

Market Integrity

The FCA's objective here is to protect and enhance the integrity of the UK financial system.

We aim to promote financial markets that are efficient and transparent, where firms can thrive and consumers of all types can place their trust in transparent and open markets. The markets also need to be supported by resilient infrastructure, with appropriate access and transparency to meet the needs of the consumers, corporates and other wholesale clients that use them.

Our key activities include authorising and supervising firms and market infrastructure providers, ensuring client assets are protected, overseeing the conduct of issuers of securities in the primary markets, acting as the UK listing authority, and maintaining broad oversight of trading on the secondary markets, including taking action to combat market abuse.

Our active participation in the international regulatory community is particularly important for our market integrity objective because the rules set by international bodies increasingly determine the general policies and principles by which, for example, we supervise firms.

We do a range of work to look at markets in the round and decide whether interventions are needed to make them work in the interests of consumers. This includes market studies and thematic supervision work, where the FCA looks across sectors or products and identifies issues that are common to more than one firm, and sometimes to more than one sector. For example, the market study on investment banking, the thematic review of conflicts of interest in 'dark pools', the general insurance add-ons market study and the call for inputs on the use of Big Data.

Some examples of current areas of focus are set out below.

Fair and Effective Markets Review (FEMR)

Alongside HMT and the Bank of England, the FCA has played a key role in considering and recommending reforms to make Fixed Income, Currency and Commodity (FICC) markets fairer and more effective. The Fair and Effective Markets Review (FEMR) was published in June 2015, with 21 recommendations, including a number for the FCA. These are designed to ensure that these markets are fair and effective, and enhance the measures already in progress to tackle the issues highlighted by the review and in recent enforcement actions. The FCA is working through the relevant recommendations now.

Benchmarks

Following a specific FEMR recommendation, the FCA now regulates eight major UK-based financial benchmarks, including Libor. Regulation aims to restore market confidence in these key price-discovery mechanisms which underpin substantial market activity.

Fixed Income, Currency and Commodity (FICC)

FEMR recommended the creation of the FICC Markets Standards Board (FMSB). The FMSB is an industry led body that aims to develop standards and guidelines, and promote best practice within the global FICC markets.

Markets in Financial Instruments Directive (MiFID II)

International cooperation is crucial for wholesale markets, which operate across borders. The Markets in Financial Instruments Directive (MiFID II) is a key example of this which aims to strengthen the single market in investment services, improve investor protection and bolster financial stability. It is designed to take into account developments in the trading environment since the implementation of MiFID in 2007 and in light of the lessons of the financial crisis, including advances in technology and gaps in transparency to investors and regulators.

Foreign Exchange (FX)

Following a series of scandals, we have issued financial penalties and announced an industry-wide FX remediation programme to drive up standards across the industry. Firms have already carried out a significant amount of work and we are also working closely with overseas regulators on this.

UK Listings Agency (UKLA)

The UKLA Department, which sits within the Market Oversight Division, oversees the obligations of listed issuers under the listing rules and prospectus rules and their disclosure obligations under the disclosure and transparency rules. The Division also oversees the market abuse regime which,

amongst other things, is intended to prevent issuers from making false and misleading announcements. UKLA keeps the premium listing regime under active review to ensure that investors and shareholders can have confidence in the protections it provides, and that businesses can obtain effective access to capital to facilitate their growth.

Recent UKLA enforcement cases include:

- Asia Resource Minerals PLC (formerly Bumi Plc) was fined £4.6million for having inadequate systems and controls to comply with its obligations as a listed company;
- Execution Noble, at the time a sponsor firm, were fined £231,000 for a failure to notify UKLA of large scale staff losses which questioned their ongoing ability to act as a sponsor;
- Reckitt Benckiser were fined £539,800 for having inadequate systems and controls to monitor share dealing by senior executives.

Market abuse

The sophistication of market abusers and advances in technology, as well as the changes to regulation, mean that we need to constantly review our approach to detecting and investigating market abuse. Identification of potential market abuse, a strong pipeline of public outcomes, and education measures all support our deterrence agenda. We have various activities in place to deal with market abuse, such as Suspicious Transaction Reports and surveillance activities, as ensuring that our markets remain clean is a top priority. This is supported by trading platforms providing proactive, real-time surveillance and, if necessary, intervention.

Misconduct

Dealing with culture and conduct across markets also means dealing with misconduct. The FCA conducts forensic investigations into regulatory breaches and criminal offences by firms and individuals, such as insider dealing and market manipulation.

The Unauthorised Business Department polices the perimeter of the market, focusing on those who carry out regulated activities without authorisation, and educating consumers and others about the risks of unauthorised activities.

Fines

- We have issued seven fines, totalling £698.93m for misconduct related to Libor including fining Deutsche Bank £227m for the manipulation of IBOR submissions
- In 2015/16 there have been eight criminal convictions for unauthorised business
- In 2015/16 we have issued 17 prohibitions against individuals
- In May 2015 we fined Barclays £282,432,000 for FX manipulation
- In November 2014, we imposed fines on five banks for forex manipulation:
 - Citibank were fined £225,575,000
 - HSBC were fined £216,363,000
 - JP Morgan were fined £222,166,000
 - RBS were fined £217 million
 - UBS were fined £233,814,000