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WORKING PAPER

The Impact of the Financial Crisis on Insider Trading Profitability in Belgium *

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The impact of the financial crisis on insider trading profitability in Belgium

Abstract

The 2007 global financial crisis led to a chaotic financial environment characterized by highly uncertain and volatile stock markets. This created additional uncertainty about the fundamental value of shares and potentially increased the benefit of inside information. In this paper, we use event study methodology to examine whether Belgian corporate insiders were able to benefit from these turbulent market conditions. Given the large weight of financial institutions, the Belgian stock market was especially vulnerable to the financial crisis and provides an interesting environment to test this hypothesis. Our results show that, while insiders are generally able to earn abnormal returns, these returns are significantly higher during the years of the financial crisis.

Keywords

Insider trading, equity markets, market efficiency, information asymmetry, financial crisis, event study, abnormal returns.

JEL classification: G01, G14, G18