
FINAL NOTICE

To: Dinosaur Merchant Bank Limited

**Reference
Number: 436215**

**Address: East Wing
5th Floor
68 Upper Thames Street
London
EC4V 3BJ**

Date: 24 March 2026

1. ACTION

- 1.1. For the reasons given in this Final Notice, the Authority hereby imposes on Dinosaur Merchant Bank Limited ("DMBL") a financial penalty of £338,000 pursuant to section 206 of the Act.
- 1.2. DMBL agreed to resolve this matter and qualified for a 30% (stage 1) discount under the Authority's executive settlement procedures. Were it not for this discount, the Authority would have imposed a financial penalty of £482,900 on DMBL.

2. SUMMARY OF REASONS

- 2.1. The Authority has taken this action because between 1 June 2024 and 6 May 2025 (the "Relevant Period"), DMBL breached Article 16 (2) of UK MAR, SYSC 6.1.1R of the Authority's Senior Management Arrangements and Principle 3 of the Authority's Principles for Businesses by failing to detect and report suspicious

orders and transactions in their Contract for Difference (“CFD”) business during the Relevant Period.

- 2.2. DMBL is a UK-based independent investment firm providing brokerage services for investment firms, proprietary trading companies and professional investors. Throughout the Relevant Period it had 3 principal business lines: providing single-stock CFDs, principally but not exclusively to investment firms, proprietary trading companies and professional investors; traditional inter-dealer broking to other investment firms across asset classes; custody services and repurchase agreement (“repo”) activity.
- 2.3. CFDs are typically opened with significant leverage which magnifies exposure to market volatility and means they are considered high risk financial products. The leveraged characteristic of CFD transactions makes CFDs attractive for short term speculative trading. This puts them at greater risk of being used for insider dealing. The Authority has highlighted the risks of market abuse in CFD trading and reminded firms of their regulatory obligations.
- 2.4. Brokers such as DMBL are expected to maintain robust and effective market abuse surveillance arrangements, systems and procedures to uphold market integrity and comply with their regulatory obligations. UK investment firms, along with other market participants, must detect and report suspicious transactions and orders to the Authority without delay via Suspicious Transaction and Order Reports (“STORs”). DMBL is required to submit STORs where it has ‘reasonable suspicion’ that an order or transaction could constitute market abuse. In order to do so, the Authority expects firms, such as DMBL, to have the appropriate systems and controls in place to identify potential market abuse through effective surveillance of trading activities.
- 2.5. DMBL failed to take reasonable care to organise and control its affairs responsibly and effectively, with adequate risk management systems. From June 2024 DMBL experienced significant growth in its CFD business following its introduction of a new direct market access (“DMA”) order execution platform. It did not perform any additional risk assessment or engage in any other preparations to ensure its market abuse surveillance systems were performing correctly for the DMA order execution platform in response to the significant increase. As a result, until October 2024, it failed to ensure that trading undertaken via the new execution platform was being captured and ingested into the surveillance system. DMBL was therefore unable to detect potential market abuse taking place on the new platform via its automated surveillance system. Its manual monitoring

system, which operated in parallel with their automated surveillance system, was able to identify potentially suspicious transactions, however, these systems have inherent weaknesses if used as a single line of defence. The failings impacted 2,194 trades (with a notional value of \$3.05 billion), which, following a later review, generated 2,916 surveillance alerts, of which 2,723 related to insider dealing and 193 to types of market manipulation. A review of these alerts resulted in multiple STORs being retrospectively submitted to the Authority.

- 2.6. The firm also failed to ensure it had adequate policies and procedures in place in relation to the review and escalation of suspicious activity and for the review and management of alert calibration to ensure effective surveillance capabilities.
- 2.7. The Authority hereby imposes a financial penalty on DMBL in the amount of £338,000 pursuant to section 206 of the Act.

3. DEFINITIONS

- 3.1. The definitions below are used in this Notice:

“the Act” means the Financial Services and Markets Act 2000;

“the Authority” means the Financial Conduct Authority;

“the Authority’s Handbook” means the Authority’s Handbook of rules and guidance;

“automated surveillance” means electronic surveillance, it does not include manual surveillance;

“CFD” means contract for difference;

“DEPP” means the Decision Procedures and Penalties Manual, which forms part of the Authority’s Handbook;

“DMA” means direct market access and is an electronic facility that enables investors in financial instruments to directly place orders and trade via the order books of major exchanges;

“DMBL” means Dinosaur Merchant Bank Limited;

“Principle” means the Authority’s Principles for Businesses;

“Relevant Period” means the period from 1 June 2024 until 6 May 2025;

“STOR” means suspicious transaction and order reports provided to the Authority by UK investment firms and other market participants where there is reasonable suspicion of market abuse;

“SYSC” means the Senior Management Arrangements, Systems and Controls chapter of the Authority’s Handbook;

“UK MAR” means Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse as amended by the Market Abuse Exit Regulations 2019; and

“the Tribunal” means the Upper Tribunal (Tax and Chancery Chamber).

4. FACTS AND MATTERS

- 4.1. In June 2024, DMBL implemented a new order management system (“new order system”), enabling it to offer DMA to its CFD clients. Prior to this, DMBL had operated a CFD business where client orders were primarily handled by telephone, email or Bloomberg messenger.
- 4.2. In the first four months following the introduction of the new order system, the average number of weekly CFD trades executed by DMBL increased by approximately 45% compared with the number of weekly trades in the 6-month period prior to the implementation of the new order system.
- 4.3. In September 2024, the Authority identified potentially suspicious trading activity conducted by two of DMBL’s clients which may have met the threshold for reporting but for which the Authority had not received any STORs from DMBL. The Authority contacted DMBL to ascertain if the firm had considered the trading, and to confirm on what grounds it had decided not to submit a STOR.
- 4.4. On 24 September 2024, in response to the Authority’s enquiries, DMBL found that alerts were not being generated by its automated surveillance system (“surveillance system”) in relation to orders and trades placed via the new order system, as those orders and trades were not being ingested into the surveillance system for review. This had been the case since the new order system had been introduced. Consequently, between 1 June 2024 and 8 October 2024, when DMBL ingested the new order system into the surveillance system, automated alerts were not generated by the surveillance system in relation to any trading activity conducted via the new order system, which meant that potential suspicious activity was not being automatically flagged to Compliance.

- 4.5. Investigation by DMBL also revealed the suspicious trading activity specifically raised by the Authority had not been identified by DMBL's front office staff.
- 4.6. A Supervisory visit to DMBL in January 2025 identified further concerns as to whether DMBL was complying with regulatory standards in relation to market abuse surveillance and its CFD business. The Authority sent a feedback letter to the firm on 20 March 2025 detailing its findings which included concerns about other areas including governance, conflicts of interest and financial crime risk management.
- 4.7. In March 2025, in response to the concerns identified by the Authority, DMBL entered into a voluntary requirement ("VREQ") arrangement in which it agreed not to onboard new CFD clients. Shortly after this, in May 2025, DMBL decided to unwind its CFD business to reduce the overall risk exposure of the firm, and by July 2025 all of the CFD positions were closed.

DMBL's systems and controls

Board Governance

- 4.8. During the Relevant Period the Board of DMBL comprised two Executive Directors and two Non-Executive Directors. Board meetings were held on a quarterly basis.
- 4.9. The Board Committee had overall responsibility for reviewing the Company's risk appetite, risk profile and its performance against key risk metrics, the risk management framework and its overall risk culture. It was responsible for ensuring that the business of the firm could be adequately monitored and controlled by the directors and have effective risk management systems in place.

DMBL's Compliance Department

- 4.10. During the Relevant Period, the Compliance department comprised 8 members of staff. They were responsible for Compliance Oversight, day-to-day surveillance, reviewing surveillance alerts, sample testing of closed alerts, electronic communication and voice monitoring, and STOR reporting.
- 4.11. The Compliance department produced a monthly Compliance Report for the Board for their consideration and comments. The monthly report included the number of alerts generated by the surveillance system that month, how many alerts were closed and how many were escalated for further review.

DMBL's Manual Market Abuse Surveillance

- 4.12. During the Relevant Period DMBL used a combination of manual and automated surveillance tools to monitor its trade and/or order data and conducted manual reviews of a random sample of voice and electronic message communications.
- 4.13. DMBL's first line of defence, its front office trading staff, would conduct reviews of trades and orders. For example, when issuer announcements resulted in share price movement the front office would review trades in that issuer's shares to identify any potential suspicious trades. The firm's escalation policy provided that any suspicious activity identified, or any transactions where an employee had concerns that it may be abusive, were to be reported to the Head of Compliance, who was also the MLRO, who would then decide whether a STOR was required.
- 4.14. Contrary to the escalation policy, in DMBL's CFDs and cash equities trading desks, brokers escalated concerns to the respective Head of Trading Desk ("desk head") first, who would then decide whether to escalate them to the Head of Compliance. No records were kept of incidents which were reported to the desk head and which were not subsequently escalated to Compliance.

DMBL's Automated Market Abuse Surveillance

- 4.15. In addition to front office monitoring DMBL conducted post-trade automated surveillance, utilising a third-party surveillance system, which was installed in July 2020.

Calibration of surveillance system

- 4.16. There are various alert scenarios available within the surveillance system and a firm can choose how many of these to utilise depending on their business requirements and the specific risks to the firm. Each scenario is designed to identify particular activities and patterns that indicate the potential for some form of market abuse (for example, insider dealing, spoofing, ramping and other types of market manipulation). For the alerts to be effective the parameters of each alert should be calibrated in line with the market abuse risks specific to the business and the associated trading of the firm.
- 4.17. The Authority expects firms to regularly assess their trading surveillance arrangements, systems and procedures to ensure they remain appropriate and proportionate to the scale, size and nature of the firm's business activity.
- 4.18. DMBL reviewed alert calibration at least annually between 2023 and 2025 but it did not have a documented calibration review policy during the

Relevant Period and the reviews did not highlight the issues with the surveillance system. In addition, the firm had no process recorded which recognised the triggers which would indicate it was necessary for the firm to consider amending the alerts, for example when the market abuse risks to the firm changed. As a result, even though some of the alerts that the firm relied on to detect potential market abuse had never been triggered during the Relevant Period, these surveillance system alerts were not routinely reviewed to ascertain whether they were effective, appropriate and proportionate and may require re-calibration. Alert scenarios which produce no output for an extended period may be an indicator that the scenario is not functioning as intended and should be a warning sign to a firm that there is a potential surveillance system failure.

- 4.19. DMBL also had inadequate procedures in place to enable it to respond appropriately when issues with the surveillance system were identified. In December 2023 the Board was made aware that there were issues with the surveillance system. Specifically, that it was failing to pick up news items provided by a news feed which was used as a basis to trigger an insider dealing alert. DMBL repeatedly sought to have the third-party providing their surveillance system rectify the problem. However, the issue remained, uncorrected and without any other mitigating action being taken, until June 2024 when steps were taken to replace the current surveillance system due to the provider's inaction. It was an item within each of the monthly Compliance Reports for this 6-month period, until it was reported to the Board that a new provider had been identified to replace the surveillance system. DMBL signed up to a replacement surveillance system in August 2024, an initial implementation meeting was scheduled for October 2024 and the system went live in April 2025. However, the news feed issue was not resolved in this intervening period and the firm continued without resolving the issue or considering how to mitigate the risk posed by the fault.
- 4.20. As a result of these surveillance and governance failings, there was no consistent or reliable automated surveillance monitoring of the new DMA order execution platform for insider dealing, and the identification of potential insider dealing was largely reliant on front office staff.
- 4.21. Firms must undertake risk assessments to evaluate new platforms and business to understand how they could facilitate market abuse. Despite DMBL already being aware of deficiencies in the surveillance system (in relation to insider dealing alerts) there was no risk assessment conducted to take account of how

they would monitor / mitigate any risks, despite the expectation that the volume of trading would increase significantly once the new order system was in use.

Surveillance system - Policies and Procedures

- 4.22. Until December 2024, there were no written procedures setting out the process for employees to follow should an alert be triggered by the surveillance system. Until this point, the undocumented process being followed was a review of all alerts by the Compliance Officer on a T+1 basis and any alerts requiring further investigation would be escalated to another Compliance Officer and the Head of Compliance who would decide whether a STOR would be submitted.
- 4.23. A monthly quality assurance exercise was also conducted by Compliance. However, this only involved a review of alerts which had been subject to further investigation and those classified as high risk by the surveillance system. There was no document explaining what the surveillance system defined as high risk and therefore Compliance could not readily identify what the high-risk alerts related to.
- 4.24. On the occasions where front office staff made an escalation based on their manual review of orders and trades, there was no process for checking whether the surveillance system had also generated an alert. Had DMBL had a process for this, it is likely the error with the surveillance system would have been identified sooner and DMBL could have rectified the systems and controls failing.

Integration of the new order system

- 4.25. On 1 June 2024 the new order system was implemented at DMBL. The system allowed DMBL clients direct access to the markets and the ability to trade without the need to contact DMBL by telephone, email or Bloomberg messenger. This trading data should have been fed into the surveillance system, in addition to continuing to monitor trades conducted via telephone, email and via Bloomberg messenger, for automated surveillance to be applied across all orders and trades undertaken by DMBL.
- 4.26. There is no record of DMBL having considered how the new order system and the surveillance system would interact appropriately and whether it was functioning as expected in circumstances where CFD trading activity had increased by 45%.

- 4.27. In August 2024, the Authority contacted DMBL when it identified two issues with DMBL's transaction reporting, these being incorrect buyer-seller reporting and an error with the timestamps showing 00:00:00. DMBL noted in its August Compliance Report that following a *'thorough internal review'* it had identified that the issues were caused by the introduction of the new order system and that all transactions since it was implemented had been affected. DMBL addressed the transaction reporting issues with the new order system so that it was operating correctly by 16 August 2024. No other anomalies were identified as part of its internal review.
- 4.28. On 29 August 2024 the Authority contacted DMBL concerning the potential non-submission of a STOR in relation to trading by one of its clients ("Client A") in Stock A. Client A had purchased CFDs in Stock A in mid-June 2024. Shortly after market close the same day there was media speculation outlining bid interest in the issuer of Stock A. The following day the issuer responded rejecting the proposed offers. This resulted in a double-digit percentage share price rise of Stock A. On the same day Client A sold their acquired CFDs in Stock A generating a profit of £433,685.
- 4.29. Client A had not previously traded in Stock A and there was no publicly available information surrounding the bid interest prior to the media report on 20 June 2024. In these circumstances, the Authority would expect DMBL to submit a STOR in relation to Client A's trading activity in this stock.
- 4.30. DMBL staff failed to identify the potentially suspicious trading as they misread the date on which the news item was released, consequently believing the trading had occurred after its release when in fact it had been before and, therefore, was potentially suspicious. As a result, DMBL failed to submit a STOR.
- 4.31. In this instance, the surveillance system did generate alerts in response to the trade data received outside of the new order system. However, there was no insider dealing alert and any alerts which were raised were incorrectly closed due to the misinformed view that the news report came prior to the trading. DMBL subsequently submitted a STOR following the Authority's enquiries.
- 4.32. It wasn't until September 2024 that the wider issue concerning the new order system and data not being ingested into the surveillance system was identified. This was prompted by further contact from the Authority querying the lack of STORs in relation to further trading by Client A and trading by Client B in a particular stock ("Stock B") in July 2024.

- 4.33. In mid-July 2024 both Client A and Client B purchased CFDs in Stock B. A week later, following a media report relating to a potential acquisition deal, the price of Stock B surged. Shortly after the markets closed the acquisition offer was confirmed and, the following day, there was a further rise in the share price.
- 4.34. Both Client A and Client B sold approximately a fifth of their acquired CFDs shortly prior to the media report, although the share price had already increased significantly by that point. They then sold the majority of the CFDs the next day, generating £290,536 and £1,285,178 in profits respectively.
- 4.35. Neither Client A nor Client B had any history of trading Stock B via DMBL prior to these trades and there did not appear to be any publicly available information concerning the acquisition prior to the media report on 23 July 2024. In these circumstances, the Authority would expect STORs to have been submitted in respect of both Client A and Client B.
- 4.36. When explaining why a STOR was not submitted, DMBL informed the Authority that its surveillance system had failed to generate an alert despite the parameter having been set to a 7-day look back period. Manual surveillance had also failed to identify this activity with none of the activity being escalated as potentially suspicious. DMBL subsequently submitted two STORs in relation to this trading activity.

Management Information

- 4.37. During the monthly board meetings in the months following the implementation of the new order system, the Compliance Reports did not include sufficient or adequate surveillance related management information to enable the board to accurately monitor, review and identify issues.
- 4.38. Each month the Compliance Reports noted the number of alerts generated by the surveillance system within that month, how many alerts were closed and how many were escalated for further review. The report also included the number of STORs reported during that period. However, the previous months' alert figures were not included as a comparison. Had the report included the additional information it would have been clear that there had been no material increase in the number of alerts which should have raised immediate concerns given the significant increase in the number of trades. In fact, there was a 42% reduction in the number of alerts between June 2024 to September 2024 compared with

the four months prior to the implementation of the new order system when in contrast there was a 45% increase in trades over the same period.

- 4.39. As well as failing to provide the previous months' alert numbers as a comparison, the management information did not include the number of alerts split by alert type (for example, insider trading alert and trade to last trade price alert) and instrument type (for example, CFDs and bonds) which would have also shown a reduction in the number of alerts, particularly those relating to insider dealing.
- 4.40. As a result of the inadequate management information DMBL failed to identify, at the earliest opportunity, that trades conducted via the new order system were not being routed via the surveillance system. Instead, it was not until 24 September 2024 that DMBL identified the issue and escalated it to senior management, and only as a result of communication from the Authority about the absence of STORs from the firm.
- 4.41. DMBL failed to ensure that the requirement to route all trades via the surveillance system was allocated to an individual or team and not missed by the implementation project team prior to the DMA order execution platform being implemented. No separate ingestion validation step was subsequently allocated or tracked when the CFD business went live in June 2024 either.

The Authority's supervisory visit

- 4.42. On 11 November 2024 the Authority informed DMBL that a STOR Supervisory visit would be conducted in January 2025.
- 4.43. In December 2024 DMBL was offboarded by its main broker, followed by another broker in February 2025.
- 4.44. The Authority conducted the STOR Supervisory visit on 30 January 2025. During this visit it was established that there were still deficiencies with the firm's surveillance coverage. These included the following:
 - 1) The manual surveillance controls in place for monitoring insider dealing while the firm was dealing with the shortfalls with the surveillance system and until the replacement surveillance system was scheduled to be implemented in April 2025 were not fully effective;
 - 2) There was no written record documenting the manual surveillance undertaken and any discussions with the Board as to whether it was in line with the risks associated with the nature and scale of the business;

- 3) Alert scenarios which had never triggered alerts were not reviewed to check whether they were indeed switched on, receiving the relevant data and were working as expected; and
 - 4) The calibration of alert scenarios had not been reviewed to ensure they were appropriate and effective for the specific market abuse risks applicable to the firm.
- 4.45. A combination of these failings prevented staff from identifying and escalating suspicious trading. This was evident when the Authority did not receive a STOR from DMBL following potential suspicious trading conducted by one of its clients ("Client C") in Stock C in January and February 2025.
- 4.46. At the end of January 2025, one working day after a media report relating to a company's short position in Stock C, Client C purchased CFDs in Stock C. Client C continued to purchase CFDs in Stock C over the next four days until it had acquired a substantial position.
- 4.47. In the first week of February 2025, shortly after an announcement about a potential sale, Client C sold its CFD position in Stock C resulting in a profit of £3,359,841.
- 4.48. Although the surveillance system did generate alerts relating to the size of the orders, there was no insider dealing alert as would be expected. This was due to the calibration of the insider dealing alert being set to look back seven days which equated to five working days. A longer look back period would have resulted in an insider dealing alert being generated and, after further investigation, in these circumstances should have resulted in a STOR being submitted by DMBL. The Authority has published guidance in this area in Market Watch 69 and 73, advising firms to properly consider how long inside information might exist before its release to ensure appropriate and proportionate surveillance.
- 4.49. In addition to deficiencies with the firm's surveillance coverage it was identified that:
- 1) Prior to December 2024 there was no formal written policy or procedure in place regarding the process to follow should an alert be triggered by the surveillance system;

- 2) There were no formal written policies in place for the review of alert calibration to ensure surveillance was working as intended and the risks associated with CFD trading were managed effectively; and
- 3) There was no change control process in place to ensure that market abuse risks and controls were considered whenever there was a business or business process change.

Remediation

- 4.50. Following communication and testing between DMBL and the surveillance system provider, as of 9 October 2024 all trades conducted via the new order system were being ingested into the surveillance system.
- 4.51. DMBL sought to address deficiencies in its market abuse surveillance, which included the following:
 - a) In December 2024, DMBL implemented a Market Abuse Risk Assessment (MARA), established documented STOR procedures and enhanced controls, supported by written policies for handling surveillance alerts.
 - b) From Q4 2024, obtained external expertise through the engagement of an experienced MAR consultant to advise on best practice.
 - c) From March 2025, DMBL significantly strengthened its compliance function by recruiting specialist personnel with greater expertise in surveillance operations. This included the appointment of a dedicated Market Surveillance Officer to oversee day-to-day alert handling, calibration governance, and to ensure appropriate escalation of potential concerns.
 - d) In April 2025 DMBL implemented a new and enhanced surveillance system.
 - e) From May 2025, DMBL elected to wind down and then cease its CFD business entirely. This decision was taken by senior management to address the issues identified and mitigate future risk.
- 4.52. In July 2025, the firm carried out a re-run of all trades conducted between 1 June 2024 and 8 October 2024 following the implementation of the new automated surveillance system. This generated 2,916 alerts; 2,723 relating to insider dealing and 193 to types of market manipulation. The review of these alerts resulted in multiple STORs being retrospectively reported to the Authority.

5. FAILINGS

5.1. The regulatory provisions relevant to this Notice are referred to in Annex A.

ARTICLE 16(2) of UK MAR

5.2. Article 16(2) of UK MAR provides that any person professionally arranging or executing transactions shall establish and maintain effective arrangements, systems and procedures to detect and report suspicious orders and transactions. Where such a person has reasonable suspicion that an order or transaction in any financial instrument, whether placed or executed on or outside a trading venue, could constitute insider dealing, market manipulation, or attempted insider dealing or market manipulation, the person shall notify the Authority without delay.

5.3. DMBL contravened Article 16(2) of UK MAR because it did not have effective arrangements, systems and procedures to detect and report market abuse which was appropriate, proportionate and effective for the nature, scale and size of its CFD business, and the potential market abuse risks which its CFD business was exposed. In particular:

5.3.1 Between 1 June 2024 and 8 October 2024 DMBL failed to ensure trading conducted via its new order system was connected and the activity ingested into its surveillance system. As a result, between 1 June 2024 and 8 October 2024, when trades conducted via its new order system were not being ingested to the surveillance system, DMBL failed to submit STORs in circumstances where it appears it would have been appropriate to do so.

5.3.2 In the period between 1 June 2024 and 6 May 2025 DMBL failed to effectively calibrate the surveillance system in line with its own business needs and risks. This meant that when trades conducted via the new order system were ingested to the surveillance system from 8 October 2024, the failure to report STOR's when appropriate continued as a result of the calibration issue.

PRINCIPLE 3

5.4. Principle 3 provides that a firm must take reasonable care to organise and control its affairs responsibly and effectively, with adequate risk management systems.

5.5. In breach of Principle 3, DMBL failed to put in place an effective Compliance function. In particular, DMBL failed to:

- 5.5.1 undertake adequate testing of the new order execution platform to ensure the surveillance system was ingesting and monitoring the relevant orders and trades from its implementation;
- 5.5.2 undertake a risk assessment before December 2024 to enable the Board to review and understand the market abuse risks associated with the increase in the CFD activity;
- 5.5.3 manage and obtain adequate management information from its automated surveillance system, sufficient to enable its functioning to be effectively reviewed and any issues or concerns identified, challenged and any remedial measures proposed or monitored;
- 5.5.4 ensure there were adequate written policies and procedures in relation to the review and escalation of suspicious activity; and
- 5.5.5 ensure there were written policies in place for the review and management of alert calibration so as to ensure effective surveillance capabilities.

SYSC 6.1.1R

- 5.6. In breach of SYSC 6.1.1R, DMBL failed to establish, implement and maintain adequate policies and procedures sufficient to ensure its compliance with its obligations under the regulatory system and for countering the risk that it might be used to further financial crime. In particular, DMBL failed to put in place:
 - 5.6.1 a formal written policy or procedure regarding the process to follow should an alert be triggered by the surveillance system;
 - 5.6.2 formal written policies for the review of alert calibration to ensure surveillance was working as intended and the risks associated with CFD trading were managed effectively; and
 - 5.6.3 a change control process to ensure that market abuse risks and controls were considered whenever there was a business or business process change.

6. SANCTION

- 6.1. The Authority's policy for imposing a financial penalty is set out in Chapter 6 of DEPP. The Authority applies a five-step framework to determine the appropriate

level of financial penalty. DEPP 6.5A sets out the details of the five-step framework that applies in respect of financial penalties imposed on firms.

Step 1: disgorgement

- 6.2. Pursuant to DEPP 6.5A.1G, at Step 1 the Authority seeks to deprive a firm of the financial benefit derived directly from the breach where it is practicable to quantify this.
- 6.3. The Authority has not identified any financial benefit that DMBL derived directly from its breach.
- 6.4. Step 1 is therefore £0.

Step 2: the seriousness of the breach

- 6.5. Pursuant to DEPP 6.5A.2G, at Step 2 the Authority determines a figure that reflects the seriousness of the breach. Where the amount of revenue generated by a firm from a particular product line or business area is indicative of the harm or potential harm that its breach may cause, that figure will be based on a percentage of the firm's revenue from the relevant products of business area.
- 6.6. The Authority considers that the revenue generated by DMBL's CFD desk is indicative of the harm or potential harm caused by its breach. The Authority has therefore determined a figure based on a percentage of DMBL's relevant revenue. DMBL's relevant revenue is the revenue derived from DMBL's CFD business during the period of the breach. The period of DMBL's breach was from 1 June 2024 to 6 May 2025.
- 6.7. The Authority considers DMBL's relevant revenue for this period to be £3,577,116.72.
- 6.8. Having determined the relevant revenue, the Authority will then decide on the percentage of that revenue which will form the basis of the penalty. In making this determination the Authority will consider the seriousness of the breach and choose a percentage between 0% and 20%. This range is divided into five fixed levels which represent, on a sliding scale, the seriousness of the breach. The more serious the breach, the higher the level. For penalties imposed on firms there are the following five levels:

Level 1 – 0%

Level 2 – 5%

Level 3 – 10%

Level 4 – 15%

Level 5 – 20%

6.9. In assessing the seriousness level, the Authority takes into account various factors which reflect the impact and nature of the breach, and whether it was committed deliberately or recklessly.

6.10. DEPP 6.5A.2G(11) lists factors likely to be considered 'level 4 or 5 factors'. Of these, the Authority considers the following factors to be relevant:

6.10.1 The breach revealed serious weaknesses in the firm's procedures, management systems and internal controls relating to its oversight of the firm's CFD business.

6.10.2 The breach created a significant risk that financial crime would be facilitated as potential suspicious trading went undetected as a result of the breaches.

6.11. DEPP 6.5A.2G(12) lists factors likely to be considered 'level 1, 2 or 3 factors'. Of these, the Authority considers the following factors to be relevant:

6.11.1 Little, or no, profits were made or losses avoided by DMBL as a result of the breach, either directly or indirectly.

6.11.2 The breach was committed negligently or inadvertently by the firm.

6.12. Taking all of these factors into account, the Authority considers the seriousness of the breach to be a level 4 and so the Step 2 figure is 15% of £3,577,116.72.

6.13. Step 2 is therefore £536,567.51.

Step 3: mitigating and aggravating factors

6.14. Pursuant to DEPP 6.5A.3G, at Step 3 the Authority may increase or decrease the amount of the financial penalty arrived at after Step 2, but not including any amount to be disgorged as set out in Step 1, to take into account factors which aggravate or mitigate the breach.

6.15. The Authority considers the following factor aggravates the breach:

- 6.15.1 DMBL failed to independently recognise that trades conducted via the electronic trading system were not being received and monitored by the automated surveillance system until the Authority contacted it querying why a STOR had not been submitted in relation to a particular trading activity.
- 6.16. The Authority considers the following factors mitigate the breach:
- 6.16.1 DMBL fully cooperated with the Authority during its investigation.
- 6.16.2 DMBL has since closed its CFD business removing the risk of any ongoing market abuse concerns in this area.
- 6.16.3 DMBL has taken steps to remedy the failings in its systems and controls and dedicated considerable resources to making improvements (see paragraphs 4.50 – 4.52 above).
- 6.17. Having taken into account these factors, the Authority considers that the Step 2 figure should be reduced by 10%.
- 6.18. Step 3 is therefore £482,911.

Step 4: adjustment for deterrence

- 6.19. Pursuant to DEPP 6.5A.4G, if the Authority considers the figure arrived at after Step 3 is insufficient to deter the firm who committed the breach, or others, from committing further or similar breaches, then the Authority may increase the penalty.
- 6.20. The Authority considers that the Step 3 figure of £482,911 represents a sufficient deterrent to DMBL and others, and so has not increased the penalty at Step 4.
- 6.21. Step 4 is therefore £482,911.

Step 5: settlement discount

- 6.22. Pursuant to DEPP 6.5A.5G, if the Authority and the firm on whom a penalty is to be imposed agree the amount of the financial penalty and other terms, DEPP 6.7 provides that the amount of the financial penalty which might otherwise have been payable will be reduced to reflect the stage at which the Authority and the firm reached agreement. The settlement discount does not apply to the disgorgement of any benefit calculated at Step 1.

- 6.23. The Authority and DMBL reached a settlement agreement and so a 30% discount applies to the Step 4 figure.
- 6.24. Step 5 is therefore £338,000 (rounded down to the nearest £100).
- 6.25. The Authority hereby imposes a total financial penalty of £338,000.

7. PROCEDURAL MATTERS

- 7.1. This Notice is given to DMBL under and in accordance with section 390 of the Act. The following statutory rights are important.

Decision maker

- 7.2. The decision which gave rise to the obligation to give this Notice was made by the Settlement Decision Makers.

Manner and time for payment

- 7.3. The financial penalty must be paid in full by DMBL to the Authority no later than 7 April 2026.

If the financial penalty is not paid

- 7.4. If all or any of the financial penalty is outstanding on 8 April, the Authority may recover the outstanding amount as a debt owed by DMBL and due to the Authority.

Publicity

- 7.5. Sections 391(4), 391(6) and 391(7) of the Act apply to the publication of information about the matter to which this notice relates. Under those provisions, the Authority must publish such information about the matter to which this notice relates as the Authority considers appropriate. The information may be published in such manner as the Authority considers appropriate. However, the Authority may not publish information if such publication would, in the opinion of the Authority, be unfair to you or prejudicial to the interests of consumers or detrimental to the stability of the UK financial system.
- 7.6. The Authority intends to publish such information about the matter to which this Final Notice relates as it considers appropriate.

Authority contacts

- 7.7. For more information concerning this matter generally, contact Giles Harry at the Authority (direct line: 020 7066 8072/ email: Giles.Harry@fca.org.uk).

Ross Murdoch

Head of Department

Financial Conduct Authority, Enforcement and Market Oversight Division

ANNEX A

RELEVANT STATUTORY AND REGULATORY PROVISIONS

RELEVANT STATUTORY PROVISIONS

The Financial Services and Markets Act 2000

1.1 The Authority's statutory objectives, set out in section 1B of the Act, include the operational objective of protecting and enhancing the integrity of the UK financial system (the integrity objective).

1.2 The integrity objective, set out in section 1D of the Act, provides:

"The integrity of the UK financial system includes –

a) Its soundness, stability and resilience,

b) its not being used for a purpose connected with financial crime,

c) its not being affected by contraventions by persons of Article 14 (prohibition of insider dealing and of unlawful disclosure of inside information) or Article 15 (prohibition of market manipulation) of the market abuse regulation,

d) the orderly operation of the financial markets, and

e) the transparency of the price formation process in those markets."

1.3 Section 206(1) of the Act provides:

"If the Authority considers that an authorised person has contravened a requirement imposed on him by or under this Act... it may impose on him a penalty, in respect of the contravention, of such amount as it considers appropriate."

UK MAR

1.4 Article 16(2) of UK MAR provides:

"Any person professionally arranging or executing transactions shall establish and maintain effective arrangements, systems and procedures to detect and report suspicious orders and transactions. Where such a person has a reasonable suspicion that an order or transaction in any financial instrument, whether placed or executed on or outside a UK trading venue, could constitute insider dealing, market manipulation or attempted insider dealing or market manipulation, the person shall notify the FCA without delay."

RELEVANT REGULATORY PROVISIONS

Principles for Businesses

1.5 The Principles are a general statement of the fundamental obligations of firms under the regulatory system and are set out in the Authority's Handbook. They derive their authority from the Authority's rule-making powers set out in the Act. The relevant Principle is as follows.

1.6 Principle 3 provides:

"A firm must take reasonable care to organise and control its affairs responsibly and effectively, with adequate risk management systems."

Senior Management Arrangements, Systems and Controls

1.7 SYSC 6.1.1R requires firms to establish, implement, and maintain adequate policies and procedures sufficient to ensure compliance with their obligations under the regulatory system and for countering the risk that the firm might be used to further financial crime.

DEPP

1.8 Chapter 6 of DEPP, which forms part of the Authority's Handbook, sets out the Authority's statement of policy with respect to the imposition and amount of financial penalties under the Act.

The Enforcement Guide

1.9 The Enforcement Guide sets out the Authority's approach to exercising its main enforcement powers under the Act.

1.10 Chapter 7 of the Enforcement Guide sets out the Authority's approach to exercising its power to impose a financial a penalty.