

Chapter 13

Preparing product information

13.4 Contents of a key features illustration

13.4.1 **R** A *key features illustration* must include *appropriate charges information*, information about any interest that will be paid to *clients* on money held within a *personal pension scheme* bank account and, if it is a *non-PRIP packaged product* which is not a *financial instrument*:

- (1) must include a *standardised deterministic projection*;
- (2) the projection and charges information must be consistent with each other so that:
 - (a) the same intermediate growth rate and assumptions about regular contributions are used;
 - (b) a *projection* in nominal terms is accompanied by an effect of charges table and reduction in yield information in nominal terms; and
 - (c) a *projection* in real terms is accompanied by an effect of charges table and reduction in yield information in real terms;
- (3) 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*.

Exceptions

13.4.2 **R** 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 **G** 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 **R** 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.14EU) 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*.