AIFI

Associazione Italiana del Private Equity,
Venture Capital e Private Debt

Response to the EU Commission consultation on

Guidance concerning the treatment of equity exposures incurred under legislative programmes according to Article 133(5) of Regulation (EU) No 575/2013.

AIFI, the Italian private equity, venture capital and private debt association, thanks the European Commission for the possibility to provide feedback on the *Guidance concerning the treatment of equity exposures incurred under legislative programmes according to Article 133(5) of Regulation (EU) No 575/2013.*

Banks have played a pivotal role in the building up of the private equity market in Europe and in Italy. However, in recent years their support has significantly decreased. European data shows that only 6% of the total fundraising of private equity and venture capital funds in Europe in 2024 is attributable to the banking sector. The reasons behind this disengagement are numerous, but the rules recently approved in terms of capital requirements under the CRR III framework (that will progressively come into effect) do not contribute to reverse course.

Therefore, while we really appreciate the initiative taken by the European Commission to clarify the areas of greatest uncertainty related to the application of art. 133 (5) CRR, it is important to underline the need for a general reconsideration of the newly introduced risk capital charges for the treatment of equity exposures of banks. The new requirements could limit the capacity of the banking system to fully exercise its role in relaunching European competitiveness, a goal that lies at the center of the European Commission mandate and at the core of different EU initiatives - among others, the *Competitiveness Compass* and the *Savings and Investments Union*.

Hence, a careful evaluation of those issues and a revision of risk capital charges, especially when treating investments made indirectly through alternative investments funds that guarantee diversification opportunities and risk mitigation, would be appropriate to increase the possibility to rely on a fundamental source of financing at a moment of need for the European Union.

Regarding the consultation, we want to underline the following elements:

In relation to the definition of legislative programmes, par. 2 introduces a non-exhaustive list of examples of what cannot be included in legislative programs. It might also be useful to include a non-exhaustive list of positive examples, *i.e.* measures or programs that meet the characteristics and therefore fall within the definition of legislative programs.

With reference to the sectors considered, par. 3 and 4 emphasize, respectively, that the sectors indicated in the *Competitiveness Compass* and *ReArm Europe* programs are

considered valid and that additional sectors may be added. This approach could cause uncertainty. It would be better to limit the reference to only those sectors that must certainly be excluded and leave a wider margin of discretion regarding the sectors to be taken into consideration.

On eligibility conditions, the fact that, according to par. 5, legislative programs must contain financial and legal agreements mitigating the credit risk of the investing institutions appears excessively restrictive. Greater flexibility may encourage more effective use of the scheme.

The reference (par. 6) to the fact that EIF and EIB programs (as well as those of other EU bodies and national promotional banks) are considered eligible under Article 133(5) CRR is positive and useful.

Regarding significant subsidies and guarantees, par. 9 confirms that preferential treatment for banks' equity exposures may also apply to indirect investments through closed-end funds. This is particularly relevant given that the instruments used to promote the fundraising of alternative investment funds can be a very important driver of resources to be allocated to the most dynamic and competitive companies in order to launch and/or strengthen their growth programs.

To ensure greater flexibility, the restrictions on the minimum public participation (10%/20%) could be eliminated, or the compliance with these restrictions could be more precisely defined.

With reference to restriction on the equity investments, it is important to confirm that restriction and diversification must be verified within the framework of the single legislative programme.

Moreover, in relation to the fact that "…*Institutions should seek the permission of the competent authority every time they intend to apply the 100% risk-weight to the equity exposures incurred under a particular legislative programme*…" risks to be excessively burdensome. It would be useful to simplify this step by avoiding multiple authorization processes. The public body could request prior authorization from the competent authority, and this should be valid for all beneficiaries.

Lastly, it appears positive the idea to maintain a public register of legislative programmes (par. 23). It will be important to better define its characteristics, updates, contents and other relevant details.