

# Conduct Rules Scenarios

## Front-running

### Scenario

You are the Head of Compliance for Mega Bank PLC.

You have just been notified about conduct involving Joe Bloggs, a Certification Employee and trader on the bank's foreign exchange desk. On two separate occasions in 2018 and 2019, Joe Bloggs misused confidential information provided by a client, Hyper Fund. Hyper Fund had hired Mega Bank to execute multi-billion dollar foreign exchange transactions involving USD and GBP. After executing confidentiality agreements with Hyper Fund that required Mega Bank to keep the details of the planned transactions confidential, Joe Bloggs transacted in GBP for personal benefit and for the benefit of Mega Bank's "proprietary" accounts.

Joe Bloggs subsequently executed the transactions on behalf of Hyper Fund in a manner designed to drive the price of GBP in a direction that benefited Mega Bank and harmed Hyper Fund.

Harry Smith, a Senior Manager who is Head of FX at Mega Bank and Joe Blogg's line manager, subsequently made misrepresentations to Hyper Fund which concealed the self-serving nature of the transactions. In total, Mega Bank made profits of approximately USD 38.4 million on the 2018 transaction and approximately USD 8 million on the transaction in 2019.

**What conduct rules may have been breached?**

**How should the firm respond?**

**What controls could have been implemented?**