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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
disclosure of cost on return

Question
The cumulative effect of the costs on the return shall show “anticipated spikes and fluctuations of the costs”; does that also apply to the ex-post disclosure of the cumulative effect of the costs on the return?

ESMA Answer

16-12-2016

Original language

[Published as Q&A 9.3 in ESMA 35-43-349 Q&As on Investor protection]

Based on Article 24(4) MiFID II and Article 50(10) of the MiFID II Delegated Regulation, firms have to provide clients with an illustration to show the cumulative effect of the costs on the return.

When providing the client ex-post with information on total costs and charges, a firm can for instance decide to show the historical costs, and simultaneously provide the client with a forward looking illustration with regard to expected costs. In this case, the firm can show the historical costs that show a spike, for instance because of entry costs, and future expected costs based on the firm's expectations (including anticipated spikes and fluctuations).

If the ex-post illustration takes into account only historical data, the firm has to account for realised spikes and fluctuations in costs. However, since these data are historical, there are no 'anticipated' spikes.