

Market Watch 71

This edition in brief: changes in advisory firms' insider lists since the publication of Market Watch 60.

Steps taken by firms to reduce the number of permanent insiders

The FCA has observed a fair reduction in the numbers of permanent insiders at many advisory firms as well as enhanced monitoring of access to inside information. The FCA has noted that the typical number of permanent insiders have decreased to **between 250 and 450**, even at the largest advisory firms. With access to fewer staff, the FCA states that the trend is following a downward trajectory.

How firms have reduced access:

1. Introducing registers of events and/or product-specific 'permanent insiders.'
2. Comprehensive reviews of all permanent insiders' roles on a regular basis to make sure that each one needs access to systems with inside knowledge to carry out their duties.
3. Assessing if the removal of access from individuals who did not access the material may be done without harm to the company by comparing electronic access logs to files containing inside information with insider lists.
4. Reviewing who has access to pipeline data and determining whether they need more anonymized high-level information than transactional specifics i.e., issuer names and transaction descriptions.
5. With reference to the necessity of non-deal team personnel having access to inside knowledge in specific roles as well as multiple jurisdictions.

In the FCA's opinion, the present decline in the numbers of people able to access inside information could prevent the unlawful disclosure of said information. This could also ease the burden of maintaining insider lists.

Article 18 of UK MAR and personal information

In response to regulatory inquiries, the FCA recently acquired insider lists, but upon inspection noted the absence of phone numbers, birthdates, and national identity numbers.

Firms that do not provide all the information specified in the pertinent articles and standards may hinder the FCA's ability to detect potentially suspicious trading because the FCA needs this information to cross-reference the information with MiFIR transaction reports, MAR suspicious transaction and order reports, and other information sources to eliminate people from enquiries.

Firms must communicate openly and cooperatively with the regulator in accordance with Principle 11.

Template 1 of Annex 1 to the Technical Standards

First name(s) of the insider	Surname(s) of the insider	Birth name(s) of the insider (if different)	Professional telephone number(s) (work direct telephone line and work mobile numbers)	Company name and address	Function and reason for being insider	Obtained (the date and time at which a person obtained access to inside information)	Ceased (the date and time at which a person ceased to have access to inside information)	Date of birth	National Identification Number (if applicable)	Personal telephone numbers (home and personal mobile telephone numbers)	Personal full home address: (street name; street number; city; post/zip code; country)
[Text]	[Text]	[Text]	[Numbers (no space)]	[Address of issuer/ UKFCA 2021/16 emission allowance market participant/ auction platform/auctioneerFCA 2021/16 or third party of insider]	[Text describing role, function and reason for being on this list]	[yyyy-mm-dd, hh:mm UTC]	[yyyy-mm-dd, hh:mm UTC]	[yyyy-mm-dd]	[Number and/or text]	[Numbers (no space)]	[Text: detailed personal address of the insider - Street name and street number - City - Post/zip code - Country]

Template 2 of Annex 1 to the Technical Standards

First name(s) of the insider	Surname(s) of the insider	Birth name(s) of the insider (if different)	Professional telephone number(s) (work direct telephone line and work mobile numbers)	Company name and address	Function and reason for being insider	Included (the date and time at which a person was included in the permanent insider section)	Date of birth	National Identification Number (if applicable)	Personal telephone numbers (home and personal mobile telephone numbers)	Personal full home address (street name; street number; city; post/zip code; country)
[Text]	[Text]	[Text]	[Numbers (no space)]	[Address of issuer/ UKFCA 2021/16 emission allowance market participant/ auction platform/auctioneerFCA 2021/16 or third party of insider]	[Text describing role, function and reason for being on this list]	[yyyy-mm-dd, hh:mm UTC]	[yyyy-mm-dd]	[Number and/or text]	[Numbers (no space)]	[Text: detailed personal address of the insider - Street name and number - City - Post/zip code - Country]

Firms should be aware that the FCA has not modified its Technical Standards for insider lists for SME Growth Market issuers in the same way that the EU has. The FCA should receive insider lists from companies in accordance with the UK Technical Standard.

The FCA has also addressed questions on the following areas:

National Identifiers

To ensure consistency with the national identifiers used in MiFIR transaction reports and STORs to support the FCA's market abuse investigations, the national identification number column for natural persons on insider lists should include the appropriate national identifier for that person, defined and designated in accordance with the requirements in Article 6 of RTS 22.

The national insurance number is the first priority national identifier for UK citizens.

Personal telephone numbers

Personal phone numbers must be included in insider lists in accordance with the format found in the Annex to the Technical Standards.

Contractors

Insider lists must be kept for "Issuers and any anyone working on their behalf or on their account," according to Article 18(1) of the UK MAR.

The FCA expects advising firms to have similar agreements with external parties they contract with and to whom they grant access to inside information, as well as arrangements in place for issuers to ensure that firms contracting to them supply personal data in response to regulatory demands.

The FCA has observed that some insider lists were devoid of contractors' personal information.

Data Protection

Firms must think about the arrangements they can make to fulfil their responsibilities under UK MAR, as well as whether it is appropriate to give people access to confidential information if they are unable to provide the personal data necessary for the firm to fulfil said responsibilities.

A small number of businesses have informed the FCA that they have denied access to inside information to individuals who have refused to submit the personal information requested by UK MAR.

Burden of work

Firms should be aware that they are free to maintain personal data and insider lists separately and combine the two when the FCA requests insider lists in order to streamline the process.

The FCA does, however, expect swift responses (for instance, two days) to their requests for insider listings from issuers and others operating on their behalf or on their behalf of others.