

# Product governance

## AJ Bell Investcentre platform

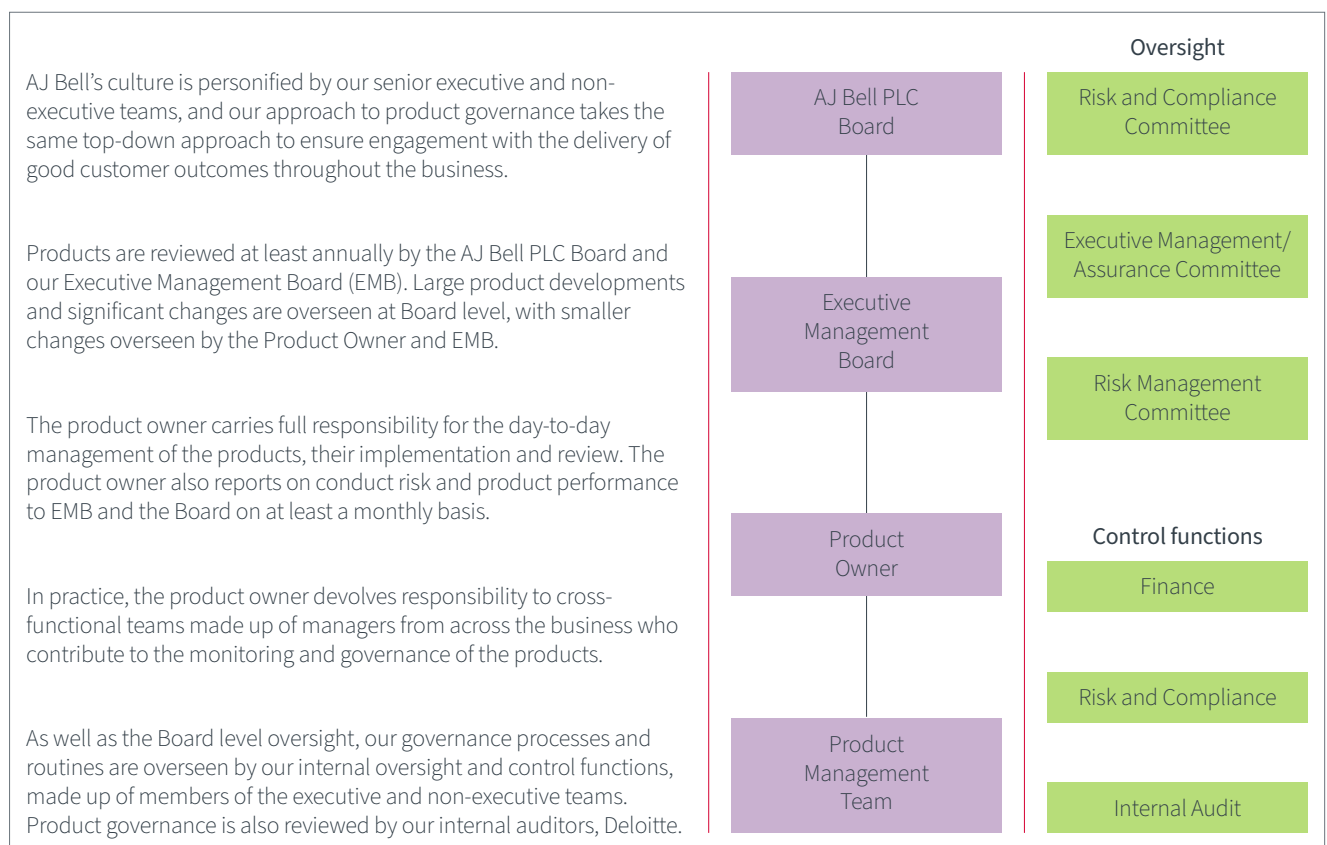
Amongst a cacophony of regulatory change, 2018 brought a new rule book from the FCA on Product Governance and Product Intervention. Whilst it has provided a golden opportunity for industry commentators, and filled more than its fair share of column inches, PROD's real purpose is to protect the end customer by ensuring that the manufacturers and distributors of financial products have appropriate systems and controls in place to deliver effective product oversight and governance.

What, on first look, appeared to be a new rule book for us to adhere to, has turned out to be quite an affirming and positive read. It was with no small measure of relief, and a degree of comfort, that we realised that our current product governance and product management processes already complied with the new rules and guidance. While there are new formats for providing information about our own investment solutions and more data needed for the financial products we distribute via our Funds & Shares Service, our product management philosophy was already aligned with the new regulatory expectations.

Our product governance framework dictates how we manage all of our products through their lifecycles and mitigate the risk of poor customer outcomes. In simple terms, the product governance framework allows us to:

1. identify the appropriate target markets for our products
2. design and build products that meet the needs of customers in those target markets
3. ensure that the products are distributed to customers in the target markets
4. measure the performance of our products to ensure that they continue to meet the needs of the target customers

To achieve all this, the product governance framework defines processes and routines that help us design products and monitor them. This includes oversight from our Board and Executive Management Board, as well as our Risk and Compliance functions and our internal auditors, Deloitte.



Each of our products has a member of the Executive Management Board assigned as the product owner. The product owner takes ultimate responsibility for implementing the product governance framework, including establishing and overseeing a product management team, with members drawn from management within different areas of the business.

The product owner also leads key strategic decisions for the product, including pricing, marketing, business development, product developments and enhancements.

## PROD in practice

Hopefully, all of the information on our processes is reassuring, but you might ask “so what?” In practice, our governance routines allow us to clearly outline the target market for our products and also explain how our product design and distribution processes deliver the products to those customers.

In simple terms, the wrappers we provide (SIPPs, Retirement Investment Accounts, ISAs and GIAs) are suitable for the mass retail market. Our products are designed for customers who seek and maintain a relationship with a financial adviser, which is why our only distribution channel for AJ Bell Investcentre is UK regulated financial advisers.

However, it's not quite that straightforward. Like a lot of advisers, we segment our target customer base to ensure that we are providing the products and services that meet their specific needs. The table below outlines the characteristics of customers who form the core of the target market for our products and services:

Segment	Characteristics/needs	Products and features	Investment solutions
Inheritors and young accumulators	Younger savers, including the children and grandchildren of other customers	Junior SIPPs and Junior ISAs Bare trust GIAs Lifetime ISAs SIPP inheritors – full range of beneficiary and successor options Ad hoc and regular payment-in options for all wrappers Automated regular investment	AJ Bell Funds AJ Bell Investcentre Managed Portfolio Service – Growth portfolios Range of appropriate solutions offered via the Funds & Shares Service
Accumulators and consolidators	Affluent and high net worth individuals looking to consolidate existing savings and continue to invest new money towards their savings goals	SIPPs Retirement Investment Accounts ISAs Lifetime ISAs GIAs Ad hoc and regular payment-in options for all wrappers Automated regular investment	AJ Bell Funds AJ Bell Investcentre Managed Portfolio Service – Growth and income Range of appropriate solutions offered via the Funds & Shares Service
Approaching and at retirement	Affluent and high net worth individuals consolidating assets and looking to draw lump sums and income from their investments	SIPPs Retirement Investment Accounts ISAs GIAs Offshore bonds Full range of pension freedoms for SIPPs and Retirement Investment Accounts. Regular, ad hoc and natural income options from ISAs and GIAs	AJ Bell Funds AJ Bell Investcentre Managed Portfolio Service AJ Bell Investcentre Managed Portfolio Service – Growth and income portfolios Range of appropriate solutions offered via the Funds & Shares Service

Segment	Characteristics/needs	Products and features	Investment solutions
Outliers	Corporates, trusts, offshore bonds and appointed representatives (attorneys etc.)	GIAs for non-legal entities Facilitate management of accounts by properly appointed attorneys and deputies	AJ Bell Funds AJ Bell Investcentre Managed Portfolio Service AJ Bell Investcentre Managed Portfolio Service – Growth and income portfolios

In common with most providers, pricing forms a key part of our distribution strategy. Our pricing is designed to ensure that customers pay for the functionality they access, and do not subsidise functionality they have no cause to use.

Given the range of investment options and flexibility provided by our SIPP, there is no identified negative target market for this product. Our other pension product - the Retirement Investment Account, as well as our ISA and GIA wrappers, however, are not targeted at customers intending to hold a significant proportion of their assets in cash for the long term.

## Distribution of financial products

In simple terms, the tax wrappers we provide (SIPPs, Retirement Investment Accounts, ISAs and GIAs) are suitable for various customer segments across the mass retail market. However, we also consider the onward use of these wrappers and the investments available within them to make sure that customers have access to solutions that are appropriate to their needs, and that do not expose them to excessive risk or unnecessary complexity.

Through our Funds & Shares Service, AJ Bell is also a distributor of other manufacturers' financial products, including funds, investment trusts and ETFs. As a distributor we pass on information on the financial products available through the Funds & Shares Service via our Research Centre. Under the 'Target Market' tab for each product you can find details of the proposed target market and details of the objectives and levels of risk within the product. This information provides you with a valuable resource so that you can easily assess how well an individual fund, or selection of products, meets your client's objectives, and ensure that the stated target market is a good fit for the client's characteristics and needs.

It is worth pointing out that, where a product can only be sold to professional investors, or where it is subject to appropriateness checks, we will restrict purchases into it subject to further validation of the investor.

As a distributor we will inform the manufacturer of the product about any sales outside of the stated target market or into any defined negative target market. As part of this reporting it may be appropriate for us to provide the manufacturer with details of any onward distributor, including financial advisers.

As stated earlier, all of this is carried out to protect the customer. If your own due diligence process does not collect this type of information about how the platforms you use handle product governance, it may be something that you should revisit.

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