

Market Watch

Markets Division: Newsletter on Market Conduct and Transaction Reporting Issues

Issue No.29

October 2008



If you wish to join our email list to receive future editions, please contact us on market.watch@fsa.gov.uk. You can also find issues on our website at www.fsa.gov.uk/Pages/About/What/financial_crime/market_abuse/index.shtml

Contents

- Unauthorised trading at Société Générale: update
- Market abuse controls: follow-up visits to hedge fund managers
- Alternative Instrument Identifier (AII): update
- Transaction reporting requirements

Unauthorised trading at Société Générale: update

In Market Watch 25 (http://www.fsa.gov.uk/pubs/newsletters/mw_newsletter25.pdf) issued in March 2008, we focused on our response to the 'rogue trader' incident which Société Générale (SG) had identified in January. Following SG's announcement on 24 January we spoke informally to firms in London about their own reviews of the systems and controls necessary to deter unauthorised trading, to detect it promptly if it is occurring and to take appropriate corrective action. As a result we raised a series of questions under the following headings.

- Front office culture and governance
- Trading mandates and limits
- Control functions: culture and challenge
- Risk management and limits
- Management information
- Off-market rates
- P&L attribution
- Reconciliations
- Confirmations
- Margining, collateralisation and cash management
- Segregation of duties and IT security

This is not FSA guidance.

This article highlights the key issues as the firms saw them in the course of their reviews. It is clear that in many cases the initiatives undertaken by firms are a ‘work in progress’ and will be part of a process of continuous improvement in their trading systems and controls to keep pace with business expansion and innovation. We have also provided some additional detail on ways in which firms might reduce the time taken to identify abnormal trading, and this is set out under: What more can firms do?

Key findings

Overall, very few firms needed our prompting and most had already launched their own reviews, which was reassuring. It was also encouraging that the majority of firms have not found extensive control failures, although most identified areas where they could improve or add to their controls. Some of the UK entities of these firms had not initially been involved in the work that was determined by their Head Office, but they subsequently followed suit.

It is also worth noting that similar issues have since been raised by a number of non-bank firms and the original questions may therefore also be relevant to them.

The three most common factors identified by firms as potential gaps in their risk management concerned mandatory vacations for traders, IT access and ‘cancel and correct’ trades. In relation to each of these factors, firms reported as follows.

Mandatory vacation

There is:

- no single, consistent (global) vacation policy in place, although several firms are now implementing them for varying minimum periods;
- weakness in monitoring the firm’s policy where a policy exists;
- a lack of enforcement of the policy and breaches;
- a question of site access (and remote IT access) during holidays; and
- a suggestion of the use of a two-week ‘virtual vacation’ where the trader’s book is marked by another individual.

IT access

Firms have:

- increased monitoring of data security around back office and independent risk management systems;
- enhanced control of individual access rights to prevent inappropriate access, particularly when moving between roles, such as back office to front office. Some firms are now treating internal movers as ‘leavers’ and ‘new joiners’ (i.e. they terminate all rights except email and set up accounts and access rights from scratch); and
- implemented stricter controls over access to back office systems by front office staff.

Cancel and Corrects (CnCs) and late trades

Several firms have decided to enhance controls in this area, including more granular monitoring and reporting. The use of CnCs to conceal positions was one of the key methods by which the rogue trader at SG was able to carry out his activity.

Two secondary factors emerged, which were gross/volume limits and trading MI, including P&L attribution/reconciliation. Firms will have seen our 'Dear CEO' letter on mismarking and valuation. A collateral benefit of firms' work has been to raise their awareness of potential fraud risks in general, including the need for governance, MI and training.

Improving time taken to identify abnormal trading

In Market Watch 25 we focused on the ways in which firms could prevent and identify fraudulent trading activities. It seems to us now that the significance of the event at SG had as much to do with the length of time it took for it to be addressed as it did with its intrinsic nature. Therefore we focus here on the ways in which firms can reduce the time required to deal with abnormal trading behaviour and improve the general consistency in their MI platforms.

1. Investigating substantial variances between mark-to-market and margin call movements:

In the derivatives trading environment, substantial changes in positions are usually executed through either listed products or collateralised OTC contracts. Any significant inconsistency between the amounts and/or direction of OTC mark to market and collateral calls could therefore be a sign of inappropriate trade booking or maintenance. Our recent 'Dear CEO' letter on valuation noted the importance of close coordination between a firm's financial control functions (responsible for P&L and independent price verification) and its collateral management function.

2. Reducing the reliance on monthly transactional controls:

Monthly controls in trading books (e.g. funding cost attribution, cross-platform trade reconciliations, provisions and reserves validation) may not effectively reduce the risk of fraud. This is because monthly controls introduce an inherent delay in detection, which may be created if the perpetrator can get round or weaken the effectiveness of a fixed period of control. Volatile environments, where markets and positions encounter substantial changes on a daily basis, increase the potential for loss.

Firms should therefore consider changing month-end control processes to become daily. If possible, firms should also consider a full reconciliation of the daily P&L between their trading and accounting platforms. Where management feels the business is not of a size and complexity to justify daily controls in specific areas, they could still look to introduce more frequent and/or random checks to increase control.

3. Considering regular fraud testing mechanisms:

Making tests as close to real life as possible, perhaps including fictitious transactions in production systems and even the involvement of real market counterparties, would be a powerful tool for banking operations to assess their speed in detecting and responding to fraudulent activities. We recognise the difficulty of executing such testing in a simulation environment, as well as the risk it would pose if performed in live platforms, but we flag it as a promising avenue, comparable to 'ethical hacking' and unannounced business continuity tests.

4. *Assessing business-based organisations within support functions:*

The final reports on the SG incident have clearly established how and where it was detected and, importantly, where it was not detected. While most SG support functions (back office, middle office, finance, market risk) are organised by business line, none of the business-specific support units had been pivotal in uncovering the rogue trader's activities and in some cases the involvement of these units seem to have delayed the discovery process. It also appears that the development of business-specific units could lead to the emergence, or the continuation, of questionable practices (namely in the confirmation and margining areas) that might be better challenged if embedded in a wider unit.

We recognise the benefit that business-based organisation brings in terms of productivity and flexibility, but firms should assess their impact in terms of controls and transparency. In particular, more consideration should be given to the transversal organisation of some key post-trade processes, notably at the back office and accounting levels.

5. *Reviewing relationships between market counterparties and front office staff:*

Firms should consider the way they organise their relationships with trading peers. In particular, the fact that the relationship is 'owned' by the front office may lead firms not to react with the necessary scrutiny and diligence to alerts coming from their trading partners' middle or back offices. Commercial issues, trade and settlement queries and error and claims management should be directed to and carried out by control functions.

What more can firms do?

Firms should contact their supervisor early if they have any concerns about unauthorised trading. They should also contact us if they identify any arrangements as being particularly effective (or ineffective) so that we can continue to communicate these to firms more widely through the supervisory process.

We have used the responses from firms to enhance the awareness among our supervisors of 'rogue trader' risk and of the key measures to combat it, so that this forms a normal part of our work with trading firms. Supervisors are likely to check progress in making improvements with the firms that they contacted before the end of this year.

Finally, both we and the firms have noted the value of the information made available by SG and the Commission Bancaire in the course of their investigations. This has helped firms to understand what went wrong in this particular case, allowing them to consider where their own systems and controls might be weak as part of their own reviews. We have also discussed with other regulators, such as the SEC and BaFin, the way in which they communicated with their firms, recognising that the prevention of unauthorised trading requires the collaborative efforts of both firms and regulators.

For any comments on this article, please speak to your normal supervisory contact.

Market abuse controls: follow-up visits to hedge fund managers

Summary

During 2007 we visited a cross section of hedge fund managers (HFMs) in order to ascertain the extent and appropriateness of market conduct controls within the sector. Market Watch 24¹ detailed our findings. We also stated our intention to undertake further visits to a wider cross section of HFMs in the months that followed. We have now completed the follow-up work and are able to comment on our additional observations, which should be considered in light of the current emphasis that we are placing on market abuse issues.

The findings detailed in Market Watch 24 remain particularly valid for all HFMs, but it is not the intention here to replicate the content of that article. Instead, we are looking to further raise awareness of areas of concern and emphasise the importance of well thought-out and applied market abuse control procedures. We cover the following areas in this article.

- Culture/senior management responsibility
- Compliance
- Control of inside information
- Monitoring of trading activity
- Training
- Personal account dealing
- Telephone taping

We noted from the recent visits to HFMs that all firms appeared to have given reasonable consideration to market abuse issues. We found examples of good practice, as well as scope for improvement in some areas. We have detailed a number of these findings below.

We require all HFMs to consider necessary market abuse controls. Given the range of strategies and investment styles employed by HFMs and the varying governance and reporting structures within those firms, we expect there to be variances in the market abuse control procedures. The key point to note is that the issues pertinent to each HFM should be properly considered and mitigated through the use of appropriate controls.

Culture/senior management responsibility

Of the firms that participated in this exercise, senior management made themselves available for our visits and demonstrated a good understanding of the importance of market abuse controls. Control in HFMs is often concentrated in the hands of a dominant individual who sets both the direction and tone for the business. In such cases, the willingness of the senior management to adopt a strong anti-market-abuse culture is vital.

It was not always clear that the implementation and monitoring of procedures justified the amount of confidence placed in them by senior management. However, all firms understood the reputational risks that might arise from a failure to prevent market abuse.

¹ Market Watch 24: http://www.fsa.gov.uk/pubs/newsletters/mw_newsletter24.pdf

Compliance

All the firms visited had written procedures covering market abuse issues. A number of firms used compliance consultants, either in a primary role to undertake appropriate reviews and monitoring of the firm's business, or in a secondary role to review the work undertaken by in-house compliance staff. Some firms rotate compliance consultants in order to seek a fresh perspective on their business controls and procedures.

We recognise that the size and structure of some HFMs does not readily enable complete compliance function independence from the executive function of the firm. However, it is important that as much independence exists as is practically possible.

Control of inside information

All firms had considered the need for managing the receipt and control of inside information. Depending on the investment strategy employed, some HFM business models may involve more risks surrounding access to inside information and therefore greater control procedures would be required for the handling of such information. We expect firms to properly consider the risk that inside information could pose to their business and to adopt appropriate controls.

Many firms visited had adopted a centralised approach for the handling of inside information, providing greater security over the information provided and allowing for more efficient maintenance of restricted lists. Although the use of explicit Chinese Walls may not be appropriate for many HFMs, the adoption of a centralised point for receipt of information would give some firms, who historically have considered all staff to be insiders, an opportunity to differentiate between staff who were taken inside and those that were not.

Other examples of good practice in this area included the following.

- Compliance attendance at regular analyst meetings. We understand that this is not always practical, but a better understanding of the reasoning behind trading activity can aid the monitoring process.
- Hedge fund analysts and/or fund managers explicitly stating a desire not to be made insiders before a meeting or call. This also highlights the issue to the other party and arguably reduces the probability of inside information being inadvertently passed.
- Prohibiting unauthorised employee contact with the media.

Some aspects of firms' insider information controls did give us cause for concern. These included the following.

- The distribution of restricted lists to all staff working in the firm, regardless of function. Distribution should be restricted to those with a need to know.
- A failure by senior management/compliance to understand what information had been made available at 'private side' conferences that were subject to Non-Disclosure Agreements (NDAs). While it is positive that such NDAs are signed off by compliance or senior management, knowledge of the firms and information discussed at such conferences is vital for proactive monitoring of subsequent trading.
- A general failure by firms to adopt clear desk policies. This leaves firms vulnerable to a leakage of inside information both to staff who are not insiders and to outside contractors who may have access to the firms' offices, particularly outside of normal office hours. We would expect firms to adopt appropriate controls in order to protect the security of inside information.
- Although we generally found IT controls to be in place involving system passwords and file protections, it is necessary to consider extending the full range of market abuse controls to contractors and employees alike. Some external contractors may have access to sensitive information, but not be subject to personal account trading restrictions or market abuse training.

- Given that many of the firms we visited followed strategies where they extensively analysed companies by speaking to industry analysts, competitors, suppliers and customers prior to investing, we were somewhat surprised at the low level of reported ‘accidental’ wall crossings. It is important in these instances that where insider information has been received, it is promptly reported. In our view, firms cannot simply presume few have occurred because few are reported.

Monitoring of trading activity

All firms undertook monitoring of trading activity, but we found some scope for improvement in monitoring procedures.

Some firms monitored stock-specific profit and loss to enable them to identify anomalies while positions were regularly reviewed against fund criteria. Although trading data was generally considered for review, there was little monitoring of potential manipulation around valuation dates, and insufficient review of ‘day trades’ around announcements, with management information concentrating on end of day positions. Of particular concern was an over reliance on an open-plan office setting for overhearing suspicious activity, and a reliance on counterparties or other staff to detect irregular trading behaviour.

Firms also appeared to be overly sanguine because remuneration structures in a number of firms that we visited were long-term in nature. Although these can mitigate against the likelihood of abusive trading, they cannot prevent it. So, proper detection systems must also exist.

For bottom-up style investment strategies, the maintenance of ‘reason for trading’ records required by some HFMs was a good initiative. This seems appropriate given that the size of many HFMs argues against sophisticated detection systems, and places greater reliance on management information and/or compliance overview.

Training

We were generally pleased with the HFMs’ assertions that the training of staff in market abuse issues was taken seriously. However, there was a mix of good and poor practice among firms.

Some of the training initiatives which we considered to be good practice included the requirement for all temporary staff and contractors to undergo training. We welcome the use of online training sessions, but these should be augmented with interactive face-to-face sessions using relevant case studies. Such tailored training is useful to discuss ‘grey areas’ specific to a particular firm’s investment strategy and style.

Some firms employed outside consultants to present appropriate face-to-face sessions. Training in market abuse issues should not be viewed as a one-off: it should be undertaken regularly for all appropriate staff and should be part of the induction process for new staff.

As reported in Market Watch 24, and although this was not a common view expressed by HFMs, it is worth emphasising that we do not believe that it is acceptable to rely on training given to staff by previous employers. HFMs should be proactively involved in ensuring that staff are adequately trained, and it is not sufficient for firms to get employees to simply sign-off on written procedures.

Personal account dealing

All HFMs visited operated a personal account (PA) dealing policy, and the relative infrequency of PA dealing at the firms generally resulted in no major issues arising from unapproved transactions. The range of restrictions varied dramatically, and it is right that a HFM should be able to determine the extent to which PA dealing restrictions apply to staff in the light of their particular business model.

Some of the HFMs did not stipulate the need to receive copy contract notes in order to record and verify employee PA dealing. This can be a useful tool, together with a retrospective review of PA dealing for all staff at least once a year. An annual declaration of holdings should include connected persons such as family where the employee plays some role in their investment decisions.

There did, in some instances, appear to be a lack of clarity around which PA dealing requests would be allowed, and which would be turned down. Clear PA dealing policies should be in place and all PA dealing requests should be signed off by an appropriately empowered individual. It is not appropriate for senior managers to be able to sign off their own PA dealing.

Telephone taping

All firms were aware of the requirements to introduce taped telephone lines in 2009. However, few had considered the need to introduce a mobile-phone policy. While many firms stated that those individuals intent on wrongdoing could easily circumvent this control, few had recognised the benefit of taped lines in providing evidence that a firm or individuals had not been involved in any wrongdoing.

Conclusion

We were broadly content that the firms we visited had considered market abuse controls. However, given the changing scale and scope of firms in the HFM sector and the markets in which they operate, it is important for firms to regularly conduct internal reviews and updates of those market abuse control procedures. For example, although the recent short-selling restrictions had not been implemented when our visits were conducted, we would have expected HFMs to have given due consideration to modifying their policies and procedures in order to incorporate and apply the new restrictions.

The findings of our follow-up work have been reported here in an attempt to further raise awareness of appropriate market abuse control procedures within HFMs. We will incorporate our observations into future risk assessments and supervisory visits, and will expect firms to demonstrate that they have appropriate market abuse control procedures in place.

Alternative Instrument Identifier (AII): update

In Market Watch 28 we listed the data elements that firms will need to provide when reporting transactions in derivatives admitted to trading on regulated markets where the ISIN is not the industry method of identification. When taken together these data elements will be known as an Alternative Instrument Identifier (AII).

We have now finalised our 'AII Transaction Reporting Technical Specification' outlining the detailed reporting requirements of the Industry and have issued it to Approved Reporting Mechanisms (ARMs). All ARMs will need to amend their technical specifications accordingly. Firms executing transactions in these derivatives may need to make some changes to their internal systems to begin to report these transactions. The reportable data elements, suggested validation, and timeline for the AII project can be found on the transaction reporting section of the FSA website at www.fsa.gov.uk/transactionreporting

The key objectives of the AII project are to:

- meet obligations set out under Markets in Financial Instruments Directive (MiFID) for reporting AII derivative transactions;
- receive and process AII derivative transaction reports in an efficient and secure manner; and
- have the reference data to both route transaction reports to the relevant Competent Authority according to the criteria mandated by MiFID and to fully understand the reports we receive. The reference data will also enable us to validate transaction reports

As part of this project we have set up with the industry an AII working group to support the industry during its implementation and will arrange transaction reporting seminars where you will be able to raise any questions and concerns you may have. We have also published a list of frequently asked questions on our website at: www.fsa.gov.uk/pages/Doing/Regulated/Returns/mtr/aai_update.shtml.

If you have any further queries please direct them to your member ARM, who will forward those they cannot answer onto us.

Proposals to change rules for reporting transactions in over-the-counter derivatives (Chapter 5 of CP08/16: October Consultation Paper)

We have proposed some changes to the rules in Chapter 17 (Transaction Reporting) of the FSA Handbook Supervision Manual for reporting transactions in over the counter (OTC) derivatives in the October Consultation Paper. SUP 17.1.4 (2) requires firms to report transactions in any OTC derivative the value of which is derived from, or which is otherwise dependent upon, an equity or debt-related financial instrument which is admitted to trading on a regulated market² or prescribed market³.

Our main proposal is to amend SUP 17.1.4R by adding a new rule, SUP 17.1.4R A. This will exclude from SUP 17.1.4 (2) OTC derivatives the value of which is derived from, or which is otherwise dependent on multiple equity or multiple debt-related financial instruments – except where the multiple financial instruments are all issued by the same issuer.

We will also propose some minor changes to the way in which OTC derivatives should be identified in a transaction report. We would encourage firms reporting transactions in OTC derivatives and other interested parties to review our proposals and respond in the usual way.

In the meantime, we confirm that we will not take any regulatory action against firms wishing to stop reporting transactions exempted in SUP 17.1.4R A. Transactions in OTC derivatives the value of which is derived from, or which is otherwise dependent upon, a single equity or debt-related financial instrument which is admitted to trading on a regulated market or prescribed market continue to be reportable.

Our proposals will reduce the number of reportable OTC derivatives and improve the quality of data that we receive. We are grateful to the British Bankers' Association (BBA), International Capital Markets Association (ICMA) and the Spread Betting Association for working with us to finalise these proposals.

² A list of regulated markets can be found in the Committee of European Securities Regulator's online Markets in Financial Instruments Directive database at: <http://mifidatabase.cesr.eu/> and in the UK includes markets operated by LSE and PLUS.

³ A prescribed market is one that has been prescribed by the Treasury as a market that comes within the scope of the market abuse regime contained in Part VIII of FSMA. Apart from regulated markets, the current list of prescribed markets includes the Alternative Investment Market (AIM) and markets established under the rules of PLUS.

Transaction reporting requirements

Transaction reports are an important component of our toolkit for investigating instances of market abuse, including insider trading.

Since the introduction of transaction reporting under the Markets in Financial Instruments Directive (MiFID) in November 2007, we have been working hard with firms to put in place appropriate systems and procedures to ensure the submission of accurate transaction reports. In the June 2008 issue of Market Watch (issue 28) we said that we now expect firms to be fully compliant with transaction reporting requirements as set out in SUP 17.

Firms' obligations

Firms must meet specified standards when reporting transactions to us in terms of the submission of reports and their content. To ensure accuracy and completeness, firms, under SYSC in the Handbook (Senior Management Arrangements, Systems and Controls) and under Principle 3 (Management and Control), must have appropriate systems and controls in place to enable them to comply with their regulatory obligations.⁴

The obligation of firms under SUP 17.3.6(G) is to ensure that they have successfully provided their transaction reports to us.⁵ The successful submission of reports to an Approved Reporting Mechanism (ARM) may be a step in this process; however, firms also need to take reasonable steps to verify that the ARM is successfully passing on these reports to us. Firms can check the completeness of the reports they send us by requesting a sample of their transactions from our website (see below).

SUP 17.4 and SUP 17 Annex 1 also detail the obligation firms have to ensure their transaction reports contain the required information and are provided in the correct format.

Transaction reporting arrangements within firms

We have not sought to be prescriptive in terms of what controls and review processes firms should follow. These should be tailored to the firm's activities. However, we would expect them to embody Principle 3 and comply with SYSC. This may, among other things, require:

- a clear allocation of responsibility for transaction reporting within an organisation;
- appropriate training for staff in respect of transaction reporting;
- appropriate information produced on a regular basis to enable proper oversight of the transaction reporting process;
- processes for ensuring continued transaction reporting accuracy and completeness post any system or process changes;
- testing is carried out where alternative reporting mechanisms are used;
- appropriate oversight of transaction reporting by compliance including reviews as part of the compliance monitoring programme;
- the nature and scale of the reviews and testing is tailored to the activities of the organisation and its transaction reporting arrangements;

⁴ <http://fsahandbook.info/FSA/html/handbook/SYSC>

⁵ <http://fsahandbook.info/FSA/html/handbook/SUP/17/3>

- where reliance is placed on reporting by an ARM or another third party that periodic checks are carried out to ensure that the transactions are being correctly reported; and
- testing is comprehensive so that the full reporting process is tested not just part of it. This means that testing should include ensuring that the reports are properly submitted to us.

To help check reports have been successfully submitted to the FSA firms can request a sample of their transaction reports by requesting them via our website.⁶ We encourage firms to periodically use this facility as part of their review process to compare the reports we receive with the reports they send from their own systems. Such an exercise should also involve checking the accuracy of the individual data elements and their compliance with the guidance we have issued. In particular, if you request a sample of your firm's transaction reports we would suggest you review whether:

- the counterparty fields have been correctly filled in depending on the capacity in which your firm traded (e.g. Agent, Principal, Agency Cross and Principal Cross);
- that a Swift Bank Identifier Code (BIC) or FSA Reference Number (FRN) has been used in the counterparty fields (if an FRN or BIC does not exist for the counterparty then a unique internal code must be used);
- that an FRN or BIC has been correctly tagged as an FRN or BIC in the counterparty code type field;
- that unit and strike prices are reported in major currency units and not minor currency units (e.g. in pounds as opposed to pence);
- that a complete description has been provided in the description field if the subject of the transaction is an over the counter derivative; and
- that buys and sells have been reported the right way round

The above list is not intended to be prescriptive and we are aware firms will tailor their checks and validation process for their own purposes. However, any checks carried out on the content of reports must be made with reference to the transaction reporting rules and requirements as laid out in SUP 17 Annex 1⁷ and the Transaction Reporting User Pack (TRUP)⁸ and the relevant technical specification of your chosen Approved Reporting Mechanism (ARM).

Transaction reporting failures and errors

If your firm finds errors in transaction reports or a fails to submit some or all of its transaction reports as required under SUP 17 we would expect you to notify us without delay of:

- the nature and extent of the reporting failure, including the volume of transactions affected and for how long the problem has persisted;
- the causes of the failure and how it was identified;
- who within the firm has oversight responsibility for transaction reporting;
- your firm's plan, including a timetable, to submit corrected transaction reports;
- details of the firm's systems and controls around transaction reporting including its processes for addressing response files from its ARM(s);

⁶ www.fsa.gov.uk/pages/Doing/Regulated>Returns/mtr/managing/request/index.shtml

⁷ <http://fsahandbook.info/FSA/html/handbook/SUP/17/Annex1>

⁸ www.fsa.gov.uk/pubs/other/trup.pdf

- any weaknesses in the firm's systems and controls and your plans to address these; and
- any planned audit or compliance monitoring reviews of transaction reporting and the scope of these.

Where transaction reporting issues are identified we will review the circumstances of the issue and decide on an appropriate course of action. Our policy is to require firms to submit corrected transaction reports in all cases. This is necessary as we require a full set of historic transaction reporting data for our surveillance activities.

Those cases which we consider to be particularly serious we will consider addressing using our enforcement tools. In such cases we will consider the extent to which the firm's systems and controls around transaction reporting were appropriate to the nature, scale and complexity of the business and where we consider them to be lacking. We will also review the extent to which the identified failings are due to failings by individuals to exercise their oversight role where they undertake a significant influence function in respect of transaction reporting.

Resources available to firms

To help firms comply with their reporting requirements we provide extensive guidance on transaction reporting via the TRUP and Market Watch as well as information contained on our website. If you still have a query, please contact our helpdesk for further advice (phone: 020 7066 6040 or email: tmu@fsa.gov.uk).

SUP 17 audits

Our Transaction Monitoring Unit will be undertaking a series of audits to review the transaction reporting arrangements of firms and their compliance with SUP 17. These will encompass a review of the systems and controls in place at firms and a review of the data supplied to us. Much of this process will be desk based, so we will be requesting details of your systems and controls governing transaction reporting and we will be asking firms to undertake a review of a sample data set.

Contact details

This newsletter is produced regularly by the Market Conduct and Transaction Monitoring teams in our Markets Division. If you would like to receive this newsletter by email, or have any comments on it, please contact market.watch@fsa.gov.uk

Market Abuse Helpline

020 7066 4900

market.abuse@fsa.gov.uk

Transaction Monitoring Helpline

020 7066 6040

tmu@fsa.gov.uk