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## FCA publishes report on the supervision of Algorithmic Trading

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The Financial Conduct Authority (FCA) has today published a [report on the supervision of algorithmic trading in wholesale markets](#).

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The report summarises the key areas of focus for algorithmic trading and highlights areas of good and bad practice observed within previous cross-firm reviews.

Automated technology brings significant benefits to investors, including increased execution speed and reduced costs. However, it can also amplify certain risks. It is therefore essential that key oversight functions, including compliance and risk management, keep pace with technological advancements.

The report focuses on five key areas within algorithmic trading compliance in wholesale markets:

- Defining Algorithmic Trading
- Development and Testing Process
- Risk Controls
- Governance and Oversight
- Market Conduct

Megan Butler, Director of Supervision – Investment, Wholesale and Specialist at the FCA, said:

'This report is relevant for all firms developing and using algorithmic trading strategies in wholesale markets. Firms should consider and act on its content in the context of good practice for their business.'

The Prudential Regulation Authority (PRA) has also published a [consultation paper](#) on proposed expectations regarding a firm's governance and risk management of algorithmic trading. The PRA publication is a formal consultation on a supervisory statement which sets out expectations for the prudential aspects of risk management and governance of algorithmic trading at PRA regulated firms.

The FCA will continue to work with the PRA to ensure coordinated approaches going forward.

## Notes to editors

1. [Algorithmic Trading Compliance in Wholesale Markets](#).
2. On 1 April 2013, the FCA became responsible for the conduct supervision of all regulated financial firms and the prudential supervision of those not supervised by the Prudential Regulation Authority (PRA).
3. The FCA has an overarching strategic objective of ensuring the relevant markets function well. To support this it has three operational objectives: to secure an appropriate degree of protection for consumers; to protect and enhance the integrity of the UK financial system; and to promote effective competition in the interests of consumers.
4. Find out more information [about the FCA](#).

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