



# **The Timing of Insider Trades around Earnings Announcements: Evidence from CEOs, CFOs, and COOs**

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**Abstract:** This paper examines whether top managers time their trades of company stocks based on their private knowledge of current earnings report as well as future earnings prospects. We investigate insider trades made by CEOs, CFOs, and COOs before and after earnings announcement date. We find evidence that managers take advantage of their superior knowledge of future earnings prospects and opportunistically time their trades to exploit information in both current earnings report and future earnings. When current quarter earnings report contradicts future earnings prospect, CFOs buy (sell) more shares after a bad (good) earnings report in anticipation of good (bad) future earnings. When current earnings report is consistent with future earnings prospects, all managers buy more shares before good earnings news. This paper is the first attempt to examine top managers' timing of insider trades conditional on both the current earnings news and future earnings prospects.

**Keywords:** insider trading, quarterly earnings announcements, future earnings prospects, chief financial officers (CFOs).

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## **1. Introduction**

**T**op executives can possess private information about the earnings prospects of the firm because they are intimately involved in forming and implementing the corporate strategy, overseeing operations and finance, and producing