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# The European Parliament to vote on asset managers' bonus cap: is this going to benefit individual investors in any way?

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The European Parliament to vote on asset managers' bonus cap: Is this going to benefit individual investors in any way?



The European Parliament's economic and monetary affairs committee (ECON) voted on 21 March 2013 to revise the draft EU legislation on investment funds (the UCITS directive), with a total sector value of almost EUR 6.3 trillion in funds.

EuroFinUse agrees that the outrageous remuneration of many EU bankers is an issue, as bankers' bonuses have been and are still largely (and unwillingly) funded by taxpayers, clients and non-insider shareholders who have been losing billions on their bank equity investments since 2008 when many bankers did not disgorge their enormous bonuses and too often continue to enjoy huge amounts unrelated to the benefits they bring to clients, to the EU real economy and to their non-insider shareholders.

But we believe the extension of the bank bonus cap (1/1 to salary) proposal to asset managers is a political move that is – by itself - unfortunately not likely to improve the real performance of retail funds sold in Europe, which is the primary issue for individual savers and investors:

- Firstly, it is unlikely to ensure that retail funds costs (which have remained high and higher in Europe than in the US) will eventually go down;
- Secondly, it is unlikely to ensure that pension funds will eventually deliver positive real returns after 5 years of negative ones on average (source: OECD);
- Lastly, it is unlikely to end the misalignment of asset managers' incentives with long term investors' interests, unless the bonus formula is really based on multi-year performance, and on a performance that matters for retail clients, i.e. positive after inflation and taxes.

Better aligning asset managers' incentives to their clients' interests, and enforcing and extending MiFID rules on fair and not misleading information and on conflicts of interests at the point of sales would have a much stronger and positive impact for individual savers and investors in Europe.

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