



# Financial Services and Markets Act 2000

## 2000 CHAPTER 8

### PART VIII

#### PENALTIES FOR MARKET ABUSE

##### **Modifications etc. (not altering text)**

- C1** Pt. 8 applied (with modifications) (18.6.2012) by ([The Recognised Auction Platforms Regulations 2011 \(S.I. 2011/2699\)](#)), **reg. 6**, Sch. 1

#### *Market abuse*

##### **[<sup>F1</sup>118 Market abuse.**

- (1) For the purposes of this Act, market abuse is behaviour (whether by one person alone or by two or more persons jointly or in concert) which—
  - (a) occurs in relation to—
    - (i) qualifying investments admitted to trading on a prescribed market,
    - (ii) qualifying investments in respect of which a request for admission to trading on such a market has been made, or
    - (iii) in the case of subsection (2) or (3) behaviour, investments which are related investments in relation to such qualifying investments, and
  - (b) falls within any one or more of the types of behaviour set out in subsections (2) to (8).
- (2) The first type of behaviour is where an insider deals, or attempts to deal, in a qualifying investment or related investment on the basis of inside information relating to the investment in question.
- (3) The second is where an insider discloses inside information to another person otherwise than in the proper course of the exercise of his employment, profession or duties.

*Status: Point in time view as at 30/06/2008.*

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- (4) The third is where the behaviour (not falling within subsection (2) or (3))—
- (a) is based on information which is not generally available to those using the market but which, if available to a regular user of the market, would be, or would be likely to be, regarded by him as relevant when deciding the terms on which transactions in qualifying investments should be effected, and
  - (b) is likely to be regarded by a regular user of the market as a failure on the part of the person concerned to observe the standard of behaviour reasonably expected of a person in his position in relation to the market.
- (5) The fourth is where the behaviour consists of effecting transactions or orders to trade (otherwise than for legitimate reasons and in conformity with accepted market practices on the relevant market) which—
- (a) give, or are likely to give, a false or misleading impression as to the supply of, or demand for, or as to the price of, one or more qualifying investments, or
  - (b) secure the price of one or more such investments at an abnormal or artificial level.
- (6) The fifth is where the behaviour consists of effecting transactions or orders to trade which employ fictitious devices or any other form of deception or contrivance.
- (7) The sixth is where the behaviour consists of the dissemination of information by any means which gives, or is likely to give, a false or misleading impression as to a qualifying investment by a person who knew or could reasonably be expected to have known that the information was false or misleading.
- (8) The seventh is where the behaviour (not falling within subsection (5), (6) or (7))—
- (a) is likely to give a regular user of the market a false or misleading impression as to the supply of, demand for or price or value of, qualifying investments, or
  - (b) would be, or would be likely to be, regarded by a regular user of the market as behaviour that would distort, or would be likely to distort, the market in such an investment,
- and the behaviour is likely to be regarded by a regular user of the market as a failure on the part of the person concerned to observe the standard of behaviour reasonably expected of a person in his position in relation to the market.
- (9) Subsections (4) and (8) and the definition of “regular user” in section 130A(3) cease to have effect on [F231 December 2009] and subsection (1)(b) is then to be read as no longer referring to those subsections.]

#### Textual Amendments

- F1** Ss. 118-118C substituted (1.7.2005) for s. 118 by [The Financial Services and Markets Act 2000 \(Market Abuse\) Regulations 2005 \(S.I. 2005/381\)](#), regs. 1(2), 5, [Sch. 2 para. 1](#)
- F2** Words in s. 118(9) substituted (30.6.2008) by [The Financial Services and Markets Act 2000 \(Market Abuse\) Regulations 2008 \(S.I. 2008/1439\)](#), [reg. 3\(2\)](#)

### 118A Supplementary provision about certain behaviour

- (1) Behaviour is to be taken into account for the purposes of this Part only if it occurs—
- (a) in the United Kingdom, or
  - (b) in relation to —

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- (i) qualifying investments which are admitted to trading on a prescribed market situated in, or operating in, the United Kingdom,
  - (ii) qualifying investments for which a request for admission to trading on such a prescribed market has been made, or
  - (iii) in the case of section 118(2) and (3), investments which are related investments in relation to such qualifying investments.
- (2) For the purposes of subsection (1), as it applies in relation to section 118(4) and (8), a prescribed market accessible electronically in the United Kingdom is to be treated as operating in the United Kingdom.
- (3) For the purposes of section 118(4) and (8), the behaviour that is to be regarded as occurring in relation to qualifying investments includes behaviour which—
  - (a) occurs in relation to anything that is the subject matter, or whose price or value is expressed by reference to the price or value of the qualifying investments, or
  - (b) occurs in relation to investments (whether or not they are qualifying investments) whose subject matter is the qualifying investments.
- (4) For the purposes of section 118(7), the dissemination of information by a person acting in the capacity of a journalist is to be assessed taking into account the codes governing his profession unless he derives, directly or indirectly, any advantage or profits from the dissemination of the information.
- (5) Behaviour does not amount to market abuse for the purposes of this Act if—
  - (a) it conforms with a rule which includes a provision to the effect that behaviour conforming with the rule does not amount to market abuse,
  - (b) it conforms with the relevant provisions of Commission Regulation (EC) No 2273/2003 of 22 December 2003 implementing Directive 2003/6/EC of the European Parliament and of the Council as regards exemptions for buy-back programmes and stabilisation of financial instruments, or
  - (c) it is done by a person acting on behalf of a public authority in pursuit of monetary policies or policies with respect to exchange rates or the management of public debt or foreign exchange reserves.
- (6) Subsections (2) and (3) cease to have effect on [F3]31 December 2009].

#### Textual Amendments

**F3** Words in s. 118A(6) substituted (30.6.2008) by [The Financial Services and Markets Act 2000 \(Market Abuse\) Regulations 2008 \(S.I. 2008/1439\)](#), **reg. 3(3)**

#### [F4]118B Insiders

- For the purposes of this Part an insider is any person who has inside information—
- (a) as a result of his membership of an administrative, management or supervisory body of an issuer of qualifying investments,
  - (b) as a result of his holding in the capital of an issuer of qualifying investments,
  - (c) as a result of having access to the information through the exercise of his employment, profession or duties,
  - (d) as a result of his criminal activities, or

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- (e) which he has obtained by other means and which he knows, or could reasonably be expected to know, is inside information.

#### Textual Amendments

- F4** Ss. 118-118C substituted (1.7.2005) for s. 118 by [The Financial Services and Markets Act 2000 \(Market Abuse\) Regulations 2005 \(S.I. 2005/381\)](#), regs. 1(2), 5, [Sch. 2 para. 1](#)

### 118C Inside information

- (1) This section defines “inside information” for the purposes of this Part.
- (2) In relation to qualifying investments, or related investments, which are not commodity derivatives, inside information is information of a precise nature which—
  - (a) is not generally available,
  - (b) relates, directly or indirectly, to one or more issuers of the qualifying investments or to one or more of the qualifying investments, and
  - (c) would, if generally available, be likely to have a significant effect on the price of the qualifying investments or on the price of related investments.
- (3) In relation to qualifying investments or related investments which are commodity derivatives, inside information is information of a precise nature which—
  - (a) is not generally available,
  - (b) relates, directly or indirectly, to one or more such derivatives, and
  - (c) users of markets on which the derivatives are traded would expect to receive in accordance with any accepted market practices on those markets.
- (4) In relation to a person charged with the execution of orders concerning any qualifying investments or related investments, inside information includes information conveyed by a client and related to the client's pending orders which—
  - (a) is of a precise nature,
  - (b) is not generally available,
  - (c) relates, directly or indirectly, to one or more issuers of qualifying investments or to one or more qualifying investments, and
  - (d) would, if generally available, be likely to have a significant effect on the price of those qualifying investments or the price of related investments.
- (5) Information is precise if it—
  - (a) indicates circumstances that exist or may reasonably be expected to come into existence or an event that has occurred or may reasonably be expected to occur, and
  - (b) is specific enough to enable a conclusion to be drawn as to the possible effect of those circumstances or that event on the price of qualifying investments or related investments.
- (6) Information would be likely to have a significant effect on price if and only if it is information of a kind which a reasonable investor would be likely to use as part of the basis of his investment decisions.
- (7) For the purposes of subsection (3)(c), users of markets on which investments in commodity derivatives are traded are to be treated as expecting to receive information

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relating directly or indirectly to one or more such derivatives in accordance with any accepted market practices, which is —

- (a) routinely made available to the users of those markets, or
  - (b) required to be disclosed in accordance with any statutory provision, market rules, or contracts or customs on the relevant underlying commodity market or commodity derivatives market.
- (8) Information which can be obtained by research or analysis conducted by, or on behalf of, users of a market is to be regarded, for the purposes of this Part, as being generally available to them.]

#### Textual Amendments

- F4** Ss. 118-118C substituted (1.7.2005) for s. 118 by [The Financial Services and Markets Act 2000 \(Market Abuse\) Regulations 2005 \(S.I. 2005/381\)](#), regs. 1(2), 5, [Sch. 2 para. 1](#)

#### *The code*

### **119 The code.**

- (1) The Authority must prepare and issue a code containing such provisions as the Authority considers will give appropriate guidance to those determining whether or not behaviour amounts to market abuse.
- (2) The code may among other things specify—
  - (a) descriptions of behaviour that, in the opinion of the Authority, amount to market abuse;
  - (b) descriptions of behaviour that, in the opinion of the Authority, do not amount to market abuse;
  - (c) factors that, in the opinion of the Authority, are to be taken into account in determining whether or not behaviour amounts to market abuse.
  - <sup>[F5]</sup>(d) descriptions of behaviour that are accepted market practices in relation to one or more specified markets;
  - (e) descriptions of behaviour that are not accepted market practices in relation to one or more specified markets.]

<sup>[F6]</sup>(2A) In determining, for the purposes of subsections (2)(d) and (2)(e) or otherwise, what are and what are not accepted market practices, the Authority must have regard to the factors and procedures laid down in Articles 2 and 3 respectively of Commission Directive [2004/72/EC](#) of 29 April 2004 implementing Directive [2003/6/EC](#) of the European Parliament and of the Council.]

- (3) The code may make different provision in relation to persons, cases or circumstances of different descriptions.
- (4) The Authority may at any time alter or replace the code.
- (5) If the code is altered or replaced, the altered or replacement code must be issued by the Authority.
- (6) A code issued under this section must be published by the Authority in the way appearing to the Authority to be best calculated to bring it to the attention of the public.

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- (7) The Authority must, without delay, give the Treasury a copy of any code published under this section.
- (8) The Authority may charge a reasonable fee for providing a person with a copy of the code.

#### Textual Amendments

- F5** S. 119(2)(d)(e) inserted (1.7.2005) by [The Financial Services and Markets Act 2000 \(Market Abuse\) Regulations 2005 \(S.I. 2005/381\)](#), regs. 1(2), 5, [Sch. 2 para. 2\(2\)](#)
- F6** S. 119(2A) inserted (1.7.2005) by [The Financial Services and Markets Act 2000 \(Market Abuse\) Regulations 2005 \(S.I. 2005/381\)](#), regs. 1(2), 5, [Sch. 2 para. 2\(3\)](#)

### 120 Provisions included in the Authority’s code by reference to the City Code.

- (1) The Authority may include in a code issued by it under section 119 (“the Authority’s code”) provision to the effect that in its opinion behaviour conforming with the City Code—
  - (a) does not amount to market abuse;
  - (b) does not amount to market abuse in specified circumstances; or
  - (c) does not amount to market abuse if engaged in by a specified description of person.
- (2) But the Treasury’s approval is required before any such provision may be included in the Authority’s code.
- (3) If the Authority’s code includes provision of a kind authorised by subsection (1), the Authority must keep itself informed of the way in which the Panel on Takeovers and Mergers interprets and administers the relevant provisions of the City Code.
- (4) “City Code” means the City Code on Takeovers and Mergers issued by the Panel as it has effect at the time when the behaviour occurs.
- (5) “Specified” means specified in the Authority’s code.

### 121 Codes: procedure.

- (1) Before issuing a code under section 119, the Authority must publish a draft of the proposed code in the way appearing to the Authority to be best calculated to bring it to the attention of the public.
- (2) The draft must be accompanied by—
  - (a) a cost benefit analysis; and
  - (b) notice that representations about the proposal may be made to the Authority within a specified time.
- (3) Before issuing the proposed code, the Authority must have regard to any representations made to it in accordance with subsection (2)(b).
- (4) If the Authority issues the proposed code it must publish an account, in general terms, of—
  - (a) the representations made to it in accordance with subsection (2)(b); and

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- (b) its response to them.
- (5) If the code differs from the draft published under subsection (1) in a way which is, in the opinion of the Authority, significant—
  - (a) the Authority must (in addition to complying with subsection (4)) publish details of the difference; and
  - (b) those details must be accompanied by a cost benefit analysis.
- (6) Subsections (1) to (5) do not apply if the Authority considers that there is an urgent need to publish the code.
- (7) Neither subsection (2)(a) nor subsection (5)(b) applies if the Authority considers—
  - (a) that, making the appropriate comparison, there will be no increase in costs; or
  - (b) that, making that comparison, there will be an increase in costs but the increase will be of minimal significance.
- (8) The Authority may charge a reasonable fee for providing a person with a copy of a draft published under subsection (1).
- (9) This section also applies to a proposal to alter or replace a code.
- (10) “Cost benefit analysis” means an estimate of the costs together with an analysis of the benefits that will arise—
  - (a) if the proposed code is issued; or
  - (b) if subsection (5)(b) applies, from the code that has been issued.
- (11) “The appropriate comparison” means—
  - (a) in relation to subsection (2)(a), a comparison between the overall position if the code is issued and the overall position if it is not issued;
  - (b) in relation to subsection (5)(b), a comparison between the overall position after the issuing of the code and the overall position before it was issued.

## **122 Effect of the code.**

- (1) If a person behaves in a way which is described (in the code in force under section 119 at the time of the behaviour) as behaviour that, in the Authority’s opinion, does not amount to market abuse that behaviour of his is to be taken, for the purposes of this Act, as not amounting to market abuse.
- (2) Otherwise, the code in force under section 119 at the time when particular behaviour occurs may be relied on so far as it indicates whether or not that behaviour should be taken to amount to market abuse.

### *Power to impose penalties*

## **123 Power to impose penalties in cases of market abuse.**

- (1) If the Authority is satisfied that a person (“A”)—
  - (a) is or has engaged in market abuse, or
  - (b) by taking or refraining from taking any action has required or encouraged another person or persons to engage in behaviour which, if engaged in by A, would amount to market abuse,it may impose on him a penalty of such amount as it considers appropriate.

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- (2) But the Authority may not impose a penalty on a person if, having considered any representations made to it in response to a warning notice, there are reasonable grounds for it to be satisfied that—
  - (a) he believed, on reasonable grounds, that his behaviour did not fall within paragraph (a) or (b) of subsection (1), or
  - (b) he took all reasonable precautions and exercised all due diligence to avoid behaving in a way which fell within paragraph (a) or (b) of that subsection.
- (3) If the Authority is entitled to impose a penalty on a person under this section it may, instead of imposing a penalty on him, publish a statement to the effect that he has engaged in market abuse.

#### *Statement of policy*

### **124 Statement of policy.**

- (1) The Authority must prepare and issue a statement of its policy with respect to—
  - (a) the imposition of penalties under section 123; and
  - (b) the amount of penalties under that section.
- (2) The Authority’s policy in determining what the amount of a penalty should be must include having regard to—
  - (a) whether the behaviour in respect of which the penalty is to be imposed had an adverse effect on the market in question and, if it did, how serious that effect was;
  - (b) the extent to which that behaviour was deliberate or reckless; and
  - (c) whether the person on whom the penalty is to be imposed is an individual.
- (3) A statement issued under this section must include an indication of the circumstances in which the Authority is to be expected to regard a person as—
  - (a) having a reasonable belief that his behaviour did not amount to market abuse; or
  - (b) having taken reasonable precautions and exercised due diligence to avoid engaging in market abuse.
- (4) The Authority may at any time alter or replace a statement issued under this section.
- (5) If a statement issued under this section is altered or replaced, the Authority must issue the altered or replacement statement.
- (6) In exercising, or deciding whether to exercise, its power under section 123 in the case of any particular behaviour, the Authority must have regard to any statement published under this section and in force at the time when the behaviour concerned occurred.
- (7) A statement issued under this section must be published by the Authority in the way appearing to the Authority to be best calculated to bring it to the attention of the public.
- (8) The Authority may charge a reasonable fee for providing a person with a copy of a statement published under this section.
- (9) The Authority must, without delay, give the Treasury a copy of any statement which it publishes under this section.



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## **125 Statement of policy: procedure.**

- (1) Before issuing a statement of policy under section 124, the Authority must publish a draft of the proposed statement in the way appearing to the Authority to be best calculated to bring it to the attention of the public.
- (2) The draft must be accompanied by notice that representations about the proposal may be made to the Authority within a specified time.
- (3) Before issuing the proposed statement, the Authority must have regard to any representations made to it in accordance with subsection (2).
- (4) If the Authority issues the proposed statement it must publish an account, in general terms, of—
  - (a) the representations made to it in accordance with subsection (2); and
  - (b) its response to them.
- (5) If the statement differs from the draft published under subsection (1) in a way which is, in the opinion of the Authority, significant, the Authority must (in addition to complying with subsection (4)) publish details of the difference.
- (6) The Authority may charge a reasonable fee for providing a person with a copy of a draft published under subsection (1).
- (7) This section also applies to a proposal to alter or replace a statement.

### *Procedure*

## **126 Warning notices.**

- (1) If the Authority proposes to take action against a person under section 123, it must give him a warning notice.
- (2) A warning notice about a proposal to impose a penalty must state the amount of the proposed penalty.
- (3) A warning notice about a proposal to publish a statement must set out the terms of the proposed statement.

## **127 Decision notices and right to refer to Tribunal.**

- (1) If the Authority decides to take action against a person under section 123, it must give him a decision notice.
- (2) A decision notice about the imposition of a penalty must state the amount of the penalty.
- (3) A decision notice about the publication of a statement must set out the terms of the statement.
- (4) If the Authority decides to take action against a person under section 123, that person may refer the matter to the Tribunal.

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### Miscellaneous

#### 128 Suspension of investigations.

- (1) If the Authority considers it desirable or expedient because of the exercise or possible exercise of a power relating to market abuse, it may direct a recognised investment exchange or recognised clearing house—
  - (a) to terminate, suspend or limit the scope of any inquiry which the exchange or clearing house is conducting under its rules; or
  - (b) not to conduct an inquiry which the exchange or clearing house proposes to conduct under its rules.
- (2) A direction under this section—
  - (a) must be given to the exchange or clearing house concerned by notice in writing; and
  - (b) is enforceable, on the application of the Authority, by injunction or, in Scotland, by an order under section 45 of the <sup>M1</sup>Court of Session Act 1988.
- (3) The Authority’s powers relating to market abuse are its powers—
  - (a) to impose penalties under section 123; or
  - (b) to appoint a person to conduct an investigation under section 168 in a case falling within subsection (2)(d) of that section.

#### Marginal Citations

M1 1988 c. 36.

#### 129 Power of court to impose penalty in cases of market abuse.

- (1) The Authority may on an application to the court under section 381 or 383 request the court to consider whether the circumstances are such that a penalty should be imposed on the person to whom the application relates.
- (2) The court may, if it considers it appropriate, make an order requiring the person concerned to pay to the Authority a penalty of such amount as it considers appropriate.

#### 130 Guidance.

- (1) The Treasury may from time to time issue written guidance for the purpose of helping relevant authorities to determine the action to be taken in cases where behaviour occurs which is behaviour—
  - (a) with respect to which the power in section 123 appears to be exercisable; and
  - (b) which appears to involve the commission of an offence under section 397 of this Act or Part V of the <sup>M2</sup>Criminal Justice Act 1993 (insider dealing).
- (2) The Treasury must obtain the consent of the Attorney General and the Secretary of State before issuing any guidance under this section.
- (3) In this section “relevant authorities”—
  - (a) in relation to England and Wales, means the Secretary of State, the Authority, the Director of the Serious Fraud Office and the Director of Public Prosecutions;

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- (b) in relation to Northern Ireland, means the Secretary of State, the Authority, the Director of the Serious Fraud Office and the Director of Public Prosecutions for Northern Ireland.
- (4) Subsections (1) to (3) do not apply to Scotland.
- (5) In relation to Scotland, the Lord Advocate may from time to time, after consultation with the Treasury, issue written guidance for the purpose of helping the Authority to determine the action to be taken in cases where behaviour mentioned in subsection (1) occurs.

#### Marginal Citations

M2 1993 c. 36.

### <sup>F7</sup>[ <sup>F7</sup>130A Interpretation and supplementary provision

- (1) The Treasury may by order specify (whether by name or description)—
- (a) the markets which are prescribed markets for the purposes of specified provisions of this Part, and
  - (b) the investments that are qualifying investments in relation to the prescribed markets.
- (2) An order may prescribe different investments or descriptions of investment in relation to different markets or descriptions of market.
- (3) In this Part—
- “accepted market practices” means practices that are reasonably expected in the financial market or markets in question and are accepted by the Authority or, in the case of a market situated in another EEA State, the competent authority of that EEA State within the meaning of Directive 2003/6/EC of the European Parliament and of the Council of 28 January 2003 on insider dealing and market manipulation (market abuse),
  - “behaviour” includes action or inaction,
  - “dealing”, in relation to an investment, means acquiring or disposing of the investment whether as principal or agent or directly or indirectly, and includes agreeing to acquire or dispose of the investment, and entering into and bringing to an end a contract creating it,
  - “investment” is to be read with section 22 and Schedule 2,
  - “regular user”, in relation to a particular market, means a reasonable person who regularly deals on that market in investments of the kind in question,
  - “related investment”, in relation to a qualifying investment, means an investment whose price or value depends on the price or value of the qualifying investment.
- (4) Any reference in this Act to a person engaged in market abuse is to a person engaged in market abuse either alone or with one or more other persons.]]

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#### Textual Amendments

- F7** S. 130A inserted (1.7.2005) by [The Financial Services and Markets Act 2000 \(Market Abuse\) Regulations 2005 \(S.I. 2005/381\)](#), regs. 1(2), 5, **Sch. 2 para. 3**

### 131 Effect on transactions.

The imposition of a penalty under this Part does not make any transaction void or unenforceable.

#### <sup>F8</sup> <sup>F8</sup> 131A Protected Disclosures

- (1) A disclosure which satisfies the following three conditions is not to be taken to breach any restriction on the disclosure of information (however imposed).
- (2) The first condition is that the information or other matter—
  - (a) causes the person making the disclosure ( the discloser) to know or suspect, or
  - (b) gives him reasonable grounds for knowing or suspecting, that another person has engaged in market abuse.
- (3) The second condition is that the information or other matter disclosed came to the discloser in the course of his trade, profession, business or employment.
- (4) The third condition is that the disclosure is made to the Authority or to a nominated officer as soon as is practicable after the information or other matter comes to the discloser.
- (5) A disclosure to a nominated officer is a disclosure which is made to a person nominated by the discloser's employer to receive disclosures under this section, and is made in the course of the discloser's employment and in accordance with the procedure established by the employer for the purpose.
- (6) For the purposes of this section, references to a person's employer include any body, association or organisation (including a voluntary organisation) in connection with whose activities the person exercises a function (whether or not for gain or reward) and references to employment must be construed accordingly.]]

#### Textual Amendments

- F8** S. 131A inserted (1.7.2005) by [The Financial Services and Markets Act 2000 \(Market Abuse\) Regulations 2005 \(S.I. 2005/381\)](#), regs. 1(2), 5, **Sch. 2 para. 4**

**Status:**

Point in time view as at 30/06/2008.

**Changes to legislation:**

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