

## Bureaucracy Exemplified



When discussions today turn to the need for reducing bureaucracy, it often remains an abstract concept. But when we ask ourselves where excessive bureaucracy results in burdens and inefficiencies, most of us can point to specific examples where action is needed. Beyond the individual, however, it is businesses that face the brunt of regulatory demands, necessitating significant administrative and personnel resources.

LOYS AG serves as a prime example of this challenge. The company must navigate a labyrinth of laws and regulations, ensuring compliance at every turn. Among these are the German Stock Corporation Act (AktG), which dictates how capital companies are managed, and the Investor Compensation Act (AnlEntG), which applies in cases of investor damages. The EU Regulation No. 648 of 2012 concerning derivatives and trade repositories is another. Additionally, compliance with the Financial and Risk-bearing Capacity Regulation (FinaRisikoV) is mandatory, as is adherence to the Money Laundering Act, aimed at detecting profits derived from serious criminal offenses. Furthermore, the German Commercial Code (HGB) sets additional requirements, while the EU's Investment Firm Regulation imposes yet more obligations. And the list does not end there: compa-

nies must also meet the compliance standards outlined in Circular 05/2018 (MaComp), which covers functions like transparency and organizational duties, as well as those for risk management in Circular 05/2023 (MaRisk). Compliance with the Regulation on the Accounting of Credit Institutions and Financial Services Institutions (RechKredV) is also essential. Finally, the Securities Institutions Act (WpIG) and its accompanying Securities Institution Reporting Regulation (WpI-AnzV) must be strictly observed.

As this demonstrates, LOYS AG is certainly not lacking in rules, regulations, and guidelines to follow. Yet, from an economic perspective, one must ask whether the potential benefits of such extensive mandates outweigh the administrative burdens they impose. For smaller and medium-

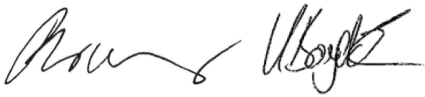
sized enterprises, which may not have the resources for dedicated compliance and legal departments, this creates a competitive disadvantage. If German policymakers are truly serious about cutting bureaucracy, this would be a fertile area to address. Moreover, domestic companies also face disadvantages compared to competitors from countries with less regulatory overhead.

Some readers may recall that back in 2007, the European Union appointed former Bavarian Minister-President Edmund Stoiber to tackle bureaucracy reduction. Meanwhile, recent headlines report that the newly re-elected Donald Trump has enlisted Elon Musk – CEO of Tesla, SpaceX, and X – to enhance government efficiency in Washington. While Europe assigns such tasks to retired civil servants, the U.S. en-

trusts them to entrepreneurs.  
This contrast alone illustrates  
how far the Old World lags be-  
hind the U.S. and in its mindset.

Sincerely yours,

Fund managers and co-investors

A handwritten signature in black ink, appearing to read 'Bruns & Ufuk Boydak'. The signature is fluid and cursive, with the names written in a single line.

Dr. Christoph Bruns Ufuk Boydak

This text was originally published in German.

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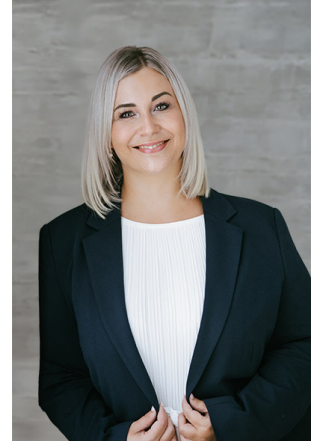
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