

FINANCIAL PROMOTIONS POLICY

Last Updated – 12th July 2023

What is a Financial Promotion?

The Financial Conduct Authority (FCA) defines a Financial Promotion as, an invitation or inducement to engage in financial activity that is communicated in the course of business.

The essential elements for a financial promotion are;

1. That it must have the purpose or intent of leading a person to engage in financial and be promotional in nature;
2. It must seek or persuade the recipient to engage in financial activity, this is an objective test that should be applied and considered; and
3. Would a reasonable observer, taking account of all the circumstances at the time the communication was made;
 - a. Consider that the communicator intended the communication to persuade or invite the recipient to engage in financial activity or that was its purpose; or
 - b. Regard the communication as seeking to persuade or incite the recipient to engage in financial activity?

A financial promotion is therefore, any communication made to clients or prospective clients that is intended to lead, ultimately, to an agreement to engage in financial activity.

The regulator and current legislation does not define invitation or inducement.

However an invitation is a communication that directly invites a person to take a step that will result in them engaging in financial activity and an inducement is described as a link in a chain where the chain is intended ultimately to lead to an agreement to engage in financial activity.

Communicating with Clients

The FCA's Conduct of Business Sourcebook (COBS) 4 outlines the requirements for promoting financial products and services. A key rule is that a financial promotion must be fair, clear and not misleading.

Financial Promotions can be in real time (i.e communicated now through interactive dialogue) or non-real time and may include:

- Product/Service Brochures, Factsheets, Structured Products Term Sheets;
- Banner advertisements;

- Web links;
- Social networking sites, forums, blogs and iPhone applications;
- General advertising in magazines, newspapers, journals, websites, television and radio;
- Mail shots;
- Performance Tables;
- Decision trees;
- Personal illustrations;
- Communications by employers to their employees;
- Written Correspondence;
- Sales aids; and
- Group/Client Presentations (pictorial or verbal).

This list is not exhaustive; for further guidance please consult the FCA.

A communication that merely informs or educates will not normally be a financial promotion, on the understanding it is not written in a way to induce the recipient of the communication to engage in financial activity with Hilton Suzuki Ltd.

Why do Financial Promotions matter?

Effective advertising encourages customers to find out more about a firm's products and services and may prompt them to buy the product or take up the service. Financial services products can be complex to understand and potential customers rely on financial promotions as their main or sole source of information on which to base their financial decisions.

Promotions that fail to be fair, clear, and not misleading can pose material risk, as they could lead the customer to buy the wrong product, with unfortunate outcomes for all parties.

Specific guidance for social media

All financial promotions must be stand-alone compliant. The FCA is not seeking to discourage firms from promoting their business through these powerful channels or communication which can be of significant value to firms.

An example of a non-promotional Twitter feed, focussing on Hilton Suzuki non-regulated activities may read:

We do more than sell cars at Hilton Suzuki Ltd. We also help in the community with charity work

However, the above example becomes a financial promotion (and therefore subject to the rules) if the second sentence read instead, We also invest in our sales knowledge, to help you get the best deals

Financial promotions for financial products must be identifiable as such. It is important that, for social media in particular, it is clear that a promotion is a promotion. For character-limited media such as Twitter, the use of the hash tag #ad is general acceptable.

Character-limited media poses specific problems in that it takes much creative ingenuity to include prominent risk warnings and get the message across, within 140 characters.

One solution is to tweet a link to Hilton Suzuki Ltd website using encouraging language via signposting (which must also be stand-alone compliant).

In conclusion, all media have their constraints; for example, radio adverts are audio-only, and television advertising, outdoor advertising, digital and print advertising all have different characteristics.

Financial services advertising is no different in that advertisers have to work within the constraints of medium chosen.