



# MiFID II Conduct Forum for trade associations and firms





# Opening remarks

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# Product governance

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# Product governance

- MiFID II brings in new requirements for both manufacturers and distributors
- Requirements on systems and controls relating to design, distribution and ongoing management of products throughout their lifecycle
- Good product governance should result in products:
  - meeting the needs of one or more identifiable target markets
  - being sold to clients in the target market(s) through appropriate distribution channels
  - deliver fair outcomes for those clients

# Scope

- The provisions will apply to firms performing MiFID investment services
- We are still considering our approach for non-MiFID business
- It is worth noting that:
  - we already have product governance guidance in the RPPD
  - the IDD will also include product governance provisions

# MiFID distribution of products that are not developed under product governance provisions

- Where a MiFID distributor firm wishes to sell a product manufactured by a non-EEA firm:
  - they will need to take reasonable steps to obtain information so the product can be distributed in accordance with the characteristics, objectives and needs of the target market
  - they must perform the necessary due diligence to provide adequate consumer protection standards

# Proportionality

- The product governance provisions are expected to apply in a way that is appropriate and proportionate, taking account of the nature of the product, the service and the target market
- We would expect that product governance processes can be relatively simple for more mainstream products but more work is needed for more complex products

# Manufacturer and distributor responsibilities

- Manufacturers are investment firms that create, develop, issue and/or design investment products
- Distributors are investment firms that offer investment products and services to clients



# Manufacturer and distributor responsibilities

- This implies that firms may be classed as a manufacturer, distributor or both based on their activity
- Where firms work together to manufacture or distribute products, all firms in the chain will have a role to play in product governance

# Target market assessment

- More complicated products would require more granular detail to identify the target market
- The target market for mainstream products is likely to be wider
- Firms must ensure that that the target market is identified sufficiently to enable appropriate distribution

# Product reviews

- The provisions also require firms to review products on a regular basis
- They should assess whether the product remains consistent with the needs of the identified target market and whether the distribution strategy remains appropriate

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# Break



# Costs & charges disclosure

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# Costs & charges disclosure: Summary of requirements

- MiFID II strengthens content
  - clarifying that information on **all** costs & charges relating to service and instrument must be disclosed
- All costs & charges to be aggregated
  - client understanding of overall cost and cumulative effect on investment return
- To be provided on a regular basis, at least annually
- MiFID II extends these obligations to relationships with professional clients and eligible counterparties

# Costs & charges disclosure: Stakeholder questions

- Interaction between PRIIPs, UCITS and MiFID II requirements
- Presentation of costs & charges under MiFID II
  - design not prescribed, but should be comprehensible and such that clients can make decisions on an informed basis
- Obligation to provide pre-contractual information and ongoing disclosures



# Costs & charges disclosure

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# Closing remarks

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