

# Navigating Market Abuse Requirements: Best Practice for Compliance Professionals

## Authors:

**Mark Herbert**, Treasury Risk & Compliance Manager, U.S. Bank Europe DAC & Member of the Compliance Institutes' Prudential, Regulation and Governance (PR&G) Working Group.



**Deirdre O'Reilly**, Independent Non-Executive Director & Member of the Compliance Institutes' Prudential, Regulation and Governance (PR&G) Working Group.



**Tom Brennan**, Risk and Compliance Expert & Chair of the Compliance Institutes' Prudential, Regulation and Governance (PR&G) Working Group.



**Sean O'Driscoll**, Director, Financial Services Consulting, Forvis Mazars & Member of the Compliance Institutes' Prudential, Regulation and Governance (PR&G) Working Group.



## Introduction

In 2025, the Central Bank of Ireland (“CBI”), via its annual Regulatory & Supervisory Outlook (“RSO”), has signalled that a key regulatory and supervisory priority is to identify and pursue instances of market abuse, whilst reinforcing the expectations for regulated firms to manage the respective risk in a robust and comprehensive manner.

In this article we examine Market Abuse Risk for CBI regulated firms and propose structures and mechanisms which can be leveraged to effectively mitigate risk.

## What is Market Abuse?

Market abuse (“MA”) is unlawful behaviour on financial markets. It consists of three core behaviours:

1. Insider dealing which occurs when a person possesses inside information<sup>1</sup> and uses that knowledge to profit from trading in financial instruments.
2. Unlawful disclosure of inside information, except where the disclosure is made in the normal exercise of an employment, a profession or duties.

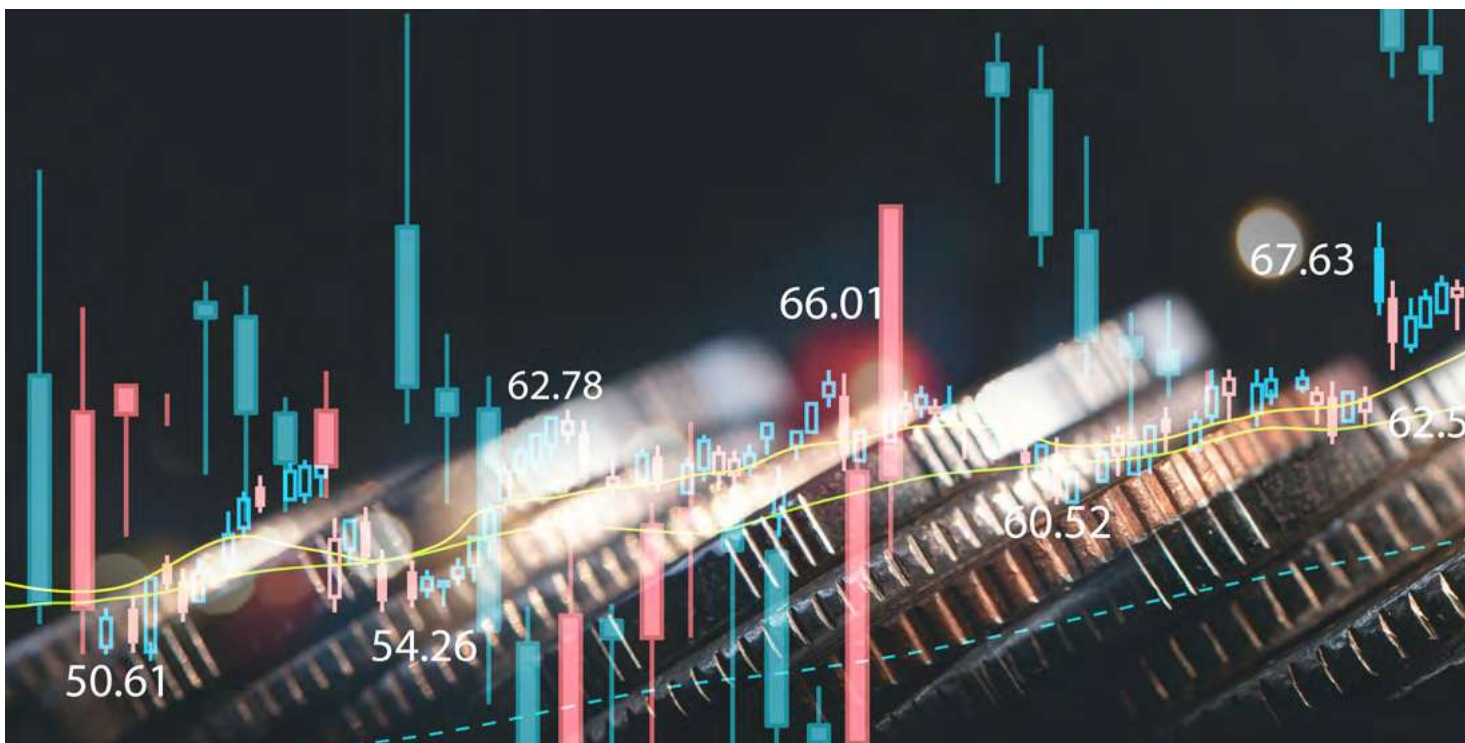
3. Market manipulation referring to an intentional act of creating false or misleading information to influence the price of financial instruments.

## Key European regulations related to Market Abuse<sup>2</sup>

The European Union’s (“EU”) Market Abuse Regulation (596/2014/EU) (“MAR”) came into force on July 3rd, 2016. Its aim is to protect investors by increasing transparency in the financial markets and reduce market abuse. Although MAR is the EU’s primary MA legislation, the Markets in Financial Instruments Directive (MiFID II), which governs the provision of investment services in financial instruments and has been applicable since 3rd January 2018, also contains applicable MA provisions.

The Markets in Crypto Assets Regulation (“MICAR”), being the EU framework for the regulation of crypto-assets, which came into effect on 09<sup>th</sup> June 2023, introduces new rules that prohibit market abuse related to any type of crypto-asset transaction or service.

In addition to the above regulations, various supporting technical standards (RTS and ITS) have been published to further clarify MA requirements.



### Scope of Application

The above regulations impact financial entities such as credit institutions, MIFID investment firms, Fund Management companies, issuers and issuer advisers. It also impacts persons discharging managerial responsibilities within an issuer (“PDMRs”) and persons closely associated with them (“PCAs”).

### CBI Oversight of Market Abuse Compliance

The CBI is the competent authority in Ireland for MAR and as such has the supervisory, investigatory and sanctioning powers related to MAR extended to it.

In addition to various speeches, in 2019 and 2020 the CBI has published Dear CEO letters<sup>3</sup> to regulated firms which has assisted firms in the ongoing development and maintenance of their MAR governance frameworks; this in turn has provided key opportunities for firms to review their approach and take steps to ensure compliance with MAR.

#### CBI MAR Industry Communication - July 2021:

In July 2021, the CBI issued letters to relevant market participants, following a Market Abuse Thematic inspection for trade surveillance and reporting of suspected market abuse and in it identified a need for significant improvements<sup>4</sup>.

The review examined how regulated firms, issuers, and advisors who act on behalf of issuers were meeting their obligations to ensure organisational arrangements in mitigating the risk of market abuse and ensuring market transparency were effective.

#### CBI MAR Industry Communication - July 2023:

The CBI also carried out a Market Abuse Thematic Review in 2022 focusing on Trading Venue (“TV”) Operators (“TVOs”) and their obligations to prevent, monitor, detect, identify and report potential or actual instances of market abuse.

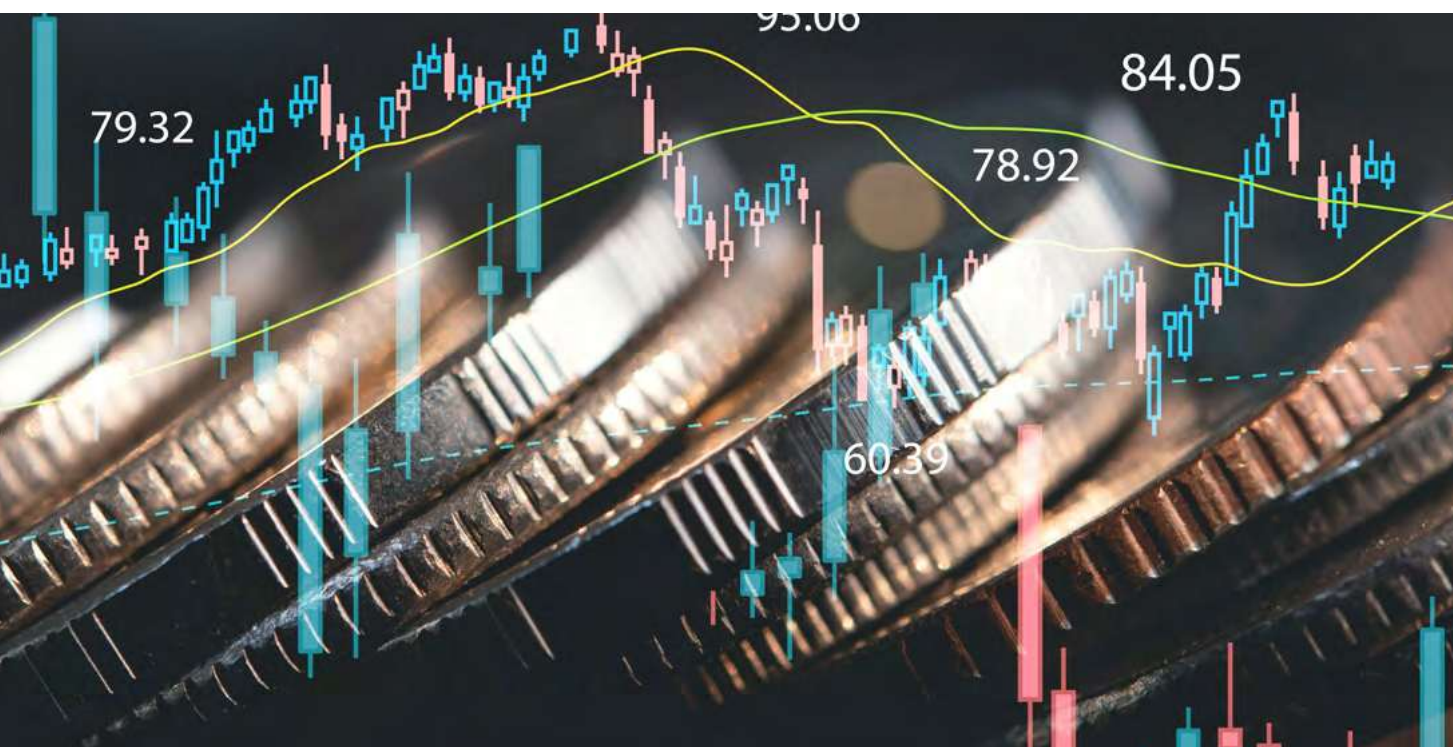
#### CBI enforcement actions

There have been several failures in recent years that have resulted in the CBI issuing enforcement actions against firms, most notably:

- In February 2024, the CBI fined a MIFID Investment Firm €1,225,000 for a breach of its trade surveillance obligations over a five and a half year period. The Firm’s trade surveillance did not operate effectively in respect of risk identification, risk monitoring and governance arrangements, which in turn undermined its ability to detect and report suspected market abuse.
- In February 2025, the CBI fined a MIFID Investment Firm €452,790 for failure to put in place effective governance arrangements to detect and report suspicious orders and transactions that may have indicated market abuse, over a six year period.

### Best Practice for Effective MA Risk Management

The requirements as laid out in the above regulations, reviews, industry communications and enforcement actions allow the formation of a suggested best practice activities which are outlined below:



#### A. Governance and Organisational Arrangements Firms must consider MAR across all aspects of its governance structure as follows:

##### 1. Board and PCF responsibilities

Responsibility and Accountability for MA Risk should sit at a Board of Director (“Board”) level. The Board should have the final say/autonomy in decisions which impact the local entity and challenge group decisions.

In the main for firms, the primary responsibility for market abuse risk lies with the Chief Risk Officer (PCF-8) and Head of Compliance (PCF-12). In the case of Investment firms, the CBI has noted previously that the Head of Trading (PCF-29), also has responsibility for market abuse given the position’s strong focus on profit-generating activity. It is essential structures are in place for reporting to these individuals.

##### 2. Compliance Department

The Compliance department plays a critical role in implementing a firm’s MAR management including:

- Ensuring the Firm’s MAR framework is in place with effective supporting policies and procedures. The policies & procedures around MAR should lay out in detail mechanisms that the Firm has in place to identify breaches of a) insider dealing, b) Unlawful Disclosure of Inside Information and c) Market Manipulation. MAR policies should be annually approved by the Board.

- Integrating MAR into the Firm’s annual compliance plan.
- Performing gap analysis versus both regulatory changes and thematic reviews as issued by regulators.
- Conducting risk assessments to identify potential market abuse vulnerabilities.
- Conduct training and ensure reporting and record-keeping compliance.
- Ensuring Regulatory cooperation with competent authorities’ reviews and requests.

#### B. Risk and Controls related to Market Abuse

The entities to which market abuse risk applies are required to identify risk and controls, to identify market abuse risk within their business. The CBI have focused on the following areas in particular:

##### 1. Trade Surveillance

Establishing and maintaining an effective trade surveillance system, to ensure potentially abusive behaviour is prevented, detected and reported is of primary importance. Trade surveillance system effectiveness should be reviewed regularly. The review should consider the nature and frequency of data gathered, lessons learnt, assessment and analysis of alerts generated. Clear lines of responsibility should exist for oversight of trade surveillance and internal alert escalation. Where trade surveillance is outsourced, adequate oversight mechanisms should be in place. Frequent second and third line of defence reviews should take place.

## 2. Suspicious Transaction Reporting

MAR requires firms to make a Suspicious Transaction and Order Report (“STOR”) to their competent authority in respect of any such suspicious order or transaction.

When setting up a compliance program for STOR reporting firms should be cognisant of the following:

- STOR must be in the prescribed format and correctly submitted.
- The Compliance function rather than a committee should have central role in STOR review.
- Accurate record keeping on decision to report a suspicious transaction.
- Consistency in classification of suspicious activity, underpinned by a common set of decision criteria, which is known to all reviewers.
- STOR reporting should be based on reasonable suspicion as opposed to a higher threshold, ensuring adequate volumes are reported.

## 3. Management Information (“MI”)

A comprehensive MI program is essential, containing the below:

- KRIs are necessary to identify/track market abuse risk. This information should be reported to management and oversight committees promptly, including the Board and Chief Executive Officer (“CEO”).
- MI needs to be sufficiently detailed to evidence adequate escalation of issues, alert effectiveness and trends on STORs submitted to the CBI.
- MI should be aligned with risk appetite and risk registers maintained.

## Conclusion

It is clear, from the recent enforcement issues, that institutions must ensure a robust MA compliance framework, through implementing the best practices as suggested above. In addition, institutions must also be aware of the impact of technology impacting such compliance, with markets and their venues become increasingly sophisticated and more complex. Regulator expectations for CBI regulated firms are evident via the CBI’s Regulatory & Supervisory Outlook Report (RSO Report) (February 2025)<sup>5</sup>, which notes the following key risk drivers and areas for focus in 2025:

- Shortcomings in the governance of algorithmic trading activities;
- Cross-venue and cross-product market manipulation, exacerbated by the fragmentation of trading across a very large number of trading venues and bilateral trading systems; and
- The use of social media to spread inaccurate information and complications in obtaining information from such entities to support market abuse investigations.

## REFERENCES

1. MAR defines inside information as information of a precise nature which:
  - a. has not been made public.
  - b. directly or indirectly relates to one or more financial instruments.
  - c. if it were made public, would be likely to have a significant effect on the prices of those financial instruments
2. With regard to the UK, MAR and its technical standards were adapted into UK law on 31 December 2020 by the European Union (Withdrawal) Act 2018. Changes to MAR were made to ensure that the onshored legislation (UK MAR) operated effectively in the UK. In addition, the FCA have made changes to the FCA Handbook and issued Technical Standards related to Market Abuse.
3. The 2019 and 2020 letters can be found at [https://www.centralbank.ie/docs/default-source/regulation/industry-market-sectors/securities-markets/wholesale-markets/wholesale-markets-dear-ceo-letter.pdf?sfvrsn=7123bb1d\\_9](https://www.centralbank.ie/docs/default-source/regulation/industry-market-sectors/securities-markets/wholesale-markets/wholesale-markets-dear-ceo-letter.pdf?sfvrsn=7123bb1d_9) and [https://www.centralbank.ie/docs/default-source/regulation/industry-market-sectors/securities-markets/wholesale-markets/securities-market-conduct-risk---dear-ceo-letter.pdf?sfvrsn=ccfd811d\\_7](https://www.centralbank.ie/docs/default-source/regulation/industry-market-sectors/securities-markets/wholesale-markets/securities-market-conduct-risk---dear-ceo-letter.pdf?sfvrsn=ccfd811d_7)
4. The 2021 and 2023 letters can be found at <https://www.centralbank.ie/regulation/industry-market-sectors/securities-markets/market-abuse-regulation>
5. The 2025 RSO Report can be found at [https://www.centralbank.ie/docs/default-source/publications/regulatory-and-supervisory-outlook-reports/regulatory-supervisory-outlook-report-2025.pdf?sfvrsn=e185651a\\_9](https://www.centralbank.ie/docs/default-source/publications/regulatory-and-supervisory-outlook-reports/regulatory-supervisory-outlook-report-2025.pdf?sfvrsn=e185651a_9)