

Zacks Insider Transaction Data

What is an “Insider”?

The large shareholders who hold more than 10% of a stock’s outstanding shares, all members of the board of directors, the CEO, CFO, and other high-level officers are considered insiders. Attorneys, underwriters, and consultants to these high-level officers and directors are also considered insiders. Because these people may have access to material, nonpublic information, they have to report their transactions to the SEC for public scrutiny. It is legal for these people to trade the stock of the company they work for as long as they are not trading on material nonpublic information, and they follow the SEC’s reporting rules.

When did Insider data become useful to investors?

Beginning with the Sarbanes-Oxley Act in 2002, the SEC changed the reporting requirements related to insider transactions. Prior to 2002, an individual who was deemed to be an insider of a public company was required to file a report with the SEC documenting his trades in the company stock within 10 to 40 days of such trade. In 2002, the time window was shortened to 2 days. Beginning in June 2003, insider transactions had to be filed electronically. Zacks felt that the reporting was now timely enough so that patterns in this data could be helpful in trading stocks, and began collecting, sanitizing, organizing and delivering a database of insider data.

How is insider transaction data used for trading purposes?

Consider the following:

- 1) Open market transactions, particularly buys, reflect the sentiments of insiders who are in the best position to know about future developments within their company and industry.
- 2) Insider transactions tend to be counter cyclical, meaning insiders tend to buy on dips and sell on peaks.
- 3) Unusual clusters of insider transaction activity tend to predate significant company news events over the next few months.

What are the sources of insider data used by Zacks?

The primary source is SEC Form 4, which is the form that must be filed within two days of each transaction. Zacks obtains data about insider transactions involving common stock from SEC Form 4. Other SEC forms are also used by insiders to report holdings and planned transactions, but the transactions which are most useful for trading purposes, open market buys and sells, are reported on Form 4 in the timeliest manner.

How many companies are covered?

We can provide historical transaction details for over 12,000 active and inactive US traded stocks, and open market transactions summary data for about 3,600 US traded stocks, beginning in mid-2007. The

detail data lists all transactions by each insider over time. The summary data adds up the total number of transactions within a given time frame.

What are the types of insider transactions?

There are many types of insider stock transactions such as exercising of options or other derivatives, warrants, gifts, grants, planned sales, etc. But there is only one type of transaction that is meaningful for trading purposes – open market transactions. These are deliberate, often spontaneous, buys or sells of stock made by insiders that are not tied to employee compensation programs or other corporate actions. Of the two types of open market transactions, open market buys are much more meaningful than sells. There are many legitimate reasons that insiders may sell stock in their company, but there is only one reason that insiders will buy stock in their company – because they believe the price of the stock will go up soon.

What is a direct versus indirect transaction?

The detail file includes a DIRECT/INDIRECT flag (0 for Indirect, 1 for Direct). It indicates the type of entity making the transaction. Securities owned directly are those held in the reporting person's name or in the name of a bank, broker, or nominee for the account of the reporting insider. If the person has an interest, by reason of any contract, understanding or relationship (including family or partnership), in securities held in the name of another person, that person is an indirect owner of the securities. Sometimes, insiders will own shares in the name of a partnership or family trust.

How is the individual who filed the transaction identified?

The detail file identifies the individual insider as the "Reporting Officer", along with that person's corporate title and unique CIK code assigned to them by the SEC. This person can be an officer, director, or a consultant working for the officers and/or directors as explained above.

What data does Zacks Provide?

Four Insider Data files are available from Zacks:

ZIT1 Summary File 1 – contains data items for the number of insider transactions, shares bought/sold by insiders, and percentage change in shares held by insiders over the last 4, 12 and 24 weeks.

ZIT2 Summary File 2 – contains data items for the number and value of transactions by officers, directors and both officers plus directors over the last day, week, and month.

ZIT3 Detail File – contains historical details for each transaction including the filing date, transaction date, filing URL at SEC.gov, identity of reporting officer and title, # of shares traded, value of shares traded, transaction price per share, etc.

ZIT4 Zacks Insider Rank File – contains the latest Insider Rank along with Zacks Sector and Industry classification

How is Zacks Insider Data Delivered?

Insider data can be provided in multiple formats – flat ASCII comma delimited data files via FTP service, as HTML web pages, as XML files, or through an application programming interface (API) in either XML or JSON format.

**For more information about Zacks Insider Transaction Data,
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