Contents

APPENDIX Q: PROD ANNEX ASSESSMENTS

PROD Annex – Assessment Questionnaire for ARs

This annex is designed to be used for both new and existing ARs of the Firm.

The purpose of PROD is to improve firms' product oversight and governance processes so that products meet the needs of one or more identifiable target markets, are sold to clients in these target markets by appropriate distribution channels, and deliver appropriate client outcomes.

AR Use ONLY	
Name of firm	
Product Name (where applicable)	
Name of reviewer	
Date of assessment review	

Section 1 – Product activity type		**YES or NO**	**Action to be taken**
1	Does your firm create, develop, issue and/or design investments, including advising corporate issuers on the launch of new investments?	YES - You are a manufacturer Please also answer Q2 below NO - Please go to Q2	• If you are a manufacturer, please answer all questions in Section 2
2	Does your firm offer, recommend, or sell an investment, or provide an investment service to a client?	YES - You are a distributor NO – n/a	• If you are a manufacturer and a distributor, please answer all questions in Section 2 and Section 3 • If you are only a distributor, please answer all questions in section 3.
Section 2 – Manufacturer		**YES/NO/See Comments**	**Comments** **If YES – what evidence is in place?** **If NO – what action will be taken?**
1	Description of product		
2	Please list or describe the identified target markets for the product.		
3	What are the needs of the identified target market.		
4	Is the product designed to meet the needs of the target market		

	and how does it meet these needs? (i.e. Retail, Professional or Eligible Counterparty business clients) (PROD 3.2.1R) (PROD 3.2.8R)		
5	How will the product be distributed? (By whom, how, where, when)		
6	What are the main risks to clients associated with the product and how are these mitigated?		
7	Where products have been manufactured in collaboration with other firms, is a written agreement outlining mutual responsibilities in place? (PROD 3.2.7R)		
8	How has the firm scenario-tested the product to assess: a) the risks of poor outcomes for end clients posed by the product; and b) in which circumstances those poor outcomes may occur? For example, what would happen if relevant markets deteriorated or if the firm, or a key firm involved in the product, experiences financial difficulties? (PROD 3.2.12-13R)		
9	Has the charging structure been considered including an assessment of: a) whether the product's costs and charges are compatible with the needs, objectives and characteristics of the target market; b) whether the charges undermine the product's		

	return expectations, such as where the costs or charges equal, exceed or remove almost all the expected tax advantages linked to a product; c) whether the charging structure of the product is appropriately transparent for the target market, such as that it does not disguise charges or is too complex to understand; and d) whether the product may represent a threat to the orderly functioning, or to the stability, of relevant financial markets. (PROD 3.2.14R-15R)		
10	Is sufficient information available to intended and existing distributors of new and existing products, covering the functioning of the product, the approval process, the target market, and appropriate distribution channels? (PROD 3.2.16R)		
11	Is a robust review process in place to ensure the product remains fit for the purpose of its intended target market? (PROD 3.2.19R)		
12	Are there any conflicts of interest associated with the product?		
13	Please describe all types of potential conflicts of interest associated with the product and taking into consideration what steps will be put in place to ensure no client is adversely impacted, and market integrity issues are not created.		

14	What training has been provided to those involved in the design and/or distribution of the product?		
15	How do you ensure the product is designed and targeted appropriately?		
16	How is the success of the product measured and reported, including internally?		
Section 3 – Distributor		**YES/NO or Comments**	**If YES – what evidence is in place? If NO – what action will be taken?**
1	Has the manufacturer provided sufficient information to enable a comprehensive understanding and knowledge of the product to be obtained? Including details of target market(s) and needs. (PROD 3.3.1R) (PROD 3.3.3R)		
2	Is the target market clearly identified, even if not specified by the manufacturer, and this aligns with the distribution target market? (PROD 3.3.1R) (PROD 3.3.9-10R)		
3	Is a distribution strategy in place, considering wider FCA rules, as necessary, as part of this? Relevant rules include but are not limited to: • disclosure (see *COBS 4* and *COBS 14.3A*); • suitability (see *COBS 9A*); • appropriateness (see *COBS 10A*); • inducements (see *COBS 2.3A*); and • conflicts of interest (see *SYSC 10.1*) (PROD 3.3.9-10R) (PROD 3.3.18R)		
4	Are appropriate governance arrangements in place which ensure that the needs, characteristics and objectives of		

	the target market of the product/service to be distributed are met? Please provide details including details of the identified needs, characteristics and objectives of the target market and also make reference to markets that are not to be targeted . (PROD 3.3.15R)		
5	What relevant training do those involved in product distribution undergo before engaging in distribution activities? (PROD 3.3.22R)		
6	Are compliance reports prepared which include details of the products distributed by the firm? (PROD 3.3.24-25R)		
7	Is a robust review process in place to ensure the product remains fit for the purpose of its intended target market, to take action when alignment issues arise, and do governance arrangements provide sufficient oversight? (PROD 3.3.26-28R)		
8	Is a process in place to provide feedback to the manufacturer on product sales and reviews undertaken? (PROD 3.3.30R)		
9	Where the distribution of a product is to another distributor, are the responsibilities in this chain understood and documented? (PROD 3.3.32-33R)		
10	Where relevant, please describe the chain of distribution.		
Section 4 – Non-MiFID firms			

1	PROD 1.3.2R provides that all non-MiFID firms that manufacture or distribute financial instruments should take account of PROD 3 as if it were guidance on the FCA's Principles for Businesses and other relevant rules. This means that non-MiFID firms should read a reference to 'must' in PROD 3 as 'should'.

PROD Annex – Assessment Questionnaire for the Firm

Midmar Use ONLY	
Name of AR	
New or Exisiting AR	
Name of Reviewer	
Review Stage	
Reason for Review	
Date of Assessment	

Section 2 – Manufacturer (Midmar Assessment)		**Comments**
1	Who is the manufacturer	
2	Is the product designed to meet the needs of the client target market. (PROD 3.2.1R)	
3	Is the strategy for the distribution of the product compatible with this target market? (PROD 3.2.1R)	
4	Is the product actually distributed to the target market? (PROD 3.2.1R)	
5	Has a process of approval been followed where new products have been developed or existing products are being significantly modified? (PROD 3.2.3R)	
6	Have risks associated with the design of the product and its intended target market been assessed and mitigated? (PROD 3.2.4R) (PROD 3.2.10R)	
7	Have products have been manufactured in collaboration with other firms and is a written	

	agreement outlining mutual responsibilities in place? (PROD 3.2.6R)	
8	Has the firm scenario tested the product to assess: a) the risks of poor outcomes for end clients posed by the product; and b) in which circumstances those poor outcomes may occur? (PROD 3.2.12-15R)	
9	Is sufficient information available to intended and existing distributors of new and existing products, covering the functioning of the product, the approval process, the target market, and appropriate distribution channels? (PROD 3.2.16R)	
10	Is a robust review process in place to ensure the product remains fit for the purpose of its intended target market? (PROD 3.2.19R)	
11	Have any conflicts of interest been identified and disclosed to Midmar?	
12	Have potential and actual conflicts of interest been considered and reviewed to ensure no client is adversely impacted, and market integrity issues are not created? (PROD 3.2.27-30R)	
13	Are sufficient oversight and training mechanisms in place to enable sufficient governance of the manufacturing process and the knowledge of personnel involved in this? (PROD 3.2.31-33R)	
14	Are compliance reports prepared that include details of the products manufactured, including the distribution strategy. (PROD 3.2.35-36R)	

Section 3 – Distributor (Midmar Assessment)		**Comments**
1	Who is the distributor	

2	Has the manufacturer provided sufficient information to enable a comprehensive understanding and knowledge of the product to be obtained? Including details of target market(s) and needs. (PROD 3.3.1R) (PROD 3.3.3R)	
3	Is a distribution strategy in place, considering wider FCA rules, as necessary, as part of this? (PROD 3.3.9-10R) (PROD 3.3.18R)	
4	Are appropriate governance arrangements in place? (PROD 3.3.15R)	
5	Do personnel involved in the distribution of the product have the necessary knowledge and understanding of the product to do so effectively? (PROD 3.3.20-22R)	
6	Are compliance reports prepared which include details of the products distributed by the firm? (PROD 3.3.24-25R)	
7	Is a robust review process in place to ensure the product remains fit for the purpose of its intended target market, and do governance arrangements provide sufficient oversight? (PROD 3.3.26-28R)	
8	Is a process in place to provide feedback to the manufacturer on product sales and reviews undertaken? (PROD 3.3.30R)	
9	Where the distribution of a product is to another distributor, are the responsibilities in this chain understood and documented? (PROD 3.3.32-33R)	