



Capital Markets Union - delivering one year after the 2020 CMU Action Plan

Focus on Loan Origination Funds

The webinar series programme:



13 January	12:30 pm - 1:15 pm CET	What is the package all about? Detailed agenda_	Pierre Beissel Gilles Dusemon Corinne Prinz
18 January	12:30 pm - 1:15 pm CET	AIFMD2 - Substance and organisational outlook Detailed agenda_	Adrian Aldinger Michael Daemgen
25 January	12:30 pm - 1:15 pm CET	Focus on loan origination funds Detailed agenda_	Nicolas Bouveret Claudia Hoffmann
1 February	12:30 pm - 1:15 pm CET	Focus on ELTIF 2.0 Detailed agenda_	Claude Niedner Stefan Staedter
9 February	12:30 pm - 1:15 pm CET	UCITS/AIFMD convergence Detailed agenda_	Florence Stainier Jasper Ronda

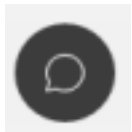
Hello and welcome!

Let's enjoy an interactive session



Q&A – please send your questions to the panelists

You can access the Q&A section by clicking on the 3 dots button in the toolbar at the bottom of your screen.



Chat – should you have technical issues, please write us in the chat

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CMU – Focus on loan origination funds



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Background

Direct Lending Recognized as a Legitimate Activity for AIFMS

Organizational Requirements at AIFM Level

Restrictions at AIF Level

Reporting and Transparency Requirements

Preliminary Findings

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A specific EU regime for direct lending funds?

- Not a new subject: see ESMA position paper 2016
- Substantial growth in the private debt funds industry
- An essential element to help financing the EU economy
- No evidence of systemic risk

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Proposal

- New activities included in collective management of AIF (Annex I of AIFMD):
 - Originating loans
 - Servicing securitisation special purpose entities
- New top-up activity for AIFMs: credit servicing “in accordance with [Directive 2021/2167 on credit servicers and credit purchasers]”



Considerations

- Loan origination: part of "investment management" or separate activity?
- What about local regimes/restrictions on loan origination?
- Credit servicing as a top-up activity

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Proposal

- AIFMs to adopt specific policies, procedures and processes covering :
 - granting of credit,
 - assessing the credit risk
 - administering and monitoring their credit portfolio



Considerations

- A reflection of industry best practices
- Anticipated in a number of jurisdictions

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Proposal



60% Loan origination



20% on Borrower Restriction



5% Risk Retention



Considerations

- Reducing risk to the financial system
- Overshooting the mark?

Background

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Organizational Requirements at AIFM Level


Restrictions at AIF Level

Reporting and Transparency Requirements

Preliminary Findings

Reporting and Transparency Requirements

Proposal

- ESMA shall develop draft RTS specifying the details to be reported
- Extension of transparency towards investors  periodical disclosure to investors on originated loan portfolio



Considerations

- A more granular reporting with respect to private debt funds is generally welcomed
- Uncertainty on information that should be disclosed to investors

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Reporting and Transparency Requirements

Preliminary Findings

Preliminary Findings

First reactions

- **Facilitation of cross-border loan origination**
- **Harmonisation of minimum requirements**
- **... but**
 - Scope of loan origination activities?
 - Removal of local barriers to loan origination by AIFs?
 - Opening the door to “product” regulation under AIFMD?
 - Is the proposal adapted to the private debt funds industry?
 - Open questions, definitions, new concepts... implementing measures?



Next steps







- Review by the EU Parliament and the Council of the EU
 - EU Parliament
 - France taking the presidency in H1 2022, followed by the Czech Republic in H2 2022
- 24-months implementation timeline



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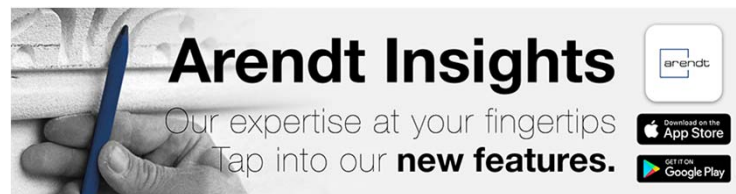
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