

Central Bank of Ireland Findings Following EU Review of Costs and Fees in UCITS

On 24 March 2023, the Central Bank of Ireland ("Central Bank") issued a Dear CEO letter following an EU-wide review of costs and fees in UCITS.

While the letter is primarily related to UCITS (and directed to UCITS management companies), the Central Bank also expects the findings and required actions to be considered by AIFMs in relation to AIFs as well.

Main Findings

The main findings, all of which relate to deficiencies identified in the cost and fee structures for funds set by fund management companies, are summarised below:

- **Annual review of costs and fees** – the costs and fees charged and the methodology for calculating these fees should be reviewed at least annually.
- **Pricing policies and procedures** – all fund management companies should have structured, formalised pricing policies and procedures in place. This should include procedures for the design of cost and fees structures (as well as ongoing review).
- **Securities lending transparency** – fund management companies engaging in securities lending arrangements should ensure the fee arrangements are clearly disclosed in fund documents and compliant with ESMA guidance.
- **Fixed operating expense ("FOE") models** – fund management companies operating a FOE model should ensure the

differential (between the fixed overall fee and the running costs it covers) is minimised and the model is reviewed annually.

- **Non-discretionary investment advisor fee** – this should be proportionate to the non-discretionary role being performed and would not, for example, be expected to be higher than the fee paid to the delegate investment manager.

Key Actions

The Central Bank expects the letter will be reviewed by the boards of UCITS management companies (and AIFMs) and appropriate action taken without delay.

Specifically, the Central Bank requires all firms managing UCITS and AIFs to conduct a gap analysis of the findings / expectations and, where appropriate, put a plan in place by 30 September 2023 to address any gaps identified.

Further Information

For further information, please liaise with your usual Maples Group contact or any of the persons listed below.

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