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PRODUCT MANUFACTURING AND GOVERNANCE in the EU

two half days

Introduction

MiFID 2, ESMA guidelines, Art. 9 MiFID Delegated Directive, PROD 3
Insurance Distribution Directive, article 25, POG Regulation, articles 3-9, EIOPA Guidelines, PROD 4
TCF and the 6 outcomes and their application to products
EU powers to issue product intervention rules and intervene generally
Defining terms – distributors and manufacturers – differences in their duties

Systems and controls and governance

Core risk management for products and their governance
Joined up independent review & challenge
Developing a governance structure for products generally and stress testing
Who, what, when?
Ongoing review of products and their MI
Differences in duties of distributors and manufacturers

Identifying the target market

Working out who the product is suitable for and who it is not
Working with distributors and others on target markets – research, focus groups
Different roles of providers and distributors

Core design issues

Building a specification
Modelling
Drafting the terms and conditions
Common fund and wrapper issues – investment content, charges
Ensuring that service infrastructure is in place

Stress testing

Purpose
Method – what is there to test against?
Resilience – technologically, financially and other elements
Governance

Distribution channels

Selection – internally and externally, technologically, advised or execution-only
Monitoring distributor behaviour
Working with IFAs and others
Changing or blocking distribution channels

Distributor Responsibilities

Know your product
Assess compatibility of product with customers

Best interests rule

Obligation to obtain material from manufacturers

Handling distribution chains

Identify target market and distribution strategy suitable for its clients' needs, characteristics & objectives

Periodic review

Information sharing with manufacturers

Sales outside target market

Product material

Clear, fair and not misleading

Material for distributors

Key features and other mandatory material

ESMA measures on contracts for differences

Post-launch review

MI on customer types and distribution sources – lapses, complaints and claims

Researching the product and how it is being used

Distributors' role in amending target markets

Ongoing review and acting on information

Managing failures – communication, withdrawal and compensation