Chapter 21: UK insider dealing and market abuse law: strengthening regulatory law to combat market misconduct

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Extract

Insider dealing and market manipulation legislation and regulation have been considered necessary to promote the efficient pricing of securities and to enhance the integrity of the capital markets. Insider dealing is not a victimless crime; it is both a manifestation of inefficient markets and a considerable corporate governance problem. Market manipulation involves deliberate acts or statements intended to create false or misleading impressions about a particular issuer(s) of securities or to engage in behaviour that would distort the functioning of the market that could lead to unusual and sharp price swings in securities and related volatility which can undermine investor confidence and financial stability. Both insider dealing and market manipulation have been recognized as criminal offences in all European Economic Area (EEA) countries and in most other jurisdictions with developed financial markets. Moreover, the European Union Directive on Insider Dealing and Market Manipulation requires EU member states to create a civil offence for insider dealing and market manipulation known as the ‘Market Abuse’ offence.

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