

PRESS RELEASE

ESMA consults on UCITS remuneration guidelines

The European Securities and Markets Authority (ESMA) has launched a [consultation](#) on proposed *Guidelines on sound remuneration policies under the UCITS V Directive and AIFMD*. The Directive includes rules that UCITS must comply with when establishing and applying a remuneration policy for certain staff categories and the proposed UCITS Remuneration Guidelines further clarify the Directive's provisions.

The proposed Guidelines aim to ensure a convergent application of the remuneration provisions and will provide guidance on issues such as proportionality, governance of remuneration, requirements on risk alignment and disclosure. The final Guidelines will apply to UCITS management companies and national competent authorities.

Steven Maijoor, ESMA Chair, said

“The consistent, common and uniform application of the UCITS Directive's remuneration provisions will contribute to convergent supervisory approaches leading to a level-playing field in the fund sector and result in increased investor protection across the EU.

“These guidelines will encourage the implementation of sound and prudent remuneration policies and organisational requirements for UCITS, which will help in avoiding potential conflicts of interest and promote prudent risk-taking by fund managers.”

Proposals

The draft Guidelines are based on those already issued on remuneration under the AIFMD, with certain differences that take into account those differences between the two Directives, as the UCITS V remuneration principles broadly reflect those under the AIFMD. In developing these guidelines, ESMA co-operated with the European Banking Authority with the objective of aligning guidance on remuneration policies across financial sectors.

The key elements of the guidelines include:

- **Management companies as part of a group** – the guidelines clarify that in a group context, non-UCITS sectoral prudential supervisors of group entities may deem certain staff of the UCITS management company which is part of that group to be *identified staff* for the purpose of their sectoral remuneration rules;
- **Definition of performance fees** – sets out a common definition of performance fees based on the *IOSCO Final report on elements of international regulatory standards on fees and expenses of investment funds*;
- **Application of different sectoral rules** – includes proposals on how different rules, such as those set out in the AIFMD and in the CRD IV, should apply where employees or other categories of personnel perform services subject to different sectoral remuneration principles;
- **Application of the rules to delegates** – sets out proposals to prevent management companies circumventing the remuneration rules through the delegation of activities to external service providers; and
- **Payment in instruments** – provides guidance on how to comply with the rules on the payment of variable remuneration in instruments under the UCITS Directive.

In addition the Consultation Paper also examines the issue of proportionality in the application of the UCITS remuneration policies including the possibility to disapply certain of the provisions in exceptional circumstances, in line with the AIFMD approach.

AIFMD Remuneration Guidelines Revision

The Consultation Paper also proposes a revision of the AIFMD Remuneration Guidelines by clarifying that in a group context, non-AIFM sectoral prudential supervisors of group entities may deem certain staff of an AIFM in that group to be *identified staff* for the purpose of their sectoral remuneration rules.

Next Steps

ESMA will consider the feedback received to the consultation and will aim to finalise and publish the UCITS Remuneration Guidelines and a final report by Q1 2016 ahead of the transposition deadline for UCITS V Directive (18 March 2016). The final report is expected to



also include the revision of the AIFMD Remuneration Guidelines as proposed in the consultation paper.

Notes for editors

1. [2015/1172 Consultation Paper on Guidelines on sound remuneration policies under the UCITS Directive and AIFMD](#)
2. All contributions should be submitted online at www.esma.europa.eu under the heading Your input - Consultations.
3. 2013/232 Guidelines on sound remuneration policies under the AIFMD
4. ESMA is an independent EU Authority that was established on 1 January 2011 and works closely with the other European Supervisory Authorities responsible for banking (EBA), and insurance and occupational pensions (EIOPA), and the European Systemic Risk Board (ESRB).
5. ESMA's mission is to enhance the protection of investors and promote stable and well-functioning financial markets in the European Union (EU). As an independent institution, ESMA achieves this aim by building a single rule book for EU financial markets and ensuring its consistent application across the EU. ESMA contributes to the regulation of financial services firms with a pan-European reach, either through direct supervision or through the active co-ordination of national supervisory activity.

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