

# Market Watch

Newsletter on market conduct and transaction reporting issues

November 2018

If you wish to join our email list to receive future editions, please contact us at [market.watch@fca.org.uk](mailto:market.watch@fca.org.uk)

You can also find issues on our website at: [www.fca.org.uk/firms/markets/market-abuse](http://www.fca.org.uk/firms/markets/market-abuse)

## 'Flying Prices' and 'Printing Trades' – our requirements for firms

Our rules require firms to establish and maintain effective management oversight and policies, procedures and systems and controls to ensure that market facing employees are not engaging in behaviours that may constitute a criminal offence, market abuse, or unacceptable market conduct.

In [Market Watch 48](#), we highlighted our concerns about firms publishing incorrect volume data and the possible market abuse risks related to this practice. We remain concerned about the use of trading platforms and persistent chat systems by broking firms, to advertise prices which are not supported by a client order and trades which they claim have been executed, but are in fact fictitious.

### 'Flying' and 'Printing' – what are they?

'Flying' involves a firm communicating to its clients, or other market participants, via screen, instant message, voice or other method, that it has bids or offers when they are not supported by, or sometimes not even derived from, an order or a trader's actual instruction.

'Printing' involves communicating, by one of the above methods, that a trade has been executed at a specified price and/or size, when no such trade has taken place.

If false prices and/or trading activity are advertised to the market, then there is a risk that trading decisions may be made based on misleading information. This could cause market participants financial harm, and would undermine the integrity of the market.

### Our Assessment

MAR and MiFID II define what constitutes unacceptable conduct and practice. This includes behaviour that amounts to giving false or misleading impressions to the market. Some firms have responded by implementing appropriate changes to the ways in which they communicate prices or advertise trades. For example, making a clear distinction between a price which is supported by an order or a trader's bid or offer and one which is indicative only.

### Areas of concern

We believe that these practices may amount to criminal offences and/or market abuse and/or unacceptable market conduct in breach of the our Principles for Businesses<sup>1</sup>.

Firms should have appropriate oversight and systems and controls in place to ensure that the instructions which employees place on trading venues, or share via persistent chat systems and trades which they publicly report, do not give false or misleading impressions of the market. This includes the supply of, or the demand for, or the price or value of the instrument in question.

In addition to the obligations that rest upon firms, approved persons must act with integrity and observe proper standards of market conduct in carrying out their accountable functions. Individuals performing an accountable higher management function must exercise due skill, care and diligence in managing the business of the firm for which they are responsible.

### Next steps for firms

You should consider the points raised here about 'printing' and 'flying' and the processes that your firm has in place for training and informing staff about the potentially abusive nature of these practices. In addition, you should review the degree to which your firm can monitor trading platforms and persistent chat systems to identify instances of 'printing' and 'flying'. If you identify any areas of concern, we expect your firm to conduct an assessment. If these practices have occurred you must inform the FCA.

### Relevant rules to consider

#### PRIN principles for business

Principle 1 requires firms to conduct their business with integrity.

Principle 3 requires firms to take reasonable care to organise and control its affairs responsibly and effectively, with adequate risk management systems.

Principle 5 requires firms to observe proper standards of market conduct.

Principle 11 requires firms to deal with their regulators in an open and cooperative way, and to disclose to the regulator appropriately anything relating to the firm of which that regulator would reasonably expect notice.

---

<sup>1</sup> [www.handbook.fca.org.uk/handbook/PRIN.pdf](http://www.handbook.fca.org.uk/handbook/PRIN.pdf)

### **Principle and Code of Practice for Approved Persons – The Statements of Principle**

APER 1 requires an approved person to act with integrity in carrying out his accountable functions.

APER 3 An approved person must observe proper standards of market conduct in carrying out his accountable functions.

APER 6 requires an approved person performing an accountable higher management function to exercise due skill, care and diligence in managing the business of the firm for which they are responsible in their accountable function.

MAR

Article 12 – Market manipulation.

Article 15 – Prohibition of market manipulation.

Article 16 – Prevention and detection of market abuse.

Financial Services Act 2012

Section 89 Misleading statements.

Section 90 Misleading impressions.