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Cancelled in March 2024: Requirements for UK High Net Worth and Self-Certified Investors Changing From 31 January 2024

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This post is an update of a previous post.

On 27 March 2024, government legislation (Financial Services and Markets Act 2000 (Financial Promotion) (Amendment and Transitional Provision) Order 2024 (SI 2024/301), the "**March Order**") came into force to reinstate the eligibility criteria to qualify as a high net worth or self-certified sophisticated investor that had been replaced when new criteria had come into force on 31 January 2024 (please see our previous post here).

The March Order was not consulted on and allows high net worth individuals and self-certified sophisticated investors to meet the eligibility criteria for exemptions for communications under the financial promotions regime at reduced thresholds in comparison to the 31 January 2024 levels:

- ***High net worth individual exemption:*** reduced the financial threshold to be eligible for this exemption to "at least £100,000" of income in the previous financial year from at least £170,000, or to have held net assets (excluding a primary residence or pension) of "at least £250,000" through the previous financial year, revised down from at least £430,000.
- ***Self-certified sophisticated investor exemption:*** reinstated the criterion of having made two or more investments in an unlisted company in the previous two years; and reduces the company turnover required to satisfy the "company director" criterion to £1 million (that is, individuals who have been directors of companies with at least £1 million turnover in the last two years will remain eligible for the self-certified sophisticated investor exemption).

The March Order made these changes by amending the investor statements that investors must complete sign (as a condition of the exemptions).[1] Investor statements that complied with the upper thresholds introduced in January will remain valid until and including 30 January 2025.

Why the u-turn?

The reasoning provided in an explanatory memorandum to the March Order is that there have been significant concerns raised to potential unintended impact of having uplifted thresholds. HM Treasury pointed to technology, angel investing and theatre sectors who raised new concerns about the changed impacting start-up businesses to obtain investment.   However, it could be a "watch this space" as the FCA in its Perimeter Report has indicated that it disagrees with the government's decision, including pointing to the UK's definition of a high net worth investor as an international outlier, with a far lower threshold than in comparable jurisdictions.

View original.

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