**Dealings by PDMRs**

This element outlines the rules which govern share dealings by persons discharging managerial responsibilities and the persons closely associated with them.

**Introduction**

The key managers of an issuer have privileged access to their company’s inside information. Therefore, an issuer’s directors and other key managers (known as **persons discharging managerial responsibilities**, or ‘**PDMRs’**) are subject to a separate regime relating to the trading of securities in the issuer. The definition of a ‘PDMR’ is contained in Art. 3(1)(25) UK MAR, as follows:

a) a member of the administrative, management or supervisory body of the issuer (i.e. a director); or

b) a senior executive who is not a member of such bodies, who has (i) regular access to inside information relating directly or indirectly to the issuer, and (ii) power to take managerial decisions affecting the future developments and business prospects of the issuer.

UK MAR also includes a definition of a ‘**person closely associated**’ with a PDMR (a ‘**PCA**’), in Art. 3(1)(26) UK MAR, which is relevant to the disclosure of dealings (see later in this element).

**Company share dealing codes**

In addition to the restrictions on PDMRs set out in UK MAR, listed companies also generally adopt their own share dealing policies and procedures to ensure compliance with UK MAR – and these policies and procedures may include stricter limits on PDMR dealings (and possibly also those of PCAs) than those applicable under UK MAR.

The Chartered Governance Institute UK & Ireland (previously known as ICSA) has published a model share dealing code, together with associated policy documents. It is common for listed companies to adopt an internal share dealing regime based on these documents.

**Prohibition on insider trading: key underlying concept**

Nobody may deal on the basis of inside information. This constitutes market abuse under Arts. 8 and 14 UK MAR and may also constitute a criminal offence under the Criminal Justice Act 1993.

**Restrictions on PDMR dealings (Art. 19(11) UK MAR)**

Under **Art. 19(11) UK MAR**, a PDMR may not conduct any transaction, either for their own account or for the account of a third party, relating to the shares or debt instruments of the issuer (or derivatives or other linked financial instruments) during any ‘**closed period**’ of the issuer. Each closed period lasts for 30 calendar days before the announcement of an interim financial report or a year-end report which the issuer is obliged to make public according to either the rules of the relevant trading venue (i.e. the LPDT Rules) or national law. In practice, some companies include a longer ‘closed period’ for the purposes of their own share dealing codes and policies.

This rule, which originates in EU MAR, does not take account of the fact that UK issuers generally publish ‘preliminary results’ some time before they publish their final accounts for a financial year. These preliminary results are not compulsory under the LPDT Rules but, if published, they must include all the material figures in the results for that year (UKLR 6.5.1). ESMA has confirmed that it will regard a UK listed company’s preliminary financial results announcement as ending the year end closed period, provided that it contains all of the key financial information expected to be included in the final year-end report.

The principle behind a restriction on dealing during these closed periods is that these are periods during which it is more likely that an issuer will be in possession of inside information, and that it is therefore sensible to have a blanket restriction on dealings by PDMRs during these periods.

Without prejudice to Arts. 14 and 15 UK MAR, under Art. 19(12) UK MAR, an issuer may allow a PDMR to trade on their own account (or for the account of a third party) during a closed period, either:

a) on a case-by-case basis, due to the existence of exceptional circumstances, such as the PDMR’s severe financial difficulty, which requires the immediate sale of shares; or

b) for certain narrowly defined categories, such as transactions made under, or related to, an employee share or saving scheme, qualification or entitlement of shares.

In practice, because of the difficulties of bringing a dealing within an exemption, and the fact that any dealing by a PDMR during a closed period may raise suspicions, companies and PDMRs usually simply avoid any dealings during such periods.

**Disclosure of dealings under Art. 19 UK MAR**

**PDMRs and their PCAs** must disclose to the issuer and the FCA any transactions conducted on their own account in the issuer’s shares or debt instruments (or derivatives or other financial instruments linked to them) once the total value of the PDMR or PCA’s transactions exceeds a certain threshold (see below). **The notification must be made promptly and no later than three working days after the transaction (Art. 19(1) UK MAR).**

The Art. 19(1) UK MAR notification obligation applies to any subsequent transaction once the PDMR or PCA has traded shares to a value of €5,000 in that calendar year (Art. 19(8) UK MAR). However, in practice, PDMRs and PCAs usually notify issuers in respect of all dealings of any value. Indeed, most listed companies require PDMRs to notify them of all dealings under an internal dealing code, in order to avoid the administrative burden of calculating whether the threshold has been met.

Note that it is the PCA rather than the PDMR themselves who must notify in respect of the dealing by the PCA (Art. 19(2) UK MAR).

Art. 19(6) UK MAR sets out the content requirements for the notification.

**Meaning of ‘person closely associated’ (PCA) to a PDMR (Art. 3(1)(26) UK MAR)**

A **PCA** includes:

• a PDMR’s spouse or partner equivalent to a spouse under national law;

• a PDMR’s dependent children; and

• a relative of a PDMR who has shared the same household for at least one year on the date of the transaction.

For the purposes of this definition, a spouse or partner equivalent includes a civil partner and dependent children under 18 include stepchildren.

In addition, a PCA could be any legal person, trust or partnership: the managerial responsibilities of which are discharged by the PDMR or a PCA; which is directly or indirectly controlled by the PDMR or a PCA; which is set up for the benefit of the PDMR or a PCA; or the economic interests of which are substantially equivalent to those of the PDMR or a PCA.

**Additional notification obligations (Art. 19 UK MAR)**

**Issuers** must ensure that the information which is notified to them in accordance with Art. 19(1) UK MAR is announced within two working days of receipt of such a notification.

**(Art 19(3)) UK MAR)**

**Issuers** must:

• notify their PDMRS of their obligations under Art. 19 UK MAR in writing; and

• draw up a list of all of their PDMRs and PCAs.

**PDMRs** must:

• notify their PCAs of their obligations under Art. 19 in writing; and

• keep a copy of such notification.

**(Art. 19(5) UK MAR)**

**Summary**

* The privileged access which listed company’s PDMRs have to company information means that a specific regime governs their trading of securities in the company.
* Companies often supplement these rules with their own share dealing codes.
* Nobody may deal on the basis of inside information.
* In addition, PDMRs may not deal in a closed period of 30 days before the company releases its interim and final results.
* A PDMR must disclose their dealings to the company (which must disclose them to the market). A de minimis applies to this regime but is generally not used.
* Persons closely associated with a PDMR must disclose dealings in the same way.
* Companies must inform their PDMRs and PDMRs must inform their PCAs of the notification obligations under Art. 19 UK MAR.