

**Submission Date**

01/05/2022

## **ESMA\_QA\_967**

Status: Answer Published

### **Additional Information**

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#### **Level 1 Regulation**

Undertakings for Collective Investment in Transferable Securities Directive (UCITS) Directive 2009/65/EC

#### **Topic**

Costs and fees

### **Subject Matter**

Performance reference period for the hurdle rate model

#### **Question**

Paragraphs 40 and 41 of the Guidelines on performance fees recommend that the length of the performance reference period (if this is shorter than the whole life of the fund) should be set equal to at least 5 years. Is this requirement applicable to the hurdle rate model?

## ESMA Answer

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20-05-2022

Original language

*[ESMA 34-43-392 UCITS Q&A, Section 11, 7a] & [ESMA 34-32-352 AIFMD Q&A, Section 15, 9]*

Yes, as paragraph 42 of the guidelines<sup>[1]</sup> clarifies that the only exception to the application of the 5-year performance reference period is “*the fulcrum fee model and other models which provide for a symmetrical fee structure*”.

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<sup>[1]</sup> Paragraph 42 of the Guidelines states that “The performance reference period should not apply to the fulcrum fee model and other models which provide for a symmetrical fee structure, as in these models the level of the performance fee increases or decreases proportionately with the investment performance of the fund”.