MBAA811 – GROUP ASSIGMENT

Group activity

Submissions Date:

- 06 April 2019 (P);
- 08 April 2019 (V)

Insider trading has always been the stuff of controversy and scandal, making headlines and destroying reputations. It is at the very root of discrimination, as it gives a small usually relatively privileged minority, an unfair advantage over the broad majority who do not enjoy the same equality of information or opportunity.

JSE booklet on Market Abuse

Socrates would tell us there are issues with the detection of an unethical trader's actions without knowing their motivation. According to Socrates, he has only one thing to consider in performing any action - that is, whether he is "acting right or wrongly, like a good man or a bad one". Therefore determining the ethical nature of a trade by analyzing trading volume and returns leading up to a merger announcement can easily lead us to incorrect conclusions. The statistics are not sufficient to determine ethical behavior".

Adams et al: The challenge of Detection and Enforcement of Insider Trading

Instruction

You are required to study Chapters I and X of the Financial Markets Act, No 19 of 2012.

1. Describe what is meant by "market abuse" in South Africa. You must give specific attention to the following:

1.1 History and objectives of the Act;
(10)

1.2 Forms of market abuse, the elements thereof and defences (make use of examples)
(40)

1.3 The manner in which the provisions against market abuse are enforced and the involvement of other role players;
(15)

1.4 You are to study one case in respect of each type of market abuse. Provide the basic facts pertaining to the case and critically evaluate the conclusion reached by the Enforcement Committee.
(20)

1.5 Consider the following ethical approaches: virtue, deontological, consequentialism or rights-based aprroach and advise which approach is to be the more suitable approach in dealing with insider trading.
(15)

Important information

The objective of the assignment is to ensure that the student has a good understanding of the market abuse provisions and the implications thereof. You should therefore avoid quoting sections from the Act. The challenge is to gain an understanding of the provisions. Therefore deal with the legislation in your own words.

Your assignment with the inclusion of annexures should not exceed 12 typed pages. Title page, index and bibliography excluded. (Marks:*100*)