

Legal regulation of financial market manipulation

Abstract

This thesis deals with the legal regulation of financial market manipulation and is divided into 11 chapters. First, the thesis defines the concepts and framework of the financial market and the theoretical background to the regulation of market manipulation. Further, the thesis introduces to the reader the historical development of market manipulation and the regulation of its prohibition, including the history of market manipulation legislation in the EU, and the current process for the adoption of financial legislation (the Lamfalussy process). The thesis then introduces the MAR Regulation, which contains the current provisions against market manipulation and compares it with its earlier legislation. Then the thesis discusses the categories and features of market manipulation under MAR and the exceptions to the prohibition of manipulation. In particular, the manipulation based on the use of false or misleading signals or signals securing price at an artificial level, manipulation using fictitious devices or other forms of deception or contrivance, manipulation based on information and manipulation based on a benchmark are discussed. Among the exceptions to the prohibition, the thesis lists accepted market practices, buyback and stabilization programs, and disclosure in the media. As manipulation needs to be prevented, the thesis also includes a chapter on prevention and detection of market manipulation. Then the basic forms of financial market manipulation are introduced in the thesis, i.e. wash trading, matched orders, momentum ignition, marking the close and marking the open, cornering, squeezing, spoofing, layering, ping-pong, pump and dump, bear raids, front running and algorithmic and high frequency trading. This is followed by a chapter on the sanctioning of market manipulation, the regulation of which is divided between MAR and the MAD, which harmonises the criminal aspect of sanctions at European level. In the last part, the thesis analyses and compares the regulation of market manipulation in the legal systems of non-EU countries, namely the US, the UK and Malaysia.

Key words: Market manipulation, financial market, features and forms of market manipulation, MAR, MAD, ESMA.