SECURITIES AND FUTURES COMMISSION

Speech

were blindingly obvious red flags which should have led to closer scrutiny, but the firm did not have any controls in place to identify them.

So we are urging firms to make sure they have proper insider dealing surveillance in place. This may include examining trading patterns and investigating any unusual ones; monitoring trades in relation to specific events such as public announcements, price spikes and significant profits, and tracing the source of information obtained by fund managers and analysts before conducting trades. Email and phone log surveillance is important here.

Finally, we continue to see control weaknesses during our inspections, for example, when functions are delegated or outsourced.

and many cut down on investment and innovation. Some listed businesses are shying away from corporate investment and underlying growth and instead use financial engineering to boost short-term share-price performance with buybacks, outsourcing, tax optimisation and creative accounting.

This means that the bedrock of investing fair value, time premium, risk premium, mean reversion and diversification has been downgraded. Instead much of investing is now about second-