Findings from our investment platforms costs and charges review

This document specifically relates to our findings from our investment platforms costs and charges review – good and poor practice, published May 2022.

Handbook provisions – in detail

Platforms should review our Handbook provisions in detail to ensure that they are compliant. Concerning the disclosure of costs and charges information, we highlight in particular:

- The MiFID II costs and charges disclosure rules in COBS 2.2A and 6.1ZA.17 require that firms give clients information on all costs and related charges in *good time* before they provide the relevant service. Such disclosures are referred to as 'ex-ante' - before the event - disclosures.

- The rules apply in respect of both existing and potential clients - see Handbook glossary definition of 'client' and COBS 6.1ZA.

- The MiFID II costs and charges disclosure rules in COBS 6.1ZA.14 also require aggregated costs and charges.

- The aggregated costs and charges should be totalled and expressed both as a cash amount and as a percentage.

- Platforms should also provide an illustration showing the cumulative effect of costs on return when providing investment services. This needs to be provided both on an 'ex-ante' and 'ex-post' basis - before and after the provision of the service.

- An itemised breakdown of the aggregated costs and charges must be provided on request - COBS 6.1ZA.12.

- For clarity, in the context of platforms, these disclosures must include, but are not limited to, the following:
  - On-boarding fees.
  - Account fees.
  - Trading/dealing fees.
  - Transactional fees such as telephone trades, foreign exchange, etc.
  - Ad hoc admin fees – paper copies, failed payments etc.
  - Exit fees.
  - Interest applied to any cash held.

- Platforms should be aware that the MiFID II costs and charges disclosure rules under COBS 6.1ZA.14 (Annex II) require any 'custody costs'/'custodian fees' to be included in costs disclosure. In addition, under our Handbook rules at CASS 7.11.32 *'A firm must pay a retail client any interest earned on client money held for that client unless it has otherwise notified him in writing'*. CASS 5.5.30 also set-outs provisions relating to this.

- Platforms should also be aware of our rules in COBS 13.4.1R applying to SIPPs. These are explained in more detail in Consultation Paper at 3.19-3.25 and Feedback Statement at 2.26-2.30, where the FSA stated its view that *'A personal pension scheme operator will typically act as an agent of the customer. As such, they have a fiduciary duty not to act for their own benefit by making and retaining a secret profit from the customer's money – which would otherwise be due to the customer – without disclosing this and getting the customer's informed consent.'*

- Platforms will also be aware of our Handbook rules implementing the Distance Marketing Directive – COBS 5.1. This requires that firms provide consumers with distance marketing information in *good time* before the consumer is bound by a distance contract or offer. This information includes *'the total price to be paid by the consumer to the firm for the financial service, including all related fees, charges and expenses, and all taxes paid through the firm or, where an exact price cannot be indicated, the basis for the calculation of the price enabling the consumer to verify it'.*

- We also remind platforms of the requirements of Principle 7 to have due regard to the information needs of clients (including potential clients) and communicate information to them in a way which is clear, fair and not misleading. There are also detailed provisions on communications at COBS 4.2.