

# SUBJECT VIII

## Illegal Insider Transactions

# I. Intro

## A. Insider Trading




## B. Definitions

1. Insider
2. Call options
3. Put options
4. Short Selling

# I. Intro

## C. Three Types of Illegal Insider Transactions

1. Speculative trading 
2. Insider trading
3. Tipping

## II. Speculative Trading

### A. Insider Definition

- s. 126(1)

# II. Speculative Trading

## B. Degree of violation

# II. Speculative Trading

## C. Speculative Trading Violations



# II. Speculative Trading

## D. Exception (s.130(3))



# II. Speculative Trading



E. Penalty

s. 130(4)



# III. Insider Trading

## A. Definition (s.131(1))

- Much broader definition, includes:

- s. 131(1) (a) the corporation
- (b) affiliate of corporation
- (c) Director or Officer
- (d) 10% shareholder (reg. 40)
- (e) an employee of Inc.
- (f) professional of Inc. (lawyer)
- (h) any person receiving material confidential information knowing source is insider

# III. Insider Trading

## A. Definition

- Much broader definition, includes:

s. 131(3) Take-over or merging parties



(3.1) s.3 insider / employee



# III. Insider Trading

## A. Definition

- Securities covered:
  - s. 131(2) Includes shares, options,  
bonds and any other instrument

# III. Insider Trading

## B. Insider Trading Violation

s. 131(4) Purchase or sell any security



# III. Insider Trading

## C. Exception (s.131(4))



# III. Insider Trading

## D. Penalty

s.131(5) Compensate corporation for any benefits

s.131(8) Court can assess damage:

1. With any measure
2. If distributing then factor losses based on price and 20 day average market value

# IV. Tipping

## A. Definition



# IV. Tipping

## B. Tipping Violation (s. 131(6))





# IV. Tipping

## C. Exception (s.131(6))



# IV. Tipping

## D. Penalty

s.131(7) Compensate corporation for any benefits

s131(8) Court can asses damage:

1. With any measure
2. If distributing then factor losses based on price and 20 day average market value