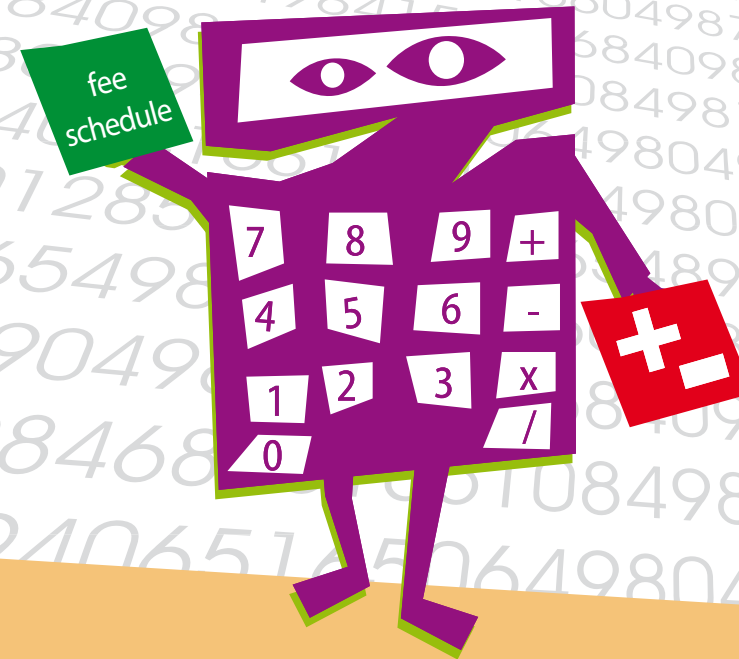
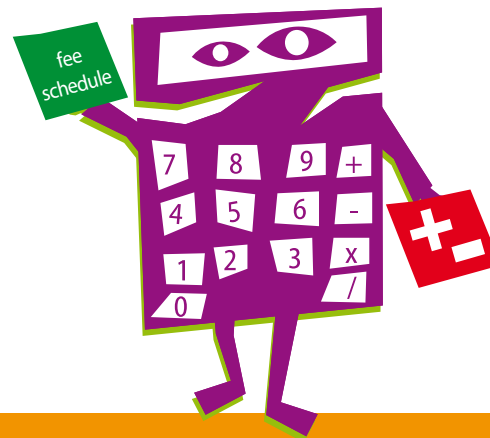


INVESTMENT SERVICE FEES AND CHARGES

Investor recommendations

- ▶ Shop around before you choose an intermediary, taking time to **compare the fees of different providers**. Look especially closely at the transactions you are likely to conclude most often, and be alert to the existence of fixed minimum charges or transfer fees. Fee schedules can be obtained direct from the intermediary or through the CNMV.
- ▶ Remember the brokerage and trading fees and other charges involved in transactions **will affect your final return**, so it is important to know them before you invest.
- ▶ Intermediaries may only charge you for services they have actually rendered and that have been expressly solicited and accepted by the client.
- ▶ Customers should be given a copy of the fee schedule along with the contract signed with the intermediary. However it is also acceptable to deliver only the pages of the schedule that are relevant in each case, or to expressly state the fees in the body of the contract. What will not do is a mere reference to the fee schedule in the contract without its simultaneous delivery.
- ▶ Fee schedules set out maximum amounts. It is worth trying to negotiate cheaper rates with your intermediary, though be sure to get them in writing if you succeed.
- ▶ Intermediaries should inform clients of the total effective cost of each transaction or service, after it has been rendered, detailing the fees and charges applied for each item, the calculation base and, where relevant, the accrual period. They should also itemise any costs incurred due to the necessary intervention of a third party, unless it is expressly indicated that such additional costs are excluded from the statement.

- ▶ The purchase of new issued shares in a public share or rights offering may be at no additional expense to the investor, as issuers often pledge in their prospectuses to absorb the initial costs (on condition that the transaction goes through a placement agent). Note, though, that this exemption does not extend to other fees or charges (for instance, for the administration and custody of securities).
- ▶ Traditional mutual funds are an exception to the general rule about freedom of pricing, because the law says ceilings must be established for each cost item (management, custody, subscription and redemption). The specific amounts applicable can be consulted in the fund prospectus. Note, however, that exchange-traded funds (ETFs) are traded in a similar way to shares, so are subject to all the usual secondary market expenses.



The aim of this factsheet is to inform the general public about different aspects of the securities markets. Its text is for information purposes only and, as such, cannot constitute a support for subsequent legal interpretations, which must rely exclusively on the prevailing regulations.

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01 What do we pay fees for?

Individual investors wishing to operate in financial markets must do so through a financial intermediary who is authorised to provide investment services. This could be a credit institution, a broker or broker-dealer, or a portfolio management company.

All transactions involving investment services and products carry a series of costs. Obviously the intermediary we use will charge us for the services provided (order processing, administration and custody of securities, etc.), but it will also pass on the expenses it has incurred in rendering these services. For example, the *brokerage* fees charged by the market member executing the order (if the intermediary is not a member of the market where the security is traded), the *trading fees* set by the stock exchange governing board (for securities traded on secondary markets) or the charges made by Iberclear or other organisations handling the registration, clearing and settlement of book-entry securities.

Remember the brokerage and trading fees and other charges involved in transactions will affect your final return



02 Who sets the intermediary's fees?

In Spain, each provider is free to set its own fees, meaning they can choose what to charge for and the amount applicable in each case. There are no restrictions or maximum rates.

The only precondition is that intermediaries must publish the **maximum fees** applicable to all standard transactions or services, before they are applied. These should be written up in a brochure for filing with the CNMV (in the case of investment firms) or the Banco de España (credit institutions). This **fee schedule** should be available to all interested investors (whether or not they are clients) through the registered office, branches, offices and representatives of the intermediary firm. It must be delivered to clients at the start of the business relationship, even when this relationship is established telephonically or via Internet.

It must list the fees and charges applicable to each activity or service, detailing percentages, accrual periods and maximum and minimum amounts, as the case may be. Firms may also publish partial schedules (covering a smaller number of transactions), providing they expressly state that their content is extracted from a larger document.

Any increase in fees must be communicated to clients with at least two months' notice. This is also the time the investor has to terminate the contractual relation, if he or she is not happy with the new charges, before the revised rates can be applied.



03 Common fees and charges

As a rule, fee schedules set out the maximum rates applicable to the following standard transactions and activities:

- ▶ **Market intermediation and the processing of securities orders:** sale or purchase of equity securities, government bonds and other fixed-income securities, subscription rights, warrants and derivatives, and buy or sell transactions arising respectively from public offers for the sale or subscription of securities or takeover bids. The services required by these transactions are the reception of orders, their forwarding to a market member, or direct execution if the intermediary fulfils this condition, and the settlement of the resulting trade.
- ▶ **Securities registration, custody and administration:** covering services like the collection of dividend, interest or coupon receivables, shareholders' meeting attendance bonuses, the payment of redemptions, the transfer of securities to another entity, etc.
- ▶ **Portfolio management:** discretionary, personalised management of investment portfolios in furtherance of a client's mandate. The fee applicable is separate from payments made to the intermediary for auxiliary activities (brokerage, securities administration and custody...).

Not all fee schedules cover the same items, since this depends on the activities the firm engages in and the services it charges for. However, they should invariably set out **rules for the valuation and delivery of securities and funds**, including the latest date when the client will have possession of the securities or cash resulting from the transaction.

