

Conduct Rules Scenarios

Trading in Gamestop Shares

Scenario

Olivia is a young analyst. She has recently joined the grad scheme at Trusty Brokers Ltd, earning £27,000 p.a.

She has been a member of the “r/wallstreetbets” investment forum for about six months. After reading about all of the excitement surrounding Gamestop shares and how it is a “sure bet”, Olivia decides to invest in the stock. She has always lived by the mantra “go big, or go home”.

Olivia invests the entirety of her savings (£20,000) in Gamestop shares. She also uses three credit cards to make further investments of £10,000 per credit card. Therefore, in total, she invests £50,000 in shares of Gamestop.

Unfortunately, for Olivia, she buys right at the top of the market, when the shares are valued at approximately USD 350 each. Over the course of the next day, the price of Gamestop shares crashes in value. Olivia loses 80% of her initial investment - £40,000 in total.

Olivia was not aware of Trusty Brokers’ personal account dealing rules and has not disclosed her investment in Gamestop shares.

With much of her salary going to pay the rent on her flat, Olivia does not know how she will pay the debts that she has racked up on her credit cards.

What conduct rules may have been breached? Why?
How should the firm respond?
What controls could have been implemented?