Panel Document

Prudential Onshore Portfolio Bond Off Wrap Contract (POPB OWC)

This is just for UK advisers – it's not for use with clients.

1. Overview

About Prudential International

The Prudential Onshore Portfolio Bond (POPB) is distributed through a UK Branch of Prudential International Assurance (PIA). Both PIA and the UK PIA Branch are part of the M&G Prudential. M&G plc serves two of the world's largest savings and investments markets, with asset pools in the UK and Europe of £7 trillion and €14 trillion respectively.

Prudential International has been built on a heritage dating back to 1994. We have a strong understanding of the international market and have dedicated teams of specialists who can provide support and expertise. We also benefit from the financial and investment strength of the M&G plc. This helps us to develop flexible, innovative products that, in turn, can help your customers plan and lead a more comfortable lifestyle.

2. Why choose the Prudential Onshore Portfolio Bond?

Introduction

The Prudential Onshore Portfolio Bond (POPB) is an open – architecture onshore investment bond. The product is a UK onshore bond, which means that it is taxed under UK life fund taxation rules and that an appropriate level of tax is deducted from within the bond. It's not a gross roll up product. POPB is a Retail Distribution Review ready contract.

The POPB is a single premium whole of life product written on a single, joint life first death or joint life last survivor basis.

The life assurance provides a standard level of life cover of 100.1% of the surrender value. It's not possible to specify a level of life cover in excess of this standard.

The bond is fully integrated with Investment Funds Direct Limited (IFDL) Technology and allows investment into:

- Unit trusts
- OEICS
- SICAVs
- ETFs
- Cash

The value of any investment (and any income taken from it) can go down as well as up so your customer might get back less than they put in.

The POPB offers:

- 5% p.a. Withdrawals
- Open Architecture Investment
- Tax benefits of a bond with the Investment Flexibility of a Wrap
- Segmentation (1,200 segments)
- Top Slicing
- Suite of Trusts
- Family Wealth Management/Inheritance Tax Planning
- Extensive range of Withdrawal Options
- Discretionary Fund Manager availability
- Multi-life/Multi-Owner Financial Planning
- Set Up, Ongoing and Ad-Hoc Adviser Charges all facilitated by Prudential
- Adviser charge facilitated by Prudential
- Clear Transparent Charging Structure
- No Establishment Charges
- No early cash in Charges

3. Product specification

Each bond will have its own separate portfolio that will contain holdings in collective investment schemes and cash deposits that are made available through IFDL Technology. The fund terms will be those made available through IFDL Technology.

Investments may be made into the POPB where the investment advice is provided by the adviser or the Discretionary Fund Manager (DFM) they appoint. The investments are selected from an approved fund list of permissible assets made available on POPB.

In addition to the investments described above, each bond will also maintain a cash account on the IFDL Technology. The purpose of the cash account is to hold any un-invested cash and also to fund charges (including tax) and any withdrawals taken from the bond.

Product Charge

This charge is 0.50% p.a. (% of fund). For a full breakdown of charges please see section 6. Charge & Benefit Specification.

5% p.a. Withdrawal Allowance

Each year the client can withdraw up to 5% of the amount they have invested without having an immediate tax liability. If the client doesn't use this 5% allowance in any one year it's carried forward to the next. Any ongoing and or ad-hoc adviser charges taken from the bond will also be included as part of this 5% allowance. The allowance will come to an end when the client has withdrawn 100% of the amount invested.

If more than 5% is withdrawn at any time, income tax may have to be paid on the excess.

Any DFM fees incurred by Prudential International, UK Branch, in relation to a bond are deducted as part of the bond charges and so won't count towards the 5% tax deferred allowance.

For further information on DFMs please see section 7. DFMs.

4. Fund selection

PIA will individually approve every fund made available through the product. PIA offer a whole of market proposition and therefore make no recommendation regarding fund suitability other than it meets our permitted asset rules.

In considering asset admissibility we consider a number of criteria. Please find some examples of this criteria opposite.

- Is it a clean share class?
- Is it a sophisticated or professional fund?
- Is the asset regulated in the EEA?
- If not a retail fund in EEA, is it available for sale in UK for retail customers?
- If a security, is it traded on an OECD exchange or authorised by the FCA for sale as a retail investment?
- If ETF, can it be traded at least every 6 months?
- If ETF, how frequently is it priced?
- If a structured deposit or term deposit, is it offered by an EU regulated bank?
- Can the asset be realised within 6 months of the request?
- Does the investor have any influence or control over the assets?
- Is the asset free of any conditions that would conflict with the terms of the bond? For example, are there restrictions on withdrawal amounts?
- Has the asset limited liability?
- Is the asset a ‘collective’ in nature and open ended?

5. Taxation of the Prudential Onshore Portfolio Bond

The product is issued by the UK Branch of PIA. The branch has the status of a permanent, taxable establishment in the UK and the product, the POPB, is taxed as an onshore bond.

The taxation of the POPB will be calculated with reference to the client's unique portfolio of assets and deducted as a separate transaction within the bond. Tax will be calculated on an ongoing basis and deducted from the bond monthly (on the charge date). In addition standard chargeable event reporting will apply to this product.

UK life assurance bonds give the investor a basic rate tax credit of 20% (2018/19) as the life office have paid tax on the investments underlying the policy. However, the overall tax on the underlying investments is often less than 20%.

The branch is taxable under UK corporation tax rules on the same basis as other UK life insurance companies. This tax regime is known as the I-E basis (income less expenses). The rate of tax charged against each bond is directly linked to the underlying investments chosen by you and your client. In each and every case it is possible to identify precisely the tax charge that has been calculated. Each Prudential Onshore Portfolio Bond is taxed according to the specific underlying investments held within the bond.

This means that the tax rate applied to any income and gains within the bond will vary depending on the nature of the assets and the unit types held. We calculate this monthly to help your understanding of the tax charge applied on an ongoing basis to the bond. Broadly speaking the underlying investments are taxed as below:

- There is no tax to pay on dividends received;
- Interest received on cash holdings is taxed at 20%;
- Interest income on loan relationship funds is taxed at 20%

Top Slicing

By spreading the gain in the investment growth across the number of complete years the investment has been held, top slicing may help reduce your client's tax liability when they cash in their bond if the gain from the bond pushes them into a higher rate tax band. The rules around top slicing may vary from the above if they are taking withdrawals rather than cashing in.

5% p.a. Withdrawal Allowance

Each year the client can withdraw up to 5% of the amount they have invested without having an immediate tax liability. If the client does not use this 5% allowance in any one year it is carried forward to the next. Any ongoing and or ad-hoc adviser charges taken from the bond will also be included as part of this 5% allowance. The allowance will come to an end when the client has withdrawn 100% of the amount invested.

If more than 5% is withdrawn at any time, income tax may have to be paid on the excess.

6. Charge & benefit specification

The POPB facilitates a full range of charging structures:

For the financial adviser:

- **Set Up Adviser Charges** facilitated by PIA and defined as a % of the initial payment or monetary amount. The net amount after deducting the set up adviser charge forms the premium on the bond.
- **Ongoing Adviser Charges & Ad-hoc Adviser Charges** agreed by the client and adviser and facilitated by Prudential.

The client can choose whether to pay an adviser charge or not. Business may be accepted where no adviser charges at all are payable.

Set Up Adviser Charge

Set up adviser charges may be payable on the initial investment into a bond or on a top up.

The types of Set up adviser charge available are:

1) Percentage of initial payment

2) Monetary amount deducted from the client payment

Ongoing Adviser Charges & Ad-hoc Adviser Charges

Any ongoing adviser charge taken from the bond will be treated as a withdrawal from the bond and will also be treated as such from a chargeable event perspective.

Ad-hoc charges can be requested at any time. Any ad-hoc adviser charge taken from the bond will be treated as a one-off withdrawal from the bond and treated as such from a chargeable event perspective.

Tax Charges

A tax charge is calculated by reference to the client's unique portfolio and will be deducted monthly from the bond's cash account.

Ongoing Product Charge

The ongoing product charge will be accrued daily but collected monthly by way of deduction from the cash account. This charge will be accrued daily and deducted on the monthly charge date.

Access to a range of Trust Options

Prudential range of trust solutions can help advisers plan and manage their client's tax affairs. We have a range of trusts available including:

- Gift Trust
- Loan Trust
- Discounted Gift Trust.

These trusts are available in both Discretionary and Absolute (Bare) versions.

We have also added a Probate Trust, which is discretionary in nature.

In addition, existing external trusts are also allowed in so far as they meet PIA's acceptance of business criteria. Additional trusts may be added in the future.

Minimum Owner Age	18 attained
Maximum Owner Age	89 attained
Maximum no of owners	10
Minimum Life Assured Age	3 months attained
Maximum Life Assured Age	89 years attained (for joint life last survivor, at least one life assured must be within maximum age limit)
Minimum premium	£15,000
Maximum premium	No maximum
Top-ups allowed & minimum	Yes (minimum additional premium is £2,500)
Segmentation & maximum number of policies within one bond	Bonds can be divided into a series of policies. The minimum premium per policy will be £500. A specific number of policies can be chosen (up to a maximum of 1,200), subject to the £500 minimum.
Minimum Bond Value	£1,000
Withdrawal Options	**Regular Withdrawals** The minimum amount for any type of withdrawal is £100. However this rule does not apply when fully cashing in some of the bond policies. The frequency of regular withdrawals is as follows: every month, every two months, every three months, every four months, every six months or every year. All regular withdrawals will be paid on the 15th of the month (or next working day). Regular withdrawals are allowed up to 10% of the total premium (i.e. including top-ups). Regular withdrawals cannot commence within two weeks of the start date of the bond. **Partial Encashment** Partial surrenders may be achieved by either surrendering individual policies or partially surrendering policies. Each policy can be treated individually by the customer. **Full Encashment** The Policyholder may request a full encashment of the bond at any time. There are no encashment penalties. Any accrued charges will be deducted as part of the encashment process.
Death Benefit	100.1% of the cash in value of the bond.
Tax charge	A tax charge calculated by reference to the clients unique portfolio and will be deducted monthly from the bond's cash account.
Discretionary Fund Manager (DFM) Fee	Clients and Advisers will have access to the full range of DFMs as made available by IFDL Technology. The DFM fee will be as agreed by the client and their chosen DFM and facilitated by Prudential.
Mortality charges	Not applicable
Ongoing Product Charge	The ongoing product charge is 0.50% p,a. This charge will be accrued daily and deducted on the monthly charge date (the 28th of each month).

7. Discretionary Fund Managers (DFMs)

A DFM is appointed by Prudential International, UK Branch, as selected by the applicant(s)/Adviser(s).

There are no restrictions on the number of Assets that can be held at any time.

Any DFM fees incurred by Prudential International, UK Branch in relation to a bond are deducted as part of the bond charges and so will not count towards the 5% tax deferred allowance.

Here is a list of DFMs currently available who offer their Model Portfolio Services (MPS):

- Albert E Sharp
- Apollo Multi Asset Management LLP
- Blankstone Sington Ltd
- Bordier & Cie (UK) Ltd
- Brewin Dolphin Ltd
- Brompton Asset Management LLP
- Brooks MacDonald Asset Management Ltd
- Brown Shipley & Co Ltd
- Canaccord Genuity Wealth Management
- Charles Stanley & Co Ltd
- Charles Stanley Pan Asset
- Close Asset Management
- FE Investments (Financial Express)
- GAM London Ltd
- Gottex Asset Management (UK) Ltd
- Hawksmoor Investment Management Ltd
- Independent Portfolio Managers Ltd
- JM Finn & Co Ltd
- Kalis Capital LLP
- King & Saxon Capital Ltd
- Kleinworth Benson Bank Ltd
- LGT Vestra
- Marketstar Investment Management Ltd
- Minerva Fund Managers Ltd
- Momentum Global Investment Management Ltd
- Morningstar Investment Management Europe Ltd
- Myddleton Croft Investment Managers
- Newscape Capital Group Ltd
- Octopus Investments Ltd
- P1 Investment Management Ltd
- Parallel Investment Management Ltd
- Premier Fund Managers Ltd
- Price Bailey Portfolio Management
- Psigma Investment Management Ltd
- Quartet Capital Partners LLP
- Quilter & Co Ltd
- Quilter Cheviot
- Redmayne Bentley LLP
- Richmond House Investment Services Ltd
- Saltus Partners LLP
- Sanlam FOUR
- Sarasin & Partners LLP
- SCM Private LLP
- Seven Investment Management LLP
- Signature
- Smith & Williamson Investment Management LLP
- Square Mile Investment Consulting & Research Ltd
- Tavistock Wealth Ltd
- TCF Fund Managers LLP
- Thesis Asset Management LLP
- Thomas Miller Investment Ltd
- Tilney Asset Management
- Twenty20 Investments
- Walker Crips Stockbrokers Ltd
- Waverton Investment Management
- Wellian Investment Solutions

8. Flexibility

Segmentation

The Prudential Onshore Portfolio Bond is set up as a group of identical policies.

The maximum number of policies is 1,200 with minimum value of £500 per policy at outset. If the number of policies is not selected at outset we will take the value of the premium divided by £500 (rounded down) as the number of policies in the bond.

No. of Lives Assured

There must be at least one life assured. In cases where there is more than one life assured, the bond may be set up on either a joint life first death or a joint life last death basis. The contract can have a maximum of up to 10 lives assured. The minimum age at entry for life assured is 3 months attained. The maximum age at entry for single life and joint life first death cases is under age 90. Where the case is established on a joint life last death basis at least one life must be under age 90 when the bond is taken out.

9. Top Ups

The client's policy will commence when a single premium is invested. Additional premiums can be added at any time. These are called top ups. Clients can make regular and one-off withdrawals and they can cash in their bond at any time.

The minimum top up premium is £2,500

10. Full encashment process

On fully cashing in all of the policies:

- The life cover provided by the policies will cease; and
- We will close the bond; and
- We will pay out the cash in value of the bond; and
- No other benefits will then be payable under the bond.

If the client wishes to fully cash in their bond, they may wish to complete our partial or full cash in form which is available from our Administration Centre.

Cash In Value

Upon receipt of an acceptable instruction to fully cash in the bond, we will instruct IFDL Technology to sell all assets. We will credit the proceeds we receive into the cash account. When you fully cash in your bond, the amount you'll get will be the asset account value on the next working day after we sell your final asset, minus:

- any negative balance
- any bond or adviser charges you've had that haven't already been taken out, up until the date we pay the cash value

Where the sale of any asset is delayed we will not make payment of the cash in value until the final asset has been sold and the proceeds credited to the cash account.

Our obligation to pay benefits under the bond ceases when we have paid the cash in value set out above. However, within 12 weeks of the payment, or such other period which we shall notify you of from time to time, we will pay a further amount if:

- We receive any residual income that had accrued but not yet been received in respect of the assets up to the date we received the instruction.

Exit Charge

No exit charge will be applied by Prudential International UK Branch.

Back office Integration

Currently, the IFDL Technology offers bulk valuations with the following back office systems:

- Adviser Office (IRESS)
- Assyst Software
- Curo (Time4Advice)
- Durell
- Enable (Best Practice)
- Fastrak (Sprint)
- Figure Out (2Plan)
- Intelligent Office (Intelliflo)
- JCS
- Money Info (Sammedia)
- Plum
- Prestwood
- True Potential
- X Plan (IRESS)

11. Risk management

Prudential Risk Management

The POPB is distributed through the UK Branch of PIA, part of M&G plc. PAC, part of the M&G plc is rated by independent credit ratings providers, Standard & Poor's as AA (stable)*, Moody's Aa3 (stable) and Fitch AA (Stable)*

* as at 29 January 2018.

PIA maintains a Company-wide Risk and Governance framework, in accordance with the M&G plc Risk Framework, (for further details please refer to the M&G plc website and the M&G plc annual report (M&G.com). The Prudential Risk Framework's purpose is to ensure appropriate monitoring and management of the risks of the business at all levels, with aggregate exposures to credit, insurance, liquidity, market and operational risks monitored and managed by the Risk Function to ensure adequate risk exposures and solvency from the Group and local Business Unit economic, regulatory and ratings perspectives.

High Level Principles for Risk Management

The PIA system of governance is based on six risk management principles to ensure sound and prudent management of the business:

- **Organisational Structure** – appropriate organisational structure with clear allocation of responsibilities and delegated authorities.
- **Three Lines of Defence** – appropriate segregation of duties, oversight and challenge to decision making and risk management with independent review.
- **Risk Appetite** – approved risk appetite statements and limits reflecting the business.
- **Risk Management** – ongoing a risk management cycle which identifies, measures, evaluates, manages, monitors and reports on risk on an ongoing basis.
- **Policies and Procedures** – policies and procedures setting out the control framework and operating standards, meeting internal, legal and regulatory requirements.
- **Skills and Resources** – ensuring skills, resources and ongoing training in respect of risk management, staff and senior management.

In addition to the Board, Audit Committee, Risk Committee and Nomination and Remuneration Committee, PIA has a Board approved risk appetite statement. This is reviewed annually in line with the requirements of the Corporate Governance Requirements, with risk limits, risk monitoring and risk reporting in place, with an independent second line of defence Risk Function headed by the PIA Chief Risk Officer.

Prudential Governance and Control Assurance

PIA undertakes an annual control self-assessment and attestation, which includes independent review by the Risk Function, against a significant number of policy control standards. In addition, an annual M&G plc Governance Manual attestation is undertaken, covering Company-wide policy standards. This attests that PIA is in compliance with the Group Risk Framework and the Group Governance Manual requirements, consisting of group wide policies, reporting and approval requirements.

Investment Funds Direct Limited (IFDL)

IFDL is wholly owned by Royal London Group (RLG). IFDL's financial strength was rated B+ ("Outlook Very Strong") by AKG (January 2018). RLG is the UK's largest life, pensions and investment mutual insurer and its financial strength was rated A ("Outlook Stable") by Standard & Poor's (July 2017), A2 ("Outlook Stable") by Moody's (June 2017) and B+ ("Outlook Very Strong") by AKG (December 2016).

For 2017, RLG reported EEV operating profits of £329m and funds under management of £114bn. Its Solvency II Standard Formula Basis Investor View surplus was £5.4bn, representing a capital cover ratio of 228% as at 31 December 2017.

As at April 2018, IFDL's Assets under administration exceeded £14.5bn.

For further information on IFDL and the Security of client cash and assets with IFDL, please refer to the following webpage: ascentric.co.uk/getglobaldoc.asp?docid=570

Client Compensation – FSCS

PIA is authorised by the Central Bank of Ireland and is subject to limited regulation by the Financial Conduct Authority for UK Business.

You may be able to make a claim if PIA is unable to meet its financial obligations. However, it is important to know that any compensation will depend on your eligibility, the type of financial product or service involved, the investment funds selected (if applicable) and the circumstances of the claim.

Find out more about Prudential and the FSCS at: **pru.co.uk/about_us/fscs** or you can call us.

Further information is available from:

The Financial Services Compensation Scheme
10th Floor
Beaufort House
15 St Botolph Street
London
EC3A 7QU

Telephone: **0800 678 1100** or **0207 741 4100**

Website address: **fscs.org.uk**

FCA registration

PIA is entered on the Financial Services Register, Firm Reference Number 170672. The Financial Services Register is a public record of all the organisations that the FCA and PRA regulate. You can contact the FCA at:

The Financial Conduct Authority
12 Endeavour Square
London
E20 1JN

12. Service proposition

The Financial Adviser Service Awards, now in their 28th year, are considered to be the benchmark for service standards within the retail finance marketplace. They are an independent measurement of who is getting it right, and who needs to do more work to keep their customers happy. Those providers awarded a Five Star rating for service are considered to be the top performers.

At the Financial Adviser Service Awards 2018, Prudential received a Five Star rating for our Investments to add to our Five Star rating for Life and Pensions. This is the eight year running that we have received these Five Star awards for both Pensions and Investment propositions.

Statements

Valuation statements are issued on an annual basis on the anniversary of the plan commencement date, however, the financial adviser can view an up to date valuation figure through the IFDL powered technology at any time.

13. Literature guide

Links to literature and other contract information can be found on the following link;

pruadviser.co.uk/investments/prudential-onshore-portfolio-bond/?lid=subnav_Investments_ Products_ PrudentialOnshorePortfolioBond

pruadviser.co.uk

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