



2 July 2013

Dear Member of the ECON Committee,

In view of this week's vote on the revision of **rules on undertakings for collective investment in transferable securities (UCITS V)**, BUSINESSSEUROPE would like to share with you some key concerns regarding the text under debate. We are particularly concerned with the proposed cap to the ratio of fixed to variable pay.

The extension of the bonus cap to the managers of closely regulated UCITS funds cannot be justified on the grounds of financial stability. Therefore, we call on policy-makers to reject its inclusion in UCITS V.

The business community is highly concerned about the potential extension of the cap, including to non-financial corporates, as it is being discussed in relation to the forthcoming revision of the Shareholder Rights Directive and the Company Law and Corporate Governance Action Plan. Once again, this has no relation to concerns about financial stability and there is no other justification for the cap to be extended beyond financial institutions within the scope of CRDIV.

We believe that prescriptive legislation on pay discourages and limits shareholders in playing an effective stewardship role. As a matter of principle, remuneration must always be squarely linked to performance and the pay to performance link must be strong, clear and stand up to scrutiny. The bonus cap proposal erodes this link and undermines the role of shareholders in engaging on pay. Therefore, we strongly believe that this requirement should be deleted.

We thank you in advance for taking our views into consideration on this important issue. Should you have any questions or comments, please do not hesitate to contact us.

Yours sincerely,

Markus J. Beyrer