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## **PRODUCT MANUFACTURING AND GOVERNANCE in the UK**

### **two half days**

#### **Introduction**

Relevant FCA Principles & PROD rulebook

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

FCA & EU powers to issue product intervention rules and intervene generally

Relationship between PROD and COBS

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

### **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