Addleman in Vital Briefing: Insider Trading Cases Multiply as Prediction Markets Soar

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As prediction markets continue to grow, regulators are facing new questions about insider trading, material nonpublic information and market manipulation. Haynes Boone Partner **Kit Addleman** discussed the implications for insider trading enforcement and corporate compliance during a panel at this year's Securities Enforcement Forum Central conference, sharing insights that were later featured in *Vital Briefing* from Wolters Kluwer.

Read an excerpt below.

The standard for "material" in "material nonpublic information" is what a reasonable investor would want to know, said Kit Addleman, partner at Haynes Boone.

"It doesn't have to have an impact on the price of that particular contract or the way that it plays out," said Addleman. "Materiality is even squishier in prediction markets than it is on the securities side." …

For example, a prediction market could offer trading on whether AT&T will have earnings in excess of 10 percent over its earnings from the same quarter in the prior year.

"If you bet on that, you're betting on a single name stock and a swap that the SEC is going to have some desire to investigate," said Addleman. …

Addleman said she is working with her general counsel's office to update her firm's insider trading policy. She said it's important to control information access.

"So make sure that you're tightly controlling it. If you're a law firm, if you're an accounting firm, but also from a company side, think about access to information and redoing insider trading policies to capture prediction markets," she said.

Mariotti asked how companies can continually monitor the markets and what is material and who has access.

"I don't know that you can," said Addleman. "I think you have to talk about anything that is important to the business being potentially something someone could trade on, and controlling anything that you see as significant, even if you wouldn't call it material."

Read the full article **here**.

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