

FCA retail protection: speculative illiquid securities

In December 2020, the UK FCA published [Policy Statement PS20/15 High-Risk Investments: Marketing Speculative Illiquid Securities \(including Speculative Mini-Bonds\) to Retail Investors](#), including its finalised rules in this respect ([FCA 2020/74: Conduct of Business \(Speculative Illiquid Securities\) Instrument 2020](#)).

This followed ICMA's [1 October 2020 response](#) to the FCA's preceding [consultation](#) reported in the [2020 Fourth Quarter edition](#) of this Quarterly Report (on page 38).

In the Policy Statement, the FCA addressed the scope issues that ICMA raised relating to the initially proposed rules:

- (a) distinguishing the “syndicated/flow bond markets” and clarifying the meaning of “not regularly traded” – FCA kept the rule drafting unchanged, noting (i) the existence of any market makers as a consideration in the determination of whether a bond is regularly traded; and (ii) the potential for specific waivers where appropriate;
- (b) ensuring consistency in relation to securities “expected to be admitted” to trading – FCA amended the rule drafting to address this issue;
- (c) exempting charity/municipal passthrough funding – FCA kept the rule drafting unchanged, noting (i) such cases may still involve high risk and (ii) the potential for specific waivers where appropriate;
- (d) clarifying incidental/provisional cash “carry” as unaffected – FCA amended the rule drafting to address this issue; and
- (e) avoiding exchange rate risk – FCA kept the rule drafting broadly unchanged, noting the high value exemption threshold is defined as £100,000 in sterling (or its equivalent) even though this differs from the Prospectus Regulation's €100,000 threshold in euro.

Distinctly, ICMA did not respond to the FCA's [September 2020 call for input](#), *The Consumer Investments Market*, given the many other calls on industry during the fourth quarter of 2020.



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