

**CONDUCT OF BUSINESS SOURCEBOOK (KEY FEATURES ILLUSTRATIONS
FOR PERSONAL PENSIONS) (AMENDMENT NO 2) INSTRUMENT 2013**

Powers exercised

- A. The Financial Conduct Authority makes this instrument in the exercise of the following powers and related provisions in the Financial Services and Markets Act 2000 (“the Act”):
- (1) section 137A (General rule-making power);
 - (2) section 137R (Financial promotion rules);
 - (3) section 137T (General supplementary powers); and
 - (4) section 139A (Guidance).
- B. The rule-making powers listed above are specified for the purpose of section 138G(2) (Rule-making instruments) of the Act.

Commencement

- C. This instrument comes into force on 6 April 2014.

Amendments to the Handbook

- D. The Conduct of Business sourcebook (COBS) is amended in accordance with the Annex to this instrument.

Citation

- E. This instrument may be cited as the Conduct of Business Sourcebook (Key Features Illustrations for Personal Pensions) (Amendment No 2) Instrument 2013.

By order of the Board of the Financial Conduct Authority
12 December 2013

Annex

Amendments to the Conduct of Business sourcebook (COBS)

In this Annex, underlining indicates new text and striking through indicates deleted text.

13 Annex 2 Projections

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1.2	Calculating projections: additional requirements for a <i>personal pension scheme</i> <u>and stakeholder pension scheme</u>
(1)	A standardised deterministic projection within a key features illustration for a personal pension scheme or stakeholder pension scheme must be in real terms and be accompanied by information explaining why price inflation has been taken into account and that price inflation reduces the worth of all savings and investments.
(2)	<u>A standardised deterministic projection</u> in real terms must be calculated using:
	...
(3)	A <u>The standardised deterministic projection for a personal pension scheme or stakeholder pension scheme</u> must show only the numeric value of the three real rates of return after the appropriate price inflation assumption has been taken into account, that is, the real rate of projected growth which has been applied to the real value of the contributions.

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<u>1.2A</u>	<u>A firm is not prevented from providing a retail client with a projection of the fund or pension commencement lump sum in nominal terms for planning purposes (for example for a pension mortgage) if it is prepared in a way which is consistent with the standardised deterministic projection.</u>

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Exceptions	
1.7	A projection:

(1)	for a product that will mature in six <i>months</i> or less; or
(2)	prepared in order to determine the maximum level of contributions permitted to be made to a <i>personal pension scheme</i> ;
<p>may be prepared and presented on any reasonable basis but only if, in the case of (2), the assumptions used to calculate the <i>projection</i> and contributions are disclosed with the relevant <i>projection</i>. <u>A projection for an in-force product that will mature in six <i>months</i> or less may be prepared and presented on any reasonable basis.</u></p>	

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1.9	The <i>rules</i> in this Annex do not apply to a <i>projection for an in force product</i> which is consistent with the <i>statutory money purchase illustration</i> requirements.

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1.10	A <i>personal pension scheme</i> or <i>stakeholder pension scheme</i> taken out before 6 April 2014 may omit the <i>standardised deterministic projection</i> for an in force product may omit at the <i>intermediate rate of return</i> except for <i>personal pension scheme</i> and <i>stakeholder pension scheme</i> contracts taken out after 5 April 2014.