Press release

Market abusers should face jail

Committees Committee on Economic and Monetary Affairs [20-12-2013 - 16:34]

Financial market fraudsters across the EU could face jail under rules agreed by negotiators from the European Parliament and member states in a bid to restore confidence in the EU's financial markets and boost investor protection.

Alrene McCarthy (S&D, UK), responsible for steering this legislation through Parliament, said: "The deal reached today is a major step forward in ensuring market abuse is tackled across the EU. The Libor scandal was market manipulation of the worst kind. We are seeing more alleged and potential manipulation of benchmarks in energy markets such as oil and gas and foreign exchange markets".

"This is the first law to introduce tough criminal sanctions across the EU with a minimum jail sentence of 4 years for insider dealing and market manipulation. Under the rules banks and financial institutions will now be criminally liable for market abuse, ensuring that these crimes are taken seriously."

Emine Bozkurt (S&D, NL) the leading MEP from the LIBE committee, said: "Today we sent out a signal that we do not want our citizens to pay for the criminal behaviour of market abusers.Moreover, we have ensured that manipulation of benchmarks is a crime and falls under the definition of market manipulation. To show that it will be no longer possible to get away with an administrative sanction for the most serious financial crimes is important to regain trust in the financial markets. We have made it possible to prosecute cross border crimes more easily; the authorities will get sufficient tools and resources to fight market abuse crimes."

Criminal sanctions

The new rules aim to curb market abuse such as insider dealing, market manipulation and unlawful disclosure of information, but they need to be backed by tougher criminal sanctions, including prison terms, throughout the EU.

The current big discrepancies between the definitions of offences and the penalties applied for them in different member states mean that market abuse can easily be carried out across borders and fraudsters can operate where penalties are most lenient.

To iron out the differences between EU countries, MEPs want to oblige all member states to set a maximum penalty of no less than 4 years in jail for the most serious forms of insider dealing or market manipulation and 2 years for improper disclosure of information, throughout the EU.

Definitions of offences

Insider dealing and market manipulation should be punishable as criminal offences when they were intentional; incitation, aiding and abetting will be treated in the same way. Moreover, the attempt to commit a breach could also be punished.

Insider dealing offences punishable by fouryears imprisonment are for example those where inside information is intentionally used to buy or sell financial instruments or to cancel or amend an order.

Market manipulation offences punishable with a four-year jail term consist, for example of: entering into a transaction or placing an order which gives false or misleading signals about supply, demand or price of one or several financial instruments or providing false or misleading inputs manipulating the calculation of benchmarks.

Member States are free to adopt or maintain more stringent criminal law rules for market abuse.

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