FCA fines UBS AG £27.6 million for transaction reporting failures

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UBS AG (UBS) has been fined £27,599,400 by the Financial Conduct Authority (FCA) for failings relating to 135.8 million transaction reports between November 2007 and May 2017.

Mark Steward, FCA Executive Director of Enforcement and Market Oversight said:

'Firms must have proper systems and controls to identify what transactions they have carried out, on what markets, at what price, in what quantity and with whom. If firms cannot report their transactions accurately, fundamental risks arise, including the risk that market abuse may be hidden.'

Effective market oversight relies on the complete, accurate and timely reporting of transactions. This information helps the FCA to effectively supervise firms and markets. In particular, transaction reports help the FCA identify potential instances of market abuse and combat financial crime.

UBS failed to ensure it provided complete and accurate information in relation to approximately 86.67m reportable transactions. It also erroneously reported 49.1m transactions to the FCA, which were not, in fact, reportable. Altogether, over a period of 9 and a half years, UBS made 135.8m errors in its transaction reporting, breaching FCA rules.

The FCA also found that UBS failed to take reasonable care to organise and control its affairs responsibly and effectively in respect of its transaction reporting. These failings related to aspects of UBS's change management processes, its maintenance of the reference data used in its reporting and how it tested whether all the transactions it reported to the FCA were accurate and complete.

UBS agreed to resolve the case and so qualified for a 30% discount in the overall penalty. Without this discount, the FCA would have imposed a financial penalty of £39,427,795.

Notes to editors

1. Final Notice for UBS AG.
2. A transaction report is a data set submitted to the FCA that relates to an individual financial market transaction which includes, but is not limited to, details of the product traded, the firm that undertook the trade, the trade counterparty, the client (where applicable) and the trade characteristics, price, quantity and venue. Read more information about transaction reporting.
3. The FCA uses the information from transaction reports for:
    1. Monitoring for market abuse
    2. Firm supervision
    3. Market supervision
    4. And for sharing with certain external parties, such as the Bank of England.
4. The FCA's rules on transaction reporting were based on the EU Markets in Financial Instruments Directive (2004/39/EC) (MiFID) from 5 November 2007 until 2 January 2018. MiFID II took effect from 3 January 2018 and

extended transaction reporting requirements to include additional instruments. MiFID II was comprehensively revised to improve the functioning of financial markets in light of the financial crisis and to strengthen investor protection.

5. To date, the FCA has fined 12 other firms for MiFID transaction reporting breaches: Merrill Lynch International (MLI), Deutsche Bank AG, Royal Bank of Scotland (RBS), James Sharp & Co, Plus500UK, City Index Limited, Société Générale, Commerzbank AG, Instinet Europe Limited, Getco Europe Limited, Credit Suisse and Barclays Capital Securities Limited and Barclays Bank Plc.
6. 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).
7. The FCA has an overarching strategic objective of ensuring the relevant markets function well. To support this it has 3 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.
8. Find out more information about the FCA.

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