during the Parliamentary hearing that the burden reduction goal for financial services could be achieved via level 2 instruments. Earlier this year, the review of the Alternative Investment Fund Managers Directive (AIFMD) and Undertakings for Collective Investment in Transferable Securities (UCITS) Directive was published in the Official Journal of the EU.[6] Importantly, there are standards which are still to be developed at level 2 which

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2 Deepening Capital Markets in Europe: The Role of the Alternative Investment Management Sector. A policy vision for 2024 and beyond

3 Financing The Economy 2024

4 Reviving the EU Securitisation Market

5 AIMA/ACC response to EC consultation on securitization, 4 December

6 Official Journal of the EU, 13 March 2024

will define the reporting requirements with which fund managers will need to comply. We welcome your initial assessment in this area and urge you to continue with the principle of ensuring that burden reduction is also applied to investment fund managers to avoid red tape while maintaining the provision of quality information to financial regulators.

3. Non-Bank Financial Intermediation (NBFI):

   As we highlight above in our Financing The Economy report, and as you explained in the written answers submitted to the European Parliament, non-bank financial institutions are a key source of funding for companies, banks and governments, and are well-established financial services providers in the EU and globally. We responded to the recent consultation on NBFI undertaken by the European Commission.[7] We welcome the consultation's acknowledgement that one size does not fit all and that regulation has to be appropriate to the characteristics of different sectors, businesses and business models. We look forward to continuing the balanced debate on this issue.

4. Sustainable Finance:

   We welcome your assessment as outlined in the Parliamentary hearing that the Commission should work towards streamlining requirements in the sustainable finance acquis to alleviate unnecessary burdens, without compromising on the common European Green Deal objectives. We agree that industry does not need significant new requirements or regulations, but rather it would be beneficial to adjust existing ones and fine-tune requirements to make them fit for purpose. AIMA responded to the Sustainable Finance Disclosure Regulation (SFDR) consultation in December 2023[8] and we called for a labelling regime which should sit alongside a simplified disclosure regime.

You will find more information on these points in the Annex below.

I hope you find this letter useful. We would be delighted to have the opportunity to speak directly, possibly in the new year, and explain in some more detail our priorities and importantly, how our industry can contribute to the EU's broader political goals as you outlined in the recent Parliamentary hearing. In the meantime, if you have any questions, don't hesitate to contact me.

I very much look forward to working together in the coming years.

Yours sincerely,

Jack Inglis
Chief Executive Officer
AIMA

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7 AIMA responds to the European Commission targeted consultation document, Assessing the Adequacy of Macroprudential Policies for Non-Bank Financial Intermediation.

8 AIMA response to the European Commission's consultation on the implementation of the Sustainable Finance Disclosures Regulation, December 2023

Annex: Overview of Regulatory Priorities for AIMA.

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1. Securitisation Reform:

   We are pleased to see that the European Commission has committed to reforming the European securitisation framework which has underperformed in the last decade. The growth of the European securitisation market since the global financial crisis has been underwhelming due to the disproportionate, unwarranted and punitive regulatory framework imposed on the market in its aftermath. As a consequence, securitisation reform has been singled out in the Draghi, Letta and Noyer reports, and ESMA, Eurogroup and Council papers on Capital Markets Union/Savings & Investment Union as one of the key priorities in financial markets policy.

   Securitisation is key to improve financing to the real economy and SMEs as well as channelling investments into strategic areas. This is particularly relevant for SME lending, and channelling capital into large scale infrastructure, energy and defence projects. Reforming the regulation will improve the availability of finance.

   The scope of the reform must go beyond the past focus on sell-side issues. Holistic reform is needed to ensure that asset managers and insurers, which are playing an increasingly prominent role in European credit markets, can play the same role in the economy as they do in markets such as the US and UK. In July this year, we published our comprehensive Position Paper[9] on securitisation reform and we will also respond to the Commission consultation currently outstanding.

2. Burden Reduction:

   We welcomed the announcement by the Commission that there will be a burden reduction objective on businesses in order to remove red tape and enhance competitiveness. We were particularly pleased to hear your comments during the Parliamentary hearing that the burden reduction goal for financial services could be achieved via level 2 instruments.

   Earlier this year, the review of the Alternative Investment Fund Managers Directive (AIFMD) & Undertakings for Collective Investment in Transferable Securities (UCITS) Directive was published in the Official Journal of the EU.[10] Importantly, there are standards which are still to be developed at level 2 which will define the reporting requirements to which fund managers will need to comply. These include regulatory technical standards specifying requirements for reporting delegation arrangements under Article 24 and separate implementing technical standards specifying the format and data standards, methods and arrangements and the template for reporting under Article 24. These draft standards are due to be delivered by ESMA within 3 years of entry into force of the updated Directives.

   Our initial conversations with the European Commission and national competent authorities on this

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9 Supra 4.

10 Official Journal of the EU, 13 March 2024

workstream indicate that there is a preference among some authorities for more detailed and granular data to be provided by fund managers to relevant authorities. While we appreciate that regulators want to have the most detailed level of data possible, we fear that if policymakers include instrument-level data here, this path would remove the possibility for compatibility with international standards, such as the ones set out by IOSCO in 2019,[11] which focus on risk-based exposures by asset classes and counterparties and which have already been implemented by other fund regulators. We would stress that it is possible to deliver more and better information to regulators than is currently the case without having to disclose position and instrument level data, and we urge regulators to consider taking an approach that aims to align with developing international standards.

Separately, in July this year a new ECB Regulation on statistics in investment funds was [published in the Official Journal of the EU](). The Regulation notes the ECB's view that more detailed statistical information is needed and establishes new reporting requirements for alternative investment funds (AIFs) and UCITS funds established in a euro area Member State. This will include security-by-security information. Funds will also be required to report information on the residency and institutional sector of the holders of IF registered shares/units. The new reporting requirements will apply from December 2025.

We welcome your initial assessment in this area and urge you to continue with the principle of ensuring that burden reduction is also applied to investment fund managers to avoid red tape while maintaining the provision of quality information to financial regulators.

3. Non-Bank Financial Intermediation:

We are reassured to see your responses to the written questions submitted by the European Parliament where you correctly outline that the NBFI designation is an extremely wide term encompassing different financial institutions and investment vehicles.

As we highlight above in our Financing The Economy report, and as you explained in the written answers, non-bank financial institutions are a key source of funding for companies, banks and governments, and are well-established financial services providers in the EU and globally. In the context of the broader political goals of the new European Commission, these non-bank financial institutions are indeed instrumental to the EU's response to the challenge: (i) of attracting private capital to finance our policy priorities and the digital, green and social transition and innovative ventures as underlined by recent high-level experts reports and (ii) of providing financial services to the EU economy and to the rest of the world.

We responded to recent consultation on NBFI undertaken by the European Commission.[12] We welcome the consultation's acknowledgement that one size does not fit all and that regulation has to be appropriate to the characteristics of different sectors, businesses and business models. In that light, we are also reassured to note your answer in the written questions that NBFIs which are regulated at EU level are subject to robust regulatory regimes, notably the Markets in Financial Instruments Directive, the UCITS Directive, the Alternative Investment Fund Managers Directive, the European Market Infrastructure Regulation and Solvency II, all of which have been recently amended. We look forward to continuing the balanced debate on this issue.

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11 International Organization of Securities Commissions, "Recommendations for a Framework Assessing Leverage in Investment Funds", FR18/2019 (December 2019).

12 Supra 6.

4. Sustainable Finance:

We welcome your assessment as outlined in the Parliamentary hearing that the Commission should work towards streamlining requirements in the sustainable finance acquis to alleviate unnecessary burdens, without compromising on the common European Green Deal objectives. We agree that industry does not need significant new requirements or regulations, but rather it would be beneficial to adjust existing ones and fine-tune requirements to make them fit for purpose.

AIMA responded to the Sustainable Finance Disclosure Regulation (SFDR) consultation in December 2023[13] and we called for a labelling regime which should sit alongside a simplified disclosure regime. We also believe that the review of SFDR should not result in a more prescriptive regime as the SFDR is already not flexible enough to cover all asset classes and all investment strategies. Consistent with the aim of burden reduction as outlined above, we also call for entity-level and website disclosures to be removed as they are burdensome for managers and provide little additional information for investors.

Ultimately, we share your view that the Savings and Investments Union should be a key instrument to support the EU's broader objective of boosting the Union's sustainable competitiveness. The sustainable finance framework should support this aim.

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13 Supra 8.