

ESMA promotes convergence in the supervision of costs in UCITS and AIFs

ESMA's first annual statistical report in January 2019 on costs and performance of retail investment products, showed the significant impact of costs on the final returns for investors. Following the publication of this report, ESMA started work with the NCAs to assess the different national approaches to the supervision of the cost-related provisions under UCITS AIFMD.

To reduce the risk of regulatory arbitrage and ensure equal levels of investor protection throughout the EU, ESMA has produced this supervisory briefing addressed to NCAs which focuses on how NCAs supervise the relevant cost-related provisions under UCITS and AIFMD and on the managers' obligation to prevent undue costs being charged to investors.

Steven Maijoor, Chair, said:

"One of the key factors to mobilising investor participation in capital markets is to ensure that their trust in financial markets is improved and costs associated with buying financial products are reduced. It is part of our Strategic Orientation for 2020-2022 to actively promote the development of a large retail investor base to develop capital markets and to ensure long term financial planning.

"Ensuring greater convergence in the supervision of costs is an integral part of our broader efforts on the cost of retail investment products".

The supervisory briefing, in addition to being addressed to NCAs, is also aimed at providing market participants with indications of NCAs' expectations and compliant practices regarding the cost-related provisions of the UCITS and AIFMD frameworks.

Next steps

ESMA will closely cooperate with NCAs to promote the application of the supervisory briefing and will take stock of the level of convergence reached across the EU in 2021.