

Market Abuse Regulation

The big picture on a changing regulatory landscape



What is changing?

The areas of impact

Extension in scope

The remit of Market Abuse Regulation (MAR) will significantly expand. The scope is extended to include all financial instruments admitted to trading on a Multilateral Trading Facility (MTF) or an Organised Trading Facility (OTF). It will also apply to financial instruments where the price or value depends on or has an effect on the price or value of a financial instrument trading on a Regulated Market (RM), MTF or OTF.

Insider dealing and unlawful disclosure

The use of inside information to amend or cancel an order will be considered to be insider dealing.

Recommending or inducing another person to transact on the basis of inside information amounts to unlawful disclosure of inside information.

Market soundings

MAR recognises that inside information can be legitimately disclosed to a potential investor in the course of market soundings in order to measure interest in a potential transaction, its size or pricing. However, MAR adds requirements on firms to establish a framework for persons to make legitimate disclosures of inside information and imposes detailed records-keeping requirements in the course of market soundings.

Insider lists

Places an obligation on issuers and Emission Allowance Market Participants (EAMPs) to draw up and maintain a list of all those persons working for them that have access to inside information.

Manager/Directors' transactions

Persons Discharging Managerial Responsibilities (PDMR) within an issuer and persons closely associated

with them, must notify the issuer and the regulator of personal transactions they undertake in the issuer's financial instruments.

Market manipulation

Attempting to manipulate the market, benchmarks and, in some situations, spot commodities are now within the scope of the manipulation offence.

Examples of behaviours and activities that shall be considered as market manipulation are:

- acting in collaboration to secure a dominant position over the supply or demand of a financial instrument
- certain algorithmic trading strategies which disrupt the functioning of a trading venue
- securing prices at an abnormal or artificial level where the person knows or ought to have known, that the information was false or misleading.





Benchmarks

The market manipulation provisions bring behaviour in relation to benchmarks within scope. These were inserted into MAR following the scandal surrounding the London inter-bank offer rate (LIBOR) in 2012.

Stabilisations and buy-back transactions

There are some revisions to the existing stabilisation and buy-back regulations.

Stabilisations must be carried out for a limited period; relevant information about the stabilisation must be disclosed; and adequate limits regarding price must be respected.

For buy-back transactions, full details of the programme must be disclosed prior to the start of trading; trades must be reported to the relevant competent authority as being part of the programme and subsequently disclosed to the public; and adequate

limits regarding price and volume must be respected.

Algorithmic and high-frequency trading

Some types of abusive algorithmic and high-frequency trading strategies will be expressly forbidden. Furthermore, any person(s) involved in design or coding of algorithms that are manipulative or abusive are within scope.

Investment recommendations

Persons producing or disseminating investment recommendations are required to ensure information is objectively presented, and to disclose any conflicts of interests.

Investment recommendations will also include sales notes and re-dissemination of research.

Suspicious Transaction and Order Reports (STORs)

Investment professionals' obligation to report suspicious transactions

will be extended to cover suspicious orders as well. Trading venues are also caught by the obligation to submit STORs.

Whistleblowing

New provisions in MAR encourage whistleblowers to come forward. In particular, member states will be able to provide financial incentives for whistleblowers in some circumstances.

Commodity derivatives

The definition of inside information has been widened to capture spot commodity contracts and the scope of market manipulation is also extended to include some behaviours in spot commodity transactions.



Overview of Market Abuse Regulation

In recent years, the increasingly global nature of financial markets has given space to new trading platforms and technologies. As a result, there are new possibilities to manipulate these markets. Investors who trade on inside information and manipulate markets by spreading false or misleading information could avoid sanctions by taking advantage of differences in law between the 28 EU member states. As part of its work to make financial markets safer and more transparent, Market Abuse Regulation (MAR) is designed to improve confidence in the integrity of the European markets, increase investor protection and encourage greater cross-border cooperation.

The convergence of regulations

What firms should consider

How do the market abuse rules align with the MiFID II review proposals and how can we adopt them for a new regulatory landscape?

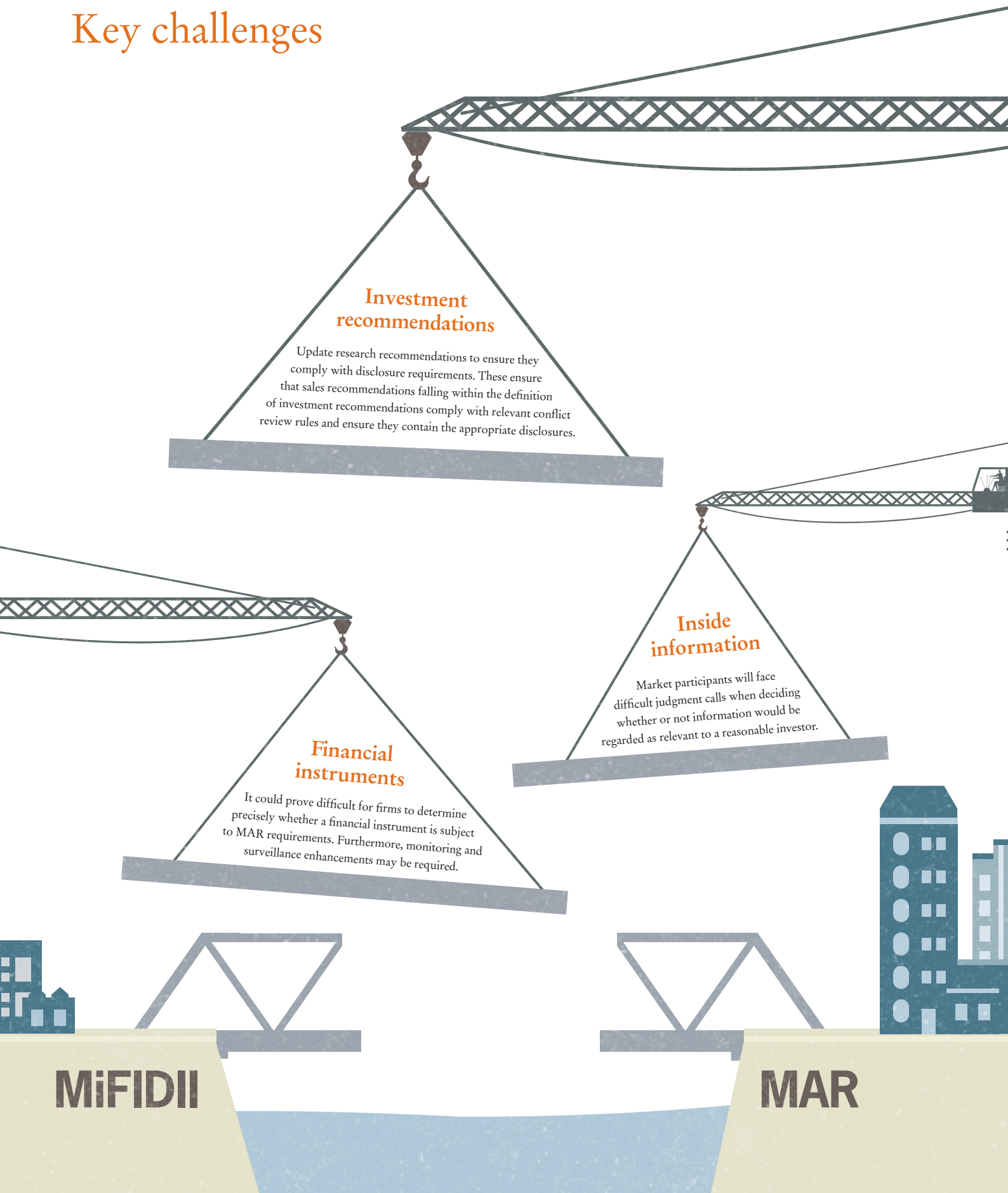
MAR and MiFID both look at the integrity of EU financial markets. MiFID rules contain part of the regulatory framework on which MAR is based and should therefore be updated in tandem to ensure that they support each other's objectives and principles.

MAR will apply market abuse rules to all organised trading. In addition, the pan-EU competition facilitated by MiFID has given rise to new challenges in terms of cross-border supervision, making harmonisation of the rules and competent authorities' powers under MAR necessary.



EFFECTIVE DATE: MAR will apply from 03 July 2016 (other than certain provisions which apply or refer to OTFs, SME growth markets, emission allowances and related auctioned products which will apply on the date that MiFID II is effective).

Key challenges



How can we help?

- **Impact assessment/gap analysis** on current business operations to identify the gaps and tasks that need to be completed to be compliant with MAR
- **Implementation** of any associated tasks to be MAR compliant, including re-drafting policies and procedures, system enhancement changes, testing documentation and approval
- **Tailored training sessions** and workshops to staff on the regulations that directly affect your firm
- **Quality assurance** of implemented changes to ensure internal processes adopted meet regulatory requirements
- **Provisions to take when MiFID II is effective** ensuring that any tasks identified/implemented take into consideration provisions that will be adopted when MiFID II comes into force
- **Third line of defence** in meeting MAR requirements. Providing support to your internal audit function in ensuring the audit plan includes the right themes to effectively assess the overall adequacy of the firm's systems and controls, and that audits consider all aspects that should be reviewed
- **Supporting risk management** to identify risks relating to the firm's activities, deploying regulatory change implementation programmes, and establishing processes that manage the risks identified, in light of the firm's risk appetite



Why Grant Thornton?

Grant Thornton recognises that implementing the new regulatory framework may prove to be onerous and time-consuming for firms. Our team of experts have extensive experience and are able to assist firms with the challenges they are facing, underpinned by keen regulatory insight and a commitment to strong and open client relationships.

1. Best in class regulatory expertise

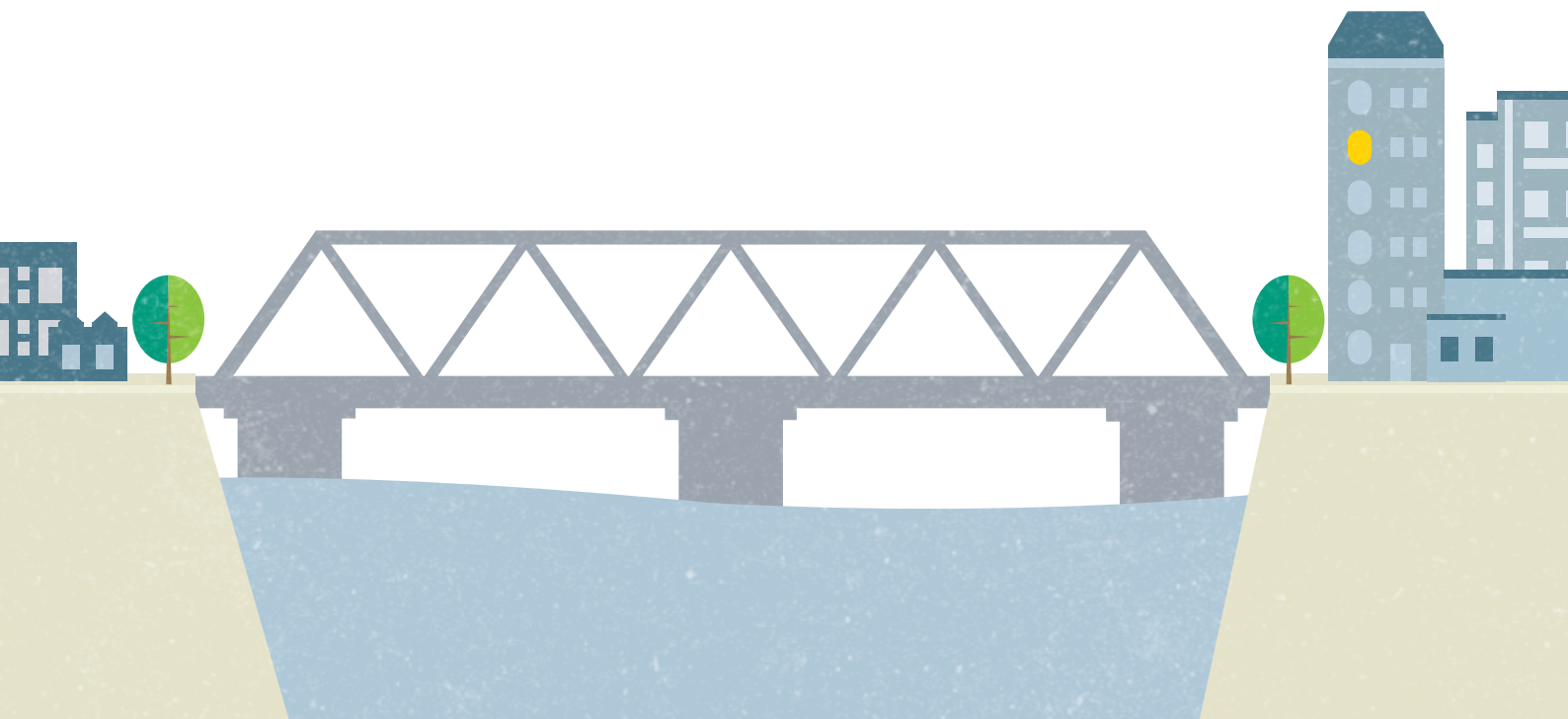
Our experts have considerable regulatory expertise, strengthened further with extensive experience working with both financial services firms and the relevant regulators. This wide-ranging expertise has been augmented and combined with a detailed deconstruction by our in house research specialists, of current consultation and publications by regulatory and industry bodies. This enables us to provide you with the most up-to-date advice from experienced industry specialists.

2. Dedicated subject matter specialists

With an average post qualified experience of 25 years, our team of experts provide innovative solutions and market insights, as well as deliver innovative solutions and market insights. We will work in partnership with you to deliver incisive, value-adding results to allow you to effectively navigate the new regulatory landscape and overcome the challenges proffered by regulators.

3. Project management expertise

Our project management and change specialists leverage their own experience combined with our proven tools and methodologies to analyse and assess your current state; they coordinate and implement the necessary changes to ensure you are successfully compliant in a timely manner.



Contact us

Grant Thornton provides solutions that can help you interpret and respond to regulatory change. Our team consists of industry experts with skills covering all aspects of risk and financial regulatory reporting. We work with clients from all parts of the financial services sector and with the regulators that oversee it. We will be happy to discuss your organisation's needs and demonstrate how we can help you prepare for the new rules.



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