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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
Information to clients on costs and charges

Subject Matter
Information on cost and charges

Question
When providing information of costs and charges to clients, on which basis should costs be aggregated? What is the level of aggregation that firms need to apply?

ESMA Answer

06-06-2017

Original language

[ESMA 35-43-349 MiFID II Q&As on Investor protection Ch 9., question 13]

In accordance with article 24(4) MiFID II and article 50(2) of the MiFID II Delegated Regulation, firms shall aggregate costs and charges in connection with the investment service and costs and charges associated with the financial instruments. Third party payments received by investment firms in connection with the investment service provided to a client shall be itemised separately[1]. The aggregated costs and charges shall be totalled and expressed both as a cash amount and as a percentage. The following example shows the cost figures that are to be disclosed[2]:

Investment services and/or ancillary services	€ 1.500	1.5%
Third party payments received by the investment firm	€ 500	0.5%
Financial instruments	€ 1.500	1.5%
Total costs and charges	€ 3.500	3.5%

In addition, the investment firm shall provide an itemised breakdown at the request of the client. ESMA would expect that an investment firm take reasonable steps to minimise the effort for the client to submit such requests. When disclosing costs and charges in an online environment for instance, a best practice would be to enable the client to access such information through the use of hyperlinks. ESMA also considers it a best practice when an investment firm actively informs its clients on their right of submitting such a request when providing the aggregated information.

When an itemised breakdown is requested by the client, an investment firm should provide such breakdown (in a consistent way such that cost items may be aggregated) at least at the level of the cost items that are depicted in the tables included in Annex II MiFID II Delegated Regulation:

- One-off charges
- Ongoing charges
- All costs related to transactions
- Any charges that are related to ancillary services (not applicable to financial instruments)
- Incidental costs

This also applies to firms that use an all-in fee for their investment services. However, ESMA notes that firms only need to disclose cost items that are actually incurred by the client (which in the case of an all-in fee, may for example include exit or entry fees paid to fund manager or stamp duty).

The obligation to aggregate costs and charges is without prejudice to any other obligations to provide clients with cost information. For instance, for financial instruments that are within the scope of PRIIPs Regulation, a KID will be distributed to retail investors by investment firms that advise or sell a PRIP, thus providing information on ex-ante costs and charges per individual PRIIP.

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1. ESMA notes that in the case of independent advice and portfolio management, the investment firm must transfer all fees, commissions or monetary benefits received from third parties in full to the client (Article 12(1) of the Delegated Directive) and clients shall be informed about the fees, commissions or monetary benefits transferred to them.

2. The table is included for illustrational purposes only and ESMA does not intend to suggest a prescriptive format (i.e format, colour, font size etc).