



Financial Services Authority

Platform operator disclosure documents:

Good and poor practice report

March 2010

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1 Introduction

- 1.1 This report summarises the main findings of our review of disclosure material produced by wraps and fund supermarkets, which we collectively refer to as ‘platforms’. It contains information for platform operators¹ and also provides examples of the good and poor practices we found.
- 1.2 We have included examples of good and poor practice to help platform operators consider whether their own disclosure material complies with our outcome-focused rules and Principles. Some of the illustrative examples draw closely on – but do not exactly replicate – the material we have reviewed. Website addresses used within the examples are fictitious.
- 1.3 The examples provided do not represent an exhaustive list of good and poor disclosure practice, as platform operators are a diverse group, differing in the size of their business and the type of business they undertake. There may be other ways of achieving the same outcomes and complying with our rules and principles.
- 1.4 This report covers:
 - platform operator responsibilities;
 - form and content of disclosure material;
 - disclosure of fees and charges;
 - disclosing the overall cost; and
 - next steps.

¹ In the past we have used the term platform provider to describe an entity that supplies platform services. This may be confused with the term product provider so we have used the term platform operator in this report.

- 1.5 The information we have provided in this report is intended to help platform operators understand what we expect in an outcomes-focused regulatory environment. For information about the status of Handbook guidance and supporting material, please refer to our statement on ‘Giving guidance and the status of guidance’.²

Our review

- 1.6 We reviewed the disclosure material from 12 platform operators, which represents around half of the total number of platforms currently available. These 12 platform operators hold a significant proportion of the assets that platforms have under management.³ The sample included platforms who offer their services to adviser firms, as well as platforms who offer their services direct to consumers. It included different types of platforms – fund supermarkets, wraps and a discretionary investment management platform.
- 1.7 We reviewed the disclosure material against criteria designed to show compliance with:
- Principle 7 – ‘A firm must pay due regard to the information needs of its clients, and communicate information to them in a way which is clear, fair and not misleading’;
 - Conduct of Business rules;
 - Treating Customers Fairly (TCF) outcome 3 – ‘consumers are provided with clear information and are kept appropriately informed before, during and after the point of sale’; and
 - TCF outcome 5 – ‘consumers are provided with products that perform as firms have led them to expect, and the associated service is both an acceptable standard and as they have been led to expect’.
- 1.8 In September 2007, we produced a report on Good and Poor Practices in Key Features Documents (KFDs)⁴ and this was also followed up with a Supplementary Annex⁵ in April 2009. Disappointingly, given the types of poor practice we noted within the disclosure material produced by platform operators, it would appear that few platform operators had reviewed their disclosure material following these publications.

2 This report consists of supporting material, the status of which is explained at:
http://www.fsa.gov.uk/pages/Library/Other_publications/Miscellaneous/2009/guidance.shtml

3 Based on industry figures, we estimate the platform operators within the sample account for around £100bn of assets under management.

4 http://www.fsa.gov.uk/pubs/other/key_features.pdf

5 http://www.fsa.gov.uk/pubs/other/kfd_annex.pdf

- 1.9 The key conclusions of our review was a general lack of customer focus, with the majority of disclosure documents prepared by platform operators, particularly the way documents were structured, and how charges were presented. This report focuses on these themes but we would recommend platform operators review the two earlier KFD publications in conjunction with this report.

2 Platform operator responsibilities

- 2.1 Regardless of whether a platform is acting as a business-to-business or business-to-consumer platform, platform operators cannot absolve themselves of the responsibility when producing disclosure material to be clear and succinct.
- 2.2 Platform operators are bound by Principle 7 and must pay due regard to the information needs of their clients, and communicate information to them in a way that is clear, fair and not misleading.
- 2.3 This section is a reminder of platform operator responsibilities for TCF. It is based on our Regulatory Guidance, *The responsibilities of providers and distributors for the fair treatment of customers (RPPD)*⁶ and has been applied to platform operators when producing information for adviser firms and consumers.
- 2.4 When preparing information for adviser firms, platform operators should:
 - make clear if that information is not intended for customer use; and
 - ensure the information is sufficient, appropriate and comprehensible in substance and form, including considering whether adviser firms will understand it enough for it to help them to give suitable advice (where advice is given) and to extract any relevant information and communicate it to customers.
- 2.5 When preparing information for consumers, platform operators should:
 - pay regard to the target market, including its likely level of financial capability; and
 - take account of what information the consumer needs to understand the product/service, its purpose and the risks, and communicate information in a fair, clear and not misleading manner.

6 <http://fsahandbook.info/FSA/html/handbook/RPPD/link>

- 2.6 Platform operators should not withhold important information from consumers by labelling documents ‘for adviser use only’. We saw one instance where information about the rate of interest payable on cash balances had been labelled this way. Important information should not be withheld from a consumer in this way but communicated to them in a way that is fair, clear and not misleading.
- 2.7 In order for platform operators to provide sufficient information to consumers and present it in a way that is likely to be understood by the target market, it is good practice for platform operators to test that information on consumers. Firms who have undertaken robust consumer testing have significantly improved the quality and consumer understanding of their disclosure material.

3 Form and content of Platform Operator Disclosure Documents

- 3.1 The Conduct of Business Sourcebook (COBS) gives platform operators flexibility when producing disclosure material. In general, packaged product providers must produce a Key Features Document (KFD) or a simplified prospectus and our rules⁷ allow platform operators to produce a single document combining more than one key features/simplified prospectus scheme. All but one of the platform operators within our review took advantage of this rule and produced disclosure material combining multiple schemes.
- 3.2 In keeping with Principle 7, we consider it good practice for platform operators to use this rule and produce composite disclosure documents. Consumers investing through a platform tend to invest in a number of funds from different fund providers. Most scheme documents contain information for multiple funds. Providing consumers with scheme documents from each of the underlying fund providers would be likely to overload a consumer with too much information, most of which may not be relevant.
- 3.3 However, platforms still need to be mindful of the quantity of information disclosed within a composite document. As we stated in our publication on good and poor practices in KFDs, consumer understanding does not increase just because more information is provided. Beyond a certain tipping point, understanding reduces as consumers resort to guess work or simply don't read the document.⁸
- 3.4 The purpose of a disclosure document is to provide a clear and balanced summary of the benefits and risks of a product, which enables consumers to make an informed decision on whether to invest. A disclosure document will be ineffective unless it is focused, concise and relevant to the needs of the

⁷ COBS 13.1.4R

⁸ See the July 2007 joint report by the Better Regulation Executive and the National Consumer Council *Warning: Too Much Information Can Harm (And Fail to Help Consumers Make Choices...)* and our work on Financial Capability e.g. *'Financial Capability: A Behavioural Economics Perspective'* <http://www.fsa.gov.uk/pubs/consumer-research/crpr69.pdf>

target market. A disclosure document that meets these objectives is an effective method for platform operators to disclose information about the service it offers and the products/wrappers available.

Design of disclosure documents

- 3.5 In some instances, platform operators still appear to be following a ‘tick box’ approach to disclosure as opposed to focusing on consumer outcomes. We have seen instances where consumers are overloaded with irrelevant disclosure material due to the design of the disclosure document. For example, one platform operator combined an ISA⁹ KFD with a SIPP¹⁰ KFD. Combining KFDs in this way is not helpful to customers who purchase only part of that combination.
- 3.6 Some platform operators also produce lengthy disclosure documents detailing fund-specific information for all the funds available through the platform. Platform operators should focus on providing succinct information by developing disclosure document building tools, such as dynamic disclosure documents that build the document according to the fund(s) and product or tax wrapper(s) selected. This enables a consumer to receive a disclosure document, detailing key information about the platform, the wrapper and the underlying fund(s) that is relevant to them.

Layering techniques

- 3.7 The type of information a consumer needs to receive is dependent on how the platform will be used, the choice of wrapper and underlying fund. Where a platform does not use disclosure document building tools to manage the volume of information passed to a consumer, platform operators can use layering techniques to provide additional information where it may not be routinely required. For example, where a platform operator wishes to provide more detailed information about a specific service, which may not be relevant to all consumers, such as a regular withdrawal facility from a platform cash account, information can be housed in a separate document with a signpost from the main document. However, layering is only effective if effective signposting is used (signposting is covered in section 4.7).
- 3.8 Layering is not an acceptable method to provide updated key information. One platform had updated a KFD by using an addendum, which had to be read and construed as if it were in the KFD. Practices such as these are unhelpful to consumers since consumers have to establish which parts of the KFD have been updated with information contained within a separate addendum. In these situations, platform operators should update the information in the KFD, as opposed to providing a separate KFD addendum, or similar additional document.

9 Individual Savings Account

10 Self Invested Personal Pension

Description of service and types of products/wrappers offered

- 3.9 Many of the disclosure documents failed to provide basic information about the platform, such as a **brief** explanation of:
- what a platform is;
 - how the platform works; and
 - the types of products/wrappers available.
- 3.10 We consider this information fundamental to aid consumer understanding, to help consumers make informed choices and to set other information contained within the disclosure material into context.

Providing balanced and sufficient information

- 3.11 Customer communications must comply with the applicable COBS 4 rules, including COBS 4.5.2R. Firms must ensure that communications are:
- accurate;
 - do not emphasise any potential benefits of the business or investment without also giving a fair and prominent indication of any relevant risks; and
 - sufficient for and presented in a way that is likely to be understood by the average member of the group they are aimed at, or likely to be received by.
- 3.12 We have seen many instances where disclosure documents and marketing brochures provide information about the benefits of investing via a platform, but provide no indication of the relevant risks.
- 3.13 For example, depending on what platform benefits are being promoted, in order to provide balanced information it may be necessary to disclose any re-registration limitations, or the loss of voting rights and periodic (and possibly free) fund manager reports.

Marketing brochures

- 3.14 We have seen many instances where marketing brochures aimed at consumers are produced and presented to a noticeably higher standard compared to the disclosure material. This reduces a consumer's inclination to read a disclosure document and may not conform to Principles 6¹¹ and 7 or COBS 13.2.2R (1).¹² Platform operators should make use of the techniques used in their marketing literature so that disclosure material is given the appropriate significance and is not a poor relation.

11 Principle 6 – a firm must pay due regard to the interests of its customers and treat them fairly.

12 A key features document must be produced and presented to at least the same quality and standard as the sales or marketing material used to promote the relevant product.

4 Disclosure of fees and charges

- 4.1 The disclosure of platform fees and charges in our sample was particularly poor. Platform operators are reminded of the provisions in COBS 2, particularly COBS 2.2.1R (a) and (d), which require the provision of information about the firm and its services, and all its costs and associated charges, in a comprehensive form to a client. Platform operators are also reminded of the provisions in COBS 4, that information should be fair, clear and not misleading, and sufficient for the needs of the average member of the group it is aimed at.
- 4.2 In addition, in order to conform to Principles 6 and 7 and TCF outcomes 3 and 5, platforms should be clear and transparent about the nature of their charges.

Form of disclosure

- 4.3 Platforms disclose fee and charges information using a number of methods, such as within a KFD, which may be supplemented with a separate fee and charges document and/or a Key Features Illustration. Platforms should consider what method is appropriate according to:
- the nature of their business;
 - the number/type of products/wrappers available;
 - the charging model employed; and
 - TCF outcomes 3 and 5.
- 4.4 Depending on the number and nature of charges, a separate charges disclosure document that supplements a KFD may be useful. Whatever method is employed, platforms should consider the likely journey a consumer will experience when reading the disclosure material and whether that disclosure method delivers clear information in line with our TCF outcomes.

- 4.5 Charges information should not be scattered throughout a document. They should be contained within an easy to find section, or at least referred to and signposted elsewhere if appropriate. If a section is titled ‘What charges do I pay’ consumers should be able to rely on this section to inform them of the nature and type of charges that may apply. This could involve explicit information about the charges or a signpost where further information can be located. We have noted instances where certain charges, such as exit charges or adviser charges, are not explained or signposted from the main charges section.

Poor practice example
<p>What are the charges?</p> <p>There are no charges for opening or closing accounts, opening or closing your wrap or for making payments into your wrap. The annual charge is X% and is accrued daily on the whole portfolio and debited from cash each month.</p> <p>The Offshore Bond account is subject to an initial charge of £X and an additional annual charge of X% pa while the Onshore Bond account is subject to an additional annual charge of X% pa. Exit for the transfer out of assets held with us are £X + VAT per line of stock per account.</p>

- 4.6 Instances of poor practice within this example include:
- The text is not structured well, for instance, it does not contain sub-headings, a format that would make the text easier to understand. As a result the additional charges for specific products/wrappers are lost within the text.
 - The second paragraph contradicts the first paragraph. Furthermore, the wording of the last sentence is difficult to understand. This would not meet our fair, clear and not misleading requirement.

Signposting

- 4.7 Signposting can be an effective tool for providing information in layers, directing the consumer to more detailed information where this may not be relevant to all consumers. However where signposting is used it should be sufficient and appropriate for the purpose of communicating important information. A firm should also consider the journey the reader will experience when using a signpost to determine whether the information is effectively communicated.

Good practice example

The charge for using the sharedealing service is included within the platform charge if you make 30 or fewer sharedealing transactions in a year. However, if you make more than 30 sharedealing transactions in a year, additional charges will apply. Please refer to www.platform.co.uk/sharedealing for further information.

- 4.8 The good practice example demonstrates how layering and signposting can be used to provide information that may not be relevant to all consumers. This example includes a signpost specifically detailing where further information can be found as opposed to a potentially unhelpful signpost such as ‘please refer to our website’.

Poor practice example

Key Features Document:

What are the charges?

We will collect our own commissions according to the following tariff. The rates applicable to the commission types mentioned below are set out in the Commissions Table in the Commissions & Charges brochure to this document, but may be altered with changes to our charging arrangement and are in addition to any other charges detailed in clause X of our Terms of Business.

Investment commission: Whenever we use Investment Money to buy an investment for you, we will deduct from your Portfolio an amount equal to the percentage specified against Investment Money in the platform Commissions Table from time to time multiplied by the cost of the investment in question.

Terms of Business:

Definitions

In this document, the Key Features Document and the Portfolio Application Form, the singular shall include the plural and vice versa, and the following terms shall have the meanings respectively ascribed to them.

Investment Money: Any investment proceeds arising from the sale of investments on which the platform Initial Commission has been paid.

- 4.9 This example shows a potentially ineffective signpost. The platform has coined the term ‘Investment Money’ and has provided a definition of the term in their Terms of Business but this is not clearly signposted. To understand the nature of this core charge, a consumer would be required to refer to a separate Charges brochure, where they are provided with a signpost (in ineffective language) to the Terms of Business where a definition of ‘Investment Money’ is provided. The journey that a consumer would experience to understand this charge is not likely to be effective.

4.10 Further instances of poor practice within this example include:

- Longwinded language that does not apply plain language disciplines. The language is not clear, direct or straightforward and is likely to disengage consumers. The term ‘charge’ may be more understood by consumers as opposed to ‘commission’.
- A consumer is unlikely to understand the term ‘Investment Money’ in the context used by the platform. Furthermore, since this is a core charge a graphic/style tool or a margin note in the KFD may be more appropriate to explain the definition alongside the explanation of the charge.
- The basis for the charge is not explained – the term ‘from time to time’ is not helpful to consumers.

Lines of payment – the fees and charges for different parties

- 4.11 Regardless of how a platform is remunerated (whether it operates a bundled or unbundled pricing method) we expect platforms to treat their customers fairly by ensuring communications about their service charges and the charges of the underlying investment are fair, clear and not misleading.
- 4.12 Investing through a platform adds another party to the distribution chain, which can add additional complexity to the lines of payment. To provide sufficient and clear information about the platform charges (if applicable) and product charges, a clear explanation of the lines of payment is required.
- 4.13 Providing a clear explanation of the lines of payment, as well as the total cost (covered in chapter 5) will enable customers and adviser firms to determine the value of the service being received and allow easier comparison of the services offered by different platforms.

Poor practice example

What are the charges?

Funds

- Some *managers* may take a fund's Initial Charge when you buy their funds.
- The *manager* takes a fund's Annual Management Charge which is for the management of your funds and may cover some or all of their administration costs.
- We may take an Additional Administration Charge for our administration costs.
- Additional fund *manager* expenses may apply on a fund by fund basis.
- We may receive a fee from Fund Managers for funds purchased and administered on your behalf, which we use as a contribution towards the cost of administering your investment. Where the fee we receive exceeds our administration costs, the excess is rebated to your account.

Charges for commission

- We may need to make deductions to take account of the type of commission paid to your financial adviser. These charges are as follows:

Initial charge

- If we agree with your financial adviser to pay them initial commission, we will deduct a one off charge of X% of the initial investment for each X% of commission we pay.

Additional charge

- If you agree with your financial adviser to pay them funded initial commission, we will deduct a charge of X% a year for every X% of commission we pay on the investment.

Outstanding Funded

Initial Commission Charge

- If you cash in your platform portfolio by making a full withdrawal within the charging period (X years) of the start date of your investment, you will be charged the remaining additional charge which applies to your platform portfolio.

Regular Charge

- If you agree with your financial adviser to pay them fund based renewal commission, we will deduct a charge of X% a year from the value of your investment for every X% of commission we pay.

4.14 This example is unlikely to help consumers understand the different parties within the distribution chain, the nature of their charges or the timing of the charges. The platform operator has applied inconsistent headings and subheadings, such as 'Funds' and 'Initial charge', applying a mixture of presentation styles. We consider it good practice to apply a consistent and

logical format when presenting fee and charges information. For example, this information could be categorised by distribution party (platform operator, product provider, adviser) or chronologically (initial charges, ongoing charges, ad-hoc charges, exit charges).

Good practice example	
Charges	
<p>There are charges for using the platform service. Additionally there are charges applied for the investments you hold and charges you agree with your adviser. This section describes the type of charges you will pay. Please refer to your Personal Illustration for specific charges based on your chosen funds and investments.</p>	
Platform charges:	
<p>This charge covers the cost of our administration.</p> <ul style="list-style-type: none"> • <i>Platform initial charge</i> – there is an initial charge of X% for all money you send to us for investment. • <i>Platform annual charge</i> – there is an annual charge based on the total amount of money invested, excluding cash. 	
Value of investments (excluding cash)	Platform annual charge
Less than £X	X%
£X or more	X%
Fund manager charges and product provider negotiated rebates:	
<p>The fund manager charge covers the cost of managing your underlying investments.</p> <ul style="list-style-type: none"> • <i>Fund manager initial charge</i> – there is an initial charge for joining the fund. This charge will be a percentage of the total amount you invest in that particular fund. • <i>Fund manager annual management charge (AMC)</i> – This charge will be a percentage of the value of your investment in that particular fund. • <i>Fund manager performance-related charge</i> – some fund managers will make a charge when a fund’s investment performance exceeds a stated measure over a given time. <p>As we have been able to negotiate improved terms with most fund managers, compared to buying the funds direct from the fund manager, some of the fund manager initial and annual management charge (AMC) is passed back (rebated) to us. Any rebate received by us will be refunded in full and credited to your cash account.</p> <p>You can refer to www.platform.co.uk/fundcharges for details of the discounted fund manager charges.</p>	
Adviser charges:	
<p>The adviser charge covers the cost of the initial and ongoing advice.</p> <ul style="list-style-type: none"> • <i>Adviser initial charge</i> – we will deduct an amount for the charges you have agreed to pay your adviser from your cash account. • <i>Adviser regular charge</i> – we will deduct an amount for the charges you agreed to pay your adviser from your cash account. 	

Good practice example

What charges do I pay?

Platform charges:

We do not charge you an explicit fee for investing through us or for administering your portfolio.

We do, however, receive a proportion of the fund manager's initial charge and the fund manager's annual management charge (AMC). Details of the fees that we receive for your investments are available at www.platform.co.uk/rebates.

Fund manager charges:

The fund manager is responsible for managing your underlying investments. The fund manager may charge an initial charge when you join the fund and an annual management charge (AMC). Both charges will be a percentage of the value of your investment. We have been able to negotiate improved terms with most fund managers, compared to the standard charges when buying direct from the fund manager. Details of the fund manager charges are detailed within the fund factsheets available at www.platform.co.uk/fundfactsheets.

Adviser charges:

Any charge you agree with your financial adviser for initial or ongoing advice can be deducted from the value of your investment or your platform cash account.

Your Personal Illustration shows the charges applicable for your chosen investments.

4.15 These examples demonstrate a number of good practice instances:

- They clearly set out the parties within the distribution chain, their respective roles and the nature of the charges.
- Both examples have applied a consistent and logical style of presentation, which enables the reader to understand the type and nature of charges involved.
- The second example clearly sets out how the platform operator is remunerated, and is presented within the main charges section, as opposed to a 'terms of business' document, which may not be read. Also, the platform has included a link to a webpage where a customer can obtain precise information about the fees the platform receives.

Descriptive and effective labels

4.16 When a platform is part of the distribution chain, the different types of charges a consumer may experience increases. It is therefore particularly important to ensure a charge is given an appropriate label to aid consumer understanding.

Poor practice example	Good practice example
<ul style="list-style-type: none"> • Monthly transaction charge • Other transaction charge • Additional charge <p>The value of the monthly transaction charge will be calculated using the transaction charging rate of X% and applied to the value of the funds under management.</p>	<p>Platform charges:</p> <ul style="list-style-type: none"> • Platform initial charge • Platform annual charge <p>Fund manager charges:</p> <ul style="list-style-type: none"> • Fund manager initial charge • Fund manager annual management charge (AMC) • Fund manager annual expenses • Fund manager performance related charge <p>Share trading charges:</p> <p>Adviser charges:</p> <ul style="list-style-type: none"> • Adviser initial charge • Adviser annual charge

Poor practice example
<ul style="list-style-type: none"> • The cost of transactions • The cost of investments • The cost of advice

- 4.17 A customer who receives a statement detailing charges such as ‘other transaction charge’ and ‘additional charge’ is unlikely to understand the nature of the charge and which party within the distribution chain receives that payment. Similarly, a customer is unlikely to understand terms such as the ‘cost of transactions’ and the ‘cost of investments’.
- 4.18 In the first poor practice example, the label ‘Monthly transaction charge’ is likely to mislead consumers. The label ‘transaction charge’ implies the charge is based on transactional activity, when it is actually an ongoing charge, based on the value of the funds under management.
- 4.19 The label given to the charge should identify which party in the distribution chain the charge relates to, i.e. the platform, fund manager or adviser, especially where a platform is used to facilitate charges from more than one party within the distribution chain.

4.20 We have seen a number of instances where platform operators use terms interchangeably within a document and across different documents. Examples include ‘fund manager’ and ‘investment manager’, ‘fund manager charge’ and ‘product charge’. We have also seen instances where the charging labels differ from the disclosure document and an accompanying document illustrating the charges. This practice can confuse the reader and can make an otherwise effective disclosure document, ineffective.

Cash accounts

4.21 Cash is an area where charges can be particularly unclear. Platforms should provide clear information about direct and indirect charges for cash held on a platform in order for consumers to make an informed decision. Some platforms receive a revenue from the cash balance held on a platform. This can be by:

- including cash within the annual/ongoing platform operator management charge;
- retaining a percentage or proportion of the interest earned; or
- the application of both methods.

4.22 A cash balance may form part of the assets subject to an annual/ongoing charge, but it should be made clear what elements of a portfolio are subject to this charge. Consumers may be unsure whether a cash balance constitutes an asset under administration and we therefore consider it good practice for platform operators to state explicitly whether a cash balance is included or excluded.

Poor practice example	Good practice example
Our ongoing platform charge is X% pa, deducted monthly. It is based of the value of assets we administer.	Our ongoing platform charge is X% pa, deducted monthly. It is based on the value of assets we administer, excluding cash held in the platform cash account.

4.23 It is also important to provide a clear and prominent disclosure if the platform retains a proportion of the interest payable on cash accounts. Disclosure of this information will help enable firms to meet our TCF outcomes and COBS 2.2.1R. Platform operators should also be aware that our Client Assets Sourcebook (CASS) prevents firms from retaining interest earned from investor deposits if they do not notify a retail client in writing whether or not interest is to be paid on client money and, if so, on what terms and frequency.

Good practice example

Interest will be paid on cash balances at the Bank of England Base Rate, less 0.5%. We will retain the 0.5% as a cash interest charge. The current Bank of England base rate can be found at www.platform.co.uk/interest-rates.

- 4.24 If a platform includes the cash balance as an asset under administration for the purpose of calculating the platform charge and retains a portion of the interest earned, in order for the consumer to make an informed decision and in line with our TCF outcomes, these charges should both be disclosed within the charges section of the disclosure material. We have seen instances where platform operators provide this disclosure but within different sections or across different disclosure documents. We consider this poor practice as consumers are unlikely to be fully aware of the charges applied to cash balances.

5 Disclosing the overall cost

- 5.1 Given the inherent complexity of the charges when investing via a platform, it can be difficult for customers (and sometimes adviser firms) to understand or calculate the overall costs and charges involved.
- 5.2 Where a platform is used by an adviser firm, the adviser firm is responsible for providing information to the customer – that includes making the overall costs of the solution clear. However, we consider platform operators to be in a position to develop tools to provide personalised costs and charges information that can help customers (and adviser firms) understand the different types and layers of charges, as well as the overall cost.
- 5.3 Our rules in COBS 13 for packaged products (apart from SIPPs) require an ‘effect of charges’ table and reduction in yield (RIY) statement, either within the KFD (or simplified prospectus) or if applicable, within the Key Features Illustration (KFI).
- 5.4 Some platform operators within our sample provided tools to produce a KFI that detailed the cost of the different layers – platform, investment (with the discounted fund charges) and adviser – incorporating all the costs within the effect of charges and RIY information. This is an effective method for disclosing the nature and impact of the charges. In addition, our thematic review of investment advice and platforms¹³ found that the disclosure of costs was generally good when advisers used KFI tools provided by the platform. However, the effectiveness of some KFIs was reduced by presentational shortcomings, which are described below.
- 5.5 Depending on the business model employed by the platform, other tools may be helpful, such as a dynamic KFD incorporating personalised investment specific information.

13 http://www.fsa.gov.uk/pubs/other/rdr_project_findings.pdf

- 5.6 Depending on the type of investment product, or the range of products bought through a platform, a KFI may not be required or may not be effective in isolation – for example, where a customer holds an OEIC¹⁴ and direct shareholdings on a platform. Some platforms provide a personalised document illustrating the different layers of charges – platform, investment and adviser firm. Some platforms take ad-hoc charges, or charges that may only apply depending on how a platform is used, such as switching or sharedealing charges and this type of document can also incorporate these types of charge.
- 5.7 In some circumstances it may be more appropriate to provide a separate charge document for a particular product. An example of this may be where a customer views a product/wrapper (such as a SIPP) as a separate investment from other assets held on the platform, or where a product/wrapper (such as a SIPP) has substantially different charges compared to other products/wrappers available on the platform.

Presentation techniques

- 5.8 We noted similar instances of poor practice within some of the KFI and personalised charges documents as we found within the main disclosure documents. For example, we noted inconsistent style of presentation, format and terminology, across the different documents. Consumers may need to cross-reference between the main disclosure document and a separate charges document, so the style, format and terminology should be consistent to help understanding.

14 Open Ended Investment Company

Poor practice example	
Disclosure document	Personalised charges document
<p>Platform charges:</p> <ul style="list-style-type: none"> • Platform entry charge • Platform ongoing charge <p>Adviser charges:</p> <ul style="list-style-type: none"> • Adviser remuneration • Adviser switch remuneration • Adviser regular remuneration <p>Fund Manager charges:</p> <ul style="list-style-type: none"> • Fund manager initial charge • Fund manager annual management charge • Fund manager annual expenses • Fund manager performance related charge 	<ul style="list-style-type: none"> • Platform charge and adviser remuneration • Adviser regular remuneration • Fund manager rebates • Platform ongoing charge • Fund manager ongoing charges

5.9 The example above shows how charges were presented in a disclosure document and the accompanying personalised charges schedule. The disclosure document provided an effective and logical presentation of charges, categorising charges according to the party within the distribution chain. However, the charges schedule categorised charges in a chronological order (initial and ongoing) and uses different terminology. While this is an acceptable method to categorise charges, the chosen method should be consistent across documents.

6 Next steps

- 6.1 Disclosure material produced by platform operators must be clear, succinct and capable of being used and understood by consumers (and adviser firms). This good and poor practice report sets out examples of how platform operators might do this. However, there will be other ways in which platforms can meet our standards. Platforms should carefully consider their offering and target audience to produce information that is fair, clear and not misleading.
- 6.2 Providing clear and succinct disclosure material is an important part of treating customers fairly. We will contact some platforms that formed part of this review and will continue to monitor the quality of disclosure material. We will follow up with firms who produce disclosure material that is still not up to the standard we expect. We will tell platform operators to make improvements to their disclosure material over the course of the year and we will again review a sample of documents at the end of 2010.
- 6.3 The Key Investor Information (KII) document¹⁵ will replace the Simplified Prospectus starting from July 2011. As a result of this we will be updating some of the COBS rules, including the provision of combining scheme documents, and will consult with the industry later this year. While we acknowledge some future uncertainties, consumers are entitled to receive clear and succinct information before the KII is introduced.

15 A two page key information document for prospective investors, including a short description of the investment objectives, past performance information, costs and charges and a risk/reward indicator.

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