ESMA_QA_1821

Submission Date
06/06/2017

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
What steps should an investment firm take when calculating the costs of products that fall within the PRIIPS transition period, like UCITS during the 3 January 2018 to 31 December 2019 period?

ESMA Answer

06-06-2017

Original language

[ESMA 35-43-349 MiFID II Q&AS on Investor protection Ch. 9, question 10]

UCITS do not have to provide a PRIIPs KID until 31 December 2019 and until that moment are only obliged to comply with the requirement to provide a Key Investor Document under the UCITS IV directive (2009/65/65). Based on Article 32(2) of the PRIIPs Regulation, and depending on the Member State, this exemption can apply to other non-UCITS funds (e.g. AIFs). While the UCITS KIID provides information on the costs and charges of UCITS (or non-UCITS, when applicable) with regard to ongoing charges (e.g. management fees), one-off charges (e.g. entry and exit charges) and incidental charges (e.g. performance fees), not all costs items are included therein. For instance, the UCITS KIID does not include information on the transaction costs a UCITS incurs when trading.

An investment firm should however disclose all costs, including all costs of the financial instruments. Therefore, where for instance the information on transaction costs, which would be expected to be calculated using the methodology referred to in the PRIIPs RTS, is not publicly available the investment firm would be expected to liaise with the UCITS manager (and, where applicable, the manager of a non-UCITS fund) to obtain it.

During this transition period, transaction costs might be assessed by using the method provided for in paragraphs 21 to 23 of Annex VI of the PRIIPs RTS.