

ESMA publishes guidance on performance fees in UCITS and certain AIFs

The European Securities and Markets Authority (ESMA), the EU's securities markets regulator, has published today its [final guidance](#) on performance fees in investment funds – applicable to Undertakings for the Collective Investment in Transferable Securities (UCITS) and certain types of Alternative Investment Funds (AIFs).

The guidelines provide comprehensive guidance to fund managers when designing performance fee models for the funds they manage, including the assessment of the consistency between the performance fee model and the fund's investment objective, policy and strategy, particularly when the fund is managed in reference to a benchmark.

ESMA's guidelines aim at harmonising the way fund managers charge performance fees to retail investors, as well as the circumstances in which performance fees can be paid. The common requirements will allow convergence in how NCAs supervise performance fees models and disclosure across the European Union (EU). The guidelines are applicable to both UCITS and certain types of AIFs, in order to ensure a level playing field and a consistent level of protection to retail investors.

Ensuring greater supervisory convergence regarding performance fees in funds marketed to retail investors is an integral part of ESMA's broader efforts on the cost of retail investment products.

Next steps

The Guidelines will now be translated into the official EU languages and subsequently published on ESMA's website. They will become applicable two months after the publication of the translations.