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Status: Answer Published

Additional Information

Level 1 Regulation

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

Topic

Information to clients on costs and charges

Subject Matter

Post-sale reporting

Question

Should the PRIIPs methodology also be applied when calculating costs and charges of financial instruments that do not fall within the scope of PRIIPs?

ESMA Answer

[ESMA 35-43-349 MiFID II Q&As on Investor protection Ch. 9. question 8]

PRIIPs defines a 'packaged retail investment product' in Article 4(1). Some financial instruments may be out of the scope of PRIIPs because (1) they are not packaged products; or (2) they are packaged products, but they are not sold to retail investors. Examples of (1) are corporate shares or sovereign bonds. An example of (2) might be an alternative investment fund that is only available for sale to professional clients.

For financial instruments in category (1) above, it would be reasonable to conclude that the PRIIPs cost methodology would not apply. For financial instruments in category (2) above, the methodology described in Annex VI of the PRIIPs RTS appears relevant and investment firms would be expected to use it to calculate the financial instrument's costs. ESMA notes that the calculation of costs, for instance with regard to using simulated or historical data, would be expected to be performed in line with the requirements set out in PRIIPs.