

Governance and product oversight

EBA guidelines for retail banking products

Guidelines

Guidelines have been established for both manufacturers and distributors. The Guidelines can be summarized as follows:

Guidelines for manufacturers

Guideline 1: Establishment, proportionality, review and documentation

The manufacturer should establish, implement and review effective product oversight and governance arrangements. The arrangements should aim (i) to ensure that the interests, objectives and characteristics of consumers are taken into account, (ii) to avoid potential consumer detriment and (iii) to minimise conflicts of interest.

Moreover arrangements should be regularly reviewed and updated, considered in the new product approval policy (NPAP), duly documented and proportionate to the nature, scale and complexity of the business.

Guideline 2: Manufacturers' internal control functions

The manufacturer should ensure that the arrangements are an integral part of its governance, risk management and internal control framework (cf. EBA Guidelines on Internal governance, where applicable). To that end, the manufacturer's management body should endorse the establishment of the arrangements and subsequent reviews. Senior management, with support from representatives of the manufacturer's compliance and risk management functions, should be responsible for continued internal compliance with the product oversight and governance arrangements (to be integrated in their normal line of duties).

Guideline 3: Target market

Manufacturers should include steps and features that need to be followed to identify, and update when necessary, the relevant target market of a product. The manufacturer should ensure that the product is deemed appropriate for the interests, objectives and characteristics of the identified target markets.

Guideline 4: Product testing

Before a product is brought to the market, an existing product is sold to a new target market or significant change is made to an existing product, the manufacturer should conduct product testing, in order to be able to assess how the product would affect its consumers under a wide range of scenarios, including stressed scenarios. If necessary appropriate product changes should be foreseen.

Guideline 5: Product monitoring

Once the product is brought to market, the manufacturer should monitor the product on an ongoing basis to ensure that the interests, objectives and characteristics of consumers continue to be appropriately taken into account.

Guideline 6: Remedial Action

If the manufacturer identifies a problem related to the product in the market, or when monitoring the performance of the product as required in guideline 5 above, the manufacturer should take the necessary measures to mitigate the situation and prevent a reoccurrence of detriment.

Guideline 7: Distribution channels

The manufacturer should select distribution channels that are appropriate for the particular target market and monitor that the products are distributed to the identified target market.

Guideline 8: information for distributors

Where relevant, the manufacturer should provide the distributor with adequate, clear, precise and up to date information and details of the products (risks and limitations and total price).

Guidelines for distributors

Guideline 9: Establishment, proportionality, review and documentation

The distributor should establish, implement and review effective product oversight and governance arrangements to ensure that the interests, objectives and characteristics of consumers are appropriately taken into account, potential consumer detriments are avoided and conflicts of interest are minimized. Arrangements should be reviewed and updated on a regular basis and all actions taken by the distributor should be duly documented.

Guideline 10: Distributors' governance

The distributor should ensure that product oversight and governance arrangements are an integral part of its general systems and controls (endorsed by the management body).

Guideline 11: Knowledge of the target market

Based on the information provided by the manufacturer, the distributor should have relevant knowledge and the ability to determine whether a consumer belongs to the target market.

Guideline 12: Information and support for the manufacturer's arrangements

The distributor should take into account the information provided by the manufacturer and disclose to the consumer a description of the main characteristics of the product, its risks and the total price of the product to be paid by the consumer. If the distributor identifies any problems regarding the product features, product information of the target market when offering and selling products, the distributor should promptly inform the manufacturer of the issue.

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