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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

Level 2 Regulation
Regulation 2017/565 - MiFID II Delegated Regulation

Topic
Information to clients on costs and charges

Historic Question Reference
This Q&A updates the ESMA Q&A 1825. The updated wording of the answer is set out in bold and underlined.

Additional Legal Reference
Art. 24 of MiFID II, Art. 50(2) of the MiFID II Delegated Regulation

Subject Matter
Aggregation of costs 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

13-12-2023

Original language

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 of 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

Where firms use an all-in fee, the all in-fee should be disclosed under the relevant cost item (for example “ongoing charges”). For all other cost items covered by the all in-fee (or not charged at all), the firm should indicate a ‘zero’. For costs not covered by the all-in fee (for example, stamp duties, or exit or entry fees paid to the fund manager), the costs incurred shall be disclosed in the relevant category.

Moreover, for the avoidance of doubt, ESMA notes that also in case of all-in fees, in accordance with Article 50(2) of the MiFID II Delegated Regulation firms must disclose separately any third-party payments received in their aggregated disclosure of costs and charges.

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.

[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).