

Press Release - final

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Market Abuse best tackled by better staffing and technology, not regulation - says MPI Survey

MPI Europe, London (28/04/2010): MPI Europe, the specialist financial services consultancy has announced today the results of a market wide survey into trends, and potential solutions, for market abuse. This survey of over 500 senior directors and staff in financial institutions took place against a backdrop of a high level of activity in this area, particularly for insider trading investigations, by the UK Financial Services Authority. However, the survey found that those responding to the survey thought that the regulator is not a key driver in this area, beyond providing clarity about the specifics of regulation. Furthermore, the market views insider trading as a systemic risk that is largely immune to tougher regulation, and should be tackled by significant changes in culture, people and technology. A large majority, over two thirds, of those surveyed were of the opinion that the reasons for market abuse were not simply confined to firm specific risks but were actually systemic. Additionally, a similar percentage of those surveyed felt the market as a whole still underestimates both the importance and impact of market abuse

On the impact of people and culture, there was a high level of support to engage more skilled people in this area and also that this increase in skilled staff needs to be combined with changes in corporate culture – reversing the trend from an emphasis on short term results, towards the promotion of a stronger ethical culture.

There was also a strong consensus that improvements could be made in technology, with those surveyed believing that there should be improvement in applications to detect market abuse, and a slightly lower percentage believing that better applications would help prevent market abuse. This is in line with the finding that 95% of those surveyed who thought that the lack of sufficiently developed tools and techniques contributed to the failure to correctly identify and manage risks of market abuse.

As John Cant, Managing Director of MPI Europe (www.mpi-europe.com) comments “Whilst the market may not get the freedom in the form of self-regulation in this area – the recent actions of the UK FSA and other regulators have made that clear already – the more significant changes and improvements that institutions make, especially in the key areas of people, culture and technology, the more likely they are to be able to take a proactive approach before a regulator would need to become involved.”