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**AFG' ANSWER TO THE CONSULTATION PAPER ESMA 35-43-1905**  
**IMPACT OF THE INDUCEMENTS AND COSTS AND CHARGES DISCLOSURE**  
**REQUIREMENTS UNDER MIFID II**

The Association Française de la Gestion financière<sup>1</sup> (AFG) is grateful for the opportunity to answer to the European Security and Market Authority consultation on the **Impact of the inducements and costs and charges disclosure requirements under MiFID II**.

**Introductory comments**

Before providing detailed feedback to the questions, we would like to voice our concern on two important points of procedure.

First, we question ESMA's decision to publish a crucial call for evidence on MiFID II cost and charges disclosures **over the summer period with only six weeks to provide feedback**. Collecting substantial responses over this naturally quieter period is much harder and, effectively, will not provide ESMA with the sought after feedback. We would therefore encourage ESMA to confirm any decisions made out of this Call for Evidence through a subsequent public consultation that should run over a three-month period.

Second, the current approach in the form of continuously updated Q&As is very burdensome for the asset management and wider financial industry. Each new clarification can lead to necessary changes to the

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<sup>1</sup> The French Asset Management Association (Association Française de la Gestion financière, AFG) is the professional organisation representing the French asset management industry. The French asset management sector is the largest in continental Europe: 630 asset management companies employ directly and indirectly 85,000 people and invest on behalf of their clients up to 4,000 billion euros in bonds, shares and other assets. About 50 % of French asset managers market their funds on a cross-border basis, and more than 30 % of the assets managed by our members are issued by corporates or states of the Euro zone (excluding France), which makes our industry a key source of funding for the European economy. AFG is an active member of EFAMA and PensionsEurope.

underlying disclosure systems. These changes are very cumbersome to implement given that certain industry standards and understandings are required between product manufacturers, service providers and distributors in order to provide overall cost figures to the end clients. **We would therefore strongly suggest to make thematic Q&A updates to the disclosure section on a yearly basis, with enough time for the industry to implement these changes.** The timing of such impending updates could also be announced in advance and would allow the involved parties to plan for these changes, thus adapting their systems in a cost-effective manner in time (i.e. providing changes to the cost disclosures at the start of each calendar year).

Moreover, in accordance with the amendments to the ESA Regulations as a result of the review of the European Financial Services Framework, we note that the ESAs are required to publish the questions in advance so that stakeholders have an opportunity to comment on them.

**We would be grateful that ESMA consider these concerns and we remain at its disposal.**

**We are nevertheless happy to answer to the questions below and suggest ideas of improvements, although these improvements should be further re-examined in a larger and longer consultation.**

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#### **4.1 MiFID II disclosure requirements for inducements permitted under Article 24(9) of MiFID II**

A: What are the issues (if any) that you are encountering when applying the MiFID II disclosure requirements in relation to inducements? What would you change and why?

We support the current approach to extract the commission payments from the 'product costs' and present them as part of the distributor's 'service costs' to investors. This is crucial as commission payments vary depending on the individual distribution channel being used. This means that the PRIIP KID or UCITS KIID cannot provide the full picture to the investor. MiFID II cost disclosures therefore enable investors to better understand the major cost drivers of their investments and help them to reach informed investment decisions.

This being said we consider that the way inducements are disclosed may not be clear enough where inducements are included in the on-going charges; the client cannot recoup the costs of the instruments disclosed in MIFID format with the ongoing charges disclosed in the UCITS KIID ( and PRIIPS KID tomorrow). See our proposal below in question B.

**B: Do you use the ex-ante and ex-post costs and charges disclosures as a way to also comply with the inducements disclosure requirements? At which level do you disclose inducements: instrument by instrument, investment service or another level (please specify how)?**

Yes, our members disclose inducements in the ex ante and ex post disclosures; it is generally linked to the instrument(s), and aggregated if there are several financial instruments. Detailed disclosure by instrument is available at client request.

Please find below some examples

1. Case of a client receiving on-going investment advice on its portfolio together with custodian and RTO services

Example of disclosure at the start of the relationship for a generic sum of €100,000 including aggregated disclosure and itemised disclosure in relation to services.

	EUR	%
<b>Charges relating to advisory management A</b>	<b>€2,100.00</b>	<b>2.10%</b>
One-off charges relating to advisory management	€0.00	0.00%
Ongoing charges relating to advisory management: advice not invoiced	N/A	N/A
<b>Charges relating to transactions carried out B</b>	<b>€2,000.00</b>	<b>2.00%</b>
Charges associated with ancillary services: custody fees C	€100.00	0.10%
Incidental costs: performance commission	N/A	N/A
<b>Payment received from third parties D</b>	<b>€630.00</b>	<b>0.63%</b>
<b>Indirect costs related to financial instruments E</b>	<b>€830.00</b>	<b>0.83%</b>
<b>Total estimated annual costs and charges F</b>	<b>€3,560.00</b>	<b>3.56%</b>

**A** = this section covers the costs of the services: RTO/execution and custody. Investment advice is not charged directly to the client but is included in “Payment received from third parties” (**D**)

**B** - Charges relating to transactions: Estimate based on turnover of a representative client portfolio. Where applicable, several generic scenarios may be put forward. All transaction costs are taken into consideration: Entry costs/exit costs, spreads, markups, etc.

**C** - Ancillary charges: Custodianship charges should be disclosed if the service is sold together with advisory.

**D**- Payment received from third parties: return commission received by the advice provider from the manufacturer out of the on-going charge of the product (“Indirect costs related to financial instruments”).

**E**- Costs of products recommended excluding return commission paid shown above (**D**); costs are from funds or structured products; there are no ongoing costs attached to directly hold securities. *Nota bene: that is the source of our comment in question A where the costs of the product which is disclosed here might not be clear to the client and not in relation with the costs disclosed in the KIID/KID.*

**F**- In the absence of any one-off charges to be depreciated over a holding period, we suggest including a simple note to illustrate the cumulative effect on yield; otherwise see below case 2

**The ex post disclosure would follow the same disclosure format.**

## 2. Case of a client receiving a stand-alone advice on an instrument

Example of disclosure at the time of the recommendation including aggregated disclosure and itemised disclosure in relation to the product recommended and its transaction cost

*Recommendation by the distributor to subscribe €1,000 for a UCI*

- Entry costs: maximum 4% (available in the KIID) but 2% only perceived by distributor (only in MIFID)
- On-going charges: 1.25% (KIID) out of which 50% paid as return commission to the distributor (only in MIFID) for the advice delivered to the client
- Incidental charges (here Performance fee): 0.35% in the KIID (Y-1), but 0.15% on average over the past 5 years (PRIIPS method.) PRIIPS figure disclosed in the ex-ante disclosure
- Transaction fees: not available in the KIID; 0.05% on average on 3yrs period (PRIIPS method.). PRIIPS figure disclosed in the ex-ante disclosure

Total charges for the 1 <sup>st</sup> year	EUR	%
<b>Charges relating to the transaction A</b>	<b>20.00 €</b>	<b>2.00%</b>
Charges relating to the transactions: entry costs received by distributor B	20.00 €	2.00%
<b>Payment received from third parties C</b>	<b>6.25 €</b>	<b>0.63%</b>
<b>Indirect costs related to the financial instrument</b>	<b>8.25 €</b>	<b>0.83%</b>
One-off charges: entry costs payable to the fund D	0.00 €	0.00%
Ongoing charges: current charges	6.25 €	0.63%
Charges relating to the transactions E	0.50 €	0.05%
Incidental costs: performance commission	1.50 €	0.15%
<b>Total estimated annual costs and charges</b>	<b>34.50 €</b>	<b>3.45%</b>

**A-** This section covers the costs of the services delivered to the client, i.e. in our example the costs of the RTO/ execution (buying the fund); investment advice is not directly charged to the client but is included into the on-going charges of the fund (“payment received from third parties”).

**B-** The entry fee is the transaction cost of the service of the RTO/ execution (different from entry fee described in D)

**C-** Payment received from third parties: return commission received by the advice provider from the manufacturer out of the on-going charges of the product (“Indirect costs related to financial instruments”).

*Nota bene: that is the source of our comment in question A where the costs of the product which is disclosed under “indirect costs related to the financial instrument/ ongoing charges” might not be clear to the client and not in relation with the costs disclosed in the KIID/KID*

**D-** Some funds charge an entry fee that goes back into the fund<sup>2</sup>, this entry fee is therefore disclosed in the section “indirect costs related to the instrument”

**E-** These transactions costs are coming from buying and selling securities inside the fund and not the costs charged to the client when entering the fund (A and/ or B)

<sup>2</sup> to compensate the others holders of the fund for the costs generated by the arrival of a new subscriber

Proposal for an improved disclosure of the inducements where appropriate (in connection with our answer to question A)

Total charges for the 1 <sup>st</sup> year	EUR	%
<b>Charges relating to the transaction A</b>	<b>20.00 €</b>	<b>2.00%</b>
Charges relating to the transactions: entry costs received by distributor B	20.00 €	2.00%
<b>Indirect costs related to the financial instrument</b>	<b>8.25 €</b>	<b>0.83%</b>
One-off charges: entry costs payable to the fund D	0.00 €	0.00%
Ongoing charges: current charges	12.5 €	1.25%
<b>Of which Payment received from third parties C</b>	<b>6.25 €</b>	<b>0.63%</b>
Charges relating to the transactions E	0.50 €	0.05%
Incidental costs: performance commission	1.50 €	0.15%
<b>Total estimated annual costs and charges</b>	<b>34.50 €</b>	<b>3.45%</b>

→ With is format of disclosure, the third party payment is directly linked to the ongoing charges; the ongoing charges then becomes similar to the ongoing charges disclosed in the UCITS KIID (and tomorrow in the PRIIPS KID).

**C: Have you amended your products offer as a result of the new MiFID II disclosure rules on inducements? Please explain.**

Yes, some of our members have created “net share classes”<sup>3</sup> i.e shares that include no retrocessions for distributors that provide independent investment advice or that are located in countries banning inducements as well as for portfolio managers that are no longer eligible to retrocessions.

<sup>3</sup> AFG is strongly against the terms “clean share class” and “dirty share class” used by some professionals; these terms are pejorative and detrimental to our distribution channels. We advocate for “net share class” and “share class with services” or “Advice share class”

**D: Has the disclosure regime on inducements had any role/impact in your decision to provide independent investment advice or not?**

Among French asset managers firms managing funds and portfolios for their own clients, we have no knowledge of members who have clients ready to pay separately for investment advice fees and should they recommend third party funds, they are doing it on a non- independent advice regime. In addition, to our knowledge also, no banks having large retail networks and distributing investment funds have taken the risk to lose their customers by charging them investment advice fees; non-independent investment advice is still the predominant choice for cultural reason of French citizens.

That does not mean that disclosing separately the inducements is not useful.

**E: How do you apply ex-ante and ex-post disclosures obligations under Article 24 (9) of MiFID II in case of investment services provided on a cross-border basis? Do you encounter any specific difficulty to comply with these requirements in a cross-border context? Please explain.**

No, we have not been informed of any difficulties.

**F: If you have experience of the inducement disclosure requirements across several jurisdictions, (e.g. a firm operating in different jurisdictions), do you see a difference in how the disclosure requirements under Article 24(9) of MiFID II and Article 11(5) of the MiFID II Delegated Directive are applied in different jurisdictions?**

No.

**G: Would you suggest changes to the disclosure regime on inducements so that investors or potential investors, especially retail ones, are better informed about possible conflicts between their interests and those of their investment service provider due to the MiFID II disclosure requirements in relation to inducements?**

As for inducements related to services that a client can directly benefit from (such as investment advice and others additional services), we think that the current transparency and disclosure regime is satisfying. No change is necessary, stability must prevailed. Minor improvements could be allowed such as the one suggested in question B.

We would definitely support changes in the treatment of Research as an inducement and advocate for the strengthening of the policy of conflict of interests rather than consulting the client on a material he cannot evaluate himself properly. As a comparison, it is as if a client is asked to agree on the price of the steel when buying his car.

**H: What impact do you consider that the MiFID II disclosure requirements in relation to inducements have had on how investors choose their service provider and/or the investment or ancillary services they use (for instance, between independent investment advice and non independent investment advice)?**

As stated in question D, there has not been, to our knowledge, no change in the fact that non-independent advice is the predominant regime in France.

It is too early to assess whether the level of inducements disclosed has had any impact on the investors' choice of its distributor/advisor. However, we are convinced that separate disclosure of inducements, i.e.

commission payments to distributors, facilitates investors' enhanced understanding of the main cost elements associated with a financial investment.

#### **4.2 Costs and charges disclosure requirements under Article 24(4) of MiFID II**

**I: What are the issues that you are encountering when applying the MiFID II costs disclosure requirements to professional clients and eligible counterparties, if any? Please explain why. Please describe and explain any one-off or ongoing costs or benefits.**

Standardized cost disclosure is not appropriate for professionals; professional investors are generally fully aware of the costs and have their own format of cost reporting which they agree on with their portfolio manager. It would make sense to have some flexibility for any dedicated fund or mandate offered to a professional client.

This is especially true for non-EU professional clients or eligible counterparties, which are not subject to MiFID 2. Their reporting requirements are driven by their local regulations. At best, receiving a MiFID 2 report has no value for them, in the worst case, it is a burden, as they have to review a document designed according to an unfamiliar regulation, which does not make sense in their local context.

**J: What would you change to the cost disclosure requirements applicable to professional clients and eligible counterparties? For instance, would you allow more flexibility to disapply certain of the costs and charges requirements to such categories of clients? Would you give investment firms' clients the option to switch off the cost disclosure requirements completely or apply a different regime? Would you distinguish between per se professional clients and those treated as professional clients under Section II of Annex II of MiFID II? Would you rather align the costs and charges disclosure regime for professional clients and eligible counterparties to the one for retails? Please give detailed answers.**

##### Specific regime for professional investors

The necessary flexibility can be achieved by amending Article 50(1) of MiFID II Delegated Regulation in order to allow a limited application of the cost disclosure standards to all MiFID services rendered to professional clients and eligible counterparties. This amendment should allow these clients to waive altogether specific cost information based on contractual agreements. This could take the form of a one-time (revocable) declaration.

Another option is to change Article 50 of MiFID II Delegated Regulation from 'opt out' to 'opt in' for professional clients. This would mean that the professional clients receive information only if they expressly request it.

Others proposals :

- Limit the requirements of the article 60 of the delegate regulation to Retail investors only as it was the case in MIFID I.
- Clarify that the requirements article 50 are not applicable to non-European investors

**K: Do you rely on PRIIPS KIDs and/or UCITS KIIDs for your MiFID II costs disclosures? If not, why? Do you see more possible synergies between the MiFID II regime and the PRIIPS KID and UCITS KIID regimes? Please provide any qualitative and/or quantitative information you may have.**

To our knowledge, distributors do not rely on either the PRIIP KIDs or UCITS KIIDs for providing cost disclosures according to MiFID II (see example 2 in question B). One of the reasons is certainly that MiFID II requires aggregated cost disclosures which must be delivered in one single format according to the specifications in the ESMA Q&As. However, even for the purpose of generating MiFID II compliant cost tables, distributors cannot rely on figures displayed in KIDs. As it stands, the different information documents do not show the same costs for the same financial instrument because of diverging specifications in the EU frameworks. The problems are particularly crucial with regards to the PRIIP KID, which is meant to become the future standard for informing retail investors about investment products.

As an illustration, here below a table comparing the different type of figures disclosures for a fund with the following characteristics (same as in question B, case 2)

- Entry costs: maximum 4% but 2% only perceived by distributor, No exit costs
- On-going charges: 1.25% out of which 50% paid as return commission to the distributor for the advice delivered to the client
- Transaction fees: 0.05% on average on 3yrs historical period, 0.04% on the year where the client has invested
- Incidental charges (here Performance fee): 0.35% in Y-1, and 0.15% on average over the past 5 years, and 0.10% on the year where the client has invested
- Recommended holding period: 3 years
- Central performance scenario: 3% per year

		<b>MIF</b>	<b>PRIIPS</b>	<b>Prospectus</b>	<b>KIID UCITS</b>
<b>Entry costs</b>		2%	1,33%	4% max	4% max
<b>Ongoing charges</b>		0.625%	1.29%	1.25%	1.25%
<b>Transactions costs</b>		0.05% en ante 0,04 % ex post	0,05%	NA	NA
<b>Performance fees (« incidental »)</b>		0.15% ex ante 0,10% ex post	0,15%	formula	formula and Y-1 : 0,35%
<b>Inducements (" payments received from third parties")</b>		0.625%	NA	NA	NA
<b>Total</b>		3.45 % ex ante 3.39 % ex post	2,82% (annualized over the RHP)	NA	NA
<b>Impact of costs on return</b>		3.45 % ex ante 3.39 % ex post on the first year	2,82% (annualized over the RHP)	NA	NA



### Disclosure of product costs

Cost figures in the PRIIP KID are presented by using the reduction in yield (RIY) methodology which distributes and levels the costs over the recommended holding period. This also applies to one-off costs such as the entry fees for the purchase of fund units. MiFID II, on the other hand, stipulates that investment firms have to show fluctuations and spikes within the framework of ex-ante and ex-post cost information. This means, for example, that an entry fee must be presented in the year in which it is charged; the same applies to other one-off costs such as any redemption fees. Therefore the information on product costs in the current PRIIPs KIDs is generally not usable for the generating the aggregated information on cost under MiFID II.

When distributing investment funds, transaction costs must be disclosed both under MiFID II and, as of 2022, in PRIIPs KIDs as an element of product costs.

Transaction costs consist of “explicit” costs (such as broker commissions, platform charges, transaction taxes, etc.) and “implicit” costs. Especially in fixed income markets, broker fees are not explicitly charged, but are included in the price margin of either the bid or ask price and thus account for implicit costs. This is undisputable in principle, as is the fact that MiFID II and PRIIPs both strive to capture such implicit charges. The MiFID II text provides further indications for the understanding of costs by specifying that “underlying market risks” (i.e. market movements) should not be considered a cost<sup>4</sup>.

Nonetheless, the approach on how to estimate implicit transaction costs under the PRIIPs framework, the so-called “arrival price” methodology, systematically treats market movement in the price of an asset between the time of order submission and order execution (so-called “slippage”) as a cost factor. Such market movement is therefore reflected in the transaction cost calculations and disclosed as cost to investors. Since movement in the price can be either positive or negative, the effect is that the actual identifiable costs of a transaction – the “explicit” costs – are in each single case distorted and either under- or overestimated in the eventual calculation results. The use of such distorted figures, sometimes discernible as negative transaction costs, entails high liability risks for product providers and distributors. In our view, the MiFID II regime is the primary, overarching legislation that provides these high-level disclosure principles that other more specific disclosure legislations should draw upon. We hope that the current review of the PRIIPs Level-2 framework will align the PRIIP KID with MiFID II to ensure the presentation of the same cost information to clients. This should start with the removal of “slippage” as a cost in the ongoing PRIIP KID review.

From the investor's point of view, these divergences are hardly comprehensible and requires a considerable amount of explanation on the part of the distributors. The objective of transparency and investor protection is thus not taken into account. We think it should be one of the main goals to harmonise the different rules.

**L: If you have experience of the MiFID II costs disclosure requirements across several jurisdictions, (e.g. a firm operating in different jurisdictions), do you see a difference in how the costs disclosure requirements are applied in different jurisdictions? In such case, do you see such differences as an obstacle to comparability between products and firms? Please explain your reasons.**

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<sup>4</sup> So does the Insurance Distribution Directive 2016/97 in its article 29.c

NA

**M: Do you think that MiFID II should provide more detailed rules governing the timing, format and presentation of the ex-ante and ex-post disclosures (including the illustration showing the cumulative impact of costs on return)? Please explain why. What would you change?**

In any case, such an exercise, must be conducted with all stakeholders and should not be decided in a Call for Evidence held over the summer period. We would expect an appropriate consultation process with ample time to discuss these issues in detail. Moreover, an adequate period for implementation should be provided, with the aim of avoiding excessive and avoidable costs for the intermediaries.

Our proposals so far are:

- better link between ongoing charges and inducements where appropriate (question B)
- cost disclosures without return assumption

Both proposals results from clients' remarks and questions.

**N: For ex-ante illustrations of the impact of costs on return, which methodology are you using to simulate returns? Or are you using assumptions (if so, how are you choosing the return figures displayed in the disclosures)? Do you provide an illustration without any return figure?**

As stated above, the illustration usually reflects a one-year time horizon and no estimations of the potential return of the investment are made (the return assumed is zero). Should the time horizon be longer than one year, the return assumed would be equal to the costs (i.e. using a net return assumption of zero presuming that the investors get back their original investment).

We believe that such assumptions are clear, readily understandable for the client, appropriate for comparison between different services and not deceptive for investors (performance estimates used for the illustrations can be considered by investors as a promised return by investors). These assumptions avoid incurring the same critical issues that emerged in the PRIIPs framework with performance scenarios.

**Example in ex ante**

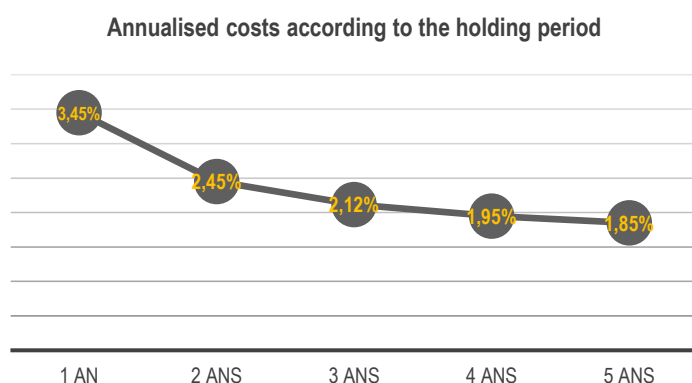
- Recommendation by the distributor to subscribe €1,000 for a UCI*
- KIID entry costs: max 4% but 2% applied by distributor*
- KIID current charges: 1.25%*
- Transaction fees: 0.05%*
- Performance charges: 0.15%*
- Recommended holding period: 5 years*

**Illustration of the impact on return:**

Recommended holding period	5 years
Total annualised costs	1.85 %
Total annualised costs for an investment of €1,000	€18.50

- The entry costs of 2% are spread over the 5 years of the recommended investment term
- Annual costs =  $(1/5) \times 2\% + (1.45\%)$

**Or more detailed solution:**



**Example 2: the costs are annualised in the case of exit after 1 year, 2 years, ... 5 years.**

- The impact of the entry costs of 2% depends on the term for which the client retains the investment. Over 1 year, they represent 2%, over 3 years, they represent 0.7% per annum, over 5 years they represent 0.4%
- The others fees remain at 1.45 % per annum.

**We think that a cost disclosure without return assumption is more understandable to the client, especially the retail client.**

**O: For ex-post illustrations of the impact of costs on return, which methodology are you using to calculate returns on an ex-post basis (if you are making any calculations)? Do you use assumptions or do you provide an illustration without any return figure?**

See answers to question M and N.

**P: Do you think that the application of the MiFID II rules governing the timing of the ex-ante costs disclosure requirements should be further clarified in relation to telephone trading? What would you change?**

NA

**Q: Do you think that the application of Article 50(10) of the MiFID II Delegated Regulation (illustration showing the cumulative impact of costs on return) helps clients further understand the overall costs and their effect on the return of their investment? Which format/presentation do you think the most appropriate to foster clients' understanding in this respect (graph/table, period covered by the illustration, assumed return (on an ex-ante basis), others)?**

No, as stated above, after numerous discussions with our distributors, and both our retail and professional clients, we strongly believe that costs and their illustration in time should be disclosed without any return assumption.

See our proposal in question N.

**R: Are there any other aspects of the MiFID II costs disclosure requirements that you believe would need to be amended or further clarified? How? Please explain why.**

Firstly, as said in our introduction, amendments/ clarification made on cost disclosures should be delivered after thorough dialogue with all participants and with a more realistic calendar.

That being said, we are willing to contribute to a larger consultation (with more time to answer) to suggest improvements.

For example, in addition to the proposals already made in this consultation (better link between ongoing charges and inducements where appropriate, costs disclosure without return assumption, flexibility for professional investors) we would also suggest to ESMA to give more room to the principle of proportionality, for example:

- For non EU financial instruments that do not publish all costs according to MIFID regulation (for example, transaction costs), firms should be allowed to disclose to their clients the data publicly available; this would concern mainly professional investors and not retail investors. A disclaimer would be provided informing the client of this limit.
- For funds or mandates including underlying funds (money market fund for example), it would be relevant to set a threshold under which no cost disclosure is requested.
- When calculating the costs in €uro, based on the amounts invested by the client (including positions in underlying products), it should be left to the firms to determine the frequency of the valuation of the client positions, according to their systems and the costs associated. We are aware that some service providers are actively pushing for very expensive solutions for the sake of highly accurate figures (up to to digits after the comma), but we think that a very high precision of the costs is not requested by the client, especially at unproportioned costs.

Lastly, some costs need to be further clarified: Calculation of ongoing costs for real asset funds

The calculation of ongoing costs for real asset funds is not sufficiently clear either under PRIIPs or under MiFID II. The outstanding issues concern some key elements of the cost structure which may have a significant impact on the overall amount of costs. These are:

- *Operating costs for properties and other real assets*: It is unclear whether funds that invest directly in assets such as real estate, infrastructure projects, etc. must also take into account the operating and maintenance costs incurred at the asset level under MiFID II, while in the case of equity funds, for example, the operating costs of stock corporations are clearly not included.
- *Interest payments for external financing of the acquisition of real assets*: The question also remains as to whether, in the case of external financing, interest payments due on credits should be reported as financing costs under MiFID II even though debt financing costs in relation to real estate or other real assets are inherent to any economically viable investment in these asset classes and by no means specific to the management of investment funds.

In our view, these questions should be clarified in the context of the pending review of the PRIIPs implementing measures. Nonetheless, since their clarification is also of relevance for ensuring consistent and comparable cost disclosures under MiFID II, we urge ESMA to work towards timely solutions in the PRIIPs context and to promote a common understanding of relevant cost elements for both PRIIPs and MiFID II purposes.

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