

FICC Markets Standards Board Issues New Statement of Good Practice on Suspicious Transaction and Order Reporting

London, 4 May 2018 - The FICC Markets Standards Board (“FMSB”) today publishes a Transparency Draft of a new Statement of Good Practice on *Suspicious Transaction and Order Reporting*.

This Statement of Good Practice covers the identification of suspicious transactions and orders and their reporting to the relevant regulator. In the UK and other jurisdictions regulated market participants have an obligation report such transactions to their regulator – in the UK this is as a Suspicious Transaction and Order Report (STOR) submitted to the FCA.

A suspicious transaction or order is one where there is a reasonable suspicion that it could constitute insider dealing, market manipulation or attempted insider dealing or market manipulation.

There are ten Good Practice Statements which firms should look to when considering their own practice in this area and cover issues including:

- Firms should have a clear organisational structure in place to facilitate monitoring and reporting of suspicious orders or transactions.
- Surveillance activities should be owned by a function which is independent from the business activities. That function should have the expertise and experience to provide control over their business activities.
- Electronic surveillance systems should analyse trading data through a set of logic and look back scenarios searching for potentially suspicious behaviour.
- Firms should provide guidance to employees on required actions after a STOR is submitted.

The Statement of Good Practice also covers issues such as training and record keeping.

Mark Yallop, Chair of FMSB said: *“This Statement of Good Practice deals with an important area of market and conduct oversight. It is designed to assist all front-office and control staff who are active participants in the FICC markets as well as those who are engaged in the monitoring and surveillance of these activities.”*

FMSB members and other interested parties are invited to comment on the proposed Statement of Good Practice before it is finalised by FMSB. This consultation will run until 03 August 2018 with the final document expected to be published shortly thereafter.

This is the fifth Statement of Good Practice to have been published by FMSB since it was set up in 2015 in response to the Fair and Effective Markets Review in the UK with a mandate to improve conduct and raise standards in the wholesale Fixed Income, Commodity and Currency markets.

All materials published by FMSB are available at www.fmsb.com.

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Notes to Editors

1) The Fixed Income, Currency and Commodities (“FICC”) Markets Standards Board (“FMSB”) is an independent body set up by market practitioners to improve standards of conduct in wholesale FICC markets. It aims to bring transparency to grey areas in the wholesale FICC markets by identifying emerging vulnerabilities, clarifying and documenting practice and agreeing standards to improve conduct and market behaviour. Ensuring that wholesale FICC markets are transparent, fair and effective is at the heart of the FMSB’s mission.

2) Setting up the FMSB was one of the main recommendations to emerge from the Fair and Effective Markets Review (“FEMR”), which was conducted by HM Treasury, the Bank of England and the Financial Conduct Authority.

3) The FMSB has a Board drawn from senior executives from across wholesale markets, from corporate clients, asset managers, sell side participants and intermediaries and infrastructure providers such as exchanges and custodians. Reporting to the Standards Board are standing sub-committees addressing Market Practices, Codes & Standards Convergence and Conduct & Ethics. The Market Practices sub-committees are split into 4 asset-class specific committees. There is also an Advisory Council representing the interests of member firms.

4) The FMSB’s members bring together sell-side investment banks, buy-side asset managers, market infrastructure providers and exchanges, custodians and users of the market such as corporates. This constitution is unique. The members firms are:

- Allianz Global Investors
- ANZ
- Bank of America Merrill Lynch
- Bank of New York Mellon
- Barclays
- BHP
- BlackRock
- Bloomberg
- BNP Paribas
- BP
- Citadel Securities
- Citigroup Global Markets Limited
- Crédit Agricole CIB
- Credit Suisse

- Deutsche Bank
- FastMatch
- Goldman Sachs
- HSBC
- Invesco
- J.P. Morgan
- Legal & General Investment Management
- Linklaters (Legal Advisor)
- Lloyds Banking Group
- London Stock Exchange Group
- M&G Investments
- MarketAxess
- Morgan Stanley
- National Australia Bank
- NEX Group PLC
- Nomura
- RBS
- Rio Tinto
- Royal Bank of Canada
- Royal Dutch Shell
- Royal Mail Group
- Société Générale
- Standard Chartered
- Standard Life Aberdeen
- State Street
- Thomson Reuters
- TP ICAP
- Tradeweb
- UBS
- Vodafone
- XTX Markets