



LEGAL ALERT

26 September 2023

CMVM Recommendations to Financial Intermediaries on prevention, detection and reporting of suspected situations of market abuse

On the 5th of September 2023, the Portuguese Securities Market Commission (CMVM) issued recommendations to financial intermediaries under Regulation (EU) No. 596/2014 of the European Parliament and of the Council of 16th April 2014 on market abuse (Market Abuse Regulation), Commission Delegated Regulation (EU) No. 957/2016 of 9th March 2016 and Article 311 of the Securities Code, which create obligations regarding the establishment of systems and procedures for the detection and identification of market abuse situations and their subsequent reporting after screening to the competent authorities.

Prevention, detection and reporting of operations suspected of market abuse

In order to comply with the obligations outlined above, the CMVM considers that financial intermediaries **must**:

- ✓ Strengthen pre-trade procedures and controls in order to increase detection effectiveness
- ✓ Establish pre-trade controls and alerts aimed at assessing the impact on the market of orders transmitted by clients, combining static and dynamic characteristics (e.g. on price and liquidity, historical behaviour, tick size), in order to increase their degree of effectiveness.

- ✓ Increase the degree of formalization of pre-trade control procedures, particularly in the analysis and decision-making by the employees responsible for verifying alerts, in order to ensure that they are dealt with consistently, thereby reducing the level of discretion.
- ✓ Reinforce the training of its teams in the prevention, detection and reporting of suspected situations of market abuse
- ✓ Improve post-trade controls and alerts whose function is to identify patterns of action that are suspicious or jeopardize rational action in the market.

The aim of these recommendations is to support financial intermediaries in ensuring market defense with points for improvement to be implemented in their internal systems in order to ensure more effective detection, ensuring the regularity, transparency and credibility of the market.

To access the full version of the Recommendations, click [here](#).

For more information on this subject, please contact:



Joana Pereira Dias
Partner | Capital Markets
joanapdias@ctsu.pt



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