

<p style="text-align: center;">CIRCULAR TO THE INDUSTRY ON THE IMPLEMENTATION OF THE ESMA GUIDELINES ON SOUND REMUNERATION POLICIES UNDER THE UCITS DIRECTIVE AND THE AIFMD</p>
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This Circular gives an update on the MFSA's approach to the implementation of the Guidelines on Sound Remuneration Policies under the UCITS Directive [ESMA/2016/575] and the Guidelines on Sound Remuneration Policies under the AIFMD [ESMA/2016/579] published on 14 October 2016¹.

Market participants, in particular, directors, compliance officers and identified staff² of UCITS Management Companies and AIFMs³ are required to take due note of the contents of this Circular.

(1) Introduction

On 31 January 2017, the financial services industry was notified of a number of regulatory changes including the introduction of new Guidance Notes issued by the MFSA on the application of the proportionality principle in relation to the ESMA Guidelines on Sound Remuneration Policies under the UCITS Directive and the AIFMD.

The changes applied as from 31 January 2017 subject to a transitional period ending 30 June 2017.

(2) Purpose

Since the publication of the circular, the MFSA has received a number of requests by licence holders for a derogation from the pay-out process and/or remuneration committee requirements. These requests were supported by the licence holder's assessment as required in terms of the circular.

¹ ESMA's final report on the Remuneration Guidelines was published on 31 March 2016.

² Staff whose professional activities might have a material impact on the risk profile as further defined in the Remuneration Guidelines.

³ Unless otherwise specified, reference to AIFM and UCITS Management Companies in this Circular includes self-managed AIFs and self-managed UCITS respectively.

In order to ensure that the essential elements are taken into consideration by all licence holders when carrying out their proportionality assessment, the MFSA has today issued a revised version of the Guidance Notes to include more detail on the initial and ongoing assessment that needs to be carried out by licence holders. In this regard, the industry's attention is drawn to the new Paragraphs 32, 33 and 34 which have been introduced with these revised Guidance Notes.

(3) Contacts

Any queries or requests for clarifications on the contents of this Circular should be addressed to the Securities and Markets Supervision Unit by email on su@mfsa.com.mt.

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