

Market Watch 80

This edition in brief

Market Watch 80 addresses the challenges FCA-authorized firms face when executing trades for anonymized Ultimate Beneficial Owners (UBOs), particularly in aggregated accounts managed by overseas entities. These trades, often masked in "Obfuscated Overseas Aggregated Accounts" (OOAAs), can expose firms to financial crime risks, including market abuse.

Key Points:

1 - SYSC 6.1.1R Compliance:

Firms must maintain effective systems to prevent financial crime. This includes having robust policies in place to counter risks that may arise from handling accounts where UBO identities are obscured.

2 - Risk of Aggregated Accounts:

FCA has observed increased market abuse from overseas firms where UBOs direct their own trades anonymously. A specific example discussed in the newsletter involves "Client C." This individual had previously been offboarded for suspicious trading activity but was able to re-enter the market using an OAAA. Client C's identity was masked, allowing them to continue trading through an aggregated account managed by an overseas broker. This example underscores the potential for such accounts to be misused by individuals who have been flagged for misconduct, posing significant risks to market integrity.

3 - What Firms Can Do:

- Require OOAAAs to disclose information about their controls and surveillance measures for market abuse.
- Use unique identifiers for sub-accounts to track suspicious UBO trading patterns.
- Apply stricter offboarding criteria and terminate relationships with high-risk 'obfuscated overseas aggregated accounts' OOAAAs when necessary.

4 - UK MAR Compliance: Despite submitting Suspicious Transaction and Order Reports (STORs) as per *Article 16 of the Market Abuse Regulation (UK MAR)*, firms might not detect repeated suspicious trading due to the anonymity of UBOs.

These recommendations aim to uphold market integrity and help firms mitigate the risks associated with trading for anonymous UBOs.

For more details, refer to the full [Market Watch 80 newsletter](#).