



Direction

To: [] (the "firm")

Ref: []

Of: []

Date: []

Handbook Versions as in force at the date of this Direction

Power

1. This Direction is given by the *FCA* under section 138A of the *Act*.

Duration

2. (1) This Direction takes effect on 31 March 2016.

(2) This Direction ends on 5 April 2017

Rule modified

3. The *FCA* directs that the *rules* listed below apply to the *firm* with the modifications shown.
4. In the table below, underlining indicates new text and striking through indicates deleted text.

13.4	Contents of a key features illustration		
...			
13.4.4	R	There is no requirement under <i>COBS</i> 13.4.1 R to include a <i>projection</i> in a <i>key features illustration</i> :	
		(1)	for a single <i>premium life policy</i> bought as a pure investment product, a product with benefits that do not depend on future investment returns or any other product if it is reasonable to believe that a <i>retail client</i> will not need one to be able to make an informed decision about whether to invest; or
		(2)	if the product is a <i>life policy</i> that will be held in a <i>CTF</i> or sold with <i>basic advice</i> (unless the <i>policy</i> is a <i>stakeholder pension scheme</i>); or <u>or</u>
		(3)	<u>if a <i>retail client</i> proposes to withdraw the funds in full from their <i>personal pension scheme</i>, <i>stakeholder pension scheme</i> or <i>drawdown</i></u>



			<u>pension reducing the value of their rights to zero.</u>
13.4.4A	R		<u>Where COBS 13.4.4R(3) applies, if a retail client subsequently does not withdraw the funds in full from their personal pension scheme, stakeholder pension scheme or drawdown pension reducing their rights to zero, the firm must provide the client with a standardised deterministic projection.</u>
...			
13.5	Preparing product information: other projections		
	Projections for in-force products		
13.5.1	R	A firm that communicates a <i>projection</i> for an in-force <i>packaged product</i> which is not a <i>financial instrument</i> :	
		(1)	must include a <i>standardised deterministic projection</i> ;
		(2)	may also include a <i>stochastic projection</i> except that the most prominent <i>projection</i> must be a <i>standardised deterministic projection</i> ; and
		must follow the <i>projection rules</i> in COBS 13 Annex 2.	
13.5.1A	R	<u>The requirement in COBS 13.5.1R does not apply where a retail client proposes to withdraw the funds in full from their personal pension scheme, stakeholder pension scheme or drawdown pension reducing the value of their rights to zero.</u>	
13.5.2	R	A firm that communicates a <i>projection</i> for a <i>packaged product</i> which is not a <i>financial instrument</i> :	
		(1)	for which a <i>key features illustration</i> is not required to be provided; and
		(2)	which is not an in-force <i>packaged product</i> ;
		must ensure that such a <i>projection</i> is either a <i>standardised deterministic projection</i> or a <i>stochastic projection</i> in accordance with COBS 13 Annex 2.	
13.5.2A	R	<u>The requirement in COBS 13.5.2R does not apply where a retail client proposes to withdraw the funds in full from their personal pension scheme or stakeholder pension scheme or drawdown pension reducing the value of their rights to zero.</u>	

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COBS 13 Annex 2

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Additional requirements: drawdown pensions <u>and regular payments out of uncrystallised funds</u>		
2.9	(1)	A <i>standardised deterministic projection</i> for a <i>drawdown pension</i> <u>or regular payments out of uncrystallised funds</u> must be based on the requirements contained in (2) to the extent that they impose additional or conflicting requirements to the balance of the <i>rules</i> in this section.
	(2)	A <i>standardised deterministic projection</i> for a <i>drawdown pension</i> <u>or regular payments out of uncrystallised funds</u> must be based on an assumption that the current gilt-index yield will continue to apply throughout the relevant term and include:
	(a)	where relevant the maximum initial income specified in the tables published by the Government Actuaries Department for a drawdown pension;
	(b)	the assumed level of income;
	(c)	for a <i>short-term annuity</i> , where subsequent <i>short-term annuities</i> are assumed, a statement reflecting that fact;
	(d)	(under 'What the benefits might be' or similar heading), the amount of income and the projected value of the fund at five yearly intervals to age 99 for the <i>lower</i> , <i>intermediate</i> and <i>higher rate of return</i> for as long as the fund is projected to exist (at the <i>higher rate of return</i>);
	(e)	the projected open market values and the amounts of annuity that might be purchased after 10 years; and
	(f)	the amount of annuity that could be secured using an immediate annuity rate available in the market.
R		
Drawdown Pension: Exception		
2.10	A <i>standardised deterministic projection</i> can be prepared in nominal terms, rather than real terms for a:	
	(1)	<i>drawdown pension</i> ; or



	(2)	<u>personal pension scheme or stakeholder pension scheme from which there has been an election to take regular or one-off payments from uncrystallised funds.</u>
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14.2	Providing product information to clients		
14.2.1	R	A firm that sells:	
		(1)	a packaged product to a retail client, must provide a key features document and a key features illustration to that client (unless the packaged product is a unit in a UCITS scheme, simplified prospectus scheme or an EEA UCITS scheme which is a recognised scheme);
		(2)	...
		(3)	the variation of a life policy or personal pension scheme to a retail client, must provide that client with sufficient information about the variation for the client to be able to understand the consequences of the variation;
		(3A)	[deleted]
		(3B)	the variation of a personal pension scheme to a retail client, which involves the election by the client to make income withdrawals or a purchase of a short term annuity must provide that client with such information as is necessary for the client to understand the consequences of the variation, including where relevant, the information required by COBS 13 Annex 2.2.9R (Additional requirements: drawdown pensions and regular payments out of uncrystallised funds);
		(3C)	<u>the variation of a personal pension scheme to a retail client, which involves one-off or regular payments out of uncrystallised funds must provide that client with such information as is necessary for the client to understand the consequences of the variation, including:</u>
		(a)	<u>details of any guarantees that would be foregone and the consequences of the loss of any guarantee for the client; and</u>
		(b)	<u>where relevant, the information required by COBS 13 Annex 2.2.9 R (Additional requirements: drawdown pensions and other regular pensions payments from uncrystallised funds);</u>
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COBS 13 Annex 3

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<u>Charges</u>		
1	Appropriate charges information	
...		
Exceptions		
1.3	An effect of charges table and reduction in yield information are not required for:	
	(1)	...
	...	
	(4)	<p>a <i>stakeholder product</i> or a product that will be held in a <i>CTF</i> where the relevant product and the <i>CTF</i> levy their <i>charges</i> annually, if the following is included instead:</p> <p>"There is an annual charge of y% of the value of the funds you accumulate. If your fund is valued at £250 throughout the year, this means we charge [£250 x y/100] that year. If your fund is valued at £500 throughout the year, this means we charge [£500 x y/100] that year. [After ten years these deductions reduce to [£250 x r/100] and [£500 x r/100] respectively.]"</p> <p>where 'y' is the annual charge and 'r' is the reduced annual charge (if any); <u>or</u></p>
	(5)	<p><u>a <i>personal pension scheme</i>, <i>stakeholder pension scheme</i> or <i>drawdown pension</i> where the <i>client</i> elects to withdraw their funds in full, reducing the value of their rights to zero.</u></p>
1.3A	<p><u>Where (5) applies, if a <i>client</i> subsequently does not withdraw the funds in full from their <i>personal pension scheme</i>, <i>stakeholder pension scheme</i> or <i>drawdown pension</i> reducing their rights to zero, the <i>firm</i> must provide the <i>client</i> with an 'effect of charges' table and 'reduction in yield' information.</u></p>	



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COBS 13 Annex 4

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<u>Charges</u>	
1	Appropriate charges information
...	
	Exemption <u>Exceptions</u>
...	
<u>1.3</u>	<u>An effect of charges table and reduction in yield information are not required for a personal pension scheme, stakeholder pension scheme or drawdown pension where the client elects to withdraw their funds in full, reducing the value of their rights to zero.</u>
<u>1.3A</u>	<u>Where 1.3 applies, if a client subsequently does not withdraw the funds in full from their personal pension scheme, stakeholder pension scheme or drawdown pension reducing their rights to zero, the firm must provide the client with an 'effect of charges' table and 'reduction in yield' information.</u>

Interpretation

5. Interpretative provisions (including definitions) of the *Handbook* apply to this Direction in the same way as they apply to the *Handbook*.

Waivers Team
Dual Regulated Department
Financial Conduct Authority