New rules target insider trading

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BEIJING - The State Council, China's Cabinet, on Thursday ordered further measures in its crackdown on stock market insider trading.

The measures include ensuring confidentiality of non-public information about listed companies and regulating government officials who have access to such information, according to a statement posted on the State Council website.

The move involves the collaboration of multiple government agencies, including the China Securities Regulatory Commission, the Ministry of Public Security, the Ministry of Supervision and the State-owned Assets Supervision and Administration Commission.

The State Council also called for registration of people who have privileged market-moving information and improvement of disclosure requirements for listed companies as well as rules concerning suspension and stock trading.

"The effort to crack down on insider trading in the country's capital market is faced with a serious situation as it has become more hidden and complex since the trading launch of stock index futures," the statement said.

China's stock market has been plagued by insider trading scandals over the past several years. Analysts said that illegal activities have often contributed to sharp market volatility, leaving millions of retail investors unprotected from fluctuations.

Since 2008, the securities regulator has investigated 295 insider trading cases, accounting for 45 percent of the total cases filed during the period, according to its figures.

One of the most prominent cases of insider trading concerns Chinese retailing tycoon Huang Guangyu who was sentenced to 14 years for insider trading and market manipulation.

Analysts said that regulators should ensure implementation of the measures.

The watchdog's current punishments are largely symbolic, levying fines that are just a fraction of the amount made by illegal trading, they said.

"China is not short of policies that target illegal trading. But the key is whether they can be implemented effectively," said Pi Haizhou, a Beijing-based financial commentator.

"The regulator should reform the law by making punishment tougher and raising fines," he added.

The Chinese stock market has been notorious for its fluctuations and stock valuations often reflect investors chasing momentum over value.

The securities watchdog in recent years has rolled out a series of financial market reforms to reduce volatility and make investing in the stock market less of a rollercoaster ride, but in vain.

The launch of trading in stock index futures this year is a major step taken by the regulator to make the Chinese stock market more like bourses of developed countries which provide investors sophisticated tools to hedge risks.

But analysts warned that the new trading tool can also lead to more irregularities that potentially undermine the market if it is not well regulated.