

A low-angle photograph of a person on the deck of a sailboat, looking up at the mast and sails. The person is wearing a blue t-shirt and patterned shorts. The sailboat is white with blue accents. The background shows a clear blue sky and the ocean.

Product Governance:

Aligning innovation,
ethics and
accountability

Balancing Compliance,
Consumer Protection
and Business Growth

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Effective Product Governance helps companies to navigate the complexities of bringing products to market while maintaining compliance, minimising risks, ensuring quality and satisfying customers.

Source: FCA's Insurance Multi-firm review,
June 2024

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Product governance has become a central pillar of regulatory frameworks in the UK and EU financial markets. Both the FCA's PROD rules and the EU's MiFID II product governance requirements demand that firms take a structured, risk-based approach to product development, distribution and ongoing insight. Yet, firms continue to face challenges in embedding robust governance frameworks that strike a balance between compliance, commercial viability, and customer-centricity.

With increasing regulatory scrutiny and rising expectations around consumer duty, ESG and digital innovation, financial institutions must rethink how they design, approve and monitor their products. This paper explores the evolving landscape, key regulatory expectations and practical strategies for firms to enhance their product governance frameworks effectively.

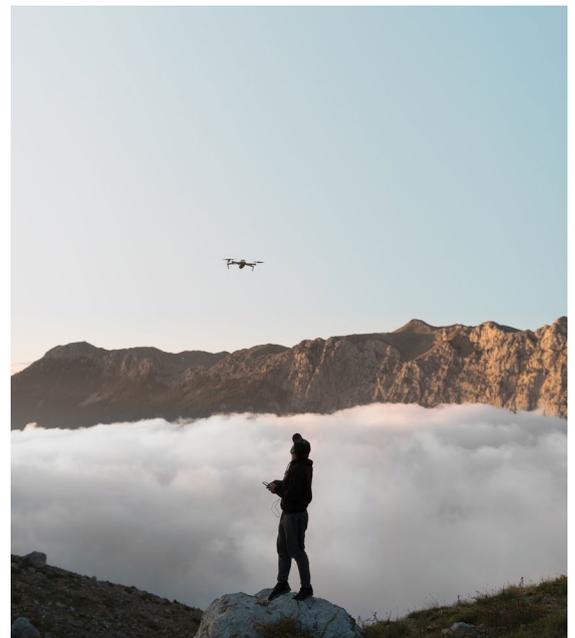
1. The Regulatory Landscape: Where are we now?

UK: FCA's Product Governance Rules (PROD) & Consumer Duty

The FCA's PROD rules, introduced under MiFID II, mandate firms to ensure that financial products are designed, distributed, and reviewed with a clear focus on customer needs. With the advent of the Consumer Duty, the FCA set a higher standard of consumer protection, requiring firms to deliver good outcomes for retail customers.

Key expectations include:

- Robust product design: identifying target markets, stress-testing for risk, and preventing foreseeable harm
- Fair value assessments: ensuring products offer fair pricing and benefits for end customers
- Ongoing monitoring: regularly reviewing products post-launch to assess their continued suitability.



EU: MiFID II and the Revised Product Governance Framework

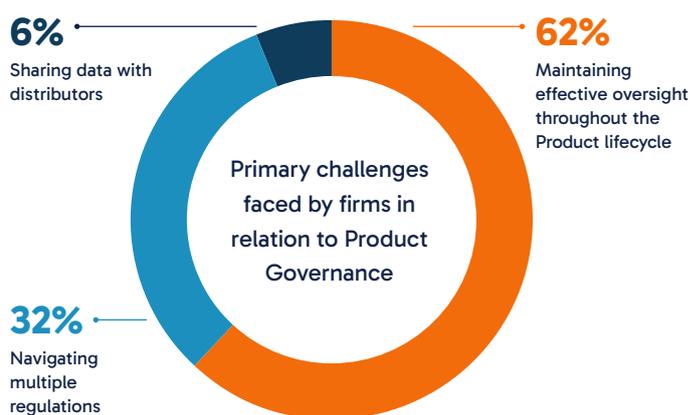
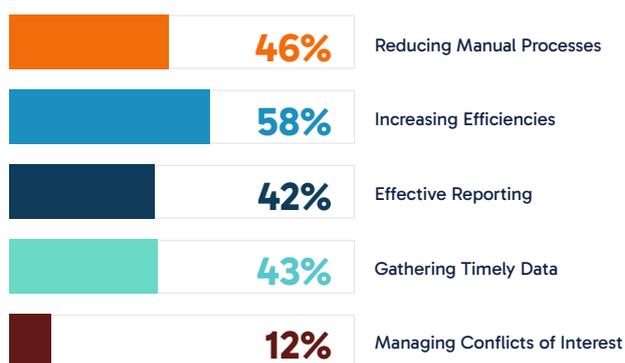
The European Securities and Markets Authority (ESMA) enforces similar governance principles under MiFID II with a renewed focus on:

- Product suitability and target market definition
- Sustainability disclosures (SFDR and ESG)
- Greater accountability for manufacturers and distributors

New proposals under the Retail Investment Strategy (RIS) may tighten rules further, particularly around complex product oversight and distributor obligations.

The challenge for firms operating across jurisdictions is aligning their governance frameworks with both UK and EU expectations while maintaining commercial agility.

Top priorities to improve Product Governance frameworks



2. Key challenges facing firms

Despite clear regulatory expectations, many financial institutions struggle with implementation gaps, including:

Defining target markets effectively

- Many firms still take a broad-brush approach to target market definition, failing to segment customers based on real-world usage, risk appetite and financial literacy. This increases the risk of products being mis-sold or failing fair value assessments.

Inconsistent product approval processes

- Regulators expect a structured governance process, yet many firms rely on manual, fragmented workflows that lack proper oversight. Without standardised decision-making criteria, firms risk approving products that lack alignment with regulatory expectations or their own risk appetite.

Ongoing monitoring & data challenges

- A one-time compliance tick-box is not enough. The FCA and ESMA require firms to track product performance over time, yet many lack the data infrastructure to monitor:
 - Product take-up vs target market assumptions
 - Consumer complaints & claims trends
 - Distributor adherence to intended sales strategy

ESG & sustainability considerations

- With SFDR in the EU and increasing ESG scrutiny in the UK, firms must integrate sustainability factors into product design and governance. Many struggle to balance commercial demand for ESG-labelled products with regulatory greenwashing concerns.

3. Building a best practice product governance framework

To meet regulatory expectations while driving business value, firms must embed a holistic, technology-driven approach to product governance.

B

Automate product lifecycle management

RegTech solutions can streamline governance by:

- Digitising product approval workflows
- Automating fair value assessments using real-time data
- Providing centralised audit trails for regulatory reporting

D

Leverage data-driven monitoring & consumer insights

Firms must move beyond static target market assumptions by using:

- Customer outcome monitoring – tracking real-world usage vs expected benefits
- Complaints analysis – identifying emerging risks early
- Behavioural analytics – understanding how different customer groups engage with products

A

Implement a centralised product oversight committee

A dedicated Product Governance Committee should oversee the entire lifecycle, ensuring:

- Clear documentation of product approval
- Independent challenge and risk assessments
- Integration of consumer duty and ESG factors

C

Strengthen distributor oversight and monitoring

Manufacturers must go beyond contractual obligations and implement real-time oversight mechanisms to ensure distributors sell products as intended. This includes:

- Conducting mystery shopping and distributor audits
- Implementing AI-driven analytics to detect mis-selling patterns
- Strengthening feedback loops with distributors

E

Embed ESG & Sustainability in product governance

With regulatory pressure on greenwashing, firms should

- Ensure clear, evidence-based sustainability claims
- Align product governance with TCFD, SFDR and ESG disclosure frameworks
- Integrate climate and social risk factors into product suitability assessments





4. The future of product governance: What's next?

- Stronger enforcement – expect increased FCA and ESMA scrutiny of fair value, ESG claims and consumer outcomes.

- More granular regulatory expectations – UK and EU firms will need to refine product oversight to avoid mis-selling risks

- Greater role of technology – AI & automation will play a critical role in ongoing product suitability and compliance monitoring

To stay ahead, firms must treat product governance as a strategic advantage – not just a regulatory requirement.

Summary: The path to Proactive Product Governance

The regulatory direction is clear: Firms must design, approve and monitor financial products with consumer outcomes at the core. Those that take proactive, technology-driven approaches will not only avoid compliance pitfalls but also build trust, customer loyalty, and long-term competitive advantage.

Does your firm's product governance framework meet evolving UK and EU expectations?

Are your oversight processes efficient, data driven and scalable?

Are you leveraging RegTech to enhance compliance and mitigate risks?

Now is the time to assess, refine and future-proof your product governance strategy.

Ruleguard's Product Governance Solution:

Ruleguard enables firms to effortlessly oversee and monitor the lifecycle of financial products, gathering ongoing assurance for evidencing compliance. Explore the benefits of our Product Governance solution benefits.

Implement a fully configurable workflow, collaboration and document management repository to govern and monitor the lifecycle of financial products – from initial design and approval to distribution and marketing. Ruleguard helps you ensure compliance with the FCA's product governance rules.



Why Ruleguard?

Ruleguard is an industry-leading software platform designed to help regulated firms manage the burden of evidencing and monitoring compliance. It has a range of tools to help firms fulfil their obligations across the UK, Europe, North America and APAC regions.

Ruleguard is designed to help regulated firms manage the burden of evidencing and monitoring compliance. The solution is made up of several core modules which can be deployed to provide:

- Automation and reduction of compliance risk at different points in the compliance journey
- A holistic platform which delivers end-to-end benefits at every level of a regulated financial services firm.

With Ruleguard, key areas of compliance can be automated and put under direct review by appropriate individuals across the business. This means that monitoring can be embedded directly into business-as-usual processes, vastly simplifying the process and significantly reducing the overhead required to carry it out.

Evidence and approvals are gathered in real time, with responsible individuals signing off attestations within a framework designed for your firm. Documentation reviews and updates are managed automatically. Key compliance workflows can be designed directly within the solution, ensuring that MI outputs are available which directly provide stakeholders with an up-to-the minute overview of compliance results.

About Ruleguard:

Ruleguard started out in 2013 as a software 'design and build' agency that specialised in financial services projects, particularly those with a unique requirement for data and functionality that was far from being available 'off the shelf'.

Fast-forward to 2025 and we have established Ruleguard as one of the foremost offerings in the RegTech space, providing genuine compliance oversight to some of the largest and most complex financial institutions globally.

Ruleguard now serves over 50 clients, with recurring revenues over £2.7M and high double-digit growth year-on-year. Our client list includes leading asset managers, wealth managers, brokers, insurance firms and banks such as Computershare, Cazenove Capital, FNZ, Quilter Cheviot, Santander, True Potential, Rathbones, Royal London, and Waystone.

Most importantly, we continue to work closely with our clients to identify the most painful aspects of compliance oversight and strive to build our platform to improve that governance with increased efficiency and reduced cost.

Why not get in touch?

Contact the Ruleguard team on

 **0800 408 3845** or

 **hello@ruleguard.com.**

Visit our website to find out more about how Ruleguard can help:

 **<https://www.ruleguard.com/solutions/product-governance-solution>**

Foster proactive product governance within your firm

Take control of your product governance with Ruleguard's end-to-end solution, designed to help you evidence compliance, mitigate risk, and ensure full accountability at every stage of the product lifecycle.

Book a discovery call to see how you can reduce manual effort, accelerate approvals, and confidently meet regulatory expectations.

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