365 INVESTMENT MANAGEMENT

## Market Abuse policy

### 1.1 General

365IM has designed its policy on market abuse in order to establish a framework that includes systems and controls that seek to:

- prevent and detect instances of market abuse;
- report knowledge or suspicion of market abuse to the relevant authorities; and
- ensure that senior management and all members of staff are aware of their obligations under the market abuse regime.

This is achieved through the adoption and implementation of the following market abuse measures:

- Provision of awareness training
- Reporting of suspicions or knowledge of market abuse
- Appropriate systems and controls to manage market abuse; and
- Compliance monitoring of such procedures and controls.

Each member of 365IM must read and have access to this policy statement. This policy will be reviewed periodically by the Compliance Department.

If, at any time, changes are made to this policy, a new copy will be distributed to each member of 365IM.

### 1.2 Introduction

Market abuse is a type of financial crime committed by an individual or company in order to take advantage by:

- illegally manipulating a financial market; and
- misusing inside information.

Market manipulation can occur when trading activity either:

- give, or are likely to give, false or misleading signals as to the supply, demand or price of financial instruments;
- interferes with the interaction of supply and demand;
- produces, or likely to produce, an abnormal/artificial effect on prices or volumes of financial instruments.

Misusing information includes acting in your own name or on behalf of someone else covering:

- trading (including personal account dealing);
- encouraging others to trade (for example, your partner, relative or friend); and
- passing information to any third party.

International and domestic rules on market abuse are designed to ensure that markets are fair, efficient and transparent and investors can trust the market.

### 1.3 Application of the Regulation

The Regulation applies to:

- financial instruments admitted to trading on a regulated market or for which a request for admission to trading on a regulated market has been made;
- financial instruments traded on Multilateral Trading Facilities (MTF), admitted to trading on MTFs, or for which a request for admission to trading on MTFs has been made;
- financial instruments traded on Organised Trading Facilities (OTF);
- financial instruments not covered above, the price or value of which depend on or has an effect on the price or value of financial instruments referred to above, including, but not limited to, credit default swaps and contracts for difference.

### 1.4 Conduct

Market abuse can be characterised by certain conduct, the most pertinent of which are listed below. These may be exhibited by market participants, and in the case of insider dealing, this may also apply to members of staff acting alone or, potentially, in collusion with third parties.

365IM shall ensure that it has implemented monitoring measures in place to prevent and detect market abuse including and prevent collusion between members and market participants to commit market abuse.

a) **Insider dealing** – when an insider deals, or tries to deal, on the basis of inside information. Improper disclosure and misuse of information are kinds of insider dealing;
b) **Improper disclosure -** where an insider improperly discloses inside information to another person;
c) **Misuse of information** – behaviour based on information that is not generally available but would affect an investor's decision about the terms on which to deal;
d) **Manipulating transactions** – trading, or placing orders to trade, that give a false or misleading impression of the supply of, or demand for, one or more investments, raising the price of the investment to an abnormal or artificial level;
e) **Manipulating devices** – trading, or placing orders to trade, which employ fictitious devices or any other form of deception or contrivance;
f) **Dissemination** – giving out information that conveys a false or misleading impression about an investment or the issuer of an investment where the person doing this knows the information to be false or misleading;
g) **Distortion and misleading behaviour** – behaviour that gives a false or misleading impression of either the supply of, or demand for, an investment; or behaviour that otherwise distorts the market in an investment.

The EU Commission has provided a list of circumstances or 'signals' where prohibited conduct under the Regulation may be assumed. 365IM will also periodically review its members' conduct against this list, to the extent applicable, to determine if there have been any breaches of the Regulation. Please refer to Appendix 1.

## Inside Information

### 1.5 General

The Regulation provides definitions of inside information, the most relevant of which are set out below.

- information of a precise nature that has not been made public;
- if it were made public, would be likely to have a significant effect on the prices of those financial instruments or on the price of related derivative financial instruments;
- information provided between a client and a person that executes orders on behalf of that client, which is of a precise nature, relating, directly or indirectly, to one or more issuers or to one or more financial instruments, and which if it were made public, would be likely to have a significant effect on the prices of those financial instruments, on the price of related derivative financial instruments.

This policy forbids all 365IM members from trading, either for a client, personally or on behalf of others, on the basis of inside information.

### 1.6 Further Guidance

It is the responsibility of all 365IM members to make an initial assessment of whether a particular piece of information handled can be considered as inside information. Further guidance regarding how 365IM members should determine information as being potentially 'inside information' is set out below.

#### 1.6.1 'Precise'

'Precise' means information that 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 is specific enough to enable a conclusion to be drawn as to the possible effect of those circumstances or that event on the price.

#### 1.6.2 'Significant price effect'

In determining whether a 'significant price effect' is likely to occur, the following factors should be taken into consideration:

- the anticipated magnitude of the matter or event in question in the context of a company's activity
- the relevance of the information as regards the main determinants of the financial instrument's price
- the reliability of the source
- all market variables that affect the financial instrument in question (for example liquidity, price relationships among financial instruments, volume, supply and demand).

### 1.6.3 **'Non-public'**

This means not available to a reasonable investor. Insider information is typically gained by someone who is working within or close to a listed company.

365IM do not have regular defined inflows or outflows of inside information for example as part of our normal business activities. However as with any other financial services firm our members may receive external or internal inside information on an ad-hoc and unrequested basis.

### 1.6.4 **Handling Inside Information:**

365IM have provided practical guidance in relation to handling inside information:

- classify it as *'strictest confidence'* and password-protect it
- be careful when discussing Inside Information, especially in public areas but also within our premises, in public transport, at social gatherings and all other public places (even at home);
- never let inside information display on computer screens, on your desk or on a printer in your absence when disclosing inside information to your colleagues:
- apply the "need to know" test - does the person to whom you want to share the information need to know it for his day-to-day duties?
- limit disclosure to a minimum; and
- clearly mention to the receiver that it is 'inside information'.

If in doubt about whether or not information is 'inside information", please contact the head of 365IM and/or the Compliance Officer (see contact details below).

Panos Simou (Head of 365IM) – 07802 447005 or Panos.Simou@365im.co.uk
Tony Waltham (Compliance Officer) – 07527 235656 or tony@continuumwealth.co.uk

## 2. **Managing the Risk of Market Abuse**

All members of 365IM will be aware of how the market risk is managed and follow the guidance as part of their daily responsibilities and duties.

### 2.1 **Rumours**

A rumour may be defined as a 'currently circulating story, or report of unverified or doubtful truth'.

Disseminating false or misleading information about companies, particularly in volatile or fragile market conditions, can be a very damaging form of market abuse which affects both the firm concerned as well as general market confidence.

365IM operates a policy of not disseminating opinions, not making recommendations on specific issuances, and not taking part in industry discussions. However, members do have general discussions with members of execution venues and it is important to remain aware of how what you say could be perceived.

If rumours are to be passed on at all, then they must be attributed, clearly stated to be unsubstantiated and are given no additional credence or embellishment.

An example of how a rumour may potentially lead to market abuse is set out below:

A person uses an internet bulletin board or chat room to post information about the takeover of a company. The person knows the information to be false or misleading. This could artificially raise or reduce the price of a share and lead to people making the wrong investment decisions. The idea is to generate trading activity for the benefit for the firm in question but is based on fraudulent means.

### 2.2 **Information Barriers**

To help manage the flow of confidential information and potentially inside information, the 365IM policy is to implement role-based access for each member to company files. Access is managed by the relevant line manager and is reviewed on an at least annual basis to ensure that it is appropriate for that member.

### 2.3 **Media and Leaks**

Communication with the media must be pre-approved by the head of 365IM and the Compliance Officer.

If an enquiry relates (or may relate) to inside information or restricted securities, then the Compliance Officer will be advised who will, where necessary, monitor that communication. 365IM should retain a copy of any media publication that includes or references interviews or articles provided by a member. Records should be kept of verbal and written communication between members and media.

In the event of a possible leak of information covered by this policy, the Compliance Officer will investigate the circumstances behind the leak. If necessary, the Compliance Officer will notify the relevant regulator if there is a leak that could pose a risk to market integrity or other potential adverse issues for the financial services system. Findings from subsequent internal reviews may also be shared with the relevant authorities as required.

### 2.4 Outside directorships or business interests

All members of 365IM, as well as family members, must disclose any outside business interests they may have (please refer to the Compliance Manual). These could include, for example, directorships of quoted companies. Such persons will need to be cautious about any information they receive through such positions, as it may be considered inside information. If members were to receive inside information through outside business interests, they would have to disclose it to the Compliance Officer for further action as appropriate.

### 2.5 Personal Account Dealing

365IM has implemented a policy to effectively manage personal account dealing, which is set out in a free-standing PA Dealing Policy.

### 2.6 Training

The training and awareness measures seek to ensure that members are aware of the requirements and prohibitions of the market abuse regime and the measures 365IM has adopted.

Appropriate training is arranged by the Compliance Officer. 365IM provide market abuse training to all new members as part of the compliance induction and at least annually thereafter.

## 3. Monitoring

365IM has implemented monitoring that is designed to prevent and detect insider dealing and, in the case of market abuse, which is designed to enhance market integrity and to ensure orderly trading.

Monitoring of market abuse risk forms part of the Compliance Monitoring Programme which is subject to an at least annual review.

Members are obliged to certify annually that they acknowledge and comply with the 365IM policies and procedures, including the Compliance Manual, Market Abuse Policy, Conflicts of Interest Policy and the Code of Ethics.

## 4. Suspicious Transaction and Order Reports ('STOR')

### 4.1 Reporting a STOR

If a member becomes aware, or has suspicions, of orders or transactions, including cancellations or modifications, or other behaviour (such as insider dealing) that involves market abuse, they must report these immediately to the Compliance Officer.

In deciding what transactions to report, the key test is that there are reasonable grounds for suspecting the order or transaction involves market abuse. The Compliance Officer will determine whether reasonable grounds exist on a case-by-case basis, taking into account the elements constituting market abuse, and if so, a STOR will be submitted to the relevant regulator in accordance with the prescribed process.

When a STOR has been submitted by the Compliance Officer, members must not inform any other person, in particular the person(s) on behalf of whom the transaction has been carried out or parties related to those persons (tipping-off).

If members have disclosed concerns to senior management or the Compliance Officer regarding market abuse, and are unhappy with either the response or the lack of one, they are encouraged to contact FCA directly on 020 7676 9200 or whistle@fca.org.uk.

**Appendix 1**

**Signals that may indicate abusive behaviour under the Regulation**
**Reference: Article 82 and Annex III, Section B of EU Delegated Regulation 2017/565**

**Signals of possible insider dealing or market manipulation**

1. Unusual concentration of transactions and/or orders to trade in a particular financial instrument with one member or between certain members.

2. Unusual repetition of a transaction among a small number of members over a certain period of time.

**Signals of possible insider dealing**

3. Unusual and significant trading or submission of orders to trade in the financial instruments of a company by certain members before the announcement of important corporate events or of price sensitive information relating to the company; orders to trade/transactions resulting in sudden and unusual changes in the volume of orders/transactions and/or prices before public announcements regarding the financial instrument in question.

4. Whether orders to trade are given or transactions are undertaken by a market participant before or immediately after that participant or persons publicly known as linked to that participant produce or disseminate research or investment recommendations that are made publicly available.

**Signals of possible market manipulation**

5. Orders to trade given or transactions undertaken which represent a significant proportion of the daily volume of transactions in the relevant financial instrument on the trading venue concerned, in particular when these activities lead to a significant change in the price of the financial instruments.

6. Orders to trade given or transactions undertaken by a participant with a significant buying or selling interest in a financial instrument which leads to significant changes in the price of the financial instrument on a trading venue.

7. Orders to trade given or transactions undertaken which are concentrated within a short time span in the trading session and lead to a price change which is subsequently reversed.

8. Orders to trade given which change the representation of the best bid or offer prices in a financial instrument admitted to trading or traded on a trading venue, or more generally the representation of the order book available to market participants and are removed before they are executed.

9. Transactions or orders to trade by a participant with no other apparent justification than to increase/decrease the price or value of, or to have a significant impact on the supply of or demand for a financial instrument, namely near the reference point during the trading day, e.g. at the opening or near the close.

10. Buying or selling of a financial instrument at the reference time of the trading session (e.g. opening, closing, settlement) in an effort to increase, to decrease or to maintain the reference price (e.g. opening price, closing price, settlement price) at a specific level (usually known as marking the close).

11. Transactions or orders to trade which have the effect of, or are likely to have the effect of increasing/decreasing the weighted average price of the day or of a period during the session.

12. Transactions or orders to trade which have the effect of, or are likely to have the effect of, setting a market price when the liquidity of the financial instrument or the depth of the order book is not sufficient to fix a price within the session.

13. Execution of a transaction, changing the bid-offer prices when this spread is a factor in the determination of the price of another transaction whether or not on the same trading venue.

14. Entering orders representing significant volumes in the central order book of the trading system a few minutes before the price determination phase of the auction and cancelling these orders a few seconds before the order book is frozen for computing the auction price so that the theoretical opening price might look higher or lower than it otherwise would do.

15. Engaging in a transaction or series of transactions which are shown on a public display facility to give the impression of activity or price movement in a financial instrument (usually known as painting the tape).

16. Transactions carried out as a result of the entering of buy and sell orders to trade at or nearly at the same time, with the very similar quantity and similar price by the same or different but colluding market participants (usually known as improper matched orders).

17. Transactions or orders to trade which have the effect of, or are likely to have the effect of bypassing the trading safeguards of the market (e.g. as regards volume limits; price limits; bid/offer spread parameters; etc.).

18. Entering of orders to trade or a series of orders to trade, executing transactions or series of transactions likely to start or exacerbate a trend and to encourage other participants to accelerate or extend the trend in order to create an opportunity to close out/open a position at a favourable price (usually know as momentum ignition).

19. Submitting multiple or large orders to trade often away from the touch on one side of the order book in order to execute a trade on the other side of the order book. Once that trade has taken place, the manipulative orders will be removed (usually known as layering and spoofing).

20. Entry of small orders to trade in order to ascertain the level of hidden orders and particularly used to assess what is resting on a dark platform (usually know as ping order).

21. Entry of large numbers of orders to trade and/or cancellations and/or updates to orders to trade so as to create uncertainty for other participants, slowing down their process and to camouflage their own strategy (usually known as quote stuffing).

22. Posting of orders to trade, to attract other participants employing traditional trading techniques ('slow traders'), that are then rapidly revised onto less generous terms, hoping to execute profitably against the incoming flow of 'slow traders' orders to trade (usually known as smoking).

23. Executing orders to trade or a series of orders to trade, in order to uncover orders of other participants, and then entering an order to trade to take advantage of the information obtained (usually known as phishing).

24. The extent to which, to the best knowledge of the operator of a trading venue, orders to trade given or transactions undertaken show evidence of position reversals in a short period and represent a significant proportion of the daily volume of transactions in the relevant financial instrument on the trading venue concerned, and might be associated with significant changes in the price of a financial instrument admitted to trading or traded on the trading venue.

**Signals for cross-product market manipulation, including across different trading venues**

25. Transactions or orders to trade which have the effect of, or are likely to have the effect of increasing/decreasing/ maintaining the price of a financial instrument during the days preceding the issue, optional redemption or expiry of a related derivative or convertible;

26. Transactions or orders to trade which have the effect of, or are likely to have the effect of maintaining the price of the underlying financial instrument below or above the strike price, or other element used to determine the pay-out (e.g. barrier), of a related derivative at expiration date;

27. Transactions which have the effect of, or are likely to have the effect of modifying the price of the underlying financial instrument so that it surpasses/not reaches the strike price, or other element used to determine the pay-out (e.g. barrier), of a related derivative at expiration date;

28. Transactions which have the effect of, or are likely to have the effect of modifying the settlement price of a financial instrument when this price is used as a reference/determinant, namely, in the calculation of margins requirements;

29. Orders to trade given or transactions undertaken by a participant with a significant buying or selling interest in a financial instrument which lead to significant changes in the price of the related derivative or underlying asset admitted to trading on a trading venue;

30. Undertaking trading or entering orders to trade in one trading venue or outside a trading venue (including entering indications of interest) with a view to improperly influencing the price of a related financial instrument in another or in the same trading venue or outside a trading venue (usually known as cross-product manipulation (trading on financial instrument to improperly position the price of a related financial instrument in another or in the same trading venue or outside a trading venue)).

31. Creating or enhancing arbitrage possibilities between a financial instrument and another related financial instrument by influencing reference prices of one of the financial instruments can be carried out with different financial instruments (like rights/shares, cash markets/derivatives markets, warrants/shares, …). In the context of rights issues, it could be achieved by influencing the (theoretical) opening or (theoretical) closing price of the rights.

**End…**