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AIFMD implications 'far reaching': PwC

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Alternative Investment Fund Managers Directive (AIFMD) requirements on pay will have “far reaching consequences” for asset managers, according to PricewaterhouseCoopers (PwC).

The proposed rules, which aim to align remuneration more closely with risk, will affect firms marketing funds in Europe.

PwC's warning follows the publication of an AIFMD consultation paper by the European Securities and Markets Authority (ESMA), in which it set out its proposals for implementing the directive. ESMA will use stakeholder feedback from the paper to finalise its advice to the European Commission by 16 Nov.

Under the rules, companies will be required to pay at least half of staff bonuses in shares or equivalent instruments, says PwC, and to defer 40- 60% of variable pay for three to five years. Firms will also have to disclose their total remuneration, including a break-down for senior employees.

The requirements will affect firms which previously escaped Financial Services Authority (FSA) regulations on bank pay, including private equity managers and hedge funds. Companies that were caught by the FSA pay rules face more onerous restrictions, meanwhile.

Tim Wright, reward director at PwC, says the disclosure requirement also “goes against the grain” of the asset management industry, which often seeks to protect such “market sensitive” information. “Moreover, given the small size of many firms, disclosure in this sector becomes much more personal,” he added. “If the total pay disclosure covers just two employees, you’re as good as naming them.”

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