

**BAI Comments on the  
Report of the Alternative Investment Expert Group  
Developing European Private Equity**

## **A. General Remarks**

The Bundesverband Alternative Investments e.V. (BAI) welcomes the opportunity to comment on the report of the Alternative Investment Expert Group Developing European Private Equity in Europe of July 2006. Given their increasing market share, the consideration of the market and regulatory environment for private equity on a European level at this stage is particularly valuable. There is obviously need for a renewed and non-prejudiced view on the private equity industry, which recognises in particular its beneficial influence on local economies.

## **B. Comments on the recommendations**

BAI supports all recommendations of the report, especially the recommended “prudent person approach for institutional investors” and the tax recommendations of the report. BAI is of the opinion, though, that the recommendations regarding legal structures and distribution of private equity have to be analysed from a broader perspective. Especially, access to private equity should not be limited to institutional and very wealthy so called “qualified investors” only. Today, ordinary “retail” investors can already access private equity through structured products, listed private equity companies as well as, e.g. in Germany, private equity closed end funds with very low minimum investments. BAI recommends that every investor should have the possibility to diversify his portfolio according to a prudent person approach including private equity through various product structures and funds. Private Equity access should also be made possible through all types of investment funds including UCITs with “European Passport” (to make truly diversified multi-asset and most often absolute return oriented funds possible). The “European Passport” funds should allow up to a certain percentage private equity allocation, e.g. up to 10-20 per cent of the fund’s assets.

BAI also recommends that transparency of all investments especially regarding fees should be increased and all providers of such products should prominently publish information such as Total Expense Ratios (TER) for every product.

These aspects should be considered in the Commission’s White Paper. Experts regarding the mentioned access options to private equity e.g. from investment banks and mutual fund (multi asset) managers should be directly included in future discussions and expert hearings.

*This opinion was issued on the 20 September 2006. For any further information on this comments please contact:  
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