



March 2018

Thematic Inspection of Performance Fees announced by the Central Bank.

The Central Bank of Ireland (the “**Central Bank**”) has been in contact with Irish fund industry members to inform them of a planned thematic inspection which will be the first to be undertaken by the recently established Securities and Markets Supervision Division of the Central Bank. The focus of this thematic inspection will be to review practices relating to the calculation and verification of performance fees which are charged to investors in Central Bank authorised UCITS Funds.

Over the last eighteen months there has been an increasing focus by the European Securities and Market Authority (“**ESMA**”) on performance fee levels and their calculation methodologies and while this inspection is not directly linked it is in line with a greater regulatory focus and scrutiny of general fee arrangements. This inspection will, in conjunction with information collated during a Central Bank desktop review conducted last year which did not give rise to any concern, inform the Central Bank for any related discussions at ESMA level.

The Central Bank will pay on-site visits to the regulated administrators and depositories of UCITS. It is expected that they will focus initially on the calculation methodologies of the performance fee as carried out by relevant administrators to ensure that performance fees are calculated accurately and in accordance with

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the disclosures contained in the relevant fund prospectus. It is expected that the Central Bank will also check that performance fees as calculated are verified being by the fund's depository.

The Central Bank will assess their findings by the end of May, 2018 and then decide what, if any, communications might be appropriate with the administrators, depositaries and/or the funds. The inspection is being carried out independently of the Central Bank's policy team but if any policy issues arise they will be discussed with the policy teams.

Should you require any information please do not hesitate to contact your usual contact at Dillon Eustace.

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