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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
How is Recital 79 of the MiFID II Delegated Regulation “The costs and charges disclosure is underpinned by the principle that every difference between the price of a position for the firm and the respective price for the client should be disclosed, including mark-ups and mark-downs.” to be interpreted with regard to the position for the firm?

ESMA Answer

03-10-2017

Original language

[ESMA 35-43-349 MiFID II Q&As on Investor protection Ch. 9, question 16]

When an investment firm holds a financial instrument on its own account before offering it to a client, the price of the financial instrument may change due to market value fluctuations. Based on Article 24(4) MiFID II, any costs and charges that are caused by the occurrence of underlying market risk[1] shall not be included in the aggregated information about costs and charges. Hence, the price of a position of the firm as referred to in Recital 79 of the MiFID II Delegated Regulation should be understood as the current (fair market) value of the financial instrument held by the firm when the firm offers the instrument to the client (ex-ante) or when it sells it to the client (ex-post).

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1. Recital 79 of the MiFID II Delegated Regulation provides further clarifications on the concept of underlying market risk.