

Monash University Policy

Policy Title	Insider Trading Policy
Date Effective	18/12/2000
Review Date	
Policy Owner	Deputy Vice Chancellor, Vice-President (Resources)
Category	Operational
Version Number	
Content Enquiries	Deputy Vice Chancellor (Resources)
Scope	All Monash staff
Purpose	Insider trading and tipping by Council members, directors, officers and employees of Monash University and entities directly or indirectly under its control (the Monash Group) is strictly prohibited. Every Monash Group employee must be familiar with and observe this policy.
POLICY STATEMENT	

If you are in doubt about the application of this policy you should consult the Deputy Vice-Chancellor and Vice-President (Resources) before proceeding with any transaction.

Summary

- Insider trading is improper trading in securities on the basis of price sensitive information that is not generally available to others.
- If you have actual or imputed knowledge about securities that is price sensitive and is not generally available (and you are aware or should be aware of this) then you must not:
 - buy or sell those securities
 - recommend or suggest to others that they buy or sell those securities
 - communicate the information to another person you know would be likely to use the information to buy or sell securities.
- Insider trading is prohibited by the Corporations Law and breaches of this prohibition may result in fines of up to \$200,000 and/or up to 5 years' imprisonment. A breach of this insider trading policy is also grounds for disciplinary action, including suspension or termination of employment.
- There are special procedures to be followed before you deal in Monash Group securities.
- If you are not sure whether you may trade in securities, seek advice from the Deputy Vice Chancellor (Resources) or the University Solicitor.

1. Insider trading policy

Insider trading and tipping by Council members, directors, officers and employees of Monash University and entities directly or indirectly under its control (the **Monash Group**) is strictly prohibited. Every Monash Group employee must be familiar with and observe this policy.

If you are in doubt about the application of this policy you should consult the Deputy Vice-Chancellor and Vice-President (Resources) before proceeding with any transaction.

2. Consequences of a breach of insider trading policy

Insider trading conduct can lead to individual liability as well as damage to the reputation of the Monash Group.

Insider trading is prohibited by the Corporations Law and a breach of this prohibition can result in fines of up to \$200,000 against the person involved as well as up to five years' imprisonment. A breach of the Monash Insider Trading Policy by Monash Group councillors, directors, officers or employees may also result in disciplinary action by the Monash Group including suspension or termination of your employment with the Monash Group.

3. What is insider trading?

Insider trading means buying or selling shares or other securities on the basis of price sensitive information that is not generally available to others. It includes procuring or inducing another person to buy or sell securities about which insider information is known.

4. What is prohibited?

The Corporations Law prohibits a person who is an insider from:

- subscribing for, purchasing or selling or entering into an agreement to subscribe for, purchase or sell any securities about which price sensitive information which is not generally available is known;
- procuring, inciting, inducing or encouraging any other person to subscribe for, purchase or sell securities about which price sensitive information which is not generally available is known;
- trading on the stock market in securities about which price sensitive information which is not generally available is known; or
- directly or indirectly communicating price sensitive information which is not generally available to another person if the insider knows or ought reasonably know that the other person would be likely to subscribe for, purchase or sell securities or procure a third person to do so.

Example: You are a research assistant in the Faculty of Medicine. You are assisting in the conduct of trials of a new cancer drug manufactured by Big Drug Company Ltd. The clinical trials are showing excellent results. It seems clear that this drug is a major breakthrough. You call a stockbroker and place an order for 10,000 shares in Big Drug Company Limited. **Analysis: This is insider trading conduct which exposes you to fines, imprisonment and disciplinary action.**

5. What are securities?

Securities are:

- shares or debentures in a corporation
- debentures, stocks or bonds issued by a government
- prescribed interests in a corporation
- units of shares or prescribed interests
- options to acquire or sell securities.

6. What are Monash Group securities?

Monash Group securities are securities in any corporation which is directly or indirectly under the control of Monash University. Appendix 1 lists these companies as at 1 December 2000. Please check the Monash website for an updated list before engaging in any transaction.

7. Who is an "insider"?

An "insider" is any person who possesses information that is not generally available where that information would reasonably be expected to have a material effect on the price or value of securities of the company.

An insider is anyone who has inside information, whether or not they are associated in any way with the company concerned. It is irrelevant how the information was obtained.

*Example: You overhear two colleagues in the Faculty of Engineering discussing their preliminary research into the design of a new bridge being constructed by Big Bridge Company Limited. One says to the other "It looks bad. If this gets out Big Bridge Company Limited will go bust." Your spouse has recently inherited Big Bridge Company shares from her aunt. **Analysis: You are an insider because you possess information which is price sensitive and not generally available. You cannot suggest to your spouse that he or she sell the shares.***

8. When do you possess inside information?

You are in possession of inside information when you have actual or imputed knowledge of information about securities that is not *generally available* and is *price sensitive* and you know or ought reasonably to know that the information is not generally available and is price sensitive.

When is information generally available?

Information is generally available if it is:

- readily observable;
- made known to persons who commonly invest in securities; or
- a deduction, conclusion or inference of information which is readily observable or has been made known to persons who commonly invest in securities.

For example, the following information would be considered to be generally available:

- general market information that has been announced to a stock exchange or is contained in a public announcement by the company concerned;
- information obtained by investment research which is based on information freely made available by companies to the researcher and is generally made available to anyone making similar enquiries;
- published information of investment advisers and brokers.

Before information can be considered to be generally available, a reasonable period must have elapsed after the information was first made known, for the information to be disseminated among investors. Generally, this means that a person who has access to inside information should wait 72 hours after that information is announced publicly before dealing in securities.

All other forms of information should be regarded as not generally available.

When is information price sensitive?

Information will be regarded as price sensitive where a reasonable person would expect the information to have a *material effect* on the price or value of the securities. A material effect on price or

value exists where the information is likely to influence people who commonly invest in securities in deciding whether to subscribe for, buy or sell those securities.

How can I check if I have inside information?

It will often be difficult to determine whether any particular information is inside information.

In cases where you know information is price sensitive and not generally available you should immediately treat that information as inside information.

If you do not know if the information is price sensitive and not generally available you should consider whether there is anything about the information and the surrounding circumstances which could mean that you ought reasonably to know that the information is price sensitive and not generally available. If there is anything to suggest this, you must treat the information as inside information until you become certain whether or not it is inside information.

If you are not certain whether you have inside information, you should contact the Deputy Vice-Chancellor (Resources) before engaging in any securities transaction.

9. What is tipping?

Tipping involves an insider communicating either directly or indirectly inside information to another person when the insider knows or should reasonably know that the other person would or is likely to use that information to deal in securities or to induce a third party to deal in the securities. Tipping is a form of insider trading and is prohibited by the Corporations Law.

Example: Because of your position as Secretary to a Research Funding Committee you become aware that Monash is proposing to enter into a joint venture with a listed company which will commercialise an extremely promising patent. You call your brother in law and advise him to purchase shares in the company. You are aware that he is likely to advise his parents to purchase some shares in the company. **Analysis: You have breached the insider trading prohibition by engaging in tipping. It is also likely that your brother in law will have breached the law if he passed on the recommendation to his parents.**

10. When can I deal in securities? (Other than Monash Group Securities – see below)

There are certain times when it may be possible to deal in securities because at these times generally all price sensitive information is publicly available. These are:

- when there is a current prospectus issued by the relevant company
- for up to 30 days after the release of half yearly and final results and any dividend announcements
- during the period from 3 days after the release of the annual report to 30 days after the annual general meeting
- for a new issue, while rights are being traded
- where the shares are acquired pursuant to an approved employee share scheme or dividend reinvestment scheme.

Despite these "windows", if a person obtains price sensitive information which is not generally available during this time, that person must not deal in the securities or procure another person to deal in the securities.

*Example: You purchase shares pursuant to a prospectus issued by DotCom Limited, a company being floated by Monash, after becoming aware, because of your work with a Monash colleague who is employed by DotCom part time, that a supplementary prospectus is likely to be issued to announce a significant new multi million dollar contract with NASA. **Analysis: although there is a current***

prospectus, you have inside information and the purchase of shares in these circumstances is insider trading.

11. When can I deal in Monash Group securities?

There are additional restrictions on dealings in Monash Group securities. You may only deal in Monash Group securities if you:

- do not have any inside information; and
- have obtained the clearance of the Deputy Vice Chancellor (Resources).

You must notify the Deputy Vice Chancellor (Resources) of any dealings in Monash Group securities within 72 hours of effecting a transaction involving Monash Group securities.

12. What if I am not sure?

If you are not sure whether you may deal in securities consistently with this policy and the Corporations Law, you should discuss the situation with the Deputy Vice Chancellor (Resources).

Supporting Procedures	
Responsibility for implementation	
Status	
Approval Body	<p>Name: University Council Meeting: 8/2000 Date: 18/12/2000 Agenda item: 7.3</p>
Endorsement Body	<p>Name: Academic Board Meeting: n/a Date: n/a Agenda item: n/a</p>
Definitions	<p>Insider: any person who possesses information that is not generally available where that information would reasonably be expected to have a material effect on the price or value of securities of the company.</p> <p>Securities: shares or debentures in a corporation; debentures, stocks or bonds issued by a government; prescribed interests in a corporation; units of shares or prescribed interests; options to acquire or sell securities.</p> <p>Monash Group securities: securities in any corporation which is directly or indirectly under the control of Monash University. Appendix 1 lists these companies as at 1 December 2000. Please check the Monash website for an updated list before engaging in any transaction.</p> <p>Tipping: involves an insider communicating either directly or indirectly inside information to another person when the insider knows or should reasonably know that the other person would or is likely to use that information to deal in securities or to induce a third party to deal in the securities. Tipping is a form of insider trading and is prohibited by the Corporations Law.</p>
Legislation Mandating	

Compliance	
Related Policies	
Related Documents	