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FCA’s ‘Co-Manufacturer’ Classification and Its Impact on Financial Services

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In the evolving landscape of financial services, there have been reports that the Financial Conduct Authority (FCA) has recently classified FNZ, a prominent wealth management platform provider, as a 'co-manufacturer' of financial products. This designation carries significant regulatory implications, underscoring the critical role of product governance in ensuring consumer protection and market integrity.

Understanding the 'Co-Manufacturer' Designation

The FCA's Product Intervention and Product Governance Sourcebook (PROD) outlines the responsibilities of firms involved in the creation and distribution of financial products. According to PROD 4.2.13, when multiple firms collaborate in manufacturing an insurance product, they must have a written agreement specifying their collaboration to comply with the requirements for manufacturers, including procedures for identifying the target market and their respective roles in the product approval process.

By classifying FNZ as a co-manufacturer, the FCA emphasizes that firms providing platform services are not merely facilitators but active participants in product development. This classification holds FNZ accountable for ensuring that products are designed to meet the needs, objectives, and characteristics of the identified target market.

Implications for FNZ and the Industry

This regulatory stance has several implications:

1. **Enhanced Accountability:** FNZ must now ensure that its platform services align with the FCA's product governance requirements, including conducting thorough assessments to confirm that products offer fair value to consumers.
2. **Collaborative Compliance:** FNZ is required to work closely with other manufacturers to establish clear agreements outlining each party's responsibilities

in the product approval process, as stipulated in PROD 4.2.13.

3. **Consumer Protection:** The designation aims to enhance consumer protection by ensuring that all parties involved in product manufacturing are accountable for the product's suitability and value to the target market.

Broader Industry Impact

The FCA's decision serves as is an important development a precedent, signaling to other platform providers and firms involved in the insurance product distribution that they may also be considered co-manufacturers. This underscores the necessity for firms to evaluate their roles in product development and ensure compliance with the FCA's product governance rules.

Conclusion

The FCA's classification of FNZ as a co-manufacturer highlights the evolving regulatory expectations in the financial services sector. It reinforces the importance of robust product governance frameworks to ensure that financial products are designed and distributed in a manner that serves the best interests of consumers. Firms must remain vigilant and proactive in understanding and fulfilling their regulatory obligations to maintain trust and integrity in the market.

For further information, please contact the Proskauer UK Reg team.

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