European Securities and Markets Authority

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16/12/2016

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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
Reporting to clients

Subject Matter
Post-sale reporting

Question
When fulfilling the obligation to report on a portfolio depreciating by the 10% threshold, does the firm need to report if a portfolio value drops by more than 10% as a result of the client making cash withdrawals?

ESMA Answer

16-12-2016

Original language

[ESMA 35-43 349 MiFID II Q&As on Investor protection Ch. 8, question 2]

The obligation is to report if the overall value of a portfolio, as evaluated at the beginning of each reporting period (usually every three months), depreciates by 10% and thereafter at multiples of 10%. When cash withdrawals are made from a portfolio, the value of the managed financial instrument or funds is reduced by the amount of the client money transferred; but the overall value of the portfolio, as evaluated at the beginning of the previous reporting period, includes the value of the cash withdrawn. So, if clients withdraw cash from a portfolio, until a periodic statement is provided that discounts the cash withdrawn, when calculating the overall value of a portfolio, to see whether the 10% thresholds are exceeded, a firm will need to take this cash into account by adding its value to the value of remaining financial instruments or funds in the portfolio.