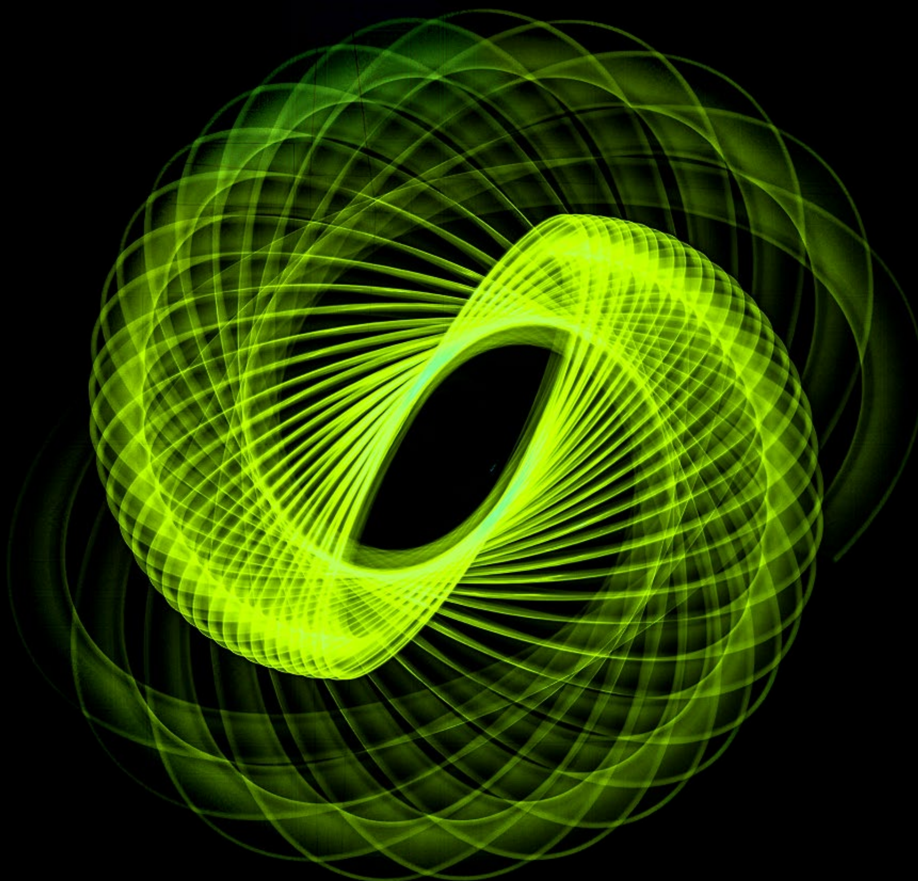
Deloitte.



Market Abuse Outlook 2022

Overview of Global Regulatory Priorities and Focus Areas

October 2022

MAKING AN IMPACT THAT MATTERS since 1845

Contents

Introduction

In February 2021, Deloitte published "Market Abuse Outlook: Overview of Global Regulatory Priorities and Focus Areas", which provided an overview on the governance structure, regulatory enforcements, emerging expectations, and how advanced technologies play a role in market surveillance.

In this edition, we go on to discuss some notable developments observed in the financial markets globally with respect to manipulation of markets, emerging technologies, increased regulatory scrutiny and approach to supervision, just to name a few.

What has Changed?

The world of work has continued to change with hybrid working becoming a new norm. The firms' adoption of hybrid operations has added a new dimension to compliance and business continuity processes, especially as it pertains to regulatory requirements around record keeping, communications monitoring and the prevention of use of material non-public information

On the market abuse front, regulators[1] have been focusing on firms' ability to demonstrate the ongoing effectiveness of their surveillance program and controls, beyond just checking the box on required coverage, as well as the completeness of data flowing into the surveillance system. More firms have been performing rigorous reviews of existing processes and controls, to ensure adequate management of conduct risks arising out of their trading activities. Further, with ever changing regulatory landscape, firms should consider a revamped approach to provide comprehensive coverage across their portfolio of products, trading venues and countries, and continue to make investments to develop a scalable and efficient framework that can adapt to new and evolving risks.

Recently, the financial markets have also witnessed rise in prominence of new asset classes such as digital assets/ crypto and the emergence of new market abuse behaviors such as short squeeze, printing and rug pull[2]. As the markets for digital assets grow, regulators across the world are accelerating the introduction of requisite rules to regulate these markets. Additionally, over the counter (OTC) derivatives, specifically swaps, have been at the forefront of regulatory scrutiny, owing to the unexplored and complex surveillance infrastructure within the marketplace. New technologies and innovation seem to be offering potential solutions to these old-world challenges.

Regulators such as FINRA[3] have upped the ante by improving their surveillance methods utilizing cloud and machine learning (ML). To adopt a proactive approach to spotting abusive market practices, leading industry participants are exploring the use of new methods and technologies such as machine learning and artificial intelligence (AI) for improved detection of abusive trading patterns and outliers[4].

Recent lessons

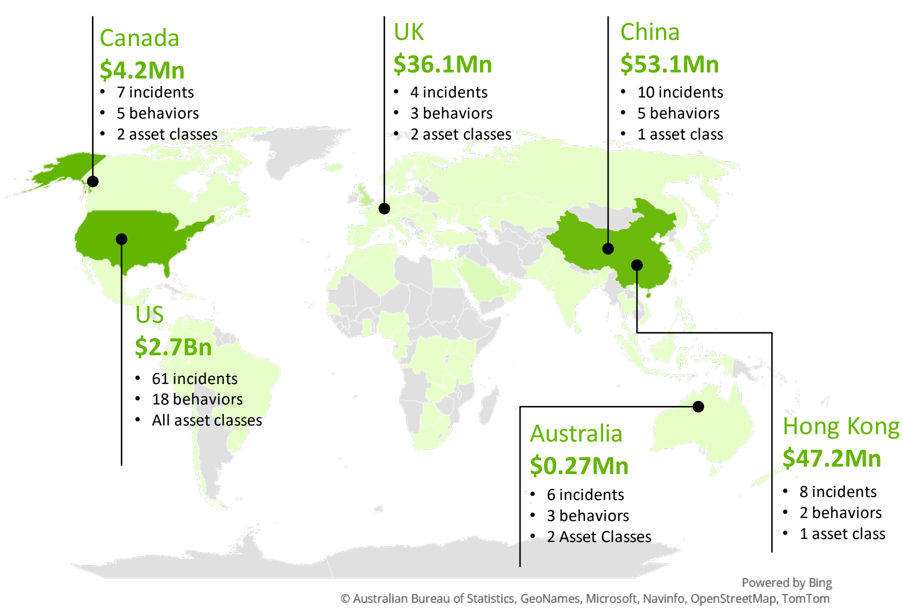
"Trillions of dollars in assets need more sunlight and may require tighter rules, a problem highlighted by this year's disruptions in financial markets. Investors want to know there's somebody looking after them, I've asked staff to think across our whole market."

– *Gary Gensler, Securities and Exchange Commission (SEC) Chief*[5] .

Regulators are continuing to enforce penalties and disciplinary actions on the wrongdoers, to emphasize their focus on ensuring and preserving market integrity and trustworthiness. These actions serve as a supplement to the regulatory guidance and provide great insights on regulatory expectations. It is becoming increasingly clear that regulators are far less tolerant towards incidents of financial crime than they were a decade ago[6]. The analysis below outlines the regulatory enforcements coverage in prominent regions across the globe (Figure 1).

Through 2020-2022[2], some of the most common market abuse behaviors (Appendix B) observed by the regulators globally are *marking the close, spoofing/layering, insider dealing* and *dissemination of false or misleading market information*, in consonance with previous years, as highlighted by our previous edition[7]. In addition to manipulative practices, statistics indicate that regulators have also expanded their focus to various asset classes and products, with Digital Assets being at the forefront[8].

Market Abuse Enforcements from 2020-2022*



*Certain metrics have been rounded up or rounded down

Figure 1: Market Abuse Enforcements 2020 – 2022[2]

What are the enforcement trends to discourage market abuse?

It is observed that *marking the close* and *spoofing/layering* were the top two market abuse behaviors with the former resulting in 41% and the latter resulting in 38% of the total monetary fines. Next on the list, *dissemination of false and misleading market information* and *insider dealing* have also resulted in a significant number of enforcement actions.

In addition to the trend in behaviors, enforcement actions observed globally also highlight subtle differences in the range of asset classes being covered. Recently, in the Americas, the enforcement actions have mostly been related to commodities, as well as Foreign Exchange (FX) and currencies while for other regions, enforcement actions have been primarily related to equities. This can be attributed to Commodity Futures Trading Commission (CFTC) strictly monitoring these asset classes and giving a big enforcement push over the last three years in the US. Over the last couple of years of the ongoing pandemic, the world has witnessed an increased use of communication platforms that have become much more prevalent in reciprocity and business collaborations.

Due to this, regulators are increasingly scrutinizing the use of unapproved communication channels and compliance with record keeping requirements. In the Americas, the SEC and CFTC have imposed notable fines of USD 200 Mn (per firm) for failures around the capture and monitoring of business communications on personal devices via communication applications. Regulatory authorities are probing into such similar breaches and are in the process of imposing fines on other European banks as well[9].

Emerging Behaviors

Printing and flying prices:

In the recent years, US markets have had enforcement actions related to a new behavior, "*printing and flying prices*", with penalty of USD 7 Mn[2]. This behavior involves a broker communicating to clients that a trade has been executed at a specified price and/or size when no such trade has taken place.

Short squeeze:

Another emerging behavior highlighted by regulators is short squeeze. This behavior involves unusual rise in the price of a stock forcing many short sellers, betting on a security's price fall to close their positions in order to cover their losses.

Emerging Asset Class

Over the last few years, regulators have been carefully observing the dynamic Digital Assets marketplace and have had a very circumspect approach towards the regulatory and legal aspects of the same. During 2020-2021, regulatory penalties amounting to USD 11.4 Mn have been imposed on institutional investors in the US and Canada markets. While majority of these penalties are a result of misleading disclosures and solicitation of participants funds, new behaviors such as *rug pull* have also resulted in regulatory penalties[2]. To learn more about the various market abuse behaviors in digital assets click here

	Market Abuse Surveillance				
	Marking the Close	Spoofing/ Layering	Insider Dealing	Dissemination of False or Misleading Market Information	Other Surveillance**
% of number of Global incidents	3% of global incidents	16% of global incidents	11% of global incidents	20% of global incidents	22% of global incidents
Total Global Penalties	$1.18 Bn	$1.08 Bn	$0.13 Bn	$0.11 Bn	$0.28 Bn
Highest incident rate	US	US	US, CHINA and AUSTRALIA	US and CHINA	US and HONG KONG

** Other Surveillance includes other supervision and E-comm surveillance failure

Figure 2: Behavior Snapshot[2]

Regional Snapshot:

Americas[2]:

In continuation with the trends observed during 2016-2020[7] , the US regulators have been at the forefront in levying enforcements. It is estimated that approx. USD 2.7 Bn penalties were enforced between 2020 and 2022 for market abuse in the US markets. Notably, eight large regulatory actions have contributed to 97% of this penalty amount – indicating a very bullish regulatory sentiment of severely punishing high impact misconduct and sending across a strong message. The SEC enforcement of *insider trading* dropped to its lowest point in last decade. However, the SEC spokesman noted that the regulators would continue to vigorously pursue *insider trading* cases against individuals and companies[10].

In addition to the manipulative practices, regulators are also focusing on firms' practices related to surveillance and record keeping of communications. During 2020 - 2022, regulators enforced over USD 217 Mn in penalties related to other supervision and E-Comm surveillance failures, with largest share coming from enforcement actions against the use of unapproved channels of communication and record keeping requirements.

In comparison to the US market, regulatory authorities in Canada have enforced regulatory penalties close to USD 4.3 Mn. The enforcement actions covered a wide range of products in FX, digital assets, equities, and derivative asset classes. Most of the monetary fines in Canada have been imposed for abusive practices, including *pump and dump, wash trades* and *rug pull.*

Europe[2]:

One notable trend observed in Europe relates to market manipulation in the energy spot and derivatives markets. The European energy regulators have been vigilant and have acted against market abuse in this marketspace. The European Union Agency for the Cooperation of Energy Regulators and Bundesnetzgentur in Germany conducted investigations[11] into instances of market manipulation and enforced penalties associated to *price manipulation* in the energy markets.

Asia-Pacific[2]:

In Asia Pacific, a limited number of enforcement actions have been observed across Hong Kong, China, Japan and Australia. Majority of the fines in Japan and Australia are imposed on behaviors including *advancing the bid*, *spoofing/layering* and *insider dealing*.

REGULATORY ENFORCEMENT FOCUS COMPARISON*

Trends of enforcement incidents across select countries

	US	UK	Canada	Germany	China	HK	Japan	Australia
Total Penalties	**$2711.9 Mn**	**$36.15 Mn**	**$ 4.28 Mn**	**$0.40 Mn**	**$53.15 Mn**	**$47.28 Mn**	**$6.03 Mn**	**$ 0.27 Mn**
MARKET ABUSE SURVEILLANCE								
Behaviours focus								
Advancing the Bid	●					●		
Quote Stuffing								
Dissemination of false/misleading market information	●	●	●		●	●	●	
Wash Trading	●		●					
Excessive Mark Up / Down	●							
Flying and Printing trades	●	●						
Insider Dealing	●				●			●
Front running	●		●					
Painting the Tape - Should be traded on Venue	●		●					
Pump and Dump	●		●					
Ramping/Hammering	●		●		●			
Cost distortion				●				
Spoofing/Layering	●		●		●			
Marking the close	●		●		●		●	
Parking/Window Dressing	●				●			
Asset class coverage								
Equity	●		●		●	●	●	●
Fixed Income	●						●	●
FX and Currencies	●	●	●					
Commodities	●	●		●				
Digital Assets	●		●					
OTHER SURVEILLANCE								
Failure to Supervise	●	●				●	●	●
E-comm	●					●		

*Certain metrics have been rounded up or down

Figure 3: Trends of enforcement actions across selected countries[2]

In Hong Kong, majority of the enforcement actions relate to inefficiencies in supervision. This can be attributed to the regulatory focus on highlighting inefficiencies in the control environment and supervisory systems, in addition to market manipulation behaviors. Globally, Hong Kong has contributed to 30% of total cases related to supervision failures, second to United States with 48% of such cases reported.

Moving on to China, noteworthy penalties enforced by the regulators for manipulation primarily in equities can be seen. Some of the key behaviors such as *spoofing/layering, pump* and *dump and insider dealing* have attracted significant monetary fines. While the institutional cases have been limited, individuals engaging in manipulative practices has been more commonly observed in China's financial markets.

How is enforcement impacting the industry?

In line with recent industry developments, market participants and regulators have shifted focus to developing robust surveillance capabilities that help in tackling both traditional and emerging market abuse behaviors, with more focus on cross market and cross product manipulation. The surveillance strategy and capabilities are being enhanced by applying technology, such as machine learning and AI, on parameter setting and adjustment, adaptable and outlier-based logic and even the identification of unknown behaviors and patterns.

Overall, the aim is to ensure that surveillance systems are agile enough to adjust to the dynamic market landscape.

Emerging expectations

Key regulatory focus areas/ examination priorities

ACROSS THE GLOBE:
Regulators across the world are focusing on boosting their use of data analytics, machine learning and AI to identify patterns, trends and anomalies in the market given the rapid pace of technology evolution and adoption in past few years[12] . In the US, the SEC continues to implement a comprehensive Consolidated Audit Trail (CAT) that would enable them to conduct cross-market surveillance and market reconstruction in equities and options trade[13] . Meanwhile, Canadian and UK regulators are also developing and implementing a data repository to enhance enforcement effectiveness[14,15] .

Additionally, as discussed in one of the earlier Deloitte publications, that emphasizes on regulatory risks and mainstream adoption of digital assets, regulators are intensifying their focus on developing regulatory frameworks to govern digital asset markets.

AMERICAS: NEW SBSD REGIME FOR OTC DERIVATIVES
For OTC derivatives, or swaps, a broad new security-based swap dealer (SBSD) regime established under Title VII of the Dodd-Frank Wall Street Reform and Consumer Protection Act went live in October 2021. The regime aims to improve oversight and transparency in the swaps markets. Additionally, for derivatives markets regulators are focusing on strengthening the resiliency and integrity of markets along with investigating[16], and prosecuting misconduct that could potentially undermine market integrity including fraud, manipulation, spoofing, and disruptive trading.

At the same time, Canadian regulators are focusing on identifying incidents involving *dissemination of false or misleading market information* along with *wash trades* and *pump and dump* behaviors.

High-Risk Market Practices

Gamification leads to circumventing rules and price establishment mechanisms through game-style incentives. Gamification of investment practices through trading platforms may stimulate emotional investing behavior, thereby increasing the risk of reckless trading.

In light of the increased market volatility and rise of trading apps, market manipulation and incentivizing customers to trade more remain at the forefront of the regulatory lens[17]

ASIA PACIFIC: ENHANCING FICC

Algorithmic trading, including high frequency trading strategies remain a focus area for regulators across APAC.

In line with the previous edition, the Australian Securities and Investments Commission (ASIC) is enhancing its Fixed Interest, Currency and Commodity (FICC) market surveillance capability and seeking to identify market abuse behavior in short term money markets, domestic/cross currency swap and futures markets. It is also undertaking real-time surveillance of securities trading with primary focus on *momentum ignition, ramping, pump and dump, short squeezes, cross-market and product manipulation and insider trading*[18].

In Hong Kong, the Securities and Futures Commission (SFC) has made changes to streamline monitoring of cross-market activities. To ensure timely and comprehensive assessments, SFC is working with other financial regulators and industry participants to improve the quality of data reporting under different regimes. Furthermore, SFC has implemented an investor identification regime and OTC securities transactions reporting regime to strengthen market supervision capabilities and promote investor confidence[19].

EUROPE: TRACK ACTIVITIES ON PLATFORM FOR MARKET ABUSE RISKS

On the European front, the United Kingdom Financial Conduct Authority (FCA)[20] is focused on enhancing market surveillance capabilities across Fixed Income and Rates products. Another focus area for the regulators is to ensure that web-based trading firms are thoroughly checking their platform and effectively capturing orders to identify potential market abuse risks such as *spoofing/layering*, *cross-venue and product manipulation*.

Additionally, FCA is prioritizing to continue to visit firms and venues to assess their suspicious transaction and order reports (STOR) arrangements, systems, and procedures, as the FCA had minimal information on the systems followed by firms to adapt to new work from home guidelines.

The Pandemic: Eye Opener

The COVID-19 pandemic has fundamentally changed the way we work and live. In the beginning of the pandemic, organizations moved to remote working practices, which further increased the risk of market abuse behaviors. As the pandemic progressed and more employees worked remotely, questions emerged as to how companies would stay in compliance with regulations governing the keeping of communication recordings.

We are also seeing growing focus around employees' use of different forms of mobile messaging applications providing convenient, free, more immediate channels to communicate with colleagues, clients, and business partners. The use of unapproved communication channels can circumvent compliance record keeping and communications supervision requirements. The recent enforcement actions, mainly in the US may potentially be followed by increased communications/record keeping policing by additional regulators in other countries.

With the increasing disciplinary actions related to the supervision of electronic communications environment, organizations are considering both retrospective reviews to ensure that required record keeping requirements are met and any breaches were identified and reported, as well as more stringent controls, including behavior and communications patterns profiling.

Transforming market surveillance

Technology at the forefront of new age trade surveillance

A rising tide of complex financial products, new trading strategies and decentralization has fueled the ever-increasing growth of disruptive trading practices in global financial markets. This has in turn demonstrated a need for trade surveillance to catch up with the escalating demand for monitoring at a swift pace.

However, there are several challenges facing the industry in meeting today's monitoring needs. First, feeding large sets of scattered and disparate data to the surveillance systems, may lead to ineffective alert generation as a result of poor quality of data. Secondly, surveillance systems may not provide enough coverage across regions and asset classes beyond equities, and many emerging abusive scenarios observed in the financial markets. Additionally, many surveillance platforms do not integrate with communication channels and other systems or provide robust case management. Even today, many large global banks find themselves using multiple systems for trade surveillance, communications surveillance, and case management. Integration of these systems to get a broad view of investigations is a huge challenge facing the industry. Moreover, most of the leading solutions are rule-based that lead to generation of a significantly high number of false positive alerts.

To conquer these challenges, industry and regulators increasingly emphasize on new age trade surveillance to be strongly aided by technology driven innovations. In light of the pressing need, a few surveillance software vendors are trying to enhance their portfolio of surveillance solutions with broad surveillance and intelligence-based investigation. These new age surveillance solutions are deriving value from artificial intelligence (AI) and advanced machine learning (ML) to proactively spot suspicious patterns as well as reduce false positives.

Since AI enables analysis of both structured and unstructured data, there is a broad consensus about the potential of AI to transform traditional rule-based systems into risk-based surveillance models. Attributes such as trade orders, modifications, cancellations, communications between traders, trader and client information, and historical alerts are fed into a model as inputs. The algorithm analyzes the data to detect outliers to accepted trading patterns, flag suspicious transactions, and compatibility to potential fraudulent patterns. AI-based systems provide risk scores, allowing for improved incident prioritization and categorization. This could significantly reduce false positives and improve the effectiveness of alert investigations.

These efforts are not just limited to trade surveillance. Communication surveillance capabilities have also been upgraded with AI techniques such as Natural Language Processing (NLP). Historical alerts are analyzed and categorized using NLP to create a profile of what a high-quality alert looks like. Following that, ML models are used to adjust and optimize surveillance parameters to maximize surveillance output, with the goal of improving the overall quality of the surveillance alert pool and reducing false positives. Although we are witnessing some technological advancements in trade and communications surveillance, only a few modern surveillance solutions provide a comprehensive AI and ML based detection.

While traditional financial markets are seeing some developments in providing AI- and ML-based surveillance, digital assets industry is still in its nascent stages of building an effective surveillance infrastructure. The booming digital currency industry continues to face the challenge of a highly decentralized marketplace, thereby hampering detection of bad actors. However, to deal with these challenges, the industry is starting to adopt a multi firm advocacy group with various crypto exchanges and data providers[21]. The group aims to work towards building a shared-surveillance framework and enable sharing across member firms to strengthen and promote crypto market integrity in the future.

While the digital assets industry has started to take small steps toward establishing shared surveillance capabilities, we are yet to see more such cross-market initiatives across regions for traditional assets that promote sharing knowledge and resources to achieve a common goal of strengthening market surveillance.

Conclusion

The fundamentals of the market abuse offenses are constant, the ways in which the risk may manifest are not. The dynamicity of the industry, the increased regulatory scrutiny, along with the threat of unknown risk areas is compelling organizations to take a refreshed look at their controls framework with the intent of ensuring comprehensive coverage.

However, as the scope of the control environment expands, organizations shouldn't follow a "check-the-box" approach. The industry may want to take a leaf out from regulators' technological investments toward AI- and ML-enabled market surveillance for identification, detection, and prevention of misconduct. These technology solutions, when driven by a robust data, can help transform the organization's market abuse risk management program, taking it ahead of the curve.

Appendix A—Key Regulators and Exchanges

The table below includes a list of key regulators and exchanges across Australia, Canada, China, Germany, Hong Kong, Japan, United Kingdom and United States.

Table 1. Key Regulators and Exchanges

Country	Regulators/ Exchanges	Type
Australia	Australian Securities and Investments Commission (ASIC)	Regulator
	Australian Competition and Consumer Commission (ACCC)	Regulator
	Australia Securities Exchange (ASX)	Exchange
Canada	Canadian Securities Administrators (CSA)	Regulator
	Ontario Securities Commission (OSC)	Regulator
	Office of the Superintendent of Financial Institutions	SRO/Independent Agency
	Financial Services Regulatory Authority of Ontario	SRO/Independent Agency
	Financial Transactions and Reports Analysis Centre of Canada	Other
	Alberta Securities Commission (ASC)	Regulator
	Chambre de la sécurité financière (Québec)	SRO/Independent Agency
	Chambre de l'assurance de dommages (Québec)	Other
	Bureau des services financiers (Québec) - Dissolved in 2004	Other
	Autorité des marchés financiers (Québec)	Regulator
	Manitoba Securities Commission (MSC)	Regulator
	Financial Institutions Regulation Branch (Manitoba)	Regulator
	New Brunswick's Financial and Consumer Services Commission (FCNB)	Regulator
	Financial Services Regulation Division (Newfoundland and Labrador)	Regulator
	Nova Scotia Securities Commission (NSSC)	Regulator
	Nova Scotia Department of Finance - Financial Services	Regulator
	Financial and Consumer Affairs Authority of Saskatchewan	Regulator
	British Columbia Securities Commission (BCSC)	Regulator
	Investment Industry Regulatory Organization of Canada (IIROC)	SRO/Independent Agency
	Bank of Canada	Regulator
	Toronto Stock Exchange (TSX)	Exchange
	Canadian Securities Exchange	Exchange
	TSX Venture Exchange	Exchange
	Montreal Exchange	Exchange
	NASDAQ Canada	Exchange
	Alberta Stock Exchange	Exchange
	Vancouver Stock Exchange	Exchange
China	China Securities Regulatory Commission (CSRC)	Regulator
	China Banking and Insurance Regulatory Commission (CBIRC)	Regulator
	People's Bank of China (PBOC)	Regulator
	State administration of Foreign Exchange (SAFE)	Regulator
	The ministry of Finance of P.R. China (MOF China)	Regulator
	National Association of Financial Markets Institutional Investors (NAFMII)	Regulator
	State-owned Assets Supervision and Administration Commission of the State Council	Regulator
	Ministry of Commerce of the People's Republic of China	Regulator
	National Audit Office of the People's Republic of China	Regulator
	China Foreign Exchange Committee (CFXC) (Member of Global Foreign Exchange Committee (GFXC))	Quasi Financial Regulator
	Shanghai Stock Exchange (SSE)	Exchange
	Shenzhen Stock Exchange (SZSE)	Exchange
	Shanghai Futures Exchange (SHFE)	Exchange
	Shanghai International Energy Exchange (INE)	Exchange
	Shanghai Gold Exchange (SGE)	Exchange
	China Financial Futures Exchange (CFFEX)	Exchange
	Zhengzhou Commodity Exchange (ZCE)	Exchange

Country	Regulators/ Exchanges	Type
	Dalian Commodities Exchange (DCE)	Exchange
Germany	Federal Financial Supervisory Authority (BaFin)	Regulator
	Agency for the Cooperation of Energy Regulators (ACER)	Regulator
	Deutsche Bundesbank	Regulator
Hong Kong	Securities & Futures Commission of Hong Kong (SFC)	Regulator
	Market Misconduct Tribunal (MMT)	Other
	Hong Kong Monetary Authority (HKMA)	Other
	Hong Kong Future Exchange (HKFE)	Exchange
	Hong Kong Stock Exchange (HKEX)	Exchange
Japan	Japan Financial Services Agency (JFSA)	Regulator
	Securities and Exchange Surveillance Commission (SESC)	Regulator
	Japan Exchange Group (JPX)	Exchange
	Japan Securities Dealers Association (JSDA)	SRO/Independent Agency
	Tokyo Financial Exchange	Exchange
	Financial Futures Association of Japan	SRO/Independent Agency
	Ministry of Economy, Trade and Industry (METI)	Regulator
	Ministry of Agriculture, Forestry and Fisheries (MAFF)	Regulator
	Tokyo Commodity Exchange	Exchange
	Commodity Futures Association of Japan	SRO/Independent Agency
	Global Foreign Exchange Committee (GFXC)	SRO/Independent Agency
	Tokyo Foreign Exchange Market Committee	SRO/Independent Agency
United Kingdom	Financial Conduct Authority (FCA)	Regulator
	Bank of England (BoE)	SRO/Independent Agency
	London Bullion Market Association (LBMA)	SRO/Independent Agency

Country	Regulators/ Exchanges	Type
	Money Markets Committee (MC)	SRO/Independent Agency
	Office of Gas and Electricity Markets (Ofgem)	SRO/Independent Agency
	European Commission (EC)	Regulator
	Agency for the Cooperation of Energy Regulators (ACER)	Regulator
United States	US Securities and Exchange Commission (SEC)	Regulator
	Office of the Comptroller of the Currency (OCC)	Regulator
	Federal Reserve Board (FRB)	Regulator
	New York Department of Financial Services (NY DFS)	Regulator
	National Futures Association (NFA)	SRO/Independent Agency
	Commodity Futures Trading Commission (CFTC)	SRO/Independent Agency
	Financial Industry Regulatory Authority (FINRA)	SRO/Independent Agency
	Municipal Securities Rulemaking Board (MSRB)	SRO/Independent Agency
	US Department of Justice (US DoJ)	Law Enforcement Agency
	Chicago Mercantile Exchange Group (CME)	Exchange
	Chicago Board of Trade (CBOT)	Exchange
	Chicago Board Options Exchange (CBOE)	Exchange
	New York Stock Exchange (NYSE)	Exchange
	ICE Futures US, Inc. (ICE)	Exchange
	NASDAQ	Exchange
	Federal Energy Regulatory Commission (FERC)	Regulator
	Federal Bureau of Investigation (FBI)	Law Enforcement Agency
	Securities Industry and Financial Markets Association (SIFMA)	Other
	Treasury Market Practices Group (TMPG)	Other

Appendix B—Key Market Abuse Behaviors

The market abuse behaviors below have been documented from the Market Abuse Regulation (MAR).

Table 2. Market Abuse behaviors[22]

Behavior Type	Market Abuse Behaviors*
Price Manipulation/ Abusing Market Power	Momentum ignition
	Excessive Bid-offer spreads
	Creation of a floor, or a ceiling in the price pattern
	Inter-trading venues manipulation
	Cross-product manipulation
	Abusive squeeze
Marking the Close	Marking the Close
	Colluding in the after-market of an Initial Public Offer (IPO)
False or Misleading Signals	Spoofing and Layering
	Placing Orders with No Intention of Executing them
	Quote Stuffing
	Dissemination of false or misleading market information
	Advancing the bid
	Opening a position and closing it immediately after its public disclosure
	Pump and Dump
	Trash and Cash
	Ping Orders
	Phishing
	Smoking

Behavior Type	Market Abuse Behaviors*
Insider Dealing	Insider dealing
	Unlawful disclosure of inside information
Distorting Cost of Commodity Contracts	Entering into arrangements in order to distort costs associated with a commodity contract, such as insurance or freight
	Movement or storage of physical commodities, which might create a misleading impression as to the supply of, or demand for, or price or value of, a commodity
	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
Wash Trades	Wash trade
	Painting the Tape
	Improper matching
	Concealing Ownership

Elia Alonso
Principal and Conduct Risk Practice Leader Deloitte Risk & Financial Advisory
Deloitte & Touche LLP
elaonso@deloitte.com

Roy Ben-Hur
Managing Director
Deloitte Risk & Financial Advisory Deloitte & Touche LLP
rbenhur@deloitte.com

Niv Bodor
Senior Manager
Deloitte Risk & Financial Advisory Deloitte & Touche LLP
nbodor@deloitte.com

Hilak Patel
Senior Consultant
Deloitte Risk & Financial Advisory Deloitte & Touche LLP
hilakpatel@deloitte.com

Supreetha Sampath Kumar
Senior Consultant
Deloitte Risk & Financial Advisory Deloitte & Touche LLP
supsampathkumar@deloitte.com

Pragya Chaturvedi
Senior Consultant
Deloitte Risk & Financial Advisory Deloitte & Touche LLP
pragchaturvedi@deloitte.com

Subramanian Krishnan
Senior Consultant
Deloitte Risk & Financial Advisory Deloitte & Touche LLP
subrak@deloitte.com

Arvind Munjamani
Consultant
Deloitte Risk & Financial Advisory Deloitte & Touche LLP
amunjamani@deloitte.com

Nikhita Venkatesh
Consultant
Deloitte Risk & Financial Advisory Deloitte & Touche LLP
nvenkatesh@deloitte.com

Sasmita Patrick
Consultant
Deloitte Risk & Financial Advisory Deloitte & Touche LLP
sapatrick@deloitte.com

S Goutham
Consultant
Deloitte Risk & Financial Advisory Deloitte & Touche LLP
sgoutham2@deloitte.com

Dhruv Jain
Associate Analyst
Deloitte Risk & Financial Advisory Deloitte & Touche LLP
dhruvjain@deloitte.com

Endnotes

[1] The list of key regulators overseeing Market Abuse within each country is provided in Appendix A. Refer Appendix A for the list of regulators and exchanges

[2] Deloitte analysis of global enforcement actions by financial services regulatory agencies on institutional clients (as of August 2022) for Market Abuse behaviors (as listed in Appendix B).

[3] FINRA, "How the Cloud and Machine Learning have transformed FINRA Market Surveillance", JULY 16, 2018

[4] Bloomberg, "Trade Surveillance Systems Market Worth US$ 2,789.52 Million at 10.1% CAGR by 2028", April 4, 2021

[5] Bloomberg, "Gensler Says Assets Worth Trillions May Need Tighter Rules", June 23, 2021

[6] CFTC, Division of Enforcement, Annual Report, December 1, 2020

[7] Deloitte, "Market Abuse Outlook: Overview of Global Regulatory Priorities and Focus Areas", February, 2021

[8] Deloitte, "Market Manipulation in Digital Assets", March, 2021

[9] Reuters, "U.S. SEC opens inquiry into Wall Street banks' staff communications -sources", October 13, 2021

[10] NPR, "Under Trump, SEC Enforcement Of Insider Trading Dropped To Lowest Point In Decades", August 14, 2020

[11] European Union Agency for the Cooperation of Energy Regulators, Enforcement Decisions, June 2022

[12] Deloitte, Deloitte Insights, "The regulator's new toolkit", October 18, 2018

[13] SIFMA, "Consolidated Audit Trail (CAT)"

[14] Canadian Securities Administrators, "IIROC and Montréal Exchange sign MoU regarding cross-market surveillance", January 24, 2022

[15] FCA, "Market watch 68", November, 2021

[16] SIFMA, "OTC Derivatives"

[17] SEC, "Investor Protection in the Age of Gamification: Game Over for Regulation Best Interest?", October 13, 2021

[18] ASIC, "ASIC's priorities for the supervision of market intermediaries in 2021–22", September 21, 2021

[19] SFC, "Annual Report 2020-21", June 30, 2021

[20] FCA, Market Watch 68, Newsletter on market conduct and transaction reporting issues, Market Abuse Surveillance, November 2021

[21] Bloomberg, "Leading Digital Asset Firms Launch Crypto Market Integrity Coalition, Committing to a Safe and Sensibly-Regulated Crypto", February 7, 2022

[22] Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse ("Market Abuse Regulation"), April 16, 2014

Acknowledgements
Deloitte would like to thank its professionals who assisted with drafting, editing, and reviewing this publication, with a special thanks to Supreetha Sampath Kumar, Nikhita Venkatesh, Goutham S, Sasmita Patrick Meghan for all their contributions.