

# MiFID II

## Charges Information Document Guide

For adviser use only.

### Background

Before a customer invests in a S&S ISA or Personal Portfolio, Standard Life Savings is required by new MiFiD II EU regulations to provide them with an aggregated and itemised breakdown of cost and charges in both percentage and monetary terms. If a Pension or Bond product invests in a MiFiD instrument, SLS is required to provide cost and charges disclosure to SLAL/SLINTL, not the customer, therefore Pension and Bond products are not included in the document. The format of how the information is provided is dictated by the regulations.

From January 2018, a customer must be provided with Ex-Ante (pre sale) disclosure of aggregated expected costs expressed as a monetary amount and a percentage for proposed investment services and financial instruments to be provided in good time and in a durable medium before they make an investment decision on a S&S ISA and Personal Portfolio.

The CID includes a:

- Charges Summary
- Breakdown of service charges
- Breakdown of investment costs and charges
- Cumulative effect of cost and charges on return

Calculations are based on existing Assets Under Management at the time of the disclosure and new transaction investment amounts specific to the customer journey.

A calculation is performed separately for each sub-account in the customer journey based on new transaction amounts into that sub-account to create additional eligible assets for that sub-account. For Rebalances and Switches, the eligible assets won't change but the buy investments will be reflected on the CID.

### Difference between the CID and other Platform documents

The CID, Charges Summary and illustrations were created for different purposes and are based on different regulations, provide information based on different assumptions and use data from different sources:

The CID is calculated at Transaction level (i.e. new money or buy value, on the affected product only) and uses fund charge information from the new European MiFiD Template (EMT) provided by the fund managers, which may have been calculated in a different way to that held by the platform provider or SL. It also takes into account Family Terms and adviser special terms, etc. The CID has a term of 1 year, and value of any new monies invested will not change throughout the term of the calculation, such that no growth/withdrawals/deduction of charges will be taken into account.

The Charge Summary is calculated at Wrap level (i.e. new and existing business, across all products) and uses Fund Charge information held by FNZ which may have been updated at a different time to that held by SL or the EMT. It also takes into account Family Terms and adviser special terms, etc. The charges summary is a snapshot at a point in time, it shows what the charges are on the day it was run. It also includes wrap cash which is not shown in illustrations or the CID.

The illustration is calculated at product level (may include existing business), it is based on FCA COB rules and uses fund charge information held by SL which may have been updated at a different time to that held by FNZ or the EMT. It does not take into account Family Terms but will include adviser special terms. Illustrations are based on 10 year term and will include growth.

## Sections within the CID

### 1. Charges Summary

The charges summary section shows the combined service and investment charges that will apply to the transaction, per sub account in both percentage and monetary amounts over a 12 month period.

<b>Charges Summary</b>			
The table shows the combined service and investment charges for the investment you are about to make. It shows the estimated cost of charges on your investment over the next 12 months.			
	<b>Service charges</b>	<b>Investment charges</b>	<b>Totals</b>
<b>Personal Portfolio</b>	£15.50 1.55%	£7.28 0.73%	£22.78 2.28%
<b>ISA Stocks &amp; Shares</b>	£15.50 1.55%	£7.28 0.73%	£22.78 2.28%
<b>Total charges</b>	<b>£31.00</b>	<b>£14.56</b>	<b>£45.56</b>

### 2. Foreign Currency Exchange Rates

When a transaction involves investments whose currency is different from the currency of the account then the following section will be included to indicate the rate that is being used for the transaction.

<b>Foreign currency exchange rates</b>
Part of the total costs and charges may represent an amount in foreign currency. The following indicative currency translation rates have been used:
13,161.36 USD @ 1.32 USD to GBP.

### 3. Breakdown of service charges

The Breakdown of service charges section shows the breakdown of the different service charges that apply to the customer's transaction. It details the Platform; Adviser and Discretionary Manager charges where applicable. The MiFiD II regulations mean we need to show this information split by type and as both a percentage and monetary amount.

The service cost types prescribed by the regulations are shown in the below table:

<b>Cost items to be disclosed</b>	<b>Description</b>	<b>Examples</b>
One-off	All costs and charges paid to the investment firm at the beginning or at the end of the provided investment service(s).	Deposit fees, termination fees, switching costs (costs that can be incurred by investors by switching from one investment firm to another investment firm).
On-going	All on-going costs and charges paid to investment firms for their services provided to the customer	Management fees, advisory fees, custodian fees

Cost items to be disclosed	Description	Examples
Transaction	All costs and charges that are related to transactions performed by the investment firm or other parties	Broker commissions (costs that are charged by investment firms for the execution of orders) entry and exit charges paid to the fund manager, platform fees, mark ups (embedded in the transaction price), stamp duty, transactions tax, Foreign exchange costs.
Ancillary	Any costs and charges that are related to ancillary services that are not included in the costs mentioned above	Research costs, Custody costs
Incidental		Performance fees

Transaction costs are taken into account in the daily fund price. These transaction costs will not show on the Charges Summary or an illustration but the customer would have still incurred these charges (These can be found on the Mutual Fund Spreadsheet on Adviserzone).

### Platform Charges

Platform charges are fees paid to Standard Life Savings; they are the costs we take each year for administrating the customer's plans.

- NBNC – the platform charge should be based on total assets, \*see example on page 6
- NBEC – the platform charge should be based on total assets and also then calculated as the difference between old charge and new, \*\*see example on page 7

If the new monies takes the total assets over a tier threshold this can result in a negative Platform charge showing as the Platform charge will now be lower.

Platform	One off	Ongoing	Transaction	Ancillary	Incidental	Total
<b>Personal Portfolio</b>	£0.00 0.00%	£4.00 0.40%	£0.00 0.00%	£0.00 0.00%	£0.00 0.00%	£4.00 0.40%
<b>ISA Stocks &amp; Shares</b>	£0.00 0.00%	£4.00 0.40%	£0.00 0.00%	£0.00 0.00%	£0.00 0.00%	£4.00 0.40%
<b>Total</b>	£0.00 0.00%	£8.00 0.40%	£0.00 0.00%	£0.00 0.00%	£0.00 0.00%	£8.00 0.40%

Regular Premiums - The platform costs for regular premiums are calculated differently from annual premiums. Assuming a platform charge of 0.40%, for regular premiums the charge will show as a lower amount due to the fact that the contribution is not coming in all at once, it will come in monthly. The first month's contribution will get valued on 0.40 % per month, and then the next month the value per month will be applied to two months' worth of contributions and so on up to 12 months. This then results in charges of less than 0.40% showing. If the contribution is applied annually then the charge would show as 0.40%. \*\*\* See example on page 8.

Please note – if you invest in any exchange traded instruments, the Stamp Duty, PTM levy and dealing charges for buying shares will be shown within the Platform charges section under Transaction costs. A breakdown of these charges will be shown on the contract notes.

## Discretionary manager charges

These are the costs the discretionary manager charges for managing the customer's investments.

Discretionary manager	One off	Ongoing	Transaction	Ancillary	Incidental	Total
Personal Portfolio	£0.00	£1.50	£0.00	£0.00	£0.00	£1.50
	0.00%	0.15%	0.00%	0.00%	0.00%	0.30%
ISA Stocks & Shares	£0.00	£1.50	£0.00	£0.00	£0.00	£1.50
	0.00%	0.15%	0.00%	0.00%	0.00%	0.30%
Total	£0.00	£3.00	£0.00	£0.00	£0.00	£3.00
	0.00%	0.15%	0.00%	0.00%	0.00%	0.15%

## Adviser charges

These are the costs that you charge for managing the customer's investments.

While adviser charges for S&S ISA and PP are payable from Wrap Cash, the purpose of the CID and our obligation is to show the adviser charges applicable for that transaction. The CID is therefore based on the assumption that there is no money in wrap cash, so that in order to show the effect of all charges on the investment, we assume all charges come from that investment.

Both Standard Life and financial advisers are required to comply with the requirement to aggregate the costs and charges of each financial instrument they sell with their own costs and charges and provide that to the customer. This is set out in the EU regulations as well as the FCA COBS rules; a failure to do this is a breach of EU law and a breach of FCA rules. Our interpretation of the rules is that we should show the charge even though this is payable from wrap cash.

Adviser	One off	Ongoing	Transaction	Ancillary	Incidental	Total
Personal Portfolio	£10.00	£0.00	£0.00	£0.00	£0.00	£10.00
	1.00%	0.00%	0.00%	0.00%	0.00%	1.00%
ISA Stocks & Shares	£10.00	£0.00	£0.00	£0.00	£0.00	£10.00
	1.00%	0.00%	0.00%	0.00%	0.00%	1.00%
Total	£20.00	£0.00	£0.00	£0.00	£0.00	£20.00
	1.00%	0.00%	0.00%	0.00%	0.00%	1.00%

Regular Premiums – The adviser charges for regular premiums are calculated differently from annual premiums. Assuming an adviser charge of 0.50%, for regular premiums the charge will show as a lower amount due to the fact that the contribution is not coming in all at once, it will come in monthly. The first month's contribution will get valued on 0.50% per month, and then the next month the value per month will be applied to two months' worth of contributions and so on up to 12 months. This then results in charges of less than 0.50% showing. If the contribution is applied annually then the charge would show as 0.50%. \*\*\* See example on page 8.

#### 4. Breakdown of the Investment costs and charges

This section provides information on the cost and charges on the MiFiD investments selected. The regulations mean we need to show this information split by type and as both a percentage and monetary amount. The CID will not generate when invested 100% in Product Cash.

Breakdown of the Investment costs and charges					
Investment	One off	Ongoing	Transaction	Incidental	Total
Stan Life Inv Gars Inst S	£0.00*	£3.55	£1.11	£0.00	£4.66****
Acc	0.00%*	0.71%	0.22%	0.00%	0.93%****
SLW TARGET RETURN	£0.00*	£1.91	£0.71	£0.00	£2.62****
MPS 3	0.00%*	0.38%	0.14%	0.00%	0.52%****
Stan Life Inv Gars Inst S	£0.00*	£3.55	£1.11	£0.00	£4.66****
Acc	0.00%*	0.71%	0.22%	0.00%	0.93%****
SLW TARGET RETURN	£0.00*	£1.91	£0.71	£0.00	£2.62****
MPS 3	0.00%*	0.38%	0.14%	0.00%	0.52%****

Regular Premiums – The Investment costs for regular premiums are calculated differently from annual premiums. For regular premiums the charges will not show as per the EMT file. A lower amount will show due to the fact that the contribution is not coming in all at once, it will come in monthly. The first month's contribution will get valued on the EMT per month, and then the next month the value per month will be applied to two months' worth of contributions and so on up to 12 months. This then results in charges of less than the quoted EMT value showing. If the contribution is applied annually then the charge would show as quoted on the EMT.

\*\*\*\* See example on page 8.

The investment cost types prescribed by the regulations are show in the below table:

Cost items to be disclosed	Description	Examples
One-off	All costs and charges (included in the price or in addition to the price of the financial instrument) paid to product suppliers at the beginning or at the end of the investment in the financial instrument.	Front-loaded management fee, Structuring fee (fees charged by manufacturers of structured investment products for structuring the products. They may cover a broader range of services provided by the manufacturer), Distribution fee.
On-going	All on-going costs and charges related to the management of the financial product that are deducted from the value of the financial instrument during the investment in the financial instrument.	Management fees, service costs, swap fees, Securities lending costs and taxes, financing costs
Transaction	All costs and charges that incurred as a result of the acquisition and disposal of investments	Broker commissions, entry and exit charges paid by the fund, mark ups embedded in the transaction price, stamp duty, transactions tax, and Foreign exchange costs.
Incidental		Performance fees.

Transaction costs are taken into account in the daily fund price. These transaction cost will not show on the Charge Summary or Quote but the customer would have still incurred these charges. These can be found on the Mutual fund spreadsheet on Adviserzone.

## 5. Cumulative effect of cost and charges on return

This section assumes a term of one year and no growth.

### Cumulative effect of costs and charges on return

Based on these figures, over the period of one year the product and service costs and charges would reduce this investment from £2,000.00 to £1,954.44. This is a reduction of £45.56.

The effects of charges are shown as a total amount of the service costs and product costs subtracted from the initial investment amount. For example: Initial investment of £2,000; service and product costs of £45.56 will show. Based on these figures, over the period of one year the service and investment costs would reduce the investment from £2,000 to £1,954.44. This is a reduction of £45.56.

### Calculation Examples

Please note: FNZ calculates the monetary amounts first then converts them into a percentage which is then rounded to 2 decimal places. This means that due to rounding the monetary amount shown on the CID may not always tie up with the adviser calculation.

For example:

For an investment of £215,500 with a fund charge of 0.3415% we show 0.34% and £735.93 on the CID, however if you try to match this you would get  $£215,500 * 0.34\% = £732.70$ .

#### \* Calculation for New Business New Customer New Monies

- Wrap Cash = £0
- Personal Portfolio = £18828.49
- ISA Stocks and Shares = £72704.26

Total assets = £91,532.75

Platform charge should be  $0.4\% * £91532.75 = £366.13$

- Personal Portfolio =  $0.4\% * (18828.49) = £75.31$
- ISA =  $0.4\% * (72704.26) = £290.82$

## **\*\*Calculation for New Business Existing Customer**

Existing Monies in the plan:

- Wrap Cash = 0
- Personal Portfolio = £18828.49
- ISA Stocks and Shares = £72704.26

Total assets = £91,532.75

Existing platform charge should be  $0.4\% * £91532.75 = £366.13$

- Personal Portfolio =  $0.4\% * (18828.49) = £75.31$
- ISA =  $0.4\% * (72704.26) = £290.82$

Adviser adds new monies to the account:

- Personal Portfolio £290,000 taking PP assets to £308828.49
- ISA £10000 taking ISA to £82704.26

Total assets after adding new money is then £391532.75

**Step 1** – Working out the platform charges on a £391,532.75 portfolio and using the Wrap platform charge rates for ISA, PP and Wrap Cash to get:

- $£100,000 * 0.4\% = £400$
- $£150,000 * 0.35\% = £525$
- $£141,532.75 * 0.3\% = £424.60$

The total platform charge for this portfolio is then £1349.60 which is 0.3446965803% ( $1349.60/391532.75 = 0.34469658$ )

**Step 2** – Work out how much of the platform charge applies to each Wrapper:

- Personal Portfolio =  $0.3446965803\% * £308828.49 = £1064.52$
- ISA =  $0.3446965803\% * £82704.26 = £285.08$

Difference in charge for Wrap PP is  $£1064.52 - £75.31 = £989.21$

Difference in charge for ISA is  $£285.08 - £290.82 = -£5.74$

Total ongoing platform charge on the new money is £983.47

(Charges are done monthly these are the annual equivalents)

**\*\*\*Calculation for Adviser/Platform charges when regular payments made (this example is based on Adviser charges but the same logic/calculations apply to Platform charges)**

- S&S ISA £36000 transfer and £1000 monthly contributions
- Monthly Adviser charge of 0.5% taken

Single cont.	Monthly cont.	Total cont.	Calculation	Monthly AC
£36,000	£1000	£37,000	37000 * 0.5%/12	£15.42
	£1000	£38,000	38000 * 0.5%/12	£15.83
	£1000	£39,000	39000 * 0.5%/12	£16.25
	£1000	£40,000	40000 * 0.5%/12	£16.67
	£1000	£41,000	41000 * 0.5%/12	£17.08
	£1000	£42,000	42000 * 0.5%/12	£17.50
	£1000	£43,000	43000 * 0.5%/12	£17.92
	£1000	£44,000	44000 * 0.5%/12	£18.33
	£1000	£45,000	45000 * 0.5%/12	£18.75
	£1000	£46,000	46000 * 0.5%/12	£19.17
	£1000	£47,000	47000 * 0.5%/12	£19.58
	£1000	£48,000	48000 * 0.5%/12	£20.00
<b>TOTAL</b>				<b>£212.50</b>

Total monetary amount = £212.50

Total % amount: 212.50/48600 = 0.44%

So an Adviser charge of 0.44% will show on the CID. If an annual payment of £12,000 was made, an adviser charge of 0.5% would show.

**\*\*\*\*Calculation for individual fund investment charges when regular payments made**

The CID will display different cost figures for a fund, depending on how a contribution is being applied to that fund e.g. a one-off contribution or a regular contribution.

**Examples**

1. You open a new account and input a one off contribution of £2,400 into a S&S ISA

Or

2. You open a new account and input a regular monthly contribution of £200 into a S&S ISA

In both of the scenarios above you have allocated 30% of the contribution to go into SLI MyFolio MultiManager III Inst (KR15)

When the CID produces, under the 'Breakdown of the investment costs and charges' section the figures show as;

For the scenario where it has a one-off £2,400 contribution:

Investment	One off	Ongoing	Transaction	Incidental	Total
SLI MyFolio	£0.00*	£51.36	£7.82	£0.00	£59.18****
MultiManager III Inst	0.00%*	1.17%	0.18%	0.00%	1.35%****



For the scenario where it has a monthly £200 contribution:

Investment	One off	Ongoing	Transaction	Incidental	Total
SLI MyFolio	£0.00*	£4.56	£0.69	£0.00	£5.25****
MultiManager III Inst	0.00%*	0.63%	0.10%	0.00%	0.73%****

**This is as expected**, the reason why is due to the way the CID calculations treat regular's vs one-off.

Example of how it calculates the regular:

Total contribution x Total fund charge x percentage of premium invested in the fund / 12

Single cont.	Monthly cont.	Total cont.	Calculation	Monthly investment charge
	£200	£200	$200 * 1.35% * 30% / 12$	£0.07
	£200	£400	$400 * 1.35% * 30% / 12$	£0.14
	£200	£600	$600 * 1.35% * 30% / 12$	£0.20
	£200	£800	$800 * 1.35% * 30% / 12$	£0.27
	£200	£1000	$1000 * 1.35% * 30% / 12$	£0.34
	£200	£1200	$1200 * 1.35% * 30% / 12$	£0.41
	£200	£1400	$1400 * 1.35% * 30% / 12$	£0.47
	£200	£1600	$1600 * 1.35% * 30% / 12$	£0.54
	£200	£1800	$1800 * 1.35% * 30% / 12$	£0.61
	£200	£2000	$2000 * 1.35% * 30% / 12$	£0.68
	£200	£2200	$2200 * 1.35% * 30% / 12$	£0.74
	£200	£2400	$2400 * 1.35% * 30% / 12$	£0.81
<b>TOTAL</b>				<b>£5.28</b>

Total monetary amount = £5.28, so total % amount: £5.28/£720  
(30% of total contribution) = 0.73%

