

Accounting Research Workshop (ARW) – winter 2023

Speaker: Wayne Guay

University: Yageo Professor of Accounting, The Wharton School, The University of Pennsylvania University of Chicago Booth School of Business

Date: November 14, 2023

Topic: *“Determinants of Insider Trading Windows”*

Wayne Guay’s talk gives an overview of his own previous work on insider trading and information asymmetry. After reviewing the broader literature his paper contributes to the literature by analysing the economic determinants of the enforcement of company-imposed insider trading restrictions.

Following prior literature, they use insider trading data from Thomson Reuters Insiders Data which includes insider activities reported in SEC Forms 3, 4, 5, and 144. Their findings suggest that “the timing of quarterly allowed trading windows reflects concerns about information asymmetry, the strength of external monitoring, and executives’ liquidity needs. Enforced trading windows constrain optimistic insider trading activity, with insiders generating larger trading profits when boards set trading windows that are abnormally loose.”

Furthermore, they explore and identify the enforcement of unscheduled, event-specific “ad hoc blackout windows” by firms engaged in material corporate events. Surprisingly, the absence of such trading in these windows is associated with contemporaneously higher information asymmetry. Given the results they state that “these periods are followed by increased trading volume and higher stock returns, suggesting investors may not immediately incorporate all information conveyed by unscheduled trading restrictions.”