

RIGGING THE MARKETS TO END?

The Guardian Reports:

Britain and other member states have agreed with the European commission on new regulations that would see lifetime bans for traders and fines of up to 15% of their annual turnover for companies if they are caught rigging markets.

The tough crackdown comes after the Libor banking scandal and a series of high-level investigations into alleged manipulation of the wholesale oil and gas sectors – the latter following revelations in the Guardian.

Arlene McCarthy, vice-president of the European parliament's economic and monetary affairs committee and lead negotiator on the market abuse law, said it was vital to act given manipulation could have a "serious impact" on business and consumers.

"Since the Libor rate-fixing scandal broke last year, I was determined to extend the scope of market abuse rules to ensure the deal will cover emerging alleged abusive practices.



"On top of manipulation of Libor we are witnessing more alleged and potential manipulation of benchmarks in energy markets such as oil and gas, while investigations have begun into whether traders at some of the world's biggest banks have manipulated foreign exchange rates.

"With public and consumer confidence at an all time low, and the integrity and stability of markets at risk because of this type of manipulation, the EU has now extended scope to cover manipulation and rigging of benchmarks."

MEPs will vote on the new beefed up market abuse directive in September. The new laws allow regulators to use a series of minimum sanctions including traders being individually fined up to three times the profit made as well as bans for life.

The draft accord would extend into spot commodity contracts covering the kinds of over-the-counter trading that has been at the centre of a probe by the energy regulator Ofgem and financial conduct authority (FCA) in Britain. This followed an alarm being raised by Seth Freedman, a whistleblower working for the price reporting agency, ICIS Heren.

Freedman has since been dismissed by his former employer but the new regulations also provide strong protections for whistleblowers including guaranteed anonymity and protection against retaliation.

Energy companies Shell, BP and Statoil, plus another price reporting agency, Platts, are currently being investigated for alleged rigging of the oil market by EC competition authorities. Michel Barnier, the EU financial services commissioner, told Bloomberg that the new rules would give investors comfort that "manipulation of benchmarks is prohibited and subject to strict sanctions".