

# **In and Out Scream and Shout: An Internet Conversation about Stock Price Manipulation**

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## **Abstract**

*The Internet plays an important role in the dissemination of information about exchange traded stocks. This information can come from a variety of sources including disclosures provided through an official company web site or the “rumors” and “tips” frequently posted on any one of the many Internet investment forums located around the world. The rapid development and acceptance of Internet technology presents many difficulties for regulators who may recognize the substantial benefits offered by the technology, but must balance this against the potential for unscrupulous individuals to manipulate others. This paper analyzes a series of posts to an Australian financial forum about a small and thinly traded company listed on the Australian Stock Exchange. The analysis provides insights into community views on the substance and ethics of stock price manipulation, and the role of Internet forums.*

## **1. Introduction**

Online communities have emerged in many fields of human interest based on information and communication technologies. The importance of these communities has evolved beyond the realm of social phenomenon to become important knowledge-sharing media with economic consequences [1,6,9,11]. As the Internet has become more accessible, there has been a substantial increase in the amount of investment advice and information being provided online.

Recently, there have been several cases where the Internet has been used to manipulate stock prices [3,14,15,16]. Although many strategies are used, the best known method is called the “pump and dump”. This form

of manipulation occurs when the perpetrators use the demand generated by the false information they have spread to sell their own shares. The promoters of such schemes frequently use this ploy with small, thinly-traded companies because it is easier to manipulate a stock when there are fewer shares on issue and little or no information freely available about the company. The Internet conversation reported here provides important insights into community views on the substance and ethics of stock price manipulation, and contributes to our understanding of how Internet forums might encourage or discourage moral dialogue [4,8].

## **2. Research Method**

This study investigates a pump and dump style promotion that occurred on a semi-public financial forum and centered on a small, thinly-traded company. This interpretative approach is used to reconstruct a condensed narrative of the process and substance of what occurred during the original conversation. In addition, content analysis is used to generate quantitative data to identify systemic patterns or trends that emerged during the course of the conversation [13].

## **3. Conversation Context**

The study follows a series of posts to an Australian financial forum about a small and thinly traded company listed on the Australian Stock Exchange (ASX). To preserve anonymity, the company will be referred to as Perilous NL (PER). The conversation studied involved 126 posters contributing more than 600 messages directly relating to PER over a study period of 48 days. Various combinations of the company name and stock exchange

code were used as the search criteria for identifying which posts were to be included in the analysis.

Nonspecific terms have been substituted for the names of all posters and companies mentioned in the conversation. These substitutions can be identified within quoted text as they are enclosed by the '<' and '>' symbols. The Internet forum has been in existence for several years and claims more than 20,000 members. The forum attaches the following disclaimer at the bottom of each post:

*Warning:*

*From time to time comments aimed at manipulating other investors may appear on <forum name>. Posters may post overly optimistic or pessimistic comments on particular stocks, in an attempt to influence other investors. While every effort is made by the moderators to delete these posts some posts may still get through. Before acting on any of the information you read and making any financial or investment decisions, you should always consult your advisor(s) or other relevant professional experts.*

This disclaimer is designed to satisfy the Australian regulatory disclosure requirements when providing general investment advice on securities using the Internet [2]. The forum also has the following posting rules located on the home page:

1. No manipulative or deceptive behavior.
2. Under no circumstances will "Topic only" posts be accepted.
3. No advertising without approval.
4. Comments to be kept to information on stocks. Flaming, hate messages, character assassination, libel or attacking sponsors will not be tolerated.
5. Posters to avoid spamming the board with multiple posts.
6. Spreading of rumors will not be allowed.
7. Users to make an effort to state if they own the stock.
8. Users are not to refer to third party recommendations, articles or press releases as a basis for their post unless they independently verify that the recommendation, article or press release has been published, identify the source publication and the author.
9. Users to present a reasonable basis for any opinion they have on stocks.
10. Users to abide by the rules of ASIC Policy Statement 118 and the Corporations law.
11. Users are not to post third party recommendations or articles without the express permission of the author, where not to gain permission would constitute a breach of copyright.

## 4. An Internet Conversation About Stock Price Manipulation

### 4.1 Winners are Grinners

The main player and instigator of the conversation was an individual we will give the alias of "Stucco". Stucco was a regular and frequent poster to the forum, sometimes posting more than twenty messages a day. The conversation on stock price manipulation began with a single post by Stucco, which was clearly aimed at building suspense. The post read:

Topic: Winners are Grinners  
 From: stucco  
 Date: day 0 17:43

*I hope you all had my hot list in your portfolio, <six stock codes>*

*Now for shock horror, I have sold the lot today and placing the proceeds one (sic) one Company. This does not mean that the above are not good stocks. After I have put the house on it I will then post it. My total commitment to this company will be around \$450K so when I post you better believe me. 100%+ speculated return.*

*I still hold <company code> but thats not it.*

*Please read the fine print below.*  
 <note: disclaimer removed>

As the original post had the potential to influence other forum members to jump into the stock once its identity was revealed, it was decided to record all posts relating to this stock and to the original poster. The stock was identified by Stucco the next day in the following post:

Topic: ***Some of you have found my tip its moving***  
 <note: bold added>  
 From: stucco  
 Date: day +1 11:15

***PER*** <note: bold added>  
*Please read the fine print below.*  
 <note: disclaimer removed>

An immediate search was initiated to check for other posts regarding this stock but no posts were found in the seven days preceding the first post. Searches were also made in other financial forums but revealed no other references to PER. By the end of the day, Stucco had posted 19 messages relating directly to PER from his total for the day of 24 messages. Stucco devoted a great deal of effort to promoting momentum in this stock. The following are excerpts from various posts from Stucco on that day:

- 1) *Perilous will just keep on going, this is the one ...*
- 2) *Why do you think I have invested so heavily into PER???*  
*Its pretty obvious its going dot com.*  
*Now is the time for IN.*  
*This is the chance to make some real dollars.*  
*It will still be a buy at .60*
- 3) *Wait and see the reply to the speeding ticket. You will be surprised.*  
*And look hardly any sellers.*
- 4) *If this stock does not perform as I have said I will stand in the middle of Burke st on my head with a broomstick up my a...*  
*Do not doubt me on this one it will fly.*  
*Reminds me of <poster name> and <company code> now Look.*  
*Do your research.*
- 5) *The lid will come off real soon.*  
*And no I did not sell one share today!!*
- 6) *Now Check This Out No Sellers Hardly*

The immediate response by members of the forum was generally supportive with some indicating that they were prepared to follow Stucco's lead based on their perception of his reputation and credibility. Other posts purported to confirm Stucco's information from other sources. These posts could have been presented to provide added credence to Stucco's posts. For example:

- 7) *If you look at the basics, money and lots of it, makes a profit and making more. The capping today and the volume starting to rise quite a bit.*  
*And some people on this forum know what they are on about.*  
*The silly smoke screen announcement that every company puts out just before the share price goes through the roof.*  
*A firm base at .33 and now a lot higher.*  
*My order is in for tomorrow morning.*  
*This is worth the research effort.*

- 8) *shareholders who wish to sell 'tomorrow' will be able to afford 'fish & chips with cognac' the medium termers will be driving 2nd hand MG's and those with a 500 year plan when jill & jo public is paying PER \$1m for unlimited intergalactic space travel will remember this day.*
- 9) *All the signs are there - where there is smoke there is fire.*
- 10) *I agree with Stucco that PER has been capped at 33c but that has been broken, those directors that sold their lot at 33c must be kicking theirselves (sic) .....well cant blame them for trying not to get a speeding ticket till they have sort out their tech deals.*
- 11) *I'm with you on this one Stucco. The good fairy tapped me on the shoulder about a week ago. Pity I was a little slow off the mark to take advantage of today's run.*

## 4.2 The ASX Issues a Speeding Ticket

On the day that Stucco first identified PER, the price of the company's shares reached an intraday high up 24 per cent over the previous closing price on very high volume. The abnormal trading volume and price volatility for the day brought the company to the notice of the ASX surveillance unit. The ASX asked the company to confirm compliance with the listing rules requiring continuous disclosure of market sensitive information. The company responded to the ASX request the same day indicating that the company was in full compliance with the ASX listing rules. However, Stucco subsequently suggested that there was another level of meaning that can be read between the lines of the company's response. In later posts Stucco strongly inferred that if the company says that it was "*not currently in any negotiations which would lead to a diversification away from mining related activities*", then a technology deal must have already been done.

## 4.3 The Detractors

It later emerged that an email containing favorable information about PER was distributed to a number of forum members the day before Stucco's identifies PER (see appendix). Stucco denied any involvement in the production or distribution of the email, however several posters began to question some of the statements made by Stucco. The questions about credibility prompted Stucco to explain the financial complexities that prevented him from taking full advantage of the situation as it emerged. Stucco did this through the following series of posts.

Topic: PER . . Stucco come clean  
From: Poster 76  
Date: day +1 14:56

You stated yesterday that you had sold out of your other holdings & intended to put the lot (\$450,000) on a single share.

Now you say it's PER

Yet prior to today PER's total combined turnover for the past month wouldn't be much more than \$450,000 worth. Further if you exclude yesterdays 700,000 odd turnover, \$450,000 would have bought you the total turnover for the past 6 months. Which means that if you have spent \$450,000 on PER today & yesterday, you represent about 60% of the BOOM.

I point this out because if the above is true, then it's misleading other traders as to the possible future of the company (trying to make it look as if it's going dot.com where it may just be a happy & successful miner) If it's not true ie you haven't bought \$450,000 worth then the strong movement may actually be what you are promoting.

Either way your actions are causing confusion for other traders . . . not to mention the real prospect of lost profit.

Please come clean & categorically state the facts regarding your holdings in PER.

<note: disclaimer removed>

Topic: PER . . Stucco come clean  
From: Stucco  
Date: day +1 22:56

*Sorry did not see this post until now.*

*I only bought \$100K of them as I could not organize the cash into my <online broker A> account fast enough.*

*I only got 330,000 shares at the moment.*

*Please read the fine print below.*

<note: disclaimer removed>

Topic: Please read Credibility Check PER  
From: Stucco  
Date: day +1 23:05

*I stated the other day that I was going to buy 450K of a stock.*

*It has been pointed out that if I did it would of caused 60% of the volume.*

*To put the record straight I only spent 100K on PER as I could not organize a clearance to <online broker A> quick enough.*

*Also when i looked at the sellers depth there were only 350K at .33*

*I may buy more when the sellers depth thickens up a bit.*

*But there are hardly any sellers.*

*I hope that sorts it out.*

*I an (sic) sorry for not pointing that out earlier.*

*Please read the fine print below.*

<note: disclaimer removed>

Topic: Please read Credibility Check PER  
From: POSTER 46  
Date: day +2 00:12

*What do you mean "I could not organize a clearance to <online broker A> quick enough." If you sold the other shares on <online broker A> the funds should have been available immediately. If the shares were bought through a broker may I suggest to you and others that you transfer the shares from the broker's CHESS sponsorship to that with your internet broker. You'll at least save on selling brokerage even if you paid 10 times the brokerage when you bought! For example, <online broker B> is 0.1% brokerage for trades over \$28,000. Does your broker charge less than 1% for such trades?*

<note: disclaimer removed>

Topic: Please read Credibility Check PER  
 From: Stucco  
 Date: day +2 00:39  
*Why is this getting so tedious.  
 I have my cash in <bank name> line of credit.  
 they have no electronic funds clearance system.  
 I only had 105k of stock in the market.  
 The other money is drawn through a line of credit against  
 the equity in my house.  
 Do I have to go on and tell the whole world my financial  
 details over a share trade.  
 All this amounts to is giving you <forum name> ites a  
 chance to get in to a very good stock at rock bottom  
 prices.  
 If you think that you are going to get burnt dont buy in.  
 Simple  
 I think next time I will keep my mouth shut. Talk about  
 look a gift horse in the mouth. Now I know how <poster  
 name> feels being accused of all sorts. I would trust that  
 guy with my whole portfolio.  
 And by the way have I ever posted a dodgy post. OR given  
 wrong info.  
 Do you know that I research from 8AM to midnight most  
 days including weekends.  
 Do you want me to keep posting or do I give it up???*

*Please read the fine print below.*  
 <note: disclaimer removed>

When questioned further, Stucco made the following disclosures:

Topic: Another hot stock to watch (not buy) yet  
 From: Stucco  
 Date: day +2 14:33  
*I still have my PER and I was not tempted when it hit .50  
 Just too much upside on this stock.  
 When they announce a deal and believe me they will, this  
 stock might not have any trouble hitting over \$1.20 .  
 If you think im exagerating im not.  
 Anyone who sells to make a small profit is very short  
 sighted.*

*The stock I own are PER and <company code>*

*Please read the fine print below.*  
 <note: disclaimer removed>

Stucco even implied that he was still buying when asked whether he still held PER or not. Stucco's reply:

Topic: PER for the People, get your calculator out.  
 From: Stucco  
 Date: day +2 21:34  
 Of course I do and just relize that I am in the top 54 club.  
 Just gotta get in the top 20, what a challenge.

*Please read the fine print below.*  
 <note: disclaimer removed>

Nevertheless, Stucco appeared to have more supporters than detractors, although it is worth noting that many of the supportive statements appeared to have come from new or inexperienced members of the forum. For example:

- 12) *Stucco: Keep Posting  
 Don't let them get you.*
- 13) *Thanks Stucco for keeping us informed...  
 Keep up the great posts.  
 This would have to be the best forum in the country  
 for hot tips and guys like you make it.*
- 14) *Don't take offense from the paranoid. Newbies like  
 me need the likes of you and <poster name>.  
 Imagine what this site would be like with the great  
 unwashed throwing their random predictions at each  
 other. Or for that matter have you ever worried how  
 paranioid these people are that they even think to  
 dissect every mail to see if their is a possible fib that  
 can be used to condemn the poster.....*
- 15) *Hi Stucco,  
 I am new to <forum name>, I appreciate all your  
 postings, it is postings like yours that I learn the most  
 from. So please keep posting.  
 Do you have any target price for PER. I am currently  
 doing my own research, but being new, I need all the  
 help I can get. Thanks in advance.*

#### **4.4 In and Out Without a Doubt the Whole Forum Has Found You Out**

Some 37 days after his original post, there had been a major move downwards in the market with PER trading at around 30 percent below its price when Stucco first posted. In a post to the forum, Stucco was particularly exuberant about another stock from which he claimed to have made a profit of \$28,000. This prompted another poster to question whether this profit had made up for the losses that he must have incurred on PER.

Topic: 28K Today all thanks to <company X>  
 From: Stucco  
 Date: day +37 01:46 PM  
*Should I take the profit?????????*

*No Way \$7.00+ in 6 weeks.*

*There is no way Ive got this wrong.*

*Please read the fine print below.*  
 <note: disclaimer removed>

Topic: 28K Today all thanks to <company X>  
 From: POSTER 117  
 Date: day +37 01:59 PM  
*Has it made up for your loss on PER?????*

<note: disclaimer removed>

Topic: 28K Today all thanks to <company X>  
 From: Stucco  
 Date: day +37 02:13 PM  
***What Loss ?????***  
***In and out scream and shout.***  
 <note: bold added>

*Please read the fine print below.*  
 <note: disclaimer removed>

Stucco's reply "in and out scream and shout" implied that he had traded PER and had used the forum to pump and dump the stock. This drew an immediate but mixed reaction from forum members. From the detractors:

- 16) *His poorly veiled efforts to ramp PER ... was obvious to all except many impressionable newbies... Any further attempts at this practice should be met with predictable caution. I did not fall for his covert antics myself but I feel for anyone who did. Stucco tread lightly-----*
- 17) *A couple things I'd like to point out to you folks. It is patently obvious that Stucco only ever ramps the stock he is currently in. During one of the multitude of posts he made on <company X> yesterday (and already several on <company X> today), I drew your attention to his ramping of PER before and after it tanked. This was his response: "In and out scream and shout"*

*He is telling you that he ramped it as he dumped it...nice bloke! So since his latest toy is <company X> I warn you to be VERY careful about buying it on its highs. I make no comment on <company X>. I personally don't own any, don't know anything about it and have no interest in it. In and out scream and shout....nice one!!*

- 18) *Sorry Stucco, you lost me yesterday. Ramping, etc., I have no problem with. I am a grown up & I check if I can (or want to) & buy at my own risk. But gloating I don't like. In fact I'm not sure if you really own, buy & sell what you say anyway. Anyway, as the title says - you've lost your credibility with me. And, to me, my reputation is a lot. It may or may not be to you. Only you know that.*
- 19) *The naivete of people here continues to amaze me ever day. Now, I'm not saying that they should stop ramping. Everyone ramps their stocks, even brokerage houses. This is how money is made on the stockmarket. What I am saying is that the people that ramp stocks while they are selling can never be trusted, and amateurs should not be giving advice, for they lack the necessary experience needed to trade their own shares, let alone someone elses.*
- 20) *Stucco has won with PER etc but looses in the long run as he looses a network of people on the inside willing to divulge insider tips....who will bother emailing Stucco with more info on a coy..no one, certainly not me PER was a small profit in the scheme of things, however I acknowledge everyone on here is self interested...and why the hell not (within limits)*
- 21) ***IN AND OUT THERE IS NO DOUBT THE WHOLE FORUM HAS FOUND YOU OUT!!!***  
 <note: bold added>

From the supporters:

- 22) *Do all you people buy straight off someone else's tips or is it just the majority of you...? <Forum name> and every other forum should be treated as just that, look at what's being said and then go check it out for yourselves, we all have computers so most of the information is available to us if we want to spend the time to look. The best I can say is get some idea's from the forums and do the rest yourself, if after all that you can't decide what to do then just don't buy. It's never a good idea to just take someone's word as gospel, especially when it comes to money.*

- 23) *Anything said on any forum should be taken with a grain of salt and only 'ideas' should be taken onboard. I don't particularly see a problem with someone 'promoting' a stock. Seems all the <expletive deleted> comes out when the market has a bad day, if the All Ords gained 20+ points.. we tend to feel comfy with ourselves. It's a joke. If I believe B2B, Telco's or Silver looks good then I'll say so. From there it's the individuals responsibility to take the necessary steps to make informed investment decisions. If we got it right 100% of the time then we wouldn't be here would we?!*
- 24) *Stucco you are one of my few favourites on this forum don't let some of the <expletive deleted> people on this site get to you. Fight fire with fire I say. How are you going in the <forum name> comp? I'm currently ranked 5. Just curious as to which posters have had a go at your posts email me if you like at <email address>*
- 25) *Stucco's posts are another part of what makes this forum what it is, he's one of the forum personalities if you like. I think it would be a shame to see him/her/it go or not post anymore, the posts were informative and give good food for thought. As for him jumping off stocks he has ramped or talked up and not telling everyone about it, what do you want...? he gives you the initial tip to do with what you want isn't it up to you when it's time to get off, we are 'supposed' to be traders not sheep. Next thing you'll want spoon feeding.*

Stucco's attitude to the whole affair was that he had not done anything wrong as he did not ramp PER.

Topic: List of credible posters!  
 From: stucco  
 Date: day +38 01:12 PM  
*Sounds to me that somebody lost a lot of money and is Jealous to the max. I do not ramp stocks, ramping is blatant lies about a stock. If i am not sure I always say its speculation.*  
*And why do you think there is a BIG DISCLAIMER on the bottom of the page. I did not push, you jumped.*  
*You are all responsible for your own finances. I am not a stockbroker. I am here to make money not babysit.*  
*So if you lose money its your fault.*

*Please read the fine print below.*  
 <note: disclaimer removed>

## 5. Event Content Analysis

Figure 1 displays the volume and price range data (high, low and close prices) for PER during the study period. There is clear evidence that some event took place between trading days four and ten that had a marked effect on price and volume. Not surprisingly, stock price volatility and trading volume appeared to be highly correlated. However, intraday stock price variability increased immediately after the initial forum postings began to appear and then remained consistently higher throughout the post-event study period.

Figure 1. The trading volume and intraday price range of PER during the study period

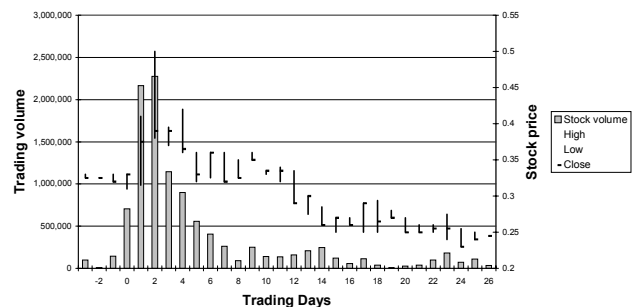
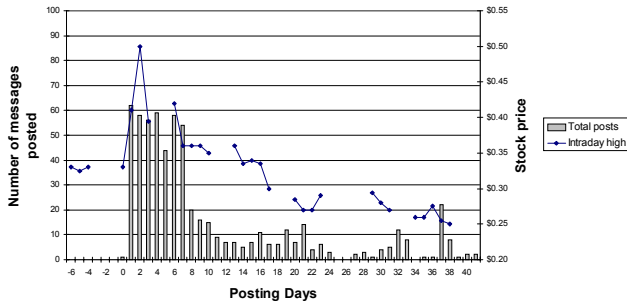


Figure 2 shows the number of PER related posts per day against the intraday high for each trading day. The most active period of posting occurred in the first seven days which coincided with the very large volumes and high stock price volatility identified earlier in Figure 1. There was no discussion of PER on the forum for at least six days prior to Stucco's anticipatory post on day zero. However once begun, the conversation continued throughout the whole study period with only three days where there were no posts on PER (posting-days 25, 26 and 34). The pattern of posts within the conversation appears cyclical with forum activity consistently increasing and then decreasing over time. Apart from the first seven days of posting activity, there appear to be at least three aftershocks of posting interest peaking on days 21, 32 and 37.

Figure 3 shows the number of contributors to the PER conversation during the study period. The pattern of participation described in Figure 3 tracks a similar pattern to that found in Figure 2. Both figures indicate that the most active period within the conversation in terms of both posters and postings occurred during the first seven days which also concurs with the period of high stock price variability and trading volume previously identified in Figure 1.

**Figure 2. Number of posts against the intraday stock price high for PER**



**Figure 3. Number of unique posters to the PER conversation for each posting day**

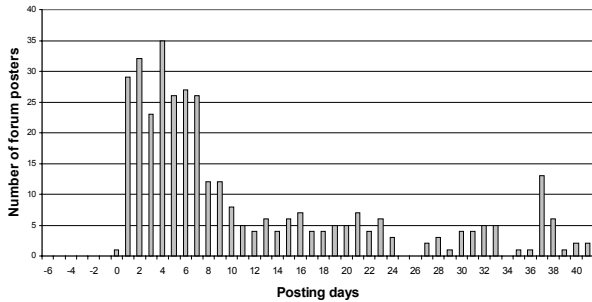


Figure 4 shows the number of daily posts by Stucco in comparison to the total number of posts by all others in the PER conversation. Stucco energetically promoted PER during the first ten posting days. During this period Stucco posted a total of 81 messages representing nearly 89 percent of his total posts on PER throughout the entire study period.

**Figure 4. Number of daily posts by Stucco in comparison to all other posts in the PER conversation**

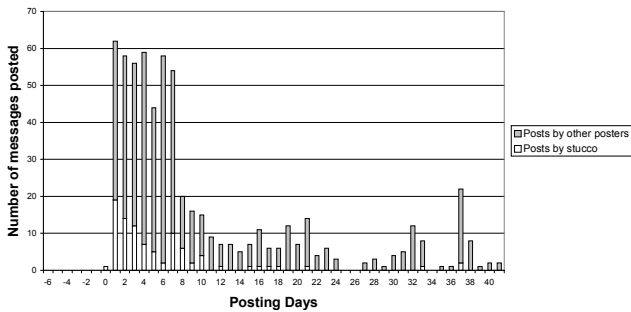
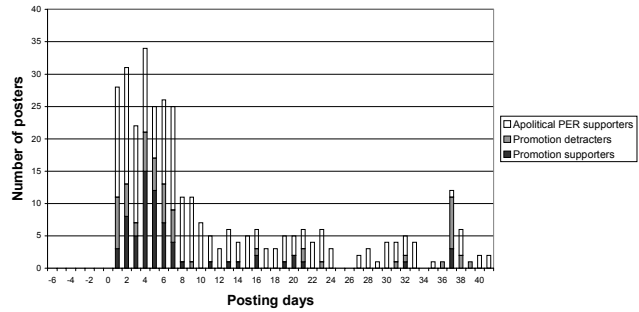


Figure 5 presents the posting data coded based on participant attitude towards the credibility of those promoting PER on the forum. Each poster was coded into one of three categories based on the attitudes expressed in their messages for each day. The first category consisted of apolitical PER supporters who posted only about the

merits of the company. The second category consisted of those who were critical of the motives and credibility of some of the PER promoters, and especially Stucco. In contrast, the third category included those forum participants who attested to the credibility and/or historical predictive accuracy of the PER promoters. While the vast majority of posters participated only in the substantive aspects of the conversation, the detractors and supporters of the PER promotion waged a very public and sometimes very personal debate.

**Figure 5. The attitude of forum posters other than Stucco to the promotion of PER**



Skepticism about the PER promotion emerged on posting-day one with eight posters expressing their concerns. However by day two, supporters outnumbered the skeptics and this situation remained largely unchanged until posting-day 37 when Stucco announced that he had sold his PER stock at a profit having encouraged others to hold. While the skeptics emerged to castigate Stucco, supporters were noticeably absent from posting-day 38 onwards unlike the other occasions during the study period. Taken together, Figures 1-5 show a similar pattern with activity peaking in the period between posting-days one and seven. This pattern, combined with the abnormal level of price volatility and volume activity, would have been well suited to day trading activity in that it provided many opportunities to buy and sell at a profit within a short period of time.

## 6. Discussion

Clearly, online financial forums have the potential to be a source of false investment information. However regulators, companies, and investors are still trying to come to terms with the impact of the Internet [5]. The ramping of a stock can initially have a very seductive effect. Both the company and its investors can be lulled into a false sense of security by a rising stock price. However, this type of promotion inevitably leads to a lower price as the promoters rapidly offload their holdings to trusting newcomers who, in turn, force the price lower

as earlier expectations are not met. The monitoring systems and remedies of the regulatory body also seem to be lacking. Although the increased price and volume activity was quickly detected by the ASX no visible follow-up action occurred, allowing the forum conversation to continue building momentum. In fact not only did the action of the regulatory body fail in its primary objective of keeping the market better informed, but the company's response was used by Stucco to add further fuel to the rumor.

While most investment forums attempt to satisfy regulatory requirements, very few sites offer behavior exemplars, information threads, or even basic information to help prevent contributors from posting misleading information. The forum studied here did have a policy of removing inappropriate posts. However, it would appear that very few posts, if any, were removed from this conversation (posters typically complain when this occurs, but in this case no complaints were logged). This is despite the apparent contravention of at least five of the eleven forum posting rules (rules 1, 5, 6, 7 and 10) at different stages of the conversation. One striking feature in the final days of the conversation was the diversity of definitions that emerged for the meaning of stock ramping. The forum participants displayed a strong unwillingness to come to terms with the legal status of stock ramping and other manipulative behavior. For example, one protagonist even cited a thesaurus as an authoritative source on the meaning of ramping.

Confounding all expectations that novice investors are the most likely victims of stock ramping and therefore should be the most aggrieved by the turn of events, it was the inexperienced forum members who were most supportive of Stucco and his contributions to the forum. The fact that his posts may have misled them could have been secondary to the role that he may have had in their personal development as traders. Stucco's frequent posts and high enthusiasm could have assisted new users in their attempts to seek out investment tips, make decisions and gain confidence.

Another significant observation was Stucco's steadfast refusal to accept any responsibility for ramping PER. In earlier research, behavior rationalization and denial of responsibility have been linked to computer abuse and computer crime [7,10,12]. The findings from these studies indicate that individuals who deny responsibility for the consequences of their actions are more likely to be influenced by clear guidelines that discourage the rationalization of unethical behavior. Ironically the forum disclaimer notice may have contributed to the problem by providing a basis for Stucco to rationalize his behavior. This is because the disclaimer emphasized the responsibility of the reader to seek professional advice

before acting on any information obtained from the forum. In Stucco's words, "*I did not push, you jumped*".

Designers of asynchronous group CMC environments like the one that supported the conversation reported in this study should consider these findings carefully. An explicit goal of CMC design for financial forums should be the creation of communicative environments that are not only easy to use, but that also educate and encourage forum participants to carry out their social and legal obligations to each other and the wider community.

## Appendix

The following is a copy of an email that was sent to a group of regular forum contributors. It was distributed by a person we shall call "Terry" on the same day that Stucco posted his plan to invest \$450,000 in one stock which he later identified as PER. On examination, the company information contained within the email was found to be reasonably accurate.

*Hi*

*This may be one of my best tips*

*As I told you previously that I will give you a good tip in about mid-<month name>. However, I think I should let you know now...because it may be too late if we wait for it a bit longer.*

*It is PERILOUS NL*

*ASX code: PER*

*Trade volume has been very low for weeks, and no trade at all yesterday. But today, if you may notice that over 706,799 shares were suddenly changed hands with most trade at 33 cents.*

*This means someone might know something before us... and they start moving in to take position.*

*Cheers*

*<first name>*

*MY RESEARCH*

*PER is the only mining stock has not been surged up yet. It is one of a very few left in my research list with:*

- *High-tech intention;*
- *Currently operating with great profit (\$lots million half yearly)*
- *Plenty of cash (Seven more million in cash and gold bullion); and*
- *Low capital base (100 million fully paid 80% held by top 20)*

*I keep PER in my watch list for month to follow up its movement everyday and notice that its price and volume jumped from 27.5 cents to 32 cents and have been ranging since then.*

*I notice that the volume today is very unusual compared with the last few weeks... This is the reason why I change my mind and quickly notify you... and hope that you can do your own research quickly on time and make your own decision.*

*I think you may start your research by searching for PER using the <Internet research site> facility (free membership).*

*Get in <Internet research site> first and then type X.PER in search box. If you are not a member, then you can join in immediately.*

*Check the company announcement (down the bottom of the page) in relation to "Constitution". You will see that the PER shareholders already vote for the change of company NL status into "limited" on the <date> and has lodged the notification to the ASIC. The company intended to make an announcement by <date>.*

*This is the reason why I told you before that the tip would be a good one. However, the volume today tells me that the company announcement may be sooner than I expect.*

*Next step, you should check the "Media Release – Financial Report". In this report, you will find out that PER record a profit of \$lots million for the half year ended 31 December 1999. If you take the estimate full year and divide by the total 100 million ordinary share, then the return is over 12.50%. This is exceptionally excellent for the current share price at 33 cents at market closed today. The current performance (without the addition of high-tech deal) is good enough to justify a \$1.00 share.*

*The company has approximate \$lots million in cash and gold bullion reserve (with no secured debt).*

*For your research:*

*My expectation is that PER will be in a very strong position to go high-tech and the high-tech deal that they get involved with should be a very big one. My friends in Perth will check out which high-tech company (possibly from Europe) PER may have the deal with.*

*I hope that PER would be another <company code> or <company code> story.*

PLEASE ADVISE

*Should I post this research in <forum name> this week?  
Or when you think I should post this in <forum name>?*

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