Italian Private Equity, Venture Capital and Private Debt Association

AIFI: European rules and private capital; too many constraints engulf the market

There is a risk of a slowdown in M&A and cross-border activities, which are important for private equity and the country's economic system

Milan, Feb. 4, 2025 - The Board of Directors, meeting today took stock of European rules. In an era, such as the current one, characterized by strong innovations, excessive regulation on finance activities risks increasing costs and paralyzing many activities with serious damage to the protection of savings and business growth. In Italy, European rules are compounded by national goldplating provisions and a strange interpretation of golden power that seems to affect every international and domestic M&A activity, with the result of making our market less competitive.

The European regulations that have been introduced in recent years impose constraints and procedures that risk congealing the financial market in general and, specifically, the private capital market, especially when compared with other jurisdictions that have adopted less rigid approaches.

Financial intermediaries must operate in an increasingly competitive context characterized by growing fixed costs which make aggregation and consolidation processes necessary. However, there are many European and national regulations, such as those on the monitoring of foreign investments (golden power regime in Italy) and, in perspective, "outbound" investments, which have as a side effect the exponential growth of notifications and bureaucracy. M&A and cross-border deals, which, for private equity, are now a key piece of the puzzle, are thus slowed down.

A second front is cybersecurity and data protection. European intermediaries are facing, in a framework that is not yet entirely clear, the process of adapting to the discipline contained in the Digital Operational Resilience Act (Dora) regulation on digital operational resilience. The regulation also imposes stringent constraints on private capital managers who, without being able to rely on the principle of proportionality, are called upon to incur very high costs to align internal procedures, risk management system and protection of processed data. All this in a global context where artificial intelligence tools allow data to be collected and stored on servers outside European countries, generating concerns about privacy protection and compliance with regulations such as the GDPR.

The third profile concerns European regulations on sustainable finance and decarbonization goals that have forced financial intermediaries before the productive world to incur significant costs to adapt investment strategies and processes according to an excessively bureaucratic approach. In this context, not only have other countries not imposed similar obligations (different situations are also present within the EU), but we are witnessing a rethinking of the European authorities themselves that, while appreciable, must be evaluated very carefully and well circumscribed to avoid thwarting the efforts sustained so far.

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"The financial market therefore requires clarity and stability of regulation, but above all it requires the flexibility to intervene effectively to support the productive world. Failure to do so will continue to create competitive disadvantages for European and domestic operators," says **Innocenzo Cipolletta, AIFI President**.

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