

Switching on to Market Abuse Regulation



Preserving the integrity of financial markets

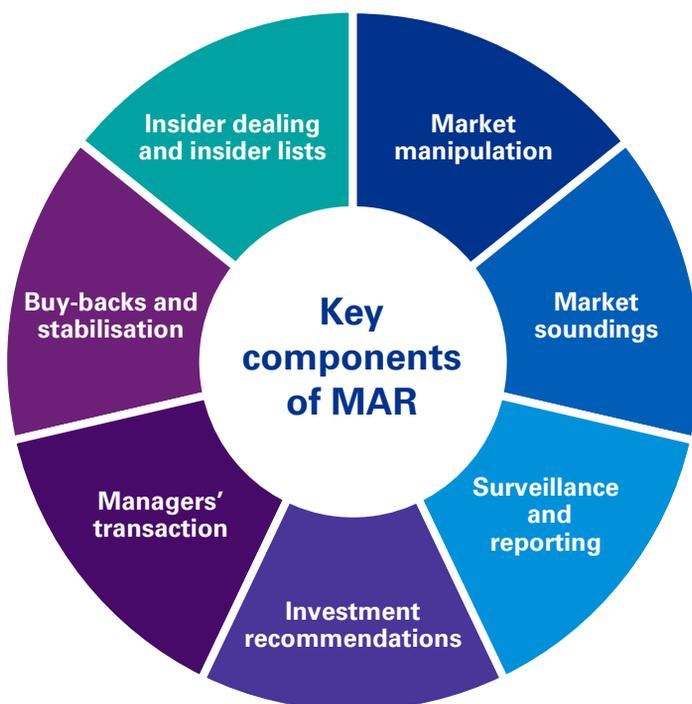
Key components of the Market Abuse Regulation

MAR continues to evolve and impact businesses. The purpose of MAR is to:



The scope of MAR is wide-ranging, including the buy-side, sell-side, issuers, counterparties to derivatives, trading venues and other market participants.

Firms face a number of challenges in relation to compliance with all components of MAR:



Key challenges

Criminal sanctions — Continuing pressure from regulators to adhere to the regulation

Data challenges — New data from MiFID II is expected to put pressure on surveillance functions

Increased risk categories — Expectations on risk coverage continue to evolve

Achieving MAR compliance

To effectively implement MAR requirements, firms need to consider the following:



Expansion of scope of financial instruments – MAR provisions must be applied to additional instruments including commodity derivatives, FX forwards, benchmarks and emission allowances.



Scope expanded to include Organised Trading Facilities (OTFs) – Firms operating OTFs will be required to assess their compliance with MAR.



Increased surveillance requirements – Implementation of systems and arrangements to prevent and detect insider dealing and market manipulation. Coverage is also extended to orders and attempted market manipulation.



Broader definition of investment recommendations – Includes sales and trading communications.



Expansion of disclosures – Disclosure of interests and conflicts of interest are required under MAR e.g. investment recommendations and managers' transactions.



Enhanced recordkeeping requirements – Enhanced requirements for record keeping, e.g. recorded lines; recordings of market soundings; documentation related to surveillance.



Standardisation of market practices and reporting – Standard formats for Insider Lists, Suspicious Transactions and Order Reports (STORs).



Training requirements – Tailored training to different aspects of MAR, including STOR, market manipulation, surveillance and insider dealing.



Monitoring of algorithmic trading – Enhanced systems and controls should be used to detect MAR breaches.

How can KPMG help?

We have extensive experience supporting a wide range of firms, including helping both buy-side and sell-side firms with MAR implementation.



MAR risk assessment methodology and gap analysis

- Front-to-back inherent and residual risk assessment.
- Assist management in prioritisation and optimisation of the control framework.
- Supporting establishment of minimum control standards.
- Provide recommendations on next steps.



Annual reviews of control framework effectiveness

- Comprehensive front-to-back review of controls to comply with MAR.
- Supporting the Business and Compliance with the requirements of performing the mandatory annual review.



Surveillance effectiveness review

- Review and challenge of surveillance models for communications (both voice and electronic) as well as transaction monitoring.
- Assessment of overall surveillance framework including governance, systems and controls.

MAR tools

We have developed tools and methodologies to deliver efficient MAR engagements.

Peer comparison

View of leading and lagging practice.



Market abuse risk library

Consolidated market abuse risks identified across global regulators, including MAR, FCA Handbook and CFTC.



MAR heat map

Effectively target your programme resources where the business needs it most.



KPMG experience and capabilities



Industry comparison: we bring market insights, peer group comparison and our experience in delivering surveillance solutions. Our reviews not only identify gaps in processes and controls but are also useful to our clients' understanding of their position in the wider market.



Strong track record: we have a demonstrable track record of supporting some of the world's largest finance institutions with the implementation of MAR, surveillance reviews and wider examinations of market conduct issues.



Regulatory insight: we have invested in a Regulatory Centre of Excellence which has enabled us to build strong relationships with global regulators, providing us with unique insights into regulatory expectations.



Established frameworks: through our extensive experience in wholesale conduct issues, we have developed tools, methodologies and reference standards. These capabilities can be deployed on MAR projects and reflect our view of good market practice and understanding of regulatory standards.



Skilled and experienced team: we are a skilled and experienced team having delivered several engagements for firms in the wholesale conduct and surveillance space over the last three years. We have been involved in supporting investigations and assisting in the remediation, implementation and review of controls related to trading conduct.

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