

Designing a compliant and robust PROD process

The FCA's Product Intervention and Product Governance Sourcebook (PROD) rules were introduced to make sure that the investment solutions and products being recommended to clients meet the needs of one or more identified target markets, are distributed appropriately and deliver good customer outcomes.

How are you responding to PROD?

This checklist covers the key things you'll need to consider when designing your PROD process.

1. Create a documented process which outlines your requirements under PROD, including:

- How you identify target markets across your client bank
- How solutions and services are mapped to your target markets and distributed
- How you'll gather the information you need from providers and fund managers (described as 'manufacturers' in the PROD rules) to help with your target market analysis
- What information you'll use about your existing clients to help with your target market analysis
- How you'll develop and train your staff on what the PROD rules are and how it's embedded into your business
- A process for sharing sales information with providers and fund managers (described as 'manufacturers' in the PROD rules)

2. Identify your target markets, for example:

- Age
- Financial position/portfolio size
- Life stage
- Wealth decumulation
- Current income requirements
- Planned path to retirement (phased)
- Wealth accumulation
- Capacity for loss
- Investment experience
- Recurring fees/cost of service
- Attitude to risk
- Future income requirements
- Profession
- Other

3. Gather relevant product information from providers and fund managers (described as 'manufacturers' in the PROD rules), including:

- Target market statements
- Manufacturer's product governance process
- Other information needed for ongoing due diligence

4. Check the manufacturer and client target market information to make sure products/investments are suitable for your clients' needs.

5. Make sure your investment process reflects ongoing product governance.

6. Consider how you're going to:

- Make sure your target market analysis is documented and regularly reviewed
- Carry out ongoing due diligence of your recommended products and investment solutions
- Apply and follow an internal process for approval of new products and solutions following target market analysis

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