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MFSA Safeguards Consumers by Ensuring Proper Design and Distribution of Financial Products

The Malta Financial Services Authority (MFSA) has today issued the [fifth Volume](#) of the publication "The Nature and Art of Financial Supervision." This publication, which is part of a series of sector-specific publications from the Authority's Supervision Directorate, focuses on Product Oversight and Governance (POG) Requirements.

The principle behind Product Oversight and Governance is that financial products are designed in such a way as to provide value for customers and to meet their expectations. Investment firms, insurance undertakings and intermediaries, as well as credit and financial institutions, are required to have in place detailed policies and procedures identifying the steps they are taking during the manufacturing and/or distribution process to ensure that their products provide both utility as well as value for money to the end customers.

The publication outlines the findings of a cross-sectoral thematic review carried out by the Authority in the financial services sectors outlined above to assess adherence to the POG requirements applicable to them while setting out the Authority's expectations in this regard. The thematic review provides additional guidance towards consistent standards across sectors. It also strengthens the protection of clients of financial services in Malta by identifying and addressing potential retail conduct failures or mis-selling practices across sectors. Responses received from the self-assessment questionnaires of around 100 regulated entities were analysed and the ongoing practices of 23 entities were reviewed through focused onsite inspections. The Authority identified good practices as well as practices that would need to be improved to ensure that the Conduct of Business Rulebook and European Guidelines on POG are complied with. As outlined in the publication, all regulated entities are expected to come in line with the Authority's recommendations and expectations.

Deputy Head of Conduct Supervision at MFSA, Dr Sarah Pulis, stated that "The design of financial products manufactured by financial services providers and the manner in which such products are distributed have a significant impact on consumer outcomes. Product oversight and governance aims to take into consideration positive consumer outcomes as early as at the design stage of the product. That is why it is very important that financial service providers ensure that they have in place detailed policies and procedures with respect to product manufacture and distribution."

MFSA Chief Officer Supervision and Chief Executive Officer ad interim, Dr Christopher P. Buttigieg added that "Good Product Oversight Governance reduces the risk of consumer detriment as financial products are manufactured with the end consumer's needs and expectations in mind. The Authority plans to carry out further supervisory work in this area in the future as part of the Authority's responsibility to ensure consumer protection and safeguard consumer rights."

The document is publicly [available](#) on the MFSA website.

About MFSA

The Malta Financial Services Authority (MFSA) is the single regulator of financial services in Malta, covering banks, insurance companies, investment services, trusts and pensions. In 2018, the MFSA became the first European regulator to develop a framework to regulate virtual financial assets. The MFSA's mission, as enshrined in its Vision 2021, is to enhance its position as an independent, proactive and trustworthy supervisory authority with the main purpose of safeguarding the integrity of markets and maintaining stability within the financial sector, for the benefit and protection of consumers. The MFSA licenses over 2,000 entities to operate in the financial services sector.



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