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# Corporate policies restricting trading by insiders

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### Abstract

This paper examines policies and procedures put in place by corporations to regulate trading in the stock by the firm's own insiders. Over 92% of our sample companies have their own policies restricting trading by insiders, and 78% have explicit blackout periods during which the company prohibits trading by its insiders. Our data indicate that blackout periods successfully suppress trading, both purchases and sales, by insiders, and that the blackout period is associated with a bid-ask spread that's narrower by about two basis points. Consistent with this effect on the spread, allowed insider trades are modestly more profitable than insider trades made during prohibited blackout periods.



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## Keywords

Insider trading; Regulation; Corporate policy; Liquidity

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Corporate policies restricting trading by insiders, the lender, therefore, refutes the destructive sign in many ways.

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