

UNIVERSITI TEKNOLOGI MARA

**INSIDER TRADING IN MALAYSIA:
INITIATIVES TO COMBAT INSIDER
TRADING AMONG THE PUBLIC
LISTED COMPANIES**

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Dissertation submitted in partial fulfillment of the
requirements for the degree of
Master of Corporate Administration

**Faculty of Administrative Science and Policy
Studies**

January 2018

ABSTRACT

Insider Trading in Malaysia is getting more serious day by day. Each day there will be new cases arise and handled by the Securities Commission Malaysia (SC). Thus this questions on the level of awareness on insider trading and what are the initiatives that could be taken to combat insider trading. This research adopts the suggestions given by William E. Donnelly, Paul M. Miller, Timothy P. Burke and Hope M. Jarkowski. All these journalist highlights that by having policy and procedures on insider trading, it could help to make employees aware on insider trading and in the same time could combat insider trading. They suggest four initiatives that could help to combat insider trading which in this research adopt as the independent variables. First is the employee training, second is surveillance of employee trading, third is the restricted and watch list and the last point is inter-departmental communications. This research studies on the Insider Trading in Malaysia: Initiatives to combat insider trading among the public listed companies. The main focus is on employees working under public listed companies in Malaysia. A set of questionnaire were distributed to 127 employees working under public listed companies. Based on the findings, there are positive relationship between the dependent variable and independent variables as to conclude that employee training, surveillance of employee trading, restricted and watch list and inter-departmental communications could help to combat insider trading. This study also further explain on the findings, discussion, limitation and future research for insider trading.

ACKNOWLEDGEMENT

In the name of Allah S.W.T, the Most Gracious and Most Merciful.

I would like to reflect on the people who have supported and helped me so much throughout this period.

I would first like to express my sincere and utmost appreciation to my supervisor, Dr. Maizatul Akmal, for all the meaningful guidance, comments and support to me throughout the course. She has made an incredible contribution by motivating and guiding me.

I would also like to thank my parents for their wise counsel, motivation, support, love and prayers. Without my parents, I would not have the ability to continue my education and I would not have been where I am today.

Lastly, to my friends who are willing to help when I needed assistance, sharing their ideas and knowledge and for supporting me throughout finishing my research.

Thank you.

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CHAPTER 1

INTRODUCTION

1.1 Preamble

Insider trading is a serious crime to be done and that is why it is crucial for this unethical behavior to be prevented. This research focuses on initiative in combating insider trading. There are four initiatives as per suggested by two journals. These four initiatives are based on the elements that are necessary for the required policies and procedures that exist within the company. Therefore the purpose of this research is to analyze if those stated elements could actually help to strengthen the policies and procedures and directly help to prevent insider trading to occur. Further discussion and explanation will be discussed in Literature Review, as to make it clearer on what is insider trading and who are those categorize as ‘insiders’. Chapter 1 basically describes on the problem statement or any gaps from the previous studies, research objectives, the questions ask in the questionnaire while collecting data, scope of this study, the significance of the outcome obtained from this study and the definition of few terms used for this study. Chapter 2, Literature Review explains on the previous studies, all the academician journals and articles that could support this study which is done based on dependent and independent variables used for this study. Chapter 3, explain on the research method. It consist on the research method used in order to gather the data necessary in this study to meet the research objective. In order to achieve the objectives, the organization needs to collect data by using research methods. Based on this study, research methods that have been used are Research Design, Unit/Level of Analysis, Sample Size, Sampling Technique, Data collection and Data Analysis. Chapter 4 discuss about research finding and data collection by using Statistical Software (Version 22.0). All findings for this research will be presented under this chapter. From data cleaning, the goodness of measure, respondent’s profile and the research findings done based on research objectives. Chapter 5 is the continuous analysis performed in the chapter 4 with the stakeholder management literature. These chapters also provide some