
Editorial

Insider Dealing – International Co-operation

In the aftermath of the most serious Wall Street scandal since Ivan Boesky the US Administration is seeking co-operation from overseas stock markets in London, Switzerland, Japan and Canada. Recently US investigators in Switzerland received anything but co-operation when the Swiss authorities, concerned at the menace to their traditional secrecy, threatened them with arrest — a scandal dubbed “Fondue-Gate” in Washington. The proposed legislation will give the Securities and Exchange Commission in the United States power to conduct inquiries in the USA on behalf of foreign authorities and to take action against dealers for violations of foreign securities laws following their conviction in other countries.

Impetus has been given to this legislative effort by the apparent inadequacy of the US law to deal with the scourge of insider dealing. The immediate demonstration of this is the collaboration of a wealthy Taiwanese businessman, Lee, and an ambitious young trainee, Wang, at Morgan Stanley

in an insider dealing operation that left Lee \$19 million richer and Wang the recipient of \$250,000 from a grateful tippee. The action could be from rushes of the film *Wall Street*, perhaps thrown away by the producer as too simplistic, too unsophisticated, too unlikely.

Indeed, what surprised experts in New York and London was not the audacity of the arrangement itself (clearly the authorities know insider dealing is not extinct), but rather the crudeness of the operation. An ambitious young student, Stephen Wang from the unfashionable University of Illinois secured a place at the highly prestigious investment bank, Morgan Stanley, which usually reserves its limited places for “Ivy league” graduates. Wang worked for Morgan Stanley first in leveraged buyouts then in mergers.

While engaged at the Bank, Wang met Lee, a wealthy and well-connected Taiwanese businessman. From July 1987 onwards Wang passed information to Lee and Lee in consequence of the information bought shares.

This is where the surprising feature of the operation arises. Unlike the Boesky dealings, Lee rarely shielded behind foreign banks or offshore accounts. The irony of the US legislative proposals

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