zeyro

The Guide to: FCA Requirements for Risk Disclosures

Risk Warnings, Risk Summaries, and Timestamps.

Under FCA regulations, financial promotions must provide clear, prominent, and effective risk disclosures. These include Risk Warnings, Risk Summaries, and Timestamps, ensuring consumers can make informed decisions about financial products & services.

Risk Warnings

isk Warnings are mandatory statements designed to highlight key risks associated with financial products. To comply with FCA regulations, risk warnings must be:

- Prominent: Clearly displayed and not overshadowed by promotional content.
- Concise: Avoiding excessive detail while effectively communicating key risks.
- Consistent: Using FCA-prescribed wording where required.

For example, investment promotions often require risk warnings such as:

> ”Don’t invest unless you’re prepared to lose all the money you invest. This is a high-risk investment and you should not expect to be protected if something goes wrong.”

Placement

- Ensure this warning is placed prominently within all promotional materials, including web pages, emails, and brochures. For digital formats, the risk warning must be statistically fixed and visibly on the screen, taking into account size and orientation.

- When the promotion is through a website, mobile app, or other digital mediums, you’ll need to include a hyperlink following the risk warning with text like: “Take 2 mins to learn more”. This link leads to the relevant risk summary (something we’ll cover next).

Design and Visibility:

- The risk warning must be clearly legible and contained to its own border, using **bold** and underlined text where indicated. Ensure that no design feature reduces its prominence, such as using small font sizes, low contrast colours, or placing the warning at the bottom of the promotion.

Risk Summary

Risk Summaries provide a more detailed overview of the key risks associated with a financial product or service. Unlike risk warnings, they offer additional context and explanation. Risk Summaries should:

- Clearly outline the likelihood and impact of potential risks.
- Be proportionate to the complexity and risk level of the product.
- Use plain, accessible language suitable for the target audience.

Each risk warning for cryptoassets must include a link labeled, that activates a pop-up box or an equivalent feature (this could be a link to a WordPress/Zendesk blog page, or a separate page on your domain) that delivers the appropriate risk summary.

An Example of a Risk Summary

Due to the potential for losses, the Financial Conduct Authority (FCA) considers this investment to be high risk.

1. You could lose all the money you invest

- The performance of most cryptoassets can be highly volatile, with their value dropping as quickly as it can rise. You should be prepared to lose all the money you invest in cryptoassets.

2. You should not expect to be protected if something goes wrong

- The Financial Services Compensation Scheme (FSCS) doesn't protect this type of investment because it's not a 'specified investment' under the UK regulatory regime. Learn more by using the FSCS investment protection checker here: FSCS Protection Checker.

3. You may not be able to sell your investment when you want to

- There is no guarantee that investments in cryptoassets can be easily sold at any given time. The ability to sell a cryptoasset depends on supply and demand in the market at that time.

4. Cryptoasset investments can be complex

- Investments in cryptoassets can be complex, making it difficult to understand the risks associated with the investment. You should do your own research before investing.

5. Don't put all your eggs in one basket

- Putting all your money into a single type of investment is risky. Spreading your money across different investments makes you less dependent on any one to do well. A good rule of thumb is not to invest more than 10% of your money in high-risk investments.

Visit the FCA website for more information: FCA Cryptoasset Basics.

Approver Timestamps

Timestamps are an important part of compliance, documenting the approval process and ensuring proper monitoring. Let's look at this in closer detail.

Documentation of Approval

- **Documentation:** Each financial promotion must include the name and timestamp of the internal approver who reviewed and approved it.

- **Standard Format:** At Englebert, we apply the following format with our clients to maintain consistency:

"This Financial Promotion has been approved by Englebert Ltd on xx/xx/xxxx."

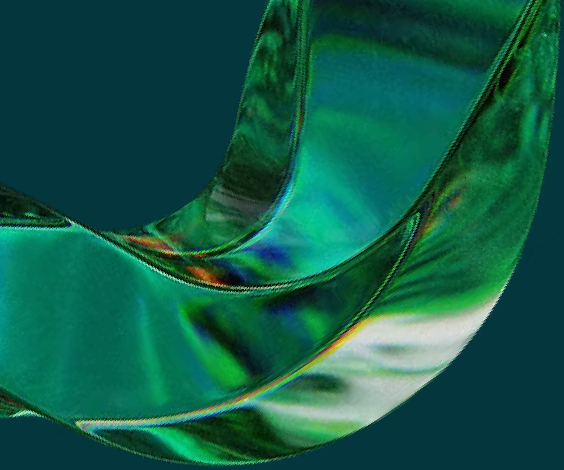
- Audit Trail: Maintain a comprehensive log of all promotions, including approval records, issuance dates, and approver details to ensure regulatory compliance and ease of retrieval.

Compliance and Monitoring

- **Review Process:** Regularly audit financial promotions to ensure risk warnings and summaries comply with FCA guidelines and meet the required design and accessibility standards.

Record-Keeping

- **Record-Keeping:** Ensure all communications, approvals, and updates are recorded in a durable medium, as required by the FCA's risk warning and summary regulations.



Zeyro