

Commissioner Laura Simone Unger,
Corporate Communications Without Violations

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Abstract by Michael Casillo

The digital age has spawned a new investing environment. The Internet has become a tool for on-line trading, and an informational source for securities information. Recent developments have permitted near simultaneous on-line trades, and the opportunity for "after hour" trading on-line. The informational storage and dissemination power of the internet has made securities information, (including analyst evaluations, corporate reports and false tips) available to the "public" with unrelenting speed. This environment has raised legal and policy issues involving: (1) insider trading liability arising out of issuer-analyst communications; (2) the Internet as an alternative channel for the dissemination of corporate news developments; (3) the Internet as an instrument for shareholder communications; (4) corporate information practices and on-line discussion forums; and (5) the dissemination of corporate news and developments during "after hours" trading sessions.

Unger concludes that rulemaking should be considered as a way to allow the free flow of appropriate communications between issuers and analysts, while discouraging selective disclosure of material, nonpublic information. In addition, although increasing numbers of investors rely on internet sources for their trading and informational needs, Unger believes that it is still a little premature for the Commission to anoint the company web site as the acceptable outlet for dissemination of material news developments.