

FCA publishes speech on MAR implementation in the UK

Julia Hogett, (Director of Market Oversight at the FCA) has delivered a speech setting out the FCA's views on the implementation of the Market Abuse Regulation (MAR) in the UK.

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On 13 February 2019, the FCA published a speech entitled, "Market abuse requires a dynamic response to a changing risk profile". In it, Ms Hoggett outlined areas where the FCA believes implementation of MAR could be modified or improved. She also emphasised that a regulatory system in which there is a deeply embedded understanding of the risks associated with market abuse is likely to be better than one in which the emphasis is placed on enforcing post hoc controls.

The following were also highlighted as issues that require attention from firms:

Control of information leaving a firm is as important as control of information moving within a firm

Firms should actively consider how information can be leaked outside of their firm as well as monitoring internal market abuse, and increase surveillance where necessary.

Firms should ensure that staff are aware of the risks associated with market abuse

All staff should be educated on the danger of using sensitive information for their own personal gain. This obligation also extends to staff in very senior positions who are more likely to come into contact with purveyors of sensitive information such as institutional investors and journalists.

Firms should not assume that if someone has access to information, they will continue to act legitimately with it

Firms should review who has permission to access inside information and whether this access is ongoing or time-limited. This would include monitoring who has access to sensitive information outside specific deal teams. The FCA believes this type of critical thinking about access to inside information will improve the quality of access controls, surveillance capabilities and general mindset available to firms.

STOR Statistics

The speech also referenced new [STOR data](#), published on the 13 February 2019. The figures show that 2018 was a record year with a total of 5,926 suspicious transaction reports being submitted to the FCA in 2018 (an 8% increase on the previous year). In her speech, Ms Hoggett notes that, while there has been an increase in fixed income reporting, there is still a pronounced bias in favour of equity-related STORs, and within that towards reporting insider dealing rather than market manipulation. The data therefore suggests that firms that regularly deal in fixed income and commodities need to improve their identification and reporting of suspicious activity.

Future developments

The speech also underlined how new forms of data and technology have the capacity to be market moving and are therefore capable of being used as inside information. 75% of proprietary trading decisions on the FTSE 100 in equities are currently triggered by algorithms. Unconstrained AI could potentially deem it rational in some circumstances to carry out market manipulation, therefore leaving the people responsible for governance over the AI system open to prosecution.

The full text of the speech can be found [here](#).

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