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Additional Information

Level 1 Regulation

Markets in Financial Instruments Directive II (MiFID II) Directive 2014/65/EU- Investor Protection and Intermediaries

Topic

Inducements

Subject Matter

Inducements

Question

How should the estimated client research charge disclosure be presented for the purposes of Article 13(1)(c)(i)?

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Original language

[ESMA 35-43-349 MiFID II Q&As on Investor protection Ch 7, question 11]

Before providing an investment service, investment firms intending to use an RPA to pay for investment research should provide clients with two separate pieces of information:

1. the amount that the IF has budgeted for research; and
2. the estimated amount that can be expected to be paid out of the assets of the individual client.

ESMA considers that (i) should reflect the monetary amount of the budget set for a given group of portfolios, strategies or funds that are expected to benefit from such research (see Q&A1), to which their individual research charges will contribute.

In relation to (ii), it is ESMA's view that this should be considered in light of the wider MiFID II costs and charges provisions, in particular Recital 80 and Article 50(2) of the MiFID II Delegated Regulation. Consistently with this, ESMA considers that the estimated client research charge should be presented as a single estimate figure, and disclosed in both a percentage (or basis points) format and as a cash amount.

If a firm wishes to do so in order to provide a degree of certainty to investors, it can present (ii) as a maximum figure where they guarantee to their clients they will not pay more than that predetermined amount. However, figures presented as a range are not acceptable.