

28 September 2023

MFSA Calls on Investment Firms to Inform Clients about Costs and Charges Upfront

The Malta Financial Services Authority (MFSA) has issued a “Dear CEO” letter to the Chief Executive Officers and Compliance Officers of investment firms, calling on them to be more transparent about the costs and charges of their services and products. The letter is based on the findings of a mystery shopping exercise conducted to assess the quality and compliance of investment firms in the market.

It is very important that licensed entities have the relevant controls, processes and procedures in place to ensure that any important documentation that needs to be provided to the client in respect to the service and product being offered, is received in good time before the transaction is concluded. Information on costs and charges should be provided voluntarily rather than upon the explicit request of the client. Entities with an online presence or offering mobile applications must ensure easy accessibility to such information.

The MFSA’s Head of Conduct Supervision, Dr Sarah Pulis, commented: “As an Authority, we wanted to see what it’s like to be an investor and how well the investment firms are following the rules. We learned a lot from this experience, and it helped us improve how we supervise the market. We also found out what works well and what needs to be fixed in the industry.”

The letter includes several other recommendations. The Authority encouraged licensed entities to institute a continuing educational requirement for advisors to keep their industry knowledge current and maintain a high standard of professionalism. Advisors should also make it clear to the client as to whether they are providing advisory services or otherwise to avoid any misunderstandings.

The MFSA conducted the mystery shopping exercise in 2022 to assess the account opening process for retail clients by investment service licence holders. The exercise was part of the ESMA’s Common Supervisory Action coordinated at the EU level. It involved face-to-face and online interactions with eight selected firms, using simulated profiles of retail prospect clients.

The MFSA also issued a [Circular](#) on the main findings from the Common Supervisory Action (CSA) for the year 2022 and the mystery shopping exercise on information on costs and charges emanating from MIFID II Requirements.

The MFSA encourages investment service firms to conduct a gap analysis based on the observations and findings in the report and will continue to monitor compliance by investment firms with the relevant rules and regulations, possibly engaging with particular firms on such matters.

The full letter can be accessed [here](#).

The "Dear CEO" letters are a direct means by which the MFSA communicates with the management of its regulated entities, including the board of directors and CEOs. Typically, these letters follow various supervisory interactions, such as thematic reviews and mystery shopping exercises. These letters are published on the [MFSA website](#).

About MFSA

The Malta Financial Services Authority (MFSA) is the single regulator of financial services in Malta, covering banks, insurance companies, investment services, trusts and pensions. In 2018, the MFSA became the first European regulator to develop a framework to regulate virtual financial assets. The MFSA's mission, as enshrined in its Strategic Statement, is to enhance its position as an independent, proactive and trustworthy supervisory authority with the main purpose of safeguarding the integrity of markets and maintaining stability within the financial sector, for the benefit and protection of consumers. The MFSA licenses over 2,000 entities to operate in the financial services sector.



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