

# BLACKROCK

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Central Bank UCITS Regulations Consultation  
Markets Policy Division  
Central Bank of Ireland  
PO Box 559  
Dublin 1

Submitted via email to: [fundspolicy@centralbank.ie](mailto:fundspolicy@centralbank.ie)

22 June 2018

Dear Sir/Madam

## **Consultation Paper (“CP”) 119 – Consultation on amendments to (and consolidation of) the Central Bank UCITS Regulations**

BlackRock, Inc. (BlackRock)<sup>1</sup> is pleased to have the opportunity to respond to CP 119 issued by the Central Bank of Ireland (“CBI”) (the “Consultation Paper”).

### **About BlackRock**

BlackRock supports a regulatory regime that increases transparency, protects investors, and facilitates responsible growth of capital markets while preserving consumer choice and assessing benefits versus implementation costs.

We welcome the opportunity to comment on the issues raised by this Consultation Paper and will continue to contribute to the discussion around the development of the UCITS regime in Ireland.

BlackRock’s asset management business incorporates numerous ranges globally and involves the provision of investment management and advisory services under multiple regulatory regimes. We have drawn on experience through discussions with ESMA and other European regulators in responding to the Discussion Paper.

### **Executive summary**

BlackRock supports the open engagement of the CBI with asset managers before formally amending its UCITS Regulations. For the most part we agree that the proposals are sensible and indeed helpful in setting out the responsibilities in one consolidated statement.

As the CBI will acknowledge, it is important that any changes to the UCITS Regulations do not inhibit the competitive environment established in Ireland and with this in mind we encourage the CBI to maintain flexibility on a number of points, most specifically on the performance fee proposals. Such a regulatory environment will encourage product innovation within appropriate parameters.

We welcome further discussion on any of the points that we have raised.

Yours faithfully,

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<sup>1</sup> BlackRock is one of the world’s leading asset management firms. We manage assets on behalf of institutional and individual clients worldwide, across equity, fixed income, liquidity, real estate, alternatives, and multi-asset strategies. Our client base includes pension plans, endowments, foundations, charities, official institutions, insurers and other financial institutions, as well as individuals around the world.

## Responses to questions

**Question 1: Stakeholders are requested to indicate whether they agree with the changes proposed and to provide any comments and / or observations.**

No comment.

**Question 2: Stakeholders are requested to indicate whether they agree with the changes to share class provisions as currently proposed.**

We recommend that the new requirement to disclose all share classes in annual and half-yearly reports is limited to those classes that have been in issue at any time during the reporting period, rather than for all share classes available which may not yet have been issued. We believe this better reflects the nature of annual and half-yearly reports which aim to provide investors with an overview of activities undertaken by the relevant UCITS during the reporting period.

With regard to the following statement in the CP we note that the CBI has used different language to that of ESMA and would request clarification as to whether this is intentional or an inadvertent consequence of the precis of the ESMA text.

CP: *“to ensure counterparty exposure is to be assessed at the level of the hedged share class”*

ESMA: *“Ensure that the exposure to any counterparty of a derivative transaction is in line with the limits laid down in Article 52 of the UCITS Directive in respect to the net asset value of the share class”*

The use of the word “assess” could be interpreted as requiring a management company to calculate and demonstrate this measure on a daily basis (which is not currently required).

**Question 3: Stakeholders are invited to provide comments and observations on the performance fee provisions being included in the Central Bank UCITS Regulations.**

No comment.

**Question 4: Stakeholders are requested to indicate whether further requirements are necessitated to better regulate the charging of performance fees by UCITS.**

We have no specific observations on the performance fee proposals.

More generally, investor and regulatory perceptions regarding fees charged on retail funds are changing and so the focus on performance fees is welcome. We expect there to be renewed focus by many asset managers to ensure the continued choice and value for money for investors and we would therefore encourage the Bank to keep the regime in Ireland as flexible as possible within responsible parameters.

At a general level, we note that some of the IOSCO recommendations regarding the crystallisation of performance fees have not been addressed in the proposed amendments. We would like to highlight that the consequence of this could be that some of the optionality envisaged by IOSCO could be removed for Irish UCITS. It would be helpful to know if this omission was intentional.

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At a more specific level, in order to allow innovation in fee structures on UCITS we would like the Bank to reconsider the current 20% cap on performance fees. Take for example a scenario where a management fee could be reduced to a very low level accompanied by a higher performance fee. Such an arrangement could result in a better economic result for investors or a better alignment of interests between asset manager and investor and so should be available as an option.

**Question 5: Stakeholders are requested to indicate whether they agree with the amendments proposed and to provide any observations / comments.**

We agree that these changes are necessary.