

Financial Services Authority

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CONFIDENTIAL

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16 May 2001

Our Ref: PCN/150501

Dear Mr Chidley

LAUTRO PROJECTIONS

I write to acknowledge receipt of your letter dated 9th May 2001 and have noted your comments.

You are quite right, when stating in your letter dated 18th April, that the rules required that illustrations be prepared using prescribed assumptions. However, I would reiterate the point made in my letter dated 5th May, that the Lautro rules did not prohibit a firm from advising customers that illustrations were based on the use of Lautro charges, as opposed to own charges, and thereafter outlining how this may affect the potential returns. Like a number of other things, this point is not written into the rules but is accepted in practice.

I trust this answers your query, but please do not hesitate to contact me if I can be of any further assistance.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Patrick Nogher'. The signature is written in a cursive style and is enclosed within a hand-drawn oval shape.

Patrick Nogher
Endowment Project Team

The FSA now acts on behalf of IMRO, PIA and SFA in the monitoring of regulated firms.