

Investopedia Insider Trading Definition Evidence Card

Tag Line

Investopedia defines insider trading as buying/selling securities by individuals with material, nonpublic information about a company

Verbal Citation

Investopedia, in their article on insider trading, states that 'Insider trading is the buying or selling of a company's securities by individuals who possess material, nonpublic information about that company. Insider trading—the practice of buying or selling a company's securities based on material, nonpublic information—has long been a contentious issue in financial markets. While the term often evokes images of corporate executives secretly profiting from inside knowledge, the reality is more complex. Some forms of insider transactions are perfectly legal, while others can result in severe criminal penalties.' The article further explains that 'The securities laws use "insider" in different ways. There are statutory insiders (officers, directors, 10% shareholders) who have certain legal duties, but "insider" for insider trading purposes is much broader.' Investopedia also clarifies that 'Illegal insider trading carries severe penalties, including potential fines, prison time, and other penalties' while noting that 'Insider transactions occur all the time and are legal when they conform to the rules set forth by the U.S. Securities and Exchange Commission (SEC).'

What the evidence says in context

Investopedia provides a comprehensive definition of insider trading and explains the distinction between legal and illegal insider trading activities. The source clarifies that insider trading involves the use of material, nonpublic information to buy or sell securities, but emphasizes that not all insider transactions are illegal—only those that violate legal duties or use confidential information for personal gain.

Impact

This definition establishes the fundamental framework for understanding congressional insider trading issues. By clarifying that insider trading involves material, nonpublic information and that legal duties determine legality, this evidence supports arguments that Congress members may exploit loopholes in existing regulations. The distinction between legal and illegal trading is crucial for debating proposed congressional trading bans.

Source Information

Webpage or Book Title: Investopedia - What Is Insider Trading and When Is It Legal?

URL: <https://www.investopedia.com/terms/i/insidertrading.asp>

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