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ASSOCIAZIONE ITALIANA DEL PRIVATE EQUITY E VENTURE CAPITAL

Comment to the report of the alternative investment expert group

AIFI, the Italian Private Equity and Venture Capital Association, wants to express its satisfaction for the result of the report of the expert group, with particular reference to the conclusions related to private equity.

We strongly agree with the main issues identified and with the recommendations proposed for helping private equity sector. We think that the report recalls the most important improvements that are necessary for the growth of the private equity industry, at European level.

In particular, we want to highlight some fundamental aspects.

With reference to the industry environment, we strongly believe that a better recognition of the positive role played by private equity activity is fundamental for the development of the sector. On this regard it's important to spread information about the positive impact of the industry for a better understanding of the potential of the private equity activity in terms of contribution to the economic growth of a State.

As said in the report, AIFI recently realized a research on the economic impact of private equity, meant to analyse the effect of private equity activity on the Italian market. The conclusion of the study is that the contribution to Italian employment and economic growth both from private equity backed buyout and venture capital companies has been higher than that of the average medium sized Italian companies, as demonstrated from the higher performances of the main economic indicators.

In addition to the need, at European level, of a better recognition of the positive role played by private equity, it's also relevant to stress the importance of a common effort towards higher standards of transparency. On this regard, AIFI, for the Italian context, in these years worked within the process of selfregulation and adopted different code of best practices: one related to corporate governance rules, one for management companies of closed private equity funds, with particular reference to conflict of interests, and a wider one, covering different topics, in the pipeline in these days.

But the industry could make a greater contribution than it does currently if the environment were more favourable. The Italian experience teaches that the development of the activity is strictly related to the normative context and to improvements related to it.

Also some recent EVCA benchmark studies on tax & legal revealed that tax & legal aspects are crucial factors that can help or impede the development of the cross-border activity of industry according to their level of flexibility or restriction.

On this point, AIFI's instances to improve tax & legal context are perfectly in line with the solutions proposed in the report.

First of all, as regard issues related to fund structuring, we think it's really important for the industry to be treated, fiscally speaking, as other financial

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transactions. On this regard, transparency of the fund vehicle is fundamental. A common policy towards taxation has to be reached. Nationally speaking, AIFI, within its lobbying activity, is stressing the importance of the application of the transparency principle to Italian closed end funds (on one hand we propose the elimination of taxation on the fund result and on the other hand we ask the introduction of a substitute taxation directly upon to investors receiving proceeds distributed by the fund).

Concerning fund structuring, the second set of issues are related to a private placement regime for private equity funds. On this topic, AIFI drew to the attention of the national policymakers the recommendations of the expert group, highlighting the importance for private equity players to negotiate freely. As the reports suggests, the starting point is represented by a unique notion of "qualified investors".

As the European Commissioner for Internal Market and Services pointed out in his comments to the report, we strongly believe that most answers are now in the hands of the single member States, because changes have to start at local level, to be able to promote private equity industry at European level.