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**News
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**INSIDER TRADING CONTINUES AS HIGH
PRIORITY, SAYS SEC CHAIRMAN DAVID RUDER**

Washington, DC, November 11 -- David S. Ruder, Chairman of the Securities and Exchange Commission, said today that insider trading has high priority at the SEC, and that new legislation defining insider trading should be broad enough to reach not only all those who violate relationships of trust and confidence but also people who trade on non-public information regarding tender offers.

Speaking before the National Investor Relations Institute's annual meeting in New York, Chairman Ruder said that although review of recent stock-market activity is underway, and that he hopes to soon be able to offer suggestions for improving operation of securities markets, other priorities continue.

"I ... think it important that you know we are continuing to concentrate on other areas of regulation intended to improve the capital formation process. The regulation of insider trading is one of those areas and it remains a very high priority for Commission action," he said.

"Insider trading prohibitions are extremely important to the operation of our securities markets. Although they rest on legal concepts of breach of fiduciary duty and misappropriation, they also serve to improve confidence in the fairness and integrity of the securities markets. The investing public has a legitimate expectation that the

prices of actively traded securities reflect publicly available information about the financial condition and prospects of issuers, and that persons with access to material, non-public information will not abuse their trust by trading before such information is publicly disclosed."

The insider trading doctrine originated as a limitation on the ability of officers, directors, and persons with substantial stakes in publicly-traded companies to trade at the expense of shareholders. It has evolved over time so that today insider trading law not only applies to these traditional insiders, but also to those who misappropriate information, and to those who possess material, non-public information about tender offers. Chairman Ruder traced the development of the law on insider trading in his remarks. He noted that a key footnote in the Supreme Court decision in Dirks v. SEC broadly defined those who have fiduciary duties to corporations. He said, "it stated that 'where corporate information is revealed legitimately to an underwriter, accountant, lawyer, or consultant working for the corporation, these outsiders may become fiduciaries of the shareholders.' This 'temporary insider' theory is not based simply on the fact that such persons acquired non-public corporate information, 'but rather that they have entered into a special confidential relationship in the conduct of the business of the enterprise and are given access to information solely for corporate purposes.'"

Chairman Ruder went on to say that the Commission continues its aggressive pursuit of insider trading cases, and will continue to do

so if investigation reveals that violations of the law have occurred. "Market professionals, lawyers, public relations executives, financial printers and many others play crucial roles in our market system. It is enormously disturbing that persons either directly or indirectly involved in the securities markets show so little respect for concepts of fairness and integrity. The eradication of insider trading by such persons will continue to have the highest priority in the Commission's enforcement program."

On the legislative front, Senators Don Riegle (D. Michigan) and Alphonse D'Amato (R. New York) introduced "The Insider Trading Proscriptions Act of 1987" on June 17, 1987. This bill builds on existing case law in both traditional insider trading and in the misappropriation theory, prohibiting use of information that is "wrongfully" obtained, with a broad definition of wrongful. The Commission also proposed a bill. Both are currently being examined by the Commission. In his remarks, Chairman Ruder supported such legislation. "I believe the Commission should support a definition of insider trading which is broad enough to reach not only insider trading by corporate employees, but also insider trading by persons associated with the market, by friends and relatives, and by other persons who knowingly violate relationships of trust and confidence by utilizing inside information for their own benefit," he said.

Chairman Ruder cautioned, however, that legislation should not interfere with legitimate market transactions. "Notwithstanding the desirability of new legislation of the type described, there should also be some limitations on insider trading law in order to protect

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legitimate activities by market professionals and others. For instance, entities that institute reasonable policies and procedures to protect against insider trading should not be subject to a presumption that confidential information has been transmitted throughout the entity. Additionally, communications of information by market analysts to their customers should not be prohibited unless the analyst knows that the information was wrongfully obtained."

The National Investor Relations Institute is an association of investor relations professionals. Its annual meeting was held at the Waldorf Astoria Hotel in New York City.
