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ETHICS IN PRACTICE:

Material and Nonpublic Info or Not?

CASE STUDY

Robles, a fund manager, visits the main manufacturing plant of a large international cement company. During his visit, the management of the company discloses that the company has purchased additional land and resources at this location that can easily be put to use for low-cost expansion in the future. Management claims that the expansion would result in a capital cost per unit of production nearly 30% cheaper than industry norms. Management tells Robles "confidentially" that the company may consider expansion when the global economic climate improves sufficiently to boost demand for their product. Based on this information, Robles buys stock in the cement company for the fund he manages. Did Robles act unethically?

- A. Yes because Robles traded based on material nonpublic information
- B. No because Robles did not trade on material nonpublic information

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