Financial Conduct Authority

Warning Notice Statement 17/1

The Financial Conduct Authority (the FCA) gave an individual a warning notice on **12 December 2016** proposing to take action in respect of the conduct summarised in this statement.

IMPORTANT: a warning notice is not the final decision of the FCA. The individual has the right to make representations to the Regulatory Decisions Committee (RDC) which, in the light of those representations, will decide on the appropriate action and whether to issue a decision notice. The RDC is a Committee of the FCA Board which decides whether the FCA should give certain statutory notices described as within its scope by the FCA's Handbook.

If a decision notice is issued, the individual has the right to refer the matter to the Upper Tribunal which would reach an independent decision on the appropriate action for the FCA to take, if any.

If either the RDC or the Upper Tribunal decides that no further action should be taken, the FCA will publish a notice of discontinuance provided it has the individual's consent.

The following is a summary of the reasons why the FCA gave the individual a warning notice:

- The FCA considers that on 12 instances in July and early August 2014 the individual, who was a bond trader employed by a bank, deliberately engaged in market abuse contrary to section 118(5) of the Financial Services and Markets Act 2000.

- Specifically, the individual, in the course of his employment, carried out a strategy of entering "best bid" or "best offer" quotes for government bonds on an inter-dealer trading platform that was designed to induce, and had the effect of inducing, other market participants who were tracking quotes to raise or lower their quotes so that he could benefit from those price movements. By his best bids he represented to the market an intention to buy (when his true intention was to sell) and by his best offers he represented an intention to sell (when his true intention was to buy).

- When his intention was to buy, his misleading best offers induced other market participants to lower their offers, and when his intention was to sell his misleading best bids induced other market participants to raise their bids. The individual then purchased from those market participants who had lowered their offers, or sold to those who had raised their bids, thereby trading at a more advantageous price than he would have achieved at that time, but for his having misled those market participants.

- The individual's behaviour constituted market abuse within the meaning of section 118(5) of the Act in that it gave a false and misleading impression as to the price and supply or demand of the bonds and it also secured the price at an artificial level.