

THE ENFORCEMENT OF INSIDER DEALING LAWS: GLOBAL APPROACHES AND POLICY IMPLICATIONS

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Abstract: *Insider dealing, also known as insider trading, poses a significant threat to financial market integrity by granting unfair advantages to informed actors. Despite widespread legal prohibitions, enforcement effectiveness varies widely across jurisdictions. Drawing from empirical and comparative studies, it identifies critical gaps in enforcement, highlights successful practices, and recommends optimal policy approaches to balance deterrence, fairness, and innovation in global financial markets.*

Keywords: *Insider trading, market abuse, financial regulation, SEC, FSA, enforcement, investor protection, global financial markets*

Insider dealing undermines investor confidence, distorts price discovery, and reduces market efficiency. Regulatory bodies worldwide have developed various legal frameworks to combat it, but enforcement remains inconsistent. This article explores how different countries regulate and enforce insider dealing laws and what lessons can be drawn to inform global best practices. This study synthesizes findings from empirical studies, legal analyses, and comparative reviews from multiple jurisdictions. Sources were selected based on relevance to enforcement outcomes, legal frameworks, and policy implications. The procedure and process of holding the general meeting of shareholders must ensure that shareholders have the opportunity to express their opinions and ask questions of interest to them. During the implementation of the company's activities, the use of insider and confidential information must be prohibited, and the general director, members of the management, and other persons interested in the conclusion of transactions are obliged to disclose their interests.[1]

Particular attention was paid to the United States, United Kingdom, Canada, China, and the European Union.

United States: The SEC has a strong enforcement track record, focusing on criminal and civil penalties. It emphasizes deterrence through high-profile prosecutions and severe penalties. [10] SEC enforcement has a measurable negative impact on firm stock values, indicating market sensitivity to such actions. [7]

United Kingdom: The UK's Financial Services Authority (now FCA) shifted from weak enforcement to a more assertive approach post-2000, emphasizing civil enforcement under the Market Abuse Directive. [2]

Canada vs. U.S.: Canada has more intense enforcement relative to market size, but the U.S. has broader global reach and higher rates of criminal referrals. Canada tends to impose bars, while U.S. penalties are often permanent. [3]

European Union: EU laws emphasize information parity, often capturing broader behaviors such as shadow trading. Enforcement, however, is less aggressive than in the U.S., particularly regarding politicians and high-ranking outsiders.[4]

China: China's regulatory framework was modeled on the U.S., but enforcement remains limited by institutional capacity. Lessons from the U.K. and U.S. suggest that enhanced civil penalties and stronger regulatory autonomy may improve deterrence. [5]

Global Perspective: Enforcement success depends less on legal sophistication and more on regulatory power and will. For instance, South Africa's legal framework lacks enforcement vigor despite comprehensive statutes. [6] The findings highlight the importance of enforcement over mere statutory existence. Countries with similar laws show drastically different outcomes based on the robustness of their regulatory bodies. Effective enforcement deters misconduct, preserves investor confidence, and even promotes corporate innovation. [9]

An optimal enforcement strategy should include:

- Proportional penalties tied to the severity of trading activity [8]
- Trigger-based investigations on anomalous market behavior
- Clear legal standards with cross-border cooperation

Conclusion

Insider dealing laws are most effective when coupled with credible enforcement. Jurisdictions seeking to improve market integrity should prioritize regulatory empowerment, cross-border cooperation, and penalty optimization.

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