

Chapter 13

Preparing product information

13.4 Contents of a key features illustration

- 13.4.1 **R** A key features illustration;
- (1) must include *appropriate charges information*;
 - (2) must include information about any interest that will be paid to *clients* on money held within a *personal pension scheme* bank account; and
 - (3) if it is prepared for a *non-PRIP packaged product* which is not a *financial instrument*:
 - (a) must include a *standardised deterministic projection*;
 - (b) the *projection* and charges information must be consistent with each other so that:
 - (i) the same intermediate growth rate and assumptions about regular contributions are used;
 - (ii) a *projection* in nominal terms is accompanied by an effect of charges table and reduction in yield information in nominal terms; and
 - (iii) a *projection* in real terms is accompanied by an effect of charges table and reduction in yield information in real terms; and
 - (c) it may also include *stochastic projections* if there are reasonable grounds for believing that a *retail client* will be able to understand the *stochastic projection* except that the most prominent *projection* must be a *standardised deterministic projection*.
- 13.4.1A **R**
- (1) If **■** COBS 14.2.1R(3B), **■** (3C) or **■** (3D) applies, a *key features illustration* must also include the summary key information in **■** COBS 13.4.7R.
 - (2) There is no requirement to provide the summary key information in **■** COBS 13.4.7R if the *retail client* proposes to withdraw their pension scheme funds in full reducing the value of their rights to zero.
 - (3) Where (2) applies and a *retail client* subsequently does not withdraw their pension scheme funds in full reducing the value of their rights to zero, the *firm* must provide the *client* with the summary key information in **■** COBS 13.4.7R.

Exceptions

13.4.2

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When the *rules* in this chapter require a *key features illustration* to be prepared, it must not take the form of a *generic key features illustration*:

- (1) unless there are reasonable grounds for believing that it will be sufficient to enable a *retail client* to make an informed decision about whether to invest; or
- (2) if it is part of a *direct offer financial promotion* which contains a *personal recommendation*; or
- (3) if a *personal pension scheme* or a *stakeholder pension scheme* is facilitating the payment of an *adviser charge*; or
- (4) if a *group personal pension scheme* or a *group stakeholder pension scheme* is facilitating the payment of a *consultancy charge* and the combined effect of the *consultancy charges* facilitated by the product and the product charges is not consistent for all investors in the relevant group or sub-group; or
- (5) unless it is prepared for groups or sub-groups of employees in a *group personal pension scheme* or a *group stakeholder pension scheme* and it contains:
 - (a) a *generic projection* which is prepared in accordance with ■ COBS 13 Annex 2 paragraph 1.3 and based on a default fund or other commonly selected fund;
 - (b) an effect of charges table calculated in accordance with ■ COBS 13 Annex 4 R paragraph 2 and contains additional rows that show a range of typical periods to retirement age; and
 - (c) reduction in yield information which is calculated in accordance with ■ COBS 13 Annex 4 R paragraph 3.3(2) and combines the product charge and, if applicable, the *consultancy charge*.

13.4.3

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A *generic key features illustration* is unlikely to be sufficient to enable a *retail client* to make an informed decision about whether to invest if the *premium* or investment returns on the product will be materially affected by the personal characteristics of the investor.

13.4.4

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There is no requirement under ■ COBS 13.4.1 R to include a *projection* in a *key features illustration*:

- (1) for a single *premium life policy* 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 *retail client* will not need one to be able to make an informed decision about whether to invest; or
- (2) if the product is a *life policy* that will be held in a *CTF* or sold with *basic advice* (unless the *policy* is a *stakeholder pension scheme*); or
- (3) if 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.

13.4.4A **R** 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*.

13.4.5 **G** Although there may be no obligation to include a *projection* in a *key features illustration*, where a *firm* chooses to include one, the *projection* should:

- (1) Comply with the requirements in this section unless the *projection* relates to an investment that is a *financial instrument*.
- (2) Where the *projection* relates to a *financial instrument*, the *firm* should comply with either:
 - (a) the requirements in article 44(6) of the *MiFID Org Regulation* (see **■** COBS 4.5A.14UK) where the *firm* is carrying on *MiFID, equivalent third country or optional exemption business*); or
 - (b) the requirements in **■** COBS 4.6.7R where the *firm* is not carrying on *MiFID, equivalent third country or optional exemption business*.

Summary key information for income withdrawal or lump sum withdrawal

13.4.6 **G** The purpose of the summary key information is to present the main information from the *key features illustration* to assist a *retail client* to understand and engage with their chosen *income withdrawal or uncrystallised funds pension lump sum* arrangement.

13.4.7 **R**

- (1) The summary key information is:
 - (a) the value of the crystallised and uncrystallised funds in the *retail client's personal pension scheme*;
 - (b) the value of the *pension commencement lump sum*, if applicable;
 - (c) the projected value of the *retail client's personal pension scheme or stakeholder pension scheme* 5 and 10 years after the date of withdrawal;
 - (d) reduction in yield information prepared in real terms in accordance with **■** COBS 13 Annex 3 3R or **■** COBS 13 Annex 4 3R and presented as A% or D% accordingly;
 - (e) the *retail client's* age when their funds are projected to reduce to zero (if relevant);
 - (f) first year charges expressed in cash terms and determined in accordance with (2);
 - (g) if applicable, the following information about the *income withdrawal or uncrystallised funds pension lump sum* arrangement offered:
 - (i) an assumed start date;
 - (ii) for one-off payments, the withdrawal figure and date of withdrawal; and

(iii) if the *retail client* has chosen to take regular withdrawals or *uncrystallised funds pension lump sum* payments, the value of those withdrawals on an annual basis.

(2) The first-year *charges* must be determined on the basis of the level of *charges* that the *retail client* would be expected to pay in the first year in accordance with the *firm's* charging structure before any promotional discount or reduction is applied, and:

(a) where the effect of charges table has been prepared in accordance with ■ COBS 13 Annex 3 2.2R(2), using the amount representing the "effect of deductions to date" for the first year of the projection; or

(b) where the effect of charges table has been prepared in accordance with ■ COBS 13 Annex 4 2.2R, using the amount representing the difference between the values of "before charges are taken" and "after all charges are taken from this plan" for the first year of the projection.

13.4.8

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Charges information should be presented as prominently as any other information in the summary key information.

Presentation of summary key information

13.4.9

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(1) The summary key information must:

(a) be on the front page of the *key features illustration* or *key features document* (where ■ COBS 13.1.3R(3)(c) applies);

(b) not exceed a single side of A4-sized paper when printed; and

(c) include the 'Key facts' logo in a prominent position at the top of the document.

(2) The requirement in (1)(b) does not apply if a *retail client* asks for summary key information to be provided in an accessible format and the fulfilment of that request will necessitate the use of more than a single side of A4-sized paper.