

In case of discrepancies between the French and the English text, the French text shall prevail.

Luxembourg, 11 June 2018

To all the entities subject to the supervision of the CSSF and which act as manufacturers or distributors of retail banking products

**CIRCULAR CSSF 18/692**

**Re: Details regarding the guidelines of the European Banking Authority on product oversight and governance arrangements for retail banking products (EBA/GL/2015/18)**

Ladies and Gentlemen,

The purpose of this circular is to specify the guidelines of the European Banking Authority (EBA) on product oversight and governance arrangements for retail banking products, which entered into force on 3 January 2017 (the “Guidelines”) and with which the CSSF intends to comply.

The Guidelines deal with the establishment of product oversight and governance arrangements for manufacturers and distributors<sup>1</sup> as an integral part of the general organisational requirements linked to internal control systems of these firms. The Guidelines refer to internal processes, functions and strategies aimed at designing products, bringing them to the market and reviewing them over their life cycle. They establish procedures relevant for ensuring the interests, objectives and characteristics of the target market are met. However, the Guidelines do not deal with the suitability of products for individual consumers.

This circular applies to all the entities subject to the supervision of the CSSF and which act as manufacturers or distributors of retail banking products offered and sold to consumers. It applies in particular to:

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<sup>1</sup> Please refer to the definitions of “products”, “manufacturers” and “distributors” as provided for in the Guidelines.

- Luxembourg credit institutions and Luxembourg branches of credit institutions having their registered office in a EU-country or in a third country;
- Luxembourg CRR investment firms and Luxembourg branches of CRR investment firms having their registered office in a EU-country or in a third country;
- Luxembourg payment institutions and Luxembourg branches of payment institutions having their registered office in a EU-country or in a third country;
- Luxembourg electronic money institutions and Luxembourg branches of electronic money institutions having their registered office in a EU-country or in a third country;
- Luxembourg lenders and Luxembourg mortgage credit intermediaries<sup>2</sup>.

Entities acting as manufacturers shall do their utmost to comply with the Guidelines, and, in accordance with paragraph 14 of the Guidelines, shall ensure that their distributors comply with them.

The Guidelines apply to all retail banking products brought to the market after the implementation date of the Guidelines as well as to all existing products on the market that are significantly changed after the implementation date of the Guidelines.

The Guidelines specify the product oversight and governance arrangements for manufacturers concerning:

- the establishment, proportionality, review and documentation;
- the manufacturer's internal control functions;
- the target market;
- product testing;
- product monitoring;
- remedial action;
- distribution channels;
- information for distributors.

Furthermore, the Guidelines specify the product oversight and governance arrangements for distributors concerning:

- the establishment, proportionality, review and documentation;
- distributor's governance;
- knowledge of the target market;
- information and support for the manufacturer's arrangements.

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<sup>2</sup> Within the meaning of the Law of 23 December 2016, 1. transposing Directive 2014/17/EU of the European Parliament and of the Council of 4 February 2014 on credit agreements for consumers relating to residential immovable property and amending Directives 2008/48/EC and 2013/36/EU and Regulation (EU) No 1093/2010; and 2. amending the Consumer Code.

This circular should be read together with:

- Circular CSSF 12/552 on the central administration, internal governance and risk management, insofar as it applies to the entity concerned; and
- Circular CSSF 17/651 on the Law of 23 December 2016, 1. transposing Directive 2014/17/EU of the European Parliament and of the Council of 4 February 2014 on credit agreements for consumers relating to residential immovable property and amending Directives 2008/48/EC and 2013/36/EU and Regulation (EU) No 1093/2010; and 2. amending the Consumer Code.

This circular applies with immediate effect.

The Guidelines are available on the EBA's website:

<https://www.eba.europa.eu/documents/10180/1141044/EBA-GL-2015-18+Guidelines+on+product+oversight+and+governance.pdf/a114bf1f-14c7-40d4-9018-97c14b2a0052>

Yours faithfully,

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