

China considers expansion of insider trading ban

Employees of financial institutes who take advantage of non-public information for personal gains in trading will face criminal prosecution, according to the draft amendment to the Criminal Law submitted to China's top legislature Monday.

Employees of fund management companies, securities firms, commercial banks and other financial establishments could be jailed for up to 10 years and fined up to five times of their illegal gains, if they seek, or advise others, to profit from non-public information, the draft says.

The draft amendment, submitted to the Standing Committee of the National People's Congress (NPC) for its first hearing, marks the country's latest initiative to crack down on insider trading.

The existing Criminal Law bans individuals with access to classified information from trading in related stocks and securities. The prohibition did not include other non-public information such as the fund flow information of the company's trusted funds.

The amendment came after an insider trading case involving TangJian, a fund manager at the Shanghai-based China International Fund Management Co., in which JP Morgan Asset Management (UK) Limited holds a 49-percent stake.

Tang bought more than 260,000 shares in Xinjiang Jionworld Co. through the accounts of his father and a third person before his fund started to buy the shares in 2006.

Three China International Fund Management Co. funds bought shares in Xinjiang Jionworld. Its shares surged to 27.50 yuan in May 2007 from around 17 yuan in late September 2006, and Tang made illegal profits of 1.5 million yuan using the insider information.

The China Securities Regulatory Commission fined Tang and banned him from practicing in the securities market, but he faced no criminal penalties as the Criminal Law had no relevant provisions.

The NPC Standing Committee, China's top legislature, started a five-day session on Monday to review draft laws and amendments on criminal law and food safety, among other issues.

Source: Xinhua