

## Chapter 14

# Providing product information to clients

## 14.1 Interpretation

### 14.1.1

**R**

In this chapter:

- (1) *'retail client'* includes the trustee or operator of a stakeholder pension scheme or personal pension scheme and the trustee of a money-purchase occupational pension scheme; and
- (2) (except in relation to the requirements under the *PRIPs Regulation*) *'sell'* includes *'sell, personally recommend or arrange the sale of'* in relation to a *designated investment* and equivalent activities in relation to a *cash-deposit ISA, cash-only lifetime ISA* and *cash-deposit CTF*.

## 14.2 Providing product information to clients

### Providing information about PRIIPs

14.2.-1

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- (1) The *PRIIPs Regulation* requires a *person* who advises on, or sells, a *PRIIP* to provide a retail investor (as defined in the *PRIIPs Regulation*) with the *key information document* for that *PRIIP*.  
[Note: article 13 of the *PRIIPs Regulation*]
- (2) Since the *PRIIPs Regulation* imposes directly applicable requirements in relation to the provision of information about *PRIIPs*, this chapter does not apply to a *firm* when it is advising on, or selling, a *PRIIP* (except where applicable to *Solvency II Directive information*).
- (3) A *firm* that sells a *life policy* that is also a *PRIIP* must provide the information required by ■ COBS 14.2.1R(2). Some or all of this information may be included in a *key information document* if this is required to be provided by, and such inclusion is permitted under, the *PRIIPs Regulation*.

### The provision rules for products other than PRIIPs

14.2.1

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A *firm* that sells:

- (1) a *non-PRIIP 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 *regulated collective investment scheme*);
- (2) a *life policy* to a *client*, must provide:
  - (a) the *Solvency II Directive information* to that *client*;
  - (b) a *client* with objective and relevant information about the *policy*:
    - in a comprehensible form to allow the *client* to make an informed decision;
    - modulated in a way that takes into account the complexity of the *policy* and the type of *client*;
    - whether or not the *firm* makes a *personal recommendation*; and
    - irrespective of whether the *policy* is offered as part of a package pursuant to ■ COBS 6.1ZA.16AR to ■ COBS 6.1ZA.16ER;

- (c) the information in (b) must be provided prior to the conclusion of the *life policy* and in accordance with ■ COBS 7.4, rather than in accordance with the other *rules* in this section;
- (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 an 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 2.2.9 R (Additional requirements: drawdown pensions and regular *uncrystallised funds pension lump sum* payments);
- (3C) the variation of a *personal pension scheme* to a *retail client*, which involves one-off, ad-hoc or regular *uncrystallised funds pension lump sum* payments, 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 2.2.9 R (Additional requirements: drawdown pensions and regular *uncrystallised funds pension lump sum* payments);
- (4) a *cash-deposit ISA*, *cash-only lifetime ISA* or *cash-deposit CTF* to a *retail client*, must provide a *key features document* to that *client*;
- (4A) a *lifetime ISA*, which is not a *cash-only lifetime ISA*, to a *retail client* must provide to that *client* the information in ■ COBS 14 Annex 1;
- (5) [deleted]
- (5A) a *unit* in a *KII-compliant NURS* must provide the following to a *retail client*:
- (a) a copy of the *scheme's NURS-KII document* and (unless already provided) the information required by ■ COBS 13.3.1R(2) (General requirements); and
  - (b) if that *client* is present in the *EEA*, enough information for the *client* to be able to make an informed decision about whether to hold the *units* in a *wrapper* (if the *units* will, or may, be held in that way);
- (6) [deleted]
- (7) a *unit* in a *UCITS scheme*, or in an *EEA UCITS scheme* which is a *recognised scheme*, to a *client*, must:
- (a) provide a copy of the *scheme's key investor information document* or, as the case may be, *EEA key investor information document* to that *client*; and
  - (b) where the *client* is a *retail client*, provide separately (unless already provided) the information required by ■ COBS 13.3.1R (2)

(General requirements) and, if that *client* is present in the *EEA*, the information required by (5A)(b).

(8) [deleted]

[Note: in respect of (2) article 185(1) of the *Solvency II Directive* and in respect of (2)(b) articles 20(1) first paragraph, 20(2), 20(4) and 23 of the *IDD*]

[Note: in respect of (7), articles 1 and 80 of the *UCITS Directive*]

### Provision of key investor information document or NURS-KII document

14.2.1A

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- (1) This rule applies to:
  - (a) an authorised fund manager of a *UCITS* scheme or a *KII-compliant NURS* that is either an authorised unit trust, authorised contractual scheme or an *ICVC*; and
  - (b) an *ICVC* that is a *UCITS* scheme or *KII-compliant NURS*.
- (2) An authorised fund manager and an *ICVC* in (1) that sells units in a *UCITS* scheme or a *KII-compliant NURS* directly, or through another natural or legal person who acts on its behalf and under its full and unconditional responsibility, must ensure that investors are provided with the key investor information document for the *UCITS* scheme or the *NURS-KII* document for the *KII-compliant NURS*.
- (3) An authorised fund manager and an *ICVC* in (1) that does not sell units in a *UCITS* scheme or a *KII-compliant NURS* directly, or through another natural or legal person who acts on its behalf and under its full and unconditional responsibility, must ensure that the key investor information document for the *UCITS* scheme or the *NURS-KII* document for the *KII-compliant NURS* is provided on request to product manufacturers and intermediaries selling, or advising investors on, potential investments in those *UCITS* schemes or *KII-compliant NURS* or in products offering exposure to them.
- (4) The key investor information document or the *NURS-KII* document must be provided to investors free of charge.
- (5) An authorised fund manager and an *ICVC* in (1) may, instead of providing the key investor information document or *NURS-KII* document to investors in paper copy in accordance with (2), provide it in a durable medium other than paper or by means of a website that meets the website conditions, in which case the authorised fund manager and *ICVC* must:
  - (a) deliver a paper copy of the key investor information document or *NURS-KII* document to the investor on request and free of charge; and
  - (b) make available an up-to-date version of the key investor information document or *NURS-KII* document to investors on the website of the *ICVC* or authorised fund manager.

[Note: articles 80 and 81 of the *UCITS Directive*]

**Provision of a generic key features illustration**

**14.2.1B** **R** When the *rules* in this chapter require the offer or provision of a *key features illustration*, a *firm* may provide a *generic key features illustration* if that *generic key features illustration* has been prepared in accordance with ■ COBS 13.4.2 R.

**Provision of information: other requirements**

**14.2.1C** **R** A *firm* that arranges to facilitate the payment of an *adviser charge* or *consultancy charge*, or an increase in such a charge from an in-force *packaged product*, must provide to the *retail client* sufficient information for the *retail client* to be able to understand the likely effect of that facilitation.

**14.2.1D** **G** Where a *firm* arranges to facilitate the payment of an *adviser charge* or *consultancy charge* for a new *non-PRIP packaged product*, the information required by ■ COBS 14.2.1CR should be included in the *key features illustration*.

**14.2.2** **R** The *documents* or information required to be provided or offered by ■ COBS 14.2.1 R and ■ COBS 14.2.1CR must be in a *durable medium* or made available on a website (where that does not constitute a *durable medium*) that meets the *website conditions*.

**14.2.3** **R**

- (1) A *firm* that *personally recommends* that a *retail client* holds a particular asset in a *SIPP* must provide that *client* with sufficient information for the *client* to be able to make an informed decision about whether to buy or invest.
- (2) This *rule* does not apply if the asset is described in ■ COBS 14.2.1 R.

**Firm not to cause confusion about the identity of the producer of a product**

**14.2.4** **R** When a *firm* provides a *document* or information in accordance with the *rules* in this section, it must not do anything that might reasonably cause a *retail client* to be mistaken about the identity of the *firm* that has produced, or will produce, the product.

**Exception to the provision rules: key features documents and key investor information documents**

**14.2.5** **R** A *firm* is not required to provide:

- (1) a *document*, if the *firm* produces the product and the *rules* in this section require another *firm* to provide the document;
- (2) a *key features document* or *key features illustration*, if another *person* is required to provide the *distance marketing information* by the *rules* of another *EEA State*;
- (3) the *Solvency II Directive information*, if another *person* is required to provide that information by the *rules* of another *EEA State*.

(4) [deleted]

[Note: in respect of (3), article 185(8) of the *Solvency II Directive*]

**Exception: key features illustrations**

14.2.6 **R** A firm is not required to provide a *key features illustration* for a product if the information that would have been included in that illustration is included in the *key features document* provided to the *client*.

14.2.6A **R** A firm is not required to provide a *key features illustration* in relation to a *pension annuity* if the *firm* provides the information required by ■ COBS 19.9 (Pension annuity comparison information).

**Exception to the provision rules: key features documents and key features illustrations**

14.2.7 **R** A firm is not required to provide a *key features document* or a *key features illustration* for:

(1) [deleted]

(2) a *life policy* if:

- (a) the *firm* is operating from an establishment in another *EEA State* and the sale is by *distance contract*; or
- (b) the *client* is habitually resident outside the *United Kingdom* and the sale is not by *distance contract*.

(3) a *traded life policy*; or

(4) an interest in an *investment trust savings scheme*.

[Note: in respect of (2), articles 4(1) and 16 of the *Distance Marketing Directive* and article 185 of the *Solvency II Directive*]

**Exception to the provision rules: key features documents and key features illustrations**

14.2.8 **R** A firm is not required to provide a *key features document* or a *key features illustration*, if:

- (1) the *client* is buying or investing in response to a *direct offer financial promotion* without receiving a *personal recommendation* to buy or invest; and
- (2) the *firm* provides materially the same information in some other way.

**Exception to the provision rules: key features documents, key features illustrations, key investor information documents and NURS-KII documents**

14.2.9 **R** A firm is not required to provide a *key features document* or a *key features illustration* if:

- (1) the *client* is habitually resident outside the *EEA* and not present in the *EEA* when the relevant application is signed; or
- (2) the purchase is by a *discretionary investment manager* on behalf of a *retail client*; or
- (3) the sale is *arranged* or *personally recommended* by an *investment manager* and the *client* has agreed that a *key features document* is not required.
- (4) [deleted]

14.2.9A **R**

For the purposes of the provision rules in relation to a *key investor information document* or a *NURS-KII document*, a *firm*:

- (1) may satisfy the requirement to provide the document to the investor by providing it to a *person* who has written authority to make investment decisions on that investor's behalf; and
- (2) is not required to consider as a new transaction:
  - (a) a subscription to *units* in a *UCITS scheme*, an *EEA UCITS scheme* or a *KII-compliant NURS* in which the *client* already holds *units*; or
  - (b) a series of connected transactions undertaken as the consequence of a single investment decision; or
  - (c) a decision by the *client* to switch from one class of *units* to another in the same *scheme*;

if an up-to-date version of the *key investor information document* or *NURS-KII document* for the *scheme* or the relevant class of *units* has already been provided to that *client*.

[Note: article 80 of the *UCITS Directive*]

14.2.10 **G**

- (1) [deleted]
- (2) The *FCA* would regard a decision to subscribe to a regular monthly savings plan as a single investment decision for the purpose of **■** COBS 14.2.9AR (2)(a). However, a subsequent decision by the *client* to increase the amount of the regular contributions to be invested in *units* of a particular *scheme* or to direct the contributions to a different *scheme*, would in each case constitute a new transaction.

14.2.11 **R**

[deleted]

**Exception: successive operations**

14.2.12 **R**

In the case of a *distance contract* comprising an initial service agreement, followed by successive operations or a series of separate operations of the same nature performed over time, the *rules* in this section only apply to the initial agreement.



**14.2.13** **R** If there is no initial service agreement but the successive operations or separate operations of the same nature performed over time are performed between the same contractual parties, the *rules* in this section only apply:

- (1) when the first operation is performed; and
- (2) if no operation of the same nature is performed for more than a year, when the next operation is performed (the next operation being deemed to be the first in a new series of operations).

### The timing rules

**14.2.14** **R** When the *rules* in this section require a *firm* to:

- (1) [deleted]
- (2) provide a *key features document* or any other *document* or information to a *client*, the *document* or information must be provided free of charge and in good time before the *firm* carries on the relevant business; or
- (3) provide a *key investor information document*, *EEA key investor information document* or *NURS-KII document* to a *client*, it must be provided in good time before the *client's* proposed subscription for *units* in the *scheme*.

[Note: article 80 of the *UCITS Directive*]

### Exception to the timing rules: child trust funds

**14.2.15** **R** A *key features document* for an *HMRC allocated CTF* must be provided as soon as reasonably possible after the *CTF* has been opened.

### Exception to the timing rules: distance contracts and voice telephony communications

**14.2.16** **R** (1) A *firm* may provide a *document*, or the information required to be provided by the *rules* in this section, in a *durable medium* immediately after the conclusion of a *distance contract*, if the contract has been concluded at a *client's* request using a means of distance communication that does not enable the *document* or information to be provided in that form in good time before the *client* is bound by the contract.

- (2) The exception in (1) does not apply in relation to the provision of an *EEA key investor information document*, a *key investor information document* or a *NURS-KII document* required to be provided under **COBS 14.2.1 R** and **COBS 14.2.1A R**.

**14.2.17** **R** (1) Where the *rules* in this section require a *document* or information to be provided, in the case of a voice telephony communication, a *firm* must:

- (a) if the *client* gives explicit consent to receiving only limited information, provide the abbreviated distance marketing disclosure information () orally to the *client*;

- (b) if the *client* does not give explicit consent to only receiving limited information, and the parties wish to proceed by voice telephony communication, provide the distance marketing information () orally to the *client*;
  - (c) in the case of (a) or (b), send the *documents* or information to the *client* in a *durable medium* immediately after the contract is concluded.
- (2) The exception in (1) does not apply in relation to the provision of an *EEA key investor information document*, a *key investor information document* or a *NURS-KII document* required to be provided under ■ COBS 14.2.1 R and ■ COBS 14.2.1A R.

### Providing additional information to the client

14.2.18

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- (1) A *firm* that provides the product information required by this section is not precluded from providing additional information to the *client* (for example, in order to assist the *client's* understanding of the proposed transaction).
- (2) When a *firm* provides additional information it should:
  - (a) ensure that the additional information does not disguise, diminish or obscure important information contained in the product information required by this section;
  - (b) consider whether any other *rules* or requirements in any directly applicable *EU* regulations apply to the communication of that additional information. For example, for marketing communications relating to a *UCITS scheme* or *EEA UCITS scheme* see ■ COBS 4.13.2 R; and
  - (c) have regard to the *fair, clear and not misleading rule*, the *client's best interests rule* and *Principles 6 and 7*.

## 14.3 Information about designated investments (non-MiFID provisions)

### Application

- 14.3.1** **R** This section applies to a *firm* in relation to:
- (1) [deleted]
  - (2) any of the following *regulated activities* when carried on for a *retail client*:
    - (a) making a *personal recommendation* about a *designated investment*; or
    - (b) *managing investments* that are *designated investments* (other than a *P2P agreement*); or
    - (c) *arranging* (bringing about) or *executing a deal* in a *warrant, non-readily realisable security or derivative*; or
    - (d) *engaging in stock lending activity*; or
    - (e) *operating an electronic system in relation to lending*, but only in relation to facilitating a person becoming a lender under a *P2P agreement*.

except to the extent that the carrying on of such a *regulated activity* constitutes *MiFID, equivalent third country or optional exemption business*.

- 14.3.1A** **G** A *firm* carrying on *MiFID, equivalent third country or optional exemption business* should consider whether the requirements in articles 46 and 48 of the *MiFID Org Regulation* apply; see ■ COBS 14.3A (Information about financial instruments (MiFID provisions)).

### Providing a description of the nature and risks of designated investments

- 14.3.2** **R** A *firm* must provide a *client* with a general description of the nature and risks of *designated investments*, taking into account, in particular, the *client's* categorisation as a *retail client* or a *professional client*. That description must:
- (1) explain the nature of the specific type of *designated investment* concerned, as well as the risks particular to that specific type of *designated investment*, in sufficient detail to enable the *client* to take investment decisions on an informed basis; and

- (2) include, where relevant to the specific type of *designated investment* concerned and the status and level of knowledge of the *client*, the following elements:
  - (a) the risks associated with that type of *designated investment* including an explanation of leverage and its effects and the risk of losing the entire investment;
  - (b) the volatility of the price of *designated investments* and any limitations on the available market for such investments;
  - (c) the fact that an investor might assume, as a result of transactions in such *designated investments*, financial commitments and other additional obligations, including contingent liabilities, additional to the cost of acquiring the *designated investments*; and
  - (d) any margin requirements or similar obligations, applicable to *designated investments* of that type.

**14.3.3** R If a *firm* provides a *retail client* with information about a *designated investment* that is the subject of a current offer to the public and a prospectus has been published in connection with that offer in accordance with the *Prospectus Directive*, that *firm* must inform the *retail client* where that prospectus is made available to the public.

**14.3.4** R Where the risks associated with a *designated investment* composed of two or more different *designated investments* or services are likely to be greater than the risks associated with any of the components, a *firm* must provide an adequate description of the components of that *designated investment* and the way in which its interaction increases the risks.

**14.3.5** R In the case of a *designated investment* that incorporates a guarantee by a third party, the information about the guarantee must include sufficient detail about the guarantor and the guarantee to enable the *retail client* to make a fair assessment of the guarantee.

**Satisfying the provision rules**

**14.3.6** G [deleted]

**14.3.7** G Providing a *key features document*, *key investor information document*, *EEA key investor information document* or *NURS-KII document* may satisfy the requirements of the *rules* in this section.

**P2P agreements**

**14.3.7A** G Examples of information a *firm* should provide to explain the specific nature and risks of a *P2P agreement* include:

- (1) expected and actual default rates in line with the requirements in ■ COBS 4.6 on past and future performance;

- (2) a summary of the assumptions used in determining expected future default rates;
- (3) a description of how loan risk is assessed, including a description of the criteria that must be met by the borrower before the *operator of the electronic system in relation to lending* considers the borrower eligible for a *P2P agreement*;
- (4) where lenders have the choice to invest in specific *P2P agreements*, details of the creditworthiness assessment of the borrower carried out;
- (5) whether the *P2P agreement* benefits from any security and if so, what;
- (6) a fair description of the likely actual return, taking into account fees, default rates and taxation;
- (7) an explanation of how any tax liability for lenders arising from investment in *P2P agreements* would be calculated;
- (8) an explanation of the *operator of the electronic system in relation to lending's* procedure for dealing with a loan in late payment or default;
- (9) the procedure for a lender to access their money before the term of the *P2P agreement* has expired; and
- (10) an explanation of what would happen if the *operator of the electronic system in relation to lending* fails, including confirmation that there is no recourse to the Financial Services Compensation Scheme.

14.3.7B **G** The guidance in ■ COBS 14.3.7AG is relevant both to *firms* which are operators of electronic systems in relation to lending and *firms* advising on *P2P agreements*.

14.3.7C **G** *Firms* providing information to *clients*, and communicating information, about an *innovative finance ISA* should also have regard to the guidance in ■ COBS 4.5.9G.

**Product information: form**

14.3.8 **R** The *documents* and information provided in accordance with the *rules* in this section must be in a *durable medium* or available on a website (where that does not constitute a *durable medium*) that meets the *website conditions*.

**The timing rules**

14.3.9 **R** (1) The information to be provided in accordance with the *rules* in this section must be provided in good time before a *firm* carries on *designated investment business* with or for a *retail client*.

- (2) A *firm* may provide that information immediately after it begins to carry on that business if:
  - (a) the *firm* was unable to comply with (1) because, at the request of the *client*, the agreement was concluded using a means of distance communication which prevented the *firm* from complying with that *rule*; and
  - (b) in any case where the *rule* on voice telephony communications (■ COBS 5.1.12 R) does not otherwise apply, the *firm* complies with that *rule* as if the *client* was a *consumer*.

**Keeping the client up-to-date**

**14.3.10** R A *firm* must notify a *client* in good time about any material change to the information provided under the *rules* in this section which is relevant to a service that the *firm* is providing to that *client*. That notification must be given in a *durable medium* if the information to which it relates is given in a *durable medium*.

**Information about UCITS schemes**

**14.3.11** R If a *firm* provides a *client* with a *key investor information document* or *EEA key investor information document* that meets the requirements of articles 78 and 79 of the *UCITS Directive* (see ■ COLL 4.7 (Key investor information and marketing communications)) and the *KII Regulation*, it will have provided appropriate information for the purpose of the requirement to disclose information on:

- (1) *designated investments* and investment strategies (■ COBS 2.2.1R (1)(b)); and
- (2) costs and associated charges (■ COBS 2.2.1R (1)(d) and ■ COBS 6.1.9 R;

in relation to the costs and associated charges in respect of the *UCITS scheme* itself, including the exit and entry commissions.

**Information about KII-compliant NURS**

**14.3.11A** R If a *firm* provides a *client* with a *NURS-KII document* it will have provided appropriate information for the requirement to disclose information on:

- (1) *designated investments* and investment strategies (■ COBS 2.2.1R(1)(b)); and
- (2) costs and associated charges (■ COBS 2.2.1R(1)(d) and ■ COBS 6.1.9R);

in relation to the costs and associated charges for the *KII-compliant NURS* itself, including the exit and entry commissions.

**Distributor disclosure requirements for UCITS or KII-compliant NURS**

**14.3.12** G A *key investor information document* and *EEA key investor information document* or a *NURS-KII document* provide sufficient information in relation

to the costs and associated charges in respect of the *UCITS* or *KII-compliant NURS* itself. However, a *firm* distributing *units* in a *UCITS* or *KII-compliant NURS* should also inform a *client* about all of the other costs and associated charges related to the provision of its services in relation to *units* in the *UCITS* or *KII-compliant NURS*.

## 14.3A Information about financial instruments (MiFID provisions)

### Application

**14.3A.1** **R** This section applies to a *firm* in relation to its *MiFID*, *equivalent third country* or *optional exemption business*.

### Effect of provisions marked “EU” for third country investment firms and MiFID optional exemption firms

**14.3A.2** **R** Provisions in this section marked “EU” apply in relation to *MiFID optional exemption business* as if they were *rules* (see **■** COBS 1.2.2G).

**14.3A.2A** **G** The effect of **■** GEN 2.2.22AR is that provisions in this section marked “EU” also apply in relation to the *equivalent business of a third country investment firm* as if they were *rules*.

### Providing a description of the nature and risks of financial instruments

**14.3A.3** **R** A *firm* must provide a *client* with:

- (1) appropriate guidance on, and warnings of, the risks associated with investments in *financial instruments* or in respect of particular investment strategies;
- (2) information on whether a particular *financial instrument* is intended for *retail* or *professional clients*, taking account of the identified target market in accordance with the *rules* in **■** PROD 3; and
- (3) the information required by this section in a comprehensible form in such a manner that the *client* is reasonably able to understand the nature and risks of the *investment service* and of the specific type of *financial instrument* that is being offered and, consequently, to take investment decisions on an informed basis. That information may be provided in a standardised format.

[**Note:** article 24(4)(b) and article 24(5) of *MiFID*]

**14.3A.4** **G** **■** COBS 14.3A.3R supplements **■** COBS 2.2A.2R (Information disclosure before providing services (MiFID provisions)).



14.3A.5 EU

48(1) Investment firms shall provide clients or potential clients in good time before the provision of investment services or ancillary services to clients or potential clients with a general description of the nature and risks of financial instruments, taking into account, in particular, the client's categorisation as either a retail client, professional client or eligible counterparty. That description shall explain the nature of the specific type of instrument concerned, the functioning and performance of the financial instrument in different market conditions, including both positive and negative conditions, as well as the risks particular to that specific type of instrument in sufficient detail to enable the client to take investment decisions on an informed basis.

48(2) The description of risks referred to in paragraph 1 shall include, where relevant to the specific type of instrument concerned and the status and level of knowledge of the client, the following elements:

(a) the risks associated with that type of financial instrument including an explanation of leverage and its effects and the risk of losing the entire investment including the risks associated with insolvency of the issuer or related events, such as bail in;

(b) the volatility of the price of such instruments and any limitations on the available market for such instruments;

(c) information on impediments or restrictions for disinvestment, for example as may be the case for illiquid financial instruments or financial instruments with a fixed investment term, including an illustration of the possible exit methods and consequences of any exit, possible constraints and the estimated time frame for the sale of the financial instrument before recovering the initial costs of the transaction in that type of financial instruments;

(d) the fact that an investor might assume, as a result of transactions in such instruments, financial commitments and other additional obligations, including contingent liabilities, additional to the cost of acquiring the instruments;

(e) any margin requirements or similar obligations, applicable to instruments of that type.

48(3) Where an investment firm provides a retail client or potential retail client with information about a financial instrument that is the subject of a current offer to the public and a prospectus has been published in connection with that offer in accordance with Directive 2003/71/EC, that firm shall in good time before the provision of investment services or ancillary services to clients or potential clients inform the client or potential client where that prospectus is made available to the public.

48(4) Where a financial instrument is composed of two or more different financial instruments or services, the investment firm shall provide an adequate description of the legal nature of the financial instrument, the components of that instrument and the way in which the interaction between the components affects the risks of the investment.

48(5) In the case of financial instruments that incorporate a guarantee or capital protection, the investment firm shall provide a client or a potential client with information about the scope and nature of such guarantee or capital protection. When the guarantee is provided by a third party, information about the guarantee shall include sufficient detail about the guarantor and the guarantee to enable the client or potential client to make a fair assessment of the guarantee.

[Note: article 48 of the *MiFID Org Regulation*]

**Satisfying the provision rules**

14.3A.6 **G** (1) Where a *firm* is required to provide information to a *client* before the provision of a service, each transaction in respect of the same type of *financial instrument* should not be considered as the provision of a new or different service.

[Note: recital 69 to the MiFID Org Regulation]

(2) But a *firm* should ensure that the *client* has received all relevant information in relation to a transaction which subsequently takes place, such as details of product charges that differ from those disclosed in respect of the prior transaction or transactions.

**Timing of disclosure**

14.3A.7 **EU** 46(2) Investment firms shall, in good time before the provision of investment services or ancillary services to clients or potential clients, to provide the information required under Articles 47 to 50.

[Note: article 46(2) of the MiFID Org Regulation]

14.3A.8 **G** The provisions in COBS that reproduce the information requirements contained in articles 47 to 50 of the *MiFID Org Regulation* are:  
 ■ COBS 6.1ZA.5EU, ■ COBS 6.1ZA.8EU, ■ COBS 6.1ZA.9EU, ■ COBS 6.1ZA.14EU and ■ COBS 14.3A.5EU.

**Medium of disclosure**

14.3A.9 **EU** 46(3) The information referred to in paragraphs 1 and 2 shall be provided in a durable medium or by means of a website (where it does not constitute a durable medium) provided that the conditions specified in Article 3(2) are satisfied.

[Note: article 46(3) of the MiFID Org Regulation]

**Keeping the client up-to-date**

14.3A.10 **EU** 46(4) Investment firms shall notify a client in good time about any material change to the information provided under Articles 47 to 50 which is relevant to a service that the firm is providing to that client. That notification shall be given in a durable medium if the information to which it relates is given in a durable medium.

[Note: article 46(4) of the MiFID Org Regulation]

**Information provided in accordance with the UCITS Directive and the PRIIPs Regulation**

14.3A.11 **EU** 51 Investment firms distributing units in collective investment undertakings or PRIIPs shall additionally inform their clients about any other costs and associated charges related to the product which may have not been included in the UCITS KID or PRIIPs KID and about the costs and charges relating to their provision of investment services in relation to that financial instrument.

[Note: article 51 of the MiFID Org Regulation]



14.4 Provision of information by an intermediate Unitholder

14.4.1 R [not used]

14.4.2 R [not used]

14.4.3 R [not used]

14.4.4 R [not used]

14.4.5 R [not used]

14.4.6 R [not used]

14.4.7 R [not used]

14.4.8 R [not used]

14.4.9 R [not used]

Information requests by authorised fund managers for liquidity management purposes

14.4.10 R If an intermediate Unitholder receives a reasonable request from an authorised fund manager for information relating to the beneficial owners of the units of a scheme that it operates which the authorised fund manager reasonably needs for the purposes of liquidity management, the intermediate Unitholder must provide that information to the authorised fund manager as soon as is reasonably practicable.

14.4.11 G Examples of information which may be reasonably requested by an authorised fund manager include:

- (1) a breakdown of the total number of units held by the intermediate Unitholder in each scheme to indicate the number of units attributable to individual beneficial owners; and

(2) information about the types of distribution channel which have been used to sell the *units* to the relevant beneficial owners.

14.4.12

**G**

In determining whether a request from an *authorised fund manager* is reasonable, an *intermediate Unitholder* may take into account the frequency with which such requests have been received from that *authorised fund manager*.

## Lifetime ISA information

This Annex belongs to COBS 13.3.1R(3) and COBS 14.2.1R(4A).

Information which comprises the following:

### 1 Features of a lifetime ISA

- 1.1 R An explanation to the *retail client* of the key features of a *lifetime ISA*, including:
- (1) eligibility criteria to open and subscribe to a *lifetime ISA*;
  - (2) annual *lifetime ISA* subscription limits;
  - (3) tax treatment of qualifying investments held in a *lifetime ISA*;
  - (4) process for transferring a *lifetime ISA*;
  - (5) eligibility for the *lifetime ISA government bonus*; and
  - (6) the *lifetime ISA government withdrawal charge* and the circumstances in which this might be incurred.
- 1.2 R The explanation in COBS 14 Annex 1 1.1R(6) should include a warning that:
- (1) the *lifetime ISA government withdrawal charge* recovers any *lifetime ISA government bonus* and any investment growth on that bonus plus an additional amount; and
  - (2) if the *lifetime ISA government withdrawal charge* is incurred, the *retail client* could receive back less than they paid in.

### 2 Additional factors for a retail client to consider when deciding whether to invest in a lifetime ISA

- 2.1 R An explanation to the *retail client* of:
- (1) the different savings objectives for which the *lifetime ISA* is intended, being house purchase and/or saving for retirement, either in the alternative or in combination; and
  - (2) the types of qualifying investments which can be held in the *lifetime ISA* being sold by the *firm*.
- 2.2 R A warning that if a *retail client* saves in a *lifetime ISA* instead of enrolling in, or contributing to, a *qualifying scheme*, *occupational pension scheme* or *personal pension scheme*:
- (1) the *retail client* may lose the benefit of contributions by an employer (if any) to that scheme; and
  - (2) the *retail client's* current and future entitlement to means tested benefits (if any) may be affected.
- 2.3 G The explanation in COBS 14 Annex 1 2.1R should:
- (1) encourage a *retail client* to consider their *lifetime ISA* subscription level and choice of qualifying investment in relation to their savings objectives, their expected investment horizon and their financial circumstances as a whole, including other provision for retirement; and
  - (2) inform the *retail client* that the factors in (1) may change over time and that the *retail client* should regularly review their *lifetime ISA* subscription and/or qualifying investments.

### 3 Example outcome of retirement saving by a retail client in a lifetime ISA

- 3.1 R A descriptive heading such as 'What a lifetime ISA might be worth at age 60?'

- 3.2 R A completed version of the table in COBS 14 Annex 1 3.5R.
- 3.3 R An explanation, positioned adjacent to this table on the same page, stating that:
- (1) the table is designed to:
    - (a) help the *retail client* understand what the value of a *lifetime ISA* might be at age 60, depending on the age at which saving starts and assuming the maximum annual subscription at the beginning of each tax year up to age 50 and receipt of the *lifetime ISA government bonus*; and
    - (b) provide information for a *retail client* who is saving for retirement in a *lifetime ISA* and so may not be relevant to a *retail client* whose saving objective for a *lifetime ISA* is house purchase; and
  - (2) the estimated outcomes in Columns 4 and 5:
    - (a) are based on standardised rates of return which may not reflect:
      - (i) actual or expected returns; or
      - (ii) the *retail client's* choice of qualifying investment for a *lifetime ISA* (accompanied by an indication of how the *retail client* can access information relating to the qualifying investments which the *retail client* may purchase from the *firm*); and
    - (b) include the effect of *lifetime ISA charges* and inflation on estimated outcomes from a *lifetime ISA*; and
  - (3) Column 6 shows the effect of *lifetime ISA charges* and inflation on the returns from a *lifetime ISA* which the *retail client* can use to compare the *lifetime ISA charges* applicable to other *lifetime ISAs* and charges applicable to longer-term savings products.
- 3.4 R The explanations in COBS 14 Annex 1 3.3R(2) and COBS 14 Annex 1 3.3R(3) must include a statement that *lifetime ISA charges* taken into account in the table:
- (1) may vary over time; and
  - (2) exclude any fee or charge:
    - (a) payable by or on behalf of a *retail client* to a *firm* in relation to the provision of a *personal recommendation* by the *firm* in respect of the *lifetime ISA*; and
    - (b) relating to the qualifying investments held in the *lifetime ISA* (including in relation to the provision of a *personal recommendation* in respect of those investments).
- 3.5 R This table belongs to COBS 14 Annex 1 3.2R.
- | 1                                    | 2  | 3  | 4  | 5  | 6   |
|--------------------------------------|--|--|--|--|---|
| Age saving in a lifetime ISA started | Total amount paid in by lifetime ISA saver/ investor | Total amount paid in, plus lifetime ISA government bonus | Estimated outcome at age 60 from 0% return | Estimated outcome at age 60 from x% return | Charges and estimated inflation would reduce a x% return to |
|                                      | £  | £  | £  | £  | %   |
| 18                                   |  |  |  |  |   |
| 25                                   |  |  |  |  |   |
| 30                                   |  |  |  |  |   |
| 35                                   |  |  |  |  |   |
| 40                                   |  |  |  |  |   |
- 3.6 R In preparing the table in COBS 14 Annex 1 3.5R, *firms* must:

- (1) Round all sterling amounts down to the nearest whole pound.
- (2) Complete Column 2 on the basis of:
  - (a) the *retail client* attaining each age listed in Column 1 in the tax year in respect of which the *retail client* is proposing to make a *lifetime ISA* subscription; and
  - (b) a maximum annual *lifetime ISA* subscription being made on 6 April of that tax year and each subsequent tax year, up to and including the tax year in which the *retail client* would reach age 50 (based on each assumed age in (a)).
- (3) Complete Column 3 on the basis of:
  - (a) subscriptions as calculated in Column 2; and
  - (b) receipt by the *retail client* of the *lifetime ISA government bonus* on:
    - (i) 5 April 2018 for the tax year 2017/18 (where relevant); and
    - (ii) 6 April of each subsequent tax year, up to and including the tax year in which the *retail client* would reach age 50 (based on each assumed age in 2(a)).
- (4) Complete Columns 4 and 5 on the basis of:
  - (a) investment of the *retail client's* assumed subscriptions and the *lifetime ISA government bonus*, as calculated for the purposes of Columns 2 and 3;
  - (b) (for Column 4) a nominal annual rate of return of 0%;
  - (c) (for Column 5) a nominal annual rate of return equal to the maximum intermediate rate of return 'x' given in COBS 13 Annex 2 2.3R; and
  - (d) the outcome in sterling in real terms:
    - (i) based on the nominal annual rate of return in the relevant column;
    - (ii) net of the intermediate rate of price inflation given in COBS 13 Annex 2 2.5R;
    - (iii) net of the effect of any *lifetime ISA charges*; and
    - (iv) compounded annually at the end of each tax year, up to and including the tax year in which the *retail client* would reach age 60 (based on each assumed age in 2(a)).
- (5) Complete Column 6 on the basis of a percentage rate 'y' (rounded to the nearest tenth of 1%), where 'y' is the annual rate of return which must be applied to each amount shown in Column 3 and compounded annually over the relevant period to achieve the sterling amount shown in Column 5.

#### 4 Projections

- 4.1 R Where a *firm* chooses to provide a *projection*, including a *personal projection*, in relation to investing in a *lifetime ISA* in addition to the information in COBS 14 Annex 1 3 (Example outcome of retirement saving by a retail client in a lifetime ISA), a *firm* must ensure that:
- (1) the information in COBS 14 Annex 1 3 is displayed at least as prominently as the *projection*;
  - (2) where a *firm* that communicates a *projection* for a *lifetime ISA* in relation to its *MiFID* or equivalent *third country business*, the *projection* complies with the future performance requirements in article 44(6) of the *MiFID Org Regulation* (see COBS 4.5A.14EU); and

- (3) where a *firm* that communicates a *projection* for a *lifetime ISA* which is not in relation to its *MiFID* or equivalent *third country business*, the *projection* must be either a *standardised deterministic projection* or a *stochastic projection* in accordance with COBS 13 Annex 2.

5 Qualifying investments

- 5.1 G The information which a *firm* provides to a *retail client* in accordance with this Annex is intended to inform the *retail client* about the implications of that *retail client* saving and/or investing in a *lifetime ISA* (as opposed to saving and/or investing outside a *wrapper* or in a different *wrapper* or *pension wrapper*). A *firm* must still take into account and comply with any other requirements of this sourcebook in connection with the sale by the *firm* of qualifying investments to be held in a *lifetime ISA*.