

Preventing market abuse in financial markets

SUMMARY OF:

[Regulation \(EU\) No 596/2014 on market abuse](#)

WHAT IS THE AIM OF THE REGULATION?

- The market abuse regulation (MAR) seeks to ensure that European Union (EU) regulation keeps pace with market developments to combat market abuse on financial markets as well as across commodity and related derivative markets (i.e. markets trading primary products such as gold, wheat, etc., and financial instruments based thereupon).
- It explicitly bans the manipulation of benchmarks (such as the London Interbank Offered Rate — known as the LIBOR).
- It reinforces the investigative and sanctioning powers of the regulators appointed by EU countries to ensure the proper functioning of their financial markets.
- It ensures a single EU rulebook while reducing administrative burdens on smaller and medium-sized issuers where possible.

KEY POINTS

Banning abuse in financial markets

Market abuse inhibits the full transparency which is essential for trading in today's integrated financial markets. The rules outlaw 3 types of abuse:

- market manipulation*;
- insider dealing*;
- unlawful disclosure of non-public information*.

MAR rules apply to a person or a company committing market abuse with respect to the trading of financial instruments, whether through trading platforms or negotiated privately in '[over-the-counter](#)' transactions.

Administrative sanctions

MAR rules require EU countries to specify administrative pecuniary sanctions of at least €15 million or 15% of the total annual turnover for legal persons (such as companies) and of €5 million for individuals, to be applied by the competent authorities.

Strengthening regulators' investigatory powers

MAR rules reinforce the supervisory and investigatory powers of the regulators appointed by each EU country to ensure the proper functioning of their financial markets. For instance, among other powers, they are able to carry out **on-site inspections and investigations** and to request the **freezing or sequestration of assets**.

Since the adoption of the MAR, the [European Commission](#) has adopted a series of regulations that supplement or further clarify certain aspects of the regulation. These cover, among other things:

- the conditions applicable to buy-back programmes* and stabilisation measures ([Regulation \(EU\) 2016/1052](#));
- details regarding the insider lists that issuers of financial instruments must draw up ([Regulation \(EU\) 2016/347](#));
- rules concerning the notification of suspicious orders or transactions ([Regulations \(EU\) 2016/378](#) and (EU) [2016/957](#));

- rules on the presentation of investment recommendations ([Regulation \(EU\) 2016/958](#)) and market soundings* ([Regulations \(EU\) 2016/959](#) and [\(EU\) 2016/960](#));
- the technical means for appropriate public disclosure of inside information and for delaying the public disclosure of inside information ([Regulation \(EU\) 2016/1055](#));
- procedures and forms for competent authorities exchanging information with the [European Securities Market Authority](#) ([Regulation \(EU\) 2017/1158](#)).

FROM WHEN DOES THE REGULATION APPLY?

It has applied since 3 July 2016.

BACKGROUND

Alongside the MAR, the [criminal sanctions for market abuse directive](#) requires all EU countries to harmonise their laws on criminal offences for market abuse.

For further information, see:

- [Ensuring the integrity of securities markets](#) (*European Commission*).

KEY TERMS

Market manipulation: entering into a transaction or behaviour that:

- gives or is likely to give false or misleading signals as to the supply/demand of a financial instrument;
- secures or is likely to secure the price of a financial instrument at an abnormal level.

It may also consist of:

- a transaction or behaviour by using a fictitious device or other form of deception;
- disseminating misleading information;
- transmitting false or misleading information,
- providing false or misleading inputs, or
- any action which manipulates the calculation of a benchmark.

Insider dealing: arises where a person uses inside information by transacting, on his own account or for the account of a third party, in a financial instrument to which that inside information relates. Inside information is of a precise nature, which is not public, relating to issuer(s) of financial instruments and which, if made public, would have a significant effect on prices.

Unlawful disclosure of inside information: arises when a person possesses inside information and discloses it to another person (e.g. through leaking confidential documents containing inside information), except if the disclosure is made in the normal exercise of an employment, a profession or duties.

Buy-back programmes: when companies buy back their own shares from the marketplace. This most frequently arises when companies feel their shares are undervalued.

Market soundings: a communication of information prior to the announcement of a transaction, in order to gauge the interest of potential investors in a possible transaction, and the conditions relating to it such as its potential size or pricing to one or more potential investors.

MAIN DOCUMENT

[Regulation \(EU\) No 596/2014](#) of the European Parliament and of the Council of 16 April 2014 on market abuse (market abuse regulation) and repealing Directive 2003/6/EC of the European Parliament and of the Council and Commission Directives 2003/124/EC, 2003/125/EC and 2004/72/EC (OJ L 173, 12.6.2014, pp. 1-61)

Successive amendments to Regulation (EU) No 596/2014 have been incorporated in to the original document. This [consolidated version](#) is of documentary value only.

RELATED DOCUMENTS

Commission [Implementing Regulation \(EU\) 2018/292](#) of 26 February 2018 laying down implementing technical standards with regard to procedures and forms for exchange of information and assistance between competent authorities according to Regulation (EU) No 596/2014 of the European Parliament and of the Council on market abuse (OJ L 55, 27.2.2018, pp. 34-49)

Commission [Implementing Regulation \(EU\) 2017/1158](#) of 29 June 2017 laying down implementing technical standards with regards to the procedures and forms for competent authorities exchanging information with the European Securities Market Authority as referred to in Article 33 of Regulation (EU) No 596/2014 of the European Parliament and of the Council (OJ L 167, 30.6.2017, pp. 22-30)

Commission [Delegated Regulation \(EU\) 2016/908](#) of 26 February 2016 supplementing Regulation (EU) No 596/2014 of the European Parliament and of the Council laying down regulatory technical standards on the criteria, the procedure and the requirements for establishing an accepted market practice and the requirements for maintaining it, terminating it or modifying the conditions for its acceptance (OJ L 153, 10.6.2016, pp. 3-12)

Commission [Delegated Regulation \(EU\) 2016/909](#) of 1 March 2016 supplementing Regulation (EU) No 596/2014 of the European Parliament and of the Council with regard to regulatory technical standards for the content of notifications to be submitted to competent authorities and the compilation, publication and maintenance of the list of notifications (OJ L 153, 10.6.2016, pp. 13-22)

Commission [Delegated Regulation \(EU\) 2016/1052](#) of 8 March 2016 supplementing Regulation (EU) No 596/2014 of the European Parliament and of the Council with regard to regulatory technical standards for the conditions applicable to buy-back programmes and stabilisation measures (OJ L 173, 30.6.2016, pp. 34-41)

Commission [Delegated Regulation \(EU\) 2016/957](#) of 9 March 2016 supplementing Regulation (EU) No 596/2014 of the European Parliament and of the Council with regard to regulatory technical standards for the appropriate arrangements, systems and procedures as well as notification templates to be used for preventing, detecting and reporting abusive practices or suspicious orders or transactions (OJ L 160, 17.6.2016, pp. 1-14)

Commission [Delegated Regulation \(EU\) 2016/958](#) of 9 March 2016 supplementing Regulation (EU) No 596/2014 of the European Parliament and of the Council with regard to regulatory technical standards for the technical arrangements for objective presentation of investment recommendations or other information recommending or suggesting an investment strategy and for disclosure of particular interests or indications of conflicts of interest (OJ L 160, 17.6.2016, pp. 15-22)

See [consolidated version](#).

Commission [Implementing Regulation \(EU\) 2016/347](#) of 10 March 2016 laying down implementing technical standards with regard to the precise format of insider lists and for updating insider lists in accordance with Regulation (EU) No 596/2014 of the European Parliament and of the Council (OJ L 65, 11.3.2016, pp. 49-55)

Commission [Implementing Regulation \(EU\) 2016/523](#) of 10 March 2016 laying down implementing technical standards with regard to the format and template for notification and public disclosure of managers' transactions in accordance with Regulation (EU) No 596/2014 of the European Parliament and of the Council (OJ L 88, 5.4.2016, pp. 19-22)

Commission [Implementing Regulation \(EU\) 2016/378](#) of 11 March 2016 laying down implementing technical standards with regard to the timing, format and template of the submission of notifications to competent authorities according to Regulation (EU) No 596/2014 of the European Parliament and of the Council (OJ L 72, 17.3.2016, pp. 1-12)

Commission [Implementing Regulation \(EU\) 2016/959](#) of 17 May 2016 laying down implementing technical standards for market soundings with regard to the systems and notification templates to be used by disclosing market participants and the format of the records in accordance with Regulation (EU) No 596/2014 of the European Parliament and of the Council (OJ L 160, 17.6.2016, pp. 23-28)

Commission [Delegated Regulation \(EU\) 2016/960](#) of 17 May 2016 supplementing Regulation (EU) No 596/2014 of the European Parliament and of the Council with regard to regulatory technical standards for the appropriate arrangements, systems and procedures for disclosing market participants conducting market soundings (OJ L 160, 17.6.2016, pp. 29-33)

Commission [Implementing Regulation \(EU\) 2016/1055](#) of 29 June 2016 laying down implementing technical standards with regard to the technical means for appropriate public disclosure of inside information and for delaying the public disclosure of inside information in accordance with Regulation (EU) No 596/2014 of the European Parliament and of the Council (OJ L 173, 30.6.2016, pp. 47-51)

Commission [Implementing Directive \(EU\) 2015/2392](#) of 17 December 2015 on Regulation (EU) No 596/2014 of the European Parliament and of the Council as regards reporting to competent authorities of actual or potential infringements of that Regulation (OJ L 332, 18.12.2015, pp. 126-132)

Commission [Delegated Regulation \(EU\) 2016/522](#) of 17 December 2015 supplementing Regulation (EU) No 596/2014 of the European Parliament and of the Council as regards an exemption for certain third countries public bodies and

central banks, the indicators of market manipulation, the disclosure thresholds, the competent authority for notifications of delays, the permission for trading during closed periods and types of notifiable managers' transactions (OJ L 88, 5.4.2016, pp. 1-18)

[Directive 2014/57/EU](#) of the European Parliament and of the Council of 16 April 2014 on criminal sanctions for market abuse (market abuse directive) (OJ L 173, 12.6.2014, pp. 179-189)

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