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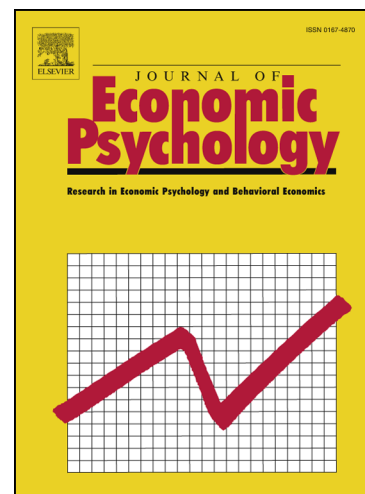
Catch me if you can. Can human observers identify insiders in asset markets?

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Catch me if you can. Can human observers identify insiders in asset markets?

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ABSTRACT

Securities regulators around the globe face the challenge of identifying trades based on privileged information. We study human observers' ability to identify informed traders and investigate which trading patterns are indicative of informed trading using experimental asset markets. We furthermore test how the behavioral response of informed traders to the threat of detection and punishment impacts observers' detection abilities. We find that market trading data carries information which correlates with informed trading activity. Observers partly succeed in recognizing and using this information to identify informed traders.

JEL classification: C92, D82, G12, G14

Keywords: Insider regulation, insider detection, asset market, experiment

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