

Financial Promotion Rules for High-Risk Investments

With just 1 month to go before the **Financial Promotion rules** come into effect from 1 December 2022, firms should be well under way with their preparations to comply with the new rules.

What are the new financial promotion rules?

The FCA has published its final rules on the promotion of high-risk investment to retail clients (**PS22/10**). This will impact firms promoting high-risk investments such as non-readily realisable securities (e.g., unlisted shares, bonds) or non-mainstream pooled investments (e.g., units in an unregulated CIS, units in a Qualified investment scheme) to retail clients. Retail clients include high net-worth, self-certified sophisticated, certified sophisticated and restricted investors.

Firms are required to introduce 'positive friction' in the customer journey by allowing the customer to think before they invest. This must be in the form of personalised risk warnings with a 2 min "learn more" link to educational material based on the product promoted, a 24hr cooling off period and either an appropriateness or preliminary suitability assessment depending on the product type. Other requirements include record keeping and rules for firms that approve financial promotions for unregulated firms.

Implementation Deadlines

These financial promotion rules will come into effect in 2 stages:

1 December 2022	Firms need to ensure that any promotion of high-risk investment should have a risk warning with a link to the 2 min "learn more" tutorial.
1 February 2023	Firms are required to update their appropriateness and or/preliminary suitability assessment, introduce positive frictions and personalised risk warnings, make use of revised investor certificates, adhere to record keeping requirements and new requirements apply to firms that approve financial promotions (s21 approvers).

What actions firms be taking to comply with the new rules?

Firms should be reviewing their financial promotion materials, including the firm website and other investment material such as offering or investment memorandum. Firms should also be assessing their customer journey including the customer onboarding process.

How can Newgate assist?

Newgate has introduced a Readiness Assessment which will produce a gap analysis of the new requirements against your firm's existing processes. We have developed training suitable for your team, and can provide updated policies, procedures and appropriateness assessments in compliance with the new rules. We can also review your financial promotion materials and update it in line with the new risk warning requirements, as well as suggest enhancements to your customer journey process and onboarding documentation such as the appropriateness assessment.

Book a Readiness Assessment with us today!



Matthew Hazell

Managing Director

E matthewhazell@newgatecompliance.com

T +44 (0) 20 3696 8753



Traci Pham

Managing Director

E tracipham@newgatecompliance.com

T +44 (0) 20 3696 8759



Abdul Motobbir

Consultant

E abdulmotobbir@newgatecompliance.com

T +44 (0) 20 3696 8745

 +44 (0)20 3696 8750

 info@newgatecompliance.com

 newgatecompliance.com

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Newgate has an unrivalled combination of experienced professionals, many of whom are ex-regulators.

Our customer focused approach seeks to provide appropriate, pragmatic and flexible solutions to our clients helping them to meet both the regulator's rules but also the spirit, principles and culture of the regulatory regime.

We look to build long-term relationships with our customers helping to encourage business growth, productivity and innovation. Our proactive approach is tailored to each customer's needs changing to meet those needs as the customer progresses and develops.

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NOVEMBER 2022

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