

## FCA Publishes Market Watch Newsletter

Article By:

John Ahern

Carolyn H. Jackson

Nathaniel W. Lalone

Neil Robson

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On October 18, the Financial Conduct Authority (FCA) published issue 62 of the *Market Watch* newsletter. The focus of the newsletter is on personal account dealing (PAD) and transaction reporting.

PAD is meant to be tightly controlled in order for firms to ‘minimize the risk’ of conflicts and market abuse. The newsletter states, ‘We are concerned how often we are seeing apparent breaches of PAD policies and the issues which have come to light as a result.’ These breaches include:

- employees across the business deliberately not declaring accounts or opening accounts in the names of relatives who are not actually involved in the trades;
- employees trading in the firm’s own shares, or related products such as spread bets, in contravention of the PAD policy;
- research analysts and fund managers trading against their own recommendations;
- following and front-running client orders; and
- employees trading on their own account multiple times a day, potentially impacting their ability to carry out their job and to serve clients’ best interests.

In addition, the newsletter outlined the FCA’s findings from a recent study of PAD activity and controls at a sample of wholesale brokers, and highlighted the following concerns:

- some firms who require their employees to report PAD trades to them were getting very low volumes of reports, which may indicate that not all trades are being reported by employees;

- none of the firms in the sample had submitted a suspicious transaction and order report (STOR) relating to PAD in the past year — this is in contrast to other types of firms who regularly do submit STORs about PAD; and
- there were ‘significant differences’ between the firms in the sample regarding their pre- and post-trade analysis of PAD, in that some firms perform analysis to try and identify market abuse or other misconduct, whereas others do not.

In terms of transaction reporting, the newsletter follows on from *Market Watch* 59 (please see the [April 19 edition](#) of *Corporate & Financial Weekly Digest*) and provides further guidance on filling specific fields in order to resolve a number of data quality issues. The newsletter also emphasizes that errors and omissions must be reported promptly by the firm, regardless of whether the transaction reporting is outsourced, and that the regular reconciliations of front office trading records must be done with data samples provided by the FCA, not by a third party.

The newsletter is available [here](#).

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National Law Review, Volume IX, Number 298

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