

## **Pension reforms – changes to FCA rules and guidance Financial Conduct Authority (FCA)**

**RPC rating: validated**

### **Description of the measure**

The assessment explains that as part the Government's pension reforms, the FCA undertook a review of its rules and guidance. The results of the review were consulted upon and a series of changes were made to ensure consumers have access to products and services that are well governed. The assessment sets out 14 areas where rule changes have been introduced. These are summarised in the annex. The number of changes required has meant that the FCA has implemented them in two tranches over the course of a period in April 2016 and April 2017.

### **Impacts of the measure**

The assessment explains that the changes affect around 180 firms and result in a number of one-off costs in order to comply with the new requirements. The main areas of cost include:

- Changes to systems and processes as a result of changes to glossary definitions, imposing an estimated one-off cost of £8 million on business;
- changes to the methodology used to prepare communication documents, imposing a one-off cost estimated at £7.2 million on business;
- requiring firms to provide consumers with information on drawdown options. imposing an estimated one-off cost of £4.5 million on business; and
- Ongoing costs where (for example) firms are required to provide personalised information to consumers on an ongoing basis, resulting in costs estimated to total £5.7 million per annum.

A full list of the impacts and related costs and benefits is provided in the annex. The FCA has supported its estimates by reference to a previous cost-benefit analysis.

The RPC verifies the estimated equivalent annual net direct cost to business (EANDCB) of £7.2 million. This will be a qualifying regulatory provision that will score under the business impact target.

## Quality of submission

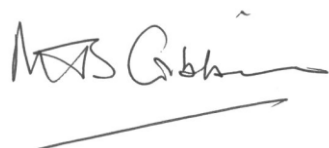
As initially submitted, the assessment did not provide sufficient detail on how the cost to business had been calculated. Following the RPC's initial review, the FCA submitted a revised assessment, which provided additional detail of the wide range of costs imposed by the FCA's requirements. Given the number of costs identified, the assessment would have benefited from including a summary table of the estimates such as that provided in the annex.

## Departmental assessment

Classification	Qualifying regulatory provision (IN)
Equivalent annual net direct cost to business (EANDCB)	£5.8 million
Business net present value	-£53.5 million

## RPC assessment

Classification	Qualifying regulatory provision (IN)
EANDCB – RPC validated <sup>1</sup>	£5.8million
Business Impact Target (BIT) Score <sup>1</sup>	£29 million



**Michael Gibbons CBE**, Chairman

<sup>1</sup> For reporting purposes, the RPC validates EANDCB and BIT score figures to the nearest £100,000.

## Annex

Measure	Summary	Costs	Benefits
Retirement risk warnings	Introducing flexibility in retirement risk warning rules	-	£0.7 million p/a
Debt guidance	Added handbook guidance on pressurising customers	-	-
Attachment order guidance	Added handbook guidance on attachment orders made by a court	-	-
Communications – annuities	Requiring firms to provide consumers with information on how their circumstances can affect income calculations and annuity payments	£0.5 million one-off	-
Communications - drawdown	Requiring firms to provide consumers with information on drawdown options	£4.5 million one-off	-
Communications – application forms	Banned firms from providing application forms with wake-up packs	-	-
Communications – unrequested illustrations	Places restrictions on firms sending unrequested pension illustrations	-	-
Certification criteria	Amending the certification criteria for high net worth and restricted investors	£2.5 million one-off	-
Glossary definitions	Updated two Handbook glossary definitions	£8.0 million one-off £5.7 million p/a	-
Product communications	Changing communication requirements	£2.1 million one-off	£0.7 million p/a
SIPP retained interest	Clarified that retained interest charge should be included in projections	£0.9 million one-off	-
Maximum projection rates	Changing the rules to ensure consistency in determining maximum projection rates	£2.9 million one-off	-
Projections - including guarantees	Requiring firms to take into account guarantees in projections	£7.2 million one-off	-
Projections – mortality assumption	Updated the mortality basis used for projecting a future annuity	-	-