

The low-down on Insider Trading

Few questionable, if not downright unethical practices, carry more morally reprehensible connotations than that of insider trading.

Although Insider Trading extends beyond organizational boundaries, the idea that employees of an organization would use knowledge gained by virtue of their appointments for personal enrichment, to the detriment of the very stakeholders who directly or indirectly sustain those appointments, has to rank - in the business world - as one of the worse sorts of betrayals of trust.

It is therefore highly encouraging to learn that an independent report released by the Financial Services Board (FSB) in August 2004, confirmed that the pervasive incidence of insider trading in SA may be on its way to becoming a thing of the past, with a reported drop – on the JSE - of 35%, since the introduction of the Insider Trading Act of 1998. By contrast, 18% of JSE-listed companies had not yet implemented policies aimed at eradicating this scourge and only 29% of people in JSE-listed companies were aware of South African rules regarding insider trading.

South African legislators are taking no chances. During August 2004, Parliament considered a draft bill which contents will significantly contribute to changing the perception that insider trading is rife in SA, thereby giving a further boost to the JSE's efforts to attract foreign investors. The draft Securities Services Bill proposes to increase the maximum penalty for insider trading from R2m or five years' imprisonment to R50m or 10 years or both; and for a new internal tribunal mechanism to apply administrative sanction against alleged offenders.

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