ImClone Systems Incorporated

Insider Trading, Featuring Martha Stewart

What is insider trading? It is trading a company's stock using information that hasn't or will not be given out to the public. How is this possible? Insider trading is done when a member or employee of a certain company tells other people about what is going to happen to a company before it happens, and if someone were to benefit from this, it is illegal. Martha Stewart sold all her stocks from a company called ImClone, and then suddenly two days later, the company's stock plummeted 16%. This was due to ImClone announcing to the public that their product was not approved and many people lost interest.

When Martha sold her shares, she missed out on a loss of $47,000, even though she was worth around $1 billion at the time! The CEO of ImClone sold all his shares worth $5 million because the biotech company did not approve their primary pharmaceutical product, Erbitux. Martha's broker knew that the CEO was going to sell his shares soon so she acted fast and got rid of the shares before they could plummet. If Martha waited for the news to become public and then acted upon her brokers advice, she might have gotten away with selling the shares, but since she did it using insider information that had not become public, it was illegal and unethical.

This was a clear breach of section 1.7 of the Code of Ethics. Martha's broker shouldn't have told Martha what was going on inside the ImClone business and what moves they were making because the information was confidential and not public. Section 1.7 honours confidentiality and professionalism. This information should not have come in either the broker's hands or in Martha's and if it did, the ethical thing to do would have been to wait for the statement to become public and then act upon that.

Sources: "Martha Stewart's Insider Trading Case." ThoughtCo, thoughtco.com/martha-stewarts-insider-trading-case-1146196.