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Strengthening of Financial Promotion Rules

Of particular interest to: firms that market high-risk investments and to those that approve financial promotions

In brief

The FCA is rationalising the way it classifies high risk investments and in addition to 'Readily Realisable Securities' (**RRS**) it will introduce the concepts of a 'Restricted Mass Market Investment' (**RMMI**) categorisation and a 'Non-Mass Market Investment' (**NMMI**) categorisation.

Summary

Firms have told the FCA that the existing marketing restrictions are difficult to navigate and that it is sometimes challenging to understand what restrictions apply.

The definition of **RRS** is fairly straightforward and already appears in the Handbook Glossary and includes the likes of government bonds and listed securities.

Currently COBS 4.7 addresses the financial promotion of **non-readily realisable securities (NRRS)** - a definition which includes 'a security which is not a readily realisable security' – see 'Useful Links') e.g. unlisted securities or P2P agreement whilst COBS 4.12 concerns the marketing of non-mainstream pooled investments (**NMPI**) e.g. an unregulated collective investment scheme or a mini-bond (however note that the definitions of both NRRS and RRS will be tweaked in February next year - see Part 2 of Annex A in Appendix 1 of the below mentioned Policy Statement PS22/10).

In light of the feedback received the FCA proposes to rationalise the rules in COBS 4 under the terms 'RMMI' and 'NMMI'. The graphic on page 12 of **PS22/10** – 'Strengthening our financial promotion rules for high-risk investments and firms approving financial promotions' - usefully illustrates this approach as it flows from RRS (no marketing restrictions) through RMMI (Mass marketing allowed to retail investors subject to certain restrictions – COBS 4.12A) to NMMI (Mass marketing banned to retail investors – COBS 4.12B).

The new rules include the need for a **cooling off period** (COBS 4.12A.18/COBS 4.12B.15) and for the issuance of **personalised risk warnings** (COBS 4.12A.20/COBS 4.12B.14).

Annex 2 of PS22/10 provides Guidance to firms approving financial promotions. 'Approving' in this context refers to the approval by an authorised firm of financial promotions communicated by non-authorised

- that person is an authorised person; or
- the content of the promotion has been approved by an authorised person

The rules, which can be found in Appendix 1 of PS22/10, will apply in **two** tranches:

- **1 December 2022** (some Glossary definitions and certain amendments to COBS – chiefly prescriptive risk warnings) and
- **1 February 2023** (remaining Glossary definitions, final amendments to COBS and to other relevant sourcebooks).

Useful Links

[PS22/10](#)

[Current Handbook Definition: Non-readily realisable security](#)

[Current Handbook Definition: Readily realisable security](#)

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Our mailing address is:

Terminal House, 1st Floor, 52 Grosvenor Gardens, Belgravia, London SW1W 0AU