

**Submission Date**

03/10/2017

## ESMA\_QA\_1827

Status: Answer Published

### **Additional Information**

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#### **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**

Which methodology should an investment firm use when calculating the 'costs related to transactions initiated in the course of the provision of an investment service' for its ex-ante cost disclosure?

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Original language

[ESMA 35-43-349 MiFID II Q&As on Investor protection Ch. 9, question 15]

Based on article 50(8) of the MiFID II Delegated Regulation, investment firms shall use actually incurred costs as a proxy when calculating expected costs and charges on an ex-ante basis. Firms should ensure themselves that the incurred costs are a representative proxy for future costs, taking into account any changes that are expected to have a material impact on the transaction related costs and charges, for instance changes in broker tariff structures or significant changes in market liquidity that will affect transaction costs on an ongoing basis.

Where data on actually incurred transaction costs are not available, the investment firm shall make reasonable estimations of these costs, provided that it identifies all expected transaction costs associated with the transaction, and that it clearly discloses to clients the basis on which transaction costs have been estimated. Firms may for instance use the method provided for in paragraphs 21 to 23 of the Annex VI of the PRIIPs RTS.

In accordance with Article 50(8) of the MiFID II Delegated Regulation, investment firms are also required to review ex-ante assumptions based on ex-post experience and make adjustment to these assumptions where necessary.