

## PRESS RELEASE

### ESMA reports on supervision of costs and fees in investment funds

The European Securities and Markets Authority (ESMA), the EU securities markets regulator, today publishes a report on the Common Supervisory Action (CSA) on costs and fees for investment funds, that was carried out with National Competent Authorities (NCAs) during 2021. ESMA highlights, in the Report, the importance of supervision in ensuring investors are not charged with undue costs, considering its high impact on investors' returns.

Verena Ross, Chair, said:

“ESMA, through this CSA, has worked with the NCAs to assess, foster and enforce supervised entities' compliance with key cost-related provisions in the UCITS framework, in particular the obligation of not charging investors with undue costs. Costs remains a critical component when evaluating the ultimate benefits of an investment and, as ESMA has shown in its recent statistical reports, they remain higher for retail investors than for institutional investors.

“In order to promote retail participation in the fund market, continued supervisory attention is needed on the topic of costs and fees in investment funds.”

The CSA Report presents the main results of this exercise, namely:

- There is room for improvement on the application of the ESMA supervisory briefing on the supervision of costs in UCITS and AIFs, particularly for smaller management companies;
- Some questions arise concerning compliance with delegation rules where portfolio managers i.e. delegates, exercise significant influence or even decide the level of costs;
- Divergent market practices exist as to what industry reported as “due” or “undue” costs;



- Some NCAs discovered conflicts of interest at UCITS managers, in particular in case of related-party transactions;
- In some instances there is a lack of policies and procedures on efficient portfolio management (EPMs) and lack of clear disclosures as required under the ESMA Guidelines on ETFs and other UCITS issues; and
- Widespread use of fixed fee splits arrangements for securities lending continues, with unfavourable results for retail investors.

On the topic of investor compensation, ESMA stresses the importance of ensuring that investors are adequately compensated in all cases where they were charged with undue costs or fees, and also in cases where there were calculation errors that resulted in a financial detriment for investors.

### **Next steps**

ESMA invites NCAs to use this opportunity to also consider enforcement actions in the cases where a significant regulatory breach was identified, particularly bearing in mind that the area of costs and fees is a priority due to the high relevance for investor protection.

ESMA and the NCAs will continue working on the topic.



## Notes for editors

1. [ESMA 34-45-1635 Report - On the 2021 Common Supervisory Action \(CSA\) on costs and fees](#)
2. [ESMA 50-165-1677 ESMA's fourth annual statistical report on the cost and performance of retail investment products](#)
3. ESMA is the European Union's securities markets regulator. Its mission is to enhance investor protection and promote stable and orderly financial markets.

It achieves these objectives through four activities:

- i. assessing risks to investors, markets and financial stability;
  - ii. completing a single rulebook for EU financial markets;
  - iii. promoting supervisory convergence; and
  - iv. directly supervising specific financial entities.
4. ESMA achieves its mission within the European System of Financial Supervision (ESFS) through active cooperation with the European Banking Authority (EBA), the European Insurance and Occupational Pensions Authority (EIOPA), the European Systemic Risk Board, and with national authorities with competencies in securities markets (NCAs).

Further information:

**Solveig Kleiveland**  
Senior Communications Officer  
Tel: +33 (0)1 58 36 43 27  
Email: [press@esma.europa.eu](mailto:press@esma.europa.eu)