

## Contents

APPENDIX H: MARKET ABUSE EXAMPLES .....	2
Examples of Market Abuse.....	2

## APPENDIX H: MARKET ABUSE EXAMPLES

### Examples of Market Abuse

Action/Event	Finding
A passenger on a train passes a burning factory and calls their broker and tells them to sell shares in the factory's owner.	Not market abuse (insider dealing) as the passenger will be acting on information which is generally available, since it is information which has been obtained by legitimate means through observation of a public event.
A director of a company, whilst in possession of inside information concerning the company, instructs a staff member of that company to buy shares in that company.	The offence of encouraging market abuse has been committed regardless of whether the staff member actually buys the shares.
A person recommends or advises a friend to engage in behaviour which, if they themselves engaged in it, would amount to market abuse.	The offence of encouraging market abuse has been committed.
X, a director at B PLC has lunch with a friend, Y. X tells Y that their company has received a takeover offer that is at a premium to the current share price at which it is trading. Y enters into a spread bet priced, or valued by, reference to the share price of B PLC based on their expectation that the price in B PLC will increase once the takeover offer is announced.	Market abuse (improper disclosure by X and insider dealing by Y) has been committed.
A staff member at B PLC obtains the information that B PLC has just lost a significant contract with its main customer. Before the information is announced over the regulatory information service the staff member, whilst being under no obligation to do so, sells their shares in B PLC based on the information about the loss of the contract.	Market abuse (insider dealing) has been committed.
X, a broker for A LTD finds a confidential business plan on a train for a firm, B PLC, in which X has placed a small order to buy stock. The business plan states that B PLC is considering an offer to merge with a US competitor. X immediately increases their buy order in B PLC.	Market abuse (insider dealing) has been committed.
Before the official publication of LME stock levels, a metals trader learns (from an insider) that there has been a significant decrease in the level of LME aluminium stocks. This information is routinely made available to users of that prescribed market. The trader buys a substantial number of futures in that metal on the LME before the information is made public, based upon their knowledge of the significant decrease in aluminium stock levels.	Market abuse (insider dealing) has been committed.

Action/Event	Finding
A dealer on the trading desk of a firm dealing in oil derivatives accepts a very large order from a client to acquire a long position in oil futures deliverable in a particular month. Before executing the order, the dealer trades for the firm and on their personal account by taking a long position in those oil futures, based on the expectation that they will be able to sell them at profit due to the significant price increase that will result from the execution of their client's order.	Both trades will be market abuse (insider dealing).
Front running/pre-positioning: X personally buys shares in a company in advance of executing a large order from a client to buy the same shares. The large order pushes the price of the shares higher at which point X sells their shares.	Market abuse (insider dealing) has been committed.
Buying or selling qualifying investments at the close of the market with the effect of misleading investors who act on the basis of closing prices, other than for legitimate reasons.	Market abuse (manipulating transactions) of a type involving false or misleading impressions.
Wash trades – that is, a sale or purchase of a qualifying investment where there is no change in beneficial interest or market risk, or where the transfer of beneficial interest or market risk is only between parties acting in concert or collusion, other than for legitimate reasons.	Market abuse (manipulating transactions) of a type involving false or misleading impressions.
Painting the tape – that is, entering into a series of transactions that are shown on a public display for the purpose of giving the impression of activity or price movement in a qualifying investment.	Market abuse (manipulating transactions) of a type involving false or misleading impressions.
Entering orders into an electronic trading system, at prices which are higher than the previous bid or lower than the previous offer, and withdrawing them before they are executed, in order to give a misleading impression that there is demand for or supply of the qualifying investment at that price.	Market abuse (manipulating transactions) of a type involving false or misleading impressions.
Transactions or orders to trade by a person, or persons acting in collusion, that secure a dominant position over the supply of or demand for a qualifying investment and which have the effect of fixing, directly or indirectly, purchase or sale prices or creating other unfair trading conditions, other than for legitimate reasons.	Market abuse (manipulating transactions) involving securing the price of a qualifying investment.
Transactions where both buy and sell orders are entered at, or nearly at, the same time, with the same price and quantity by the same party, or different but colluding parties, other than for legitimate reasons, unless the transactions are legitimate trades carried out in accordance with the rules of the relevant trading platform (such as crossing trades).	Market abuse (manipulating transactions) involving securing the price of a qualifying investment.

<b>Action/Event</b>	<b>Finding</b>
Entering small orders into an electronic trading system, at prices which are higher than the previous bid or lower than the previous offer, in order to move the price of the qualifying investment, other than for legitimate reasons.	Market abuse (manipulating transactions) involving securing the price of a qualifying investment.
Taking advantage of occasional or regular access to the traditional or electronic media by voicing an opinion about a qualifying investment (or indirectly about its issuer) whilst having previously taken positions on that qualifying investment and profiting subsequently from the impact of the opinions voiced on the price of that instrument, without having simultaneously disclosed that conflict of interest to the public in a proper and effective way.	Market abuse (manipulating devices).
A transaction or series of transactions that are designed to conceal the ownership of a qualifying investment, so that disclosure requirements are circumvented by the holding of the qualifying investment in the name of a colluding party, such that disclosures are misleading in respect of the true underlying holding. These transactions are often structured so that market risk remains with the seller. This does not include nominee holdings.	Market abuse (manipulating devices).
Pump and dump – that is, taking a long position in a qualifying investment and then disseminating misleading positive information about the qualifying investment with a view to increasing its price.	Market abuse (manipulating devices).
Trash and cash – that is, taking a short position in a qualifying investment and then disseminating misleading negative information about the qualifying investment, with a view to driving down its price.	Market abuse (manipulating devices).
Parties, who have been allocated qualifying investments in a primary offering, colluding to purchase further tranches of those qualifying investments when trading begins, in order to force the price of the qualifying investments to an artificial level and generate interest from other investors, and then sell the qualifying investments.	Market abuse (manipulating transactions) involving securing the price of a qualifying investment.
Transactions or orders to trade employed so as to create obstacles to the price falling below a certain level, in order to avoid negative consequences for the issuer, e.g. a downgrading of its credit rating.	Market abuse (manipulating transactions) involving securing the price of a qualifying investment.
Trading on one market or trading platform with a view to improperly influencing the price of the same or a related qualifying investment that is traded on another prescribed market.	Market abuse (manipulating transactions) involving securing the price of a qualifying investment.

<b>Action/Event</b>	<b>Finding</b>
Disclosure of inside information by the director of an issuer to another in a social context.	Market abuse (unlawful disclosure) has been committed.
Selective briefing of analysts by directors of issuers or others who are persons discharging managerial responsibilities.	Market abuse (unlawful disclosure) has been committed.
X, a director at B PLC has lunch with a friend, Y, who has no connection with B PLC or its advisers. X tells Y that their company has received a takeover offer that is at a premium to the current share price at which it is trading.	Market abuse (unlawful disclosure) has been committed.
X, an analyst employed by an investment bank, telephones the finance director at B PLC and presses for details of the profit and loss account from the latest unpublished management accounts of B PLC.	The offence of encouraging market abuse (unlawful disclosure) has been committed.
X, a director at B PLC, has lunch with a friend, Y. X tells Y that their company has received a takeover offer. Y places a fixed odds bet with a bookmaker that B PLC will be the subject of a bid within a week, based on their expectation that the takeover offer will be announced over the next few days.	May amount to market abuse (misuse of information).
<p>Informal, non-contractual icing of qualifying investments by the manager of a proposed issue of convertible or exchangeable bonds, which are to be the subject of a public marketing effort, with a view to subsequent borrowing by it of those qualifying investments based on relevant information about the forthcoming issue:</p> <ul style="list-style-type: none"> <li>• Which is not generally available.</li> <li>• Which a regular user would reasonably expect to be disclosed to users of the relevant prescribed market.</li> <li>• Where this has the effect of withdrawing those qualifying investments from the lending market in order to lend it to the issue manager in such a way that other market participants are disadvantaged.</li> </ul>	May amount to market abuse (misuse of information).
A staff member of B PLC is aware of contractual negotiations between B PLC and a customer. Transactions with that customer have generated over 10% of B PLC's turnover in each of the last 5 financial years. The staff member knows that the customer has threatened to take its business elsewhere, and that the negotiations, whilst ongoing, are not proceeding well. The staff member, whilst being under no obligation to do so, sells their shares in B PLC based on their assessment that it is reasonably likely that the customer will take their business elsewhere.	May amount to market abuse (misuse of information).
A trader simultaneously buys and sells the same qualifying investment (that is, trades with themselves) to give the appearance of a legitimate transfer of title or risk (or both) at a price outside the normal trading range for the qualifying	May amount to market abuse (manipulating transactions).

Action/Event	Finding
investment. The price of the qualifying investment is relevant to the calculation of the settlement value of an option. They do this whilst holding a position in the option. Their purpose is to position the price of the qualifying investment at a false, misleading, abnormal or artificial level, making them a profit or avoiding a loss from the option.	
A trader buys a large volume of commodity futures, which are qualifying investments, (whose price will be relevant to the calculation of the settlement value of a derivatives position they hold) just before the close of trading. Their purpose is to position the price of the commodity futures at a false, misleading, abnormal or artificial level so as to make a profit from their derivatives position.	May amount to market abuse (manipulating transactions).
A trader holds a short position that will show a profit if a particular qualifying investment, which is currently a component of an index, falls out of that index. The question of whether the qualifying investment will fall out of the index depends on the closing price of the qualifying investment. They place a large sell order in this qualifying investment just before the close of trading. Their purpose is to position the price of the qualifying investment at a false, misleading, abnormal or artificial level so that the qualifying investment will drop out of the index so as to make a profit.	May amount to market abuse (manipulating transactions).
A fund manager's quarterly performance will improve if the valuation of their portfolio at the end of the quarter in question is higher rather than lower. They place a large order to buy relatively illiquid shares, which are also components of their portfolio, to be executed at or just before the close. Their purpose is to position the price of the shares at a false, misleading, abnormal or artificial level.	May amount to market abuse (manipulating transactions).
A trader with a long position in bond futures buys or borrows a large amount of the cheapest to deliver bonds and either refuses to re-lend these bonds or will only lend them to parties they believe will not re-lend to the market. Their purpose is to position the price at which those with short positions have to deliver to satisfy their obligations at a materially higher level, making them a profit from their original position.	May amount to market abuse (manipulating transactions) – abusive squeeze.
A person posts information on an internet bulletin board or chat room which contains false or misleading statements about the takeover of a company whose shares are qualifying investments and the person knows that the information is false or misleading.	May amount to market abuse (dissemination).
A person responsible for the content of information submitted to a regulatory information service submits information which is	May amount to market abuse (dissemination).

<b>Action/Event</b>	<b>Finding</b>
false or misleading as to qualifying investments and that person is reckless as to whether the information is false or misleading.	
The movement of physical commodity stocks, which might create a misleading impression as to the supply of, or demand for, or price or value of, a commodity or the deliverable into a commodity futures contract.	Market abuse (misleading behaviour) if they give, or are likely to give, a regular user of the market a false or misleading impression.
The movement of an empty cargo ship, which might create a false or misleading impression as to the supply of, or the demand for, or the price or value of a commodity or the deliverable into a commodity futures contract.	Market abuse (misleading behaviour) if they give, or are likely to give, a regular user of the market a false or misleading impression.
Traders at one firm share confidential information about their FX fix orders with traders at other firms via chat rooms enabling the traders to align their trading strategies to move the fix in their preferred direction so that the rate at which the firm had agreed to sell a particular currency was higher than the average rate at which it had bought that currency ensuring a profit for the firm.	Market abuse (manipulation of benchmark) if a trading strategy creates a false or misleading impression as to the price or value of an investment, or the appropriate rate for a transaction, in the knowledge that the impression may affect the setting of a relevant benchmark.