



Mr Steven MAIJOOR
Chairman
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Re: MiFID II – Level 3 work by ESMA / Costs and charges

Dear Mr Chairman,

The European Securities and Markets Authority is currently preparing a Q&A document intended to answer certain questions which investment firms may be facing when implementing the MiFID II framework. In the present case, our very specific concern is the calculation methodologies of costs and charges under MiFID II.

Firstly, it appears that ESMA is keen to keeping its work strictly confidential, refusing to allow each national regulator to provide stakeholders with draft proposals currently under discussion. Yet, given the sensitivity and complexity of this matter, we believe that ESMA should instead seek interaction with the entities under its supervision, and should draft its Q&A in taking into account points of views of Professionals including institutional investors through any form of consultation process.

Secondly, from discussions with our respective regulator, we understand that ESMA is planning on importing PRIIPs calculation methodology to cover MiFID II costs disclosure. That proposal raises serious concerns.

Importing PRIIPs requirements into MiFID II scope will result in imposing PRIIPs requirements to firms, professional clients and products outside of PRIIPs scope. That should be highly questionable from a legal point of view. If the European legislator wanted to apply PRIIPs to cash equity and bonds or to professional clients for instance, such instruments and clients would be included in PRIIPs scope. As a matter of fact, it is not the case. In addition, we would like to highlight that many financial institutions are not encompassed in PRIIPs requirements as they do not manufacture packaged products and/or they only have professional clients or eligible counterparties.

.../...

At last, we identified some serious inconsistencies into ESMA's proposal and we would very much appreciate the opportunity to provide additional propositions in order to facilitate the convergence between MiFID II and PRIIPs where it is relevant as well as to prevent inappropriate and complex solutions where it would appear to be disproportionate for every stakeholder.

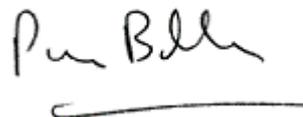
For example, on transactions costs, retail clients through their IFA associations and Better Finance have already expressed concerns. Institutional Investors consider that they need reliable and accurate information. As such, transaction costs should not be theoretical costs depending on market fluctuations. The quality of the execution service could be assessed through performance attribution on best execution reporting. Similarly, MiFID II new requirements should not prevent investment firms from disclosing recurring costs on an annual flat basis so as to provide end investors clear and understandable information.

We remain at your staff disposal to discuss further those matters.

Yours sincerely,



Jean **EYRAUD**
Chairman
AF2i



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