



Financial Conduct Authority publishes Decision Notice concerning Linear Investments Limited

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The Financial Conduct Authority (FCA) has today published a Decision Notice concerning Linear Investments Limited. Linear failed to take reasonable care to organise and control its affairs responsibly and effectively to ensure potential instances of market abuse could be detected and reported. The failure occurred from 14 January 2013 to 9 August 2015. Linear has referred the issue of penalty to the Upper Tribunal.

Linear has agreed the facts set out in the Notice, as well as liability for the breaches identified. It disputes the penalty imposed and has referred the issue of penalty to the Upper Tribunal. The Upper Tribunal will determine what (if any) the appropriate action is for the FCA to take, and remit the matter to the FCA with such directions as the Tribunal considers appropriate.

Prior to August 2015, Linear had limited manual oversight of trading conducted through its Direct Market Access (DMA). When Linear's business model changed and trading volumes increased this manual oversight did not provide adequate monitoring. Up until November 2014, Linear mistakenly believed that it could rely upon post-trade surveillance undertaken by the brokers through which it executed transactions.

The FCA makes clear in its Decision Notice that a fine of £409,300 should be imposed upon Linear for its breach of Principle 3 by failing to take reasonable care to organise and control its affairs responsibly and effectively with adequate risk management systems in relation to the detection and reporting of potential instances of market abuse between 14 January 2013 and 9 August 2015.

Linear is an authorised firm providing its clients with a range of brokerage services, including access to trade execution via electronic DMA. As with any other broker, inherent within Linear's business was the risk that clients may commit market abuse. Linear did not appreciate the need to undertake its own separate surveillance based on information available to it and its perspective. This reliance on the broker's surveillance was wrong.

In November 2014, Linear became aware of the need to have its own post-trade surveillance system and took steps to source and implement an automated system. However, it was not until 10 August 2015 that Linear had effective systems in place to remedy the breach.

Tackling market abuse is a priority for the FCA and firms are expected to play their part by ensuring that they are able at all times to identify and manage the market abuse risks to which they are exposed. Integral to this, firms are required to identify where there are reasonable grounds to suspect market abuse has occurred and submit reports to the FCA. Suspicious Transaction Reports (STRs) and Suspicious Transaction and Order Reports (STORs) are crucial intelligence for the FCA in detecting market abuse.

This is the first case to be completed under a new process introduced for partly contested cases. It allows firms or individuals under investigation to agree to certain elements of the case and contest others. This means they are still eligible for a discount of up to 30% on any penalty imposed. In this case, Linear agreed facts and liability, but contest the level of penalty set out in the Decision Notice. Without this discount, the fine would have been £584,700.

Notes to editors

1. Decision Notice for [Linear Investments Limited](#)
2. FCA and PRA publish [final changes to enhance enforcement decision-making processes](#)
3. On 1 April 2013, the FCA became responsible for the conduct supervision of all regulated financial firms and the prudential supervision of those not supervised by the Prudential Regulation Authority (PRA).
4. The FCA has an overarching strategic objective of ensuring the relevant markets function well. To support this, it has three operational objectives: to secure an appropriate degree of protection for consumers; to protect and enhance the integrity of the UK financial system; and to promote effective competition in the interests of consumers.
5. Suspicious Transaction Reports (STR) before 3 July 2016 and Suspicious Transaction and Order Reports (STOR) after this date.
6. Information about the [Upper Tribunal](#).
7. Find out more information [about the FCA](#).

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