

Ocimum Biosolutions: From Bioinformatics to Integrated Custom Research Outsourcing

TheCaseSolutions.com
Introduction
 Definition:
 Insider trading refers to

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Introduction
 In relation to a listed security, material price sensitive information means:

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 Examples of Unpublished price sensitive information

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 Examples of Unpublished price sensitive information

Techniques

Tracking Insider Trading

- Reviewing financial results prior to being presented at the board of directors meeting
- Use of Time Lag
- Disclosure of unnecessary information to the audit firm
- Role of US Securities and Exchange Commission (SEC)
- Negative signals to foreign investors
- Difficult to prove
- Penalty on insider trading

OGRA SCAM (2014)

Rules & Regulation

- Chapter I**
 1. What are the main objectives?
 2. Definition
- Chapter II**
 1. Prohibition on trading communication by insiders
 2. Disclosure of information relating to insider trading
- Chapter III**
 1. Penalties
 2. Enforcement
- Chapter IV**
 1. Responsibility of Insiders
 2. Prohibition of insider trading
 3. Disclosure of insider information
 4. Penalties
 5. Enforcement of Provisions
 6. Compliance and Audit
 7. Governance of Insider Trading
 8. Reporting of Insider Trading
 9. Monitoring of the Insider Trading

Consequences

- Advantages**
- Disadvantages**

CASE: Dawood Capital Management

- + Dawood invested in many corporate bonds from companies which defaulted.
- + Company decided to write down the value of Dawood Income Fund.
- + Before this could happen, Tara Dawood sold its stake worth Rs 3.55 crore to avoid loss.
- + CEO Tara Dawood was fined Rs 2 crore.
- + SECP revoked the license of Dawood Capital.

Raj Rajaratnam

Thank You

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Rules & Regulation

- Chapter I**
 1. What are the definitions?
 2. Definition
- Chapter II**
 1. Prohibition on trading communication by insiders
 2. Disclosure of information relating to insider trading
- Chapter III**
 1. Penalties
 2. Offences
- Chapter IV**
 1. Investigation and Prosecution
 2. Role of Inspectors
 3. Disclosure of report on investigation
 4. Penalties
 5. Offences
 6. Power of the Inspectors
 7. Power of the Inspectors
 8. Power of the Inspectors

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Introduction

**Definition:
Insider trading refers to**

Generally buying or
selling a security

In breach of a
relationship of
confidence

While in possession of
material, non-public
information about the
security

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• employee
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Introduction

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**In relation to a listed security,
material price sensitive
information means:**

Any information which relates to the following matters or is of concern, directly or indirectly, to a company

And is not generally known or published by such company for general information, but which if published or known, is likely to materially affect the price of securities of that company in the market.

**Unp
sens**

- Unpublished
- Intended de
- Information
- bonus
- Major exper
- Strategy on
- Exit strateg
- Any informa
- company
- Any change

Examples of Unpublished price sensitive information

- Unpublished financial results of the company
- Intended declaration of dividends
- Information on shares issued by way of rights, bonus
- Major expansion plans or execution of new projects
- Strategy on amalgamation, mergers and takeovers
- Exit strategy for either the entire company or partial
- Any information that may affect the earnings of company
- Any changes in policies, plans or operations of company

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In practice, the list of company insiders are thought to include

- **sponsors of the company**
- **chief executive**
- **directors**
- **corporate officers**
- **managing agents**
- **chief accountant**
- **auditors and lawyers & investment bankers**

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- Insiders could also include**
- **friends**
 - **business associates,**
 - **family members,**
 - **employees of law, banking, brokerage and printing firms who were given such information to provide services to a company**

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Government employees who learned of such information because of their employment by the government and other "tippers" of such officers, directors, and employees, who traded the securities after receiving such information

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An insider could be the spouse of a CEO who goes ahead and passes on to his neighbour inside information about the company. If the neighbour in turn knowingly uses this inside information in a securities transaction, he or she is guilty of insider trading.