

31 July 2019

## ESMA Publishes Consultation Paper on Performance Fees in UCITS

On 16 July 2019, the European Securities and Markets Authority (ESMA) published a Consultation Paper on draft Guidelines on performance fees in UCITS (hereunder referred to as Guidelines). The scope of this Consultation Paper is to gather feedback from stakeholders on the application of performance-based fee charges with the intention to publish Guidelines on the subject matter.

The draft Guidelines included in the Consultation Paper set out criteria in order to promote supervisory convergence in the following areas:

- (a) general principles on performance fee calculation methods;
- (b) **consistency between the performance fee model and the fund's investment objectives, strategy and policy;**
- (c) frequency for the crystallization of the performance fee;
- (d) the circumstances where a performance fee is due for payment; and
- (e) disclosures of performance based fee model.

In this regard, ESMA has invited asset managers managing retail funds and their trade associations, institutional and retail investors investing into such funds to respond to the Consultation Paper on the draft Guidelines. The deadline for the submission of feedback is 31 October 2019. ESMA will consider the feedback it receives to this Consultation Paper prior to issuing the Guidelines.

The Consultation Paper is available through the web-link: <https://www.esma.europa.eu/press-news/consultations/consultation-performance-fees-guidelines-in-ucits>.

**We encourage licence holders to contribute to ESMA's Consultation Paper constructively and to respond to it in the fullest and most comprehensive manner.**