

## Regulatory News Alert

### ESMA received mandate on fund costs and performance from European Commission

**25 October 2017**

Similar to the FCA recent study on costs and charges, the European Commission has requested several European Institutions, including ESMA, to issue reports on the cost and past performance of the main categories of retail investment, insurance and pension products.

This mandate is in line with the upcoming implementation of MIFID II and PRIIPS in early 2018, which will both require transparency in terms of costs and charges.

ESMA will now embark on a large-scale study assessing the reporting of costs and past performance of retail investment products, in order to increase investors' awareness of the net return of these products, and the impact of costs and charges.

In this context, ESMA has recently published a [first article](#) in its latest *Trends, Risks and Vulnerabilities No.2 2017* on the impact of costs on mutual fund returns.

This article provides metrics to analyze the impact of ongoing fees, one-off charges and inflation on the returns of mutual funds. ESMA observed that over a three-year period from 2013 to 2015, fund costs reduced fund performances by 29 percent on average which translated in absolute terms to 252bps. The results of this analysis will be compared with the costs calculated in MIFID II and PRIIPS reports.

Other articles are expected to follow and enrich this large-scale study.

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