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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
Client categorisation

Subject Matter
Client categorisation

Question
How should leveraged financial instruments be taken into account in order to assess the size of a client's financial instrument portfolio in accordance with the second limb of the fifth paragraph of Section II.1 of Annex II of MiFID II?

ESMA Answer

25-05-2018

Original language

[ESMA 35-43-349 MiFID II Q&As on Investor protection Ch. 11, question 6]

The size of a client’s financial instrument portfolio should exceed the threshold of EUR 500,000 in order to fulfil the requirement in the second limb of the fifth paragraph of Section II.1 of Annex II of MiFID II.

If an investment portfolio contains leveraged positions, or financial instruments for which a margin is deposited, the net equity of the specific position or positions (i.e. the margin deposited or paid for the financial instrument plus any unrealised profits or unrealised losses due to changes in the value of the underlying) should be used in order to determine the size of the financial instrument as part of the portfolio. An investment firm should not use the notional value of the financial instruments, as this value does not reflects the actual size of the portfolio of the client.