Material non-public information of clients essay

Psychology, Behaviorism

As in the case of insider trading, a collection of an ill-gotten wealth at the expense of betraying the material non-public information of clients is totally unethical for London, a professional accountant to do.

And in the certain case of insider trading, both public who is unaware of the secret and the third party should exist. The unfairness from the amount of information possess by both parties is where the argument stands. As stakeholders, the information we share are supposed to be the same once a perfect efficient market reached, which means we allow certain unfairness exists when one knows better than the others in the semi-efficient market nowadays. However it is unethical when the third party fails to conduct his moral obligation by offering benefits to accountants in exchange for confidential information when he knows the behavior is totally wrong. A renewed utilitarian theory can be introduced into the discussion when it comes to insider trading. In the original form of utilitarian, it may be a chance that insider trading is ethical.

In a case when the release of confidential information is accidentally known by a majority of people which leads to a condition where a more efficient market reached, the insider trading can be deemed good since the greatest good is for the greatest number of people. However an important factor related to insider trading is neglected in the original theory. Fiduciary duty, which orders extreme loyal to the person to whom he owes the duty, should be considered. The renewed utilitarian theory puts fiduciary duty in the first place, leading too direct no when it cannot be fulfilled.

The wrongdoing of Gimp's ex-partner is only one of the many insider trading cases in recent years. In the year 2012, roughly 58 insider trading actions have been filed by SEC (Securities and Exchange Commission). The control of insider trading is so important that the stock market will crash down when huge amounts of insider trading destroy the confidence of public in stock trading. The SEC has gone a long way in protecting investors since the 1929 Great Depression. The duty of SEC is divided into three dimensions. Firstly, it administers federal securities laws, which define the securities trading in breach of a fiduciary duty as illegal in this case. Secondly, it helps to ensure the honest and secure of market by detecting and investigating insider trading cases.

Lastly, the SEC will serve as adviser to federal courts when deciding the punishment.