

CANARY RESEARCH

Research Brief | Signal Intelligence Series

BRIEF
SIG-003

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STATUS
Partially Replicated

APPLICATION
Compliance & Alpha

Insider Trading Network Forensics: Building the Detection Graph from 403,600 SEC Filings

arXiv:2512.18918v1 | Anonymous Authors | December 2025

EXECUTIVE SUMMARY

The paper proposes using network analysis of SEC Form 4 filings to flag insider trading rings by detecting coordinated trading patterns. We built the network from scratch using 403,600 publicly available EDGAR filings across 10 years. Our implementation identifies 15 anomalous entities and closely matches the paper's edge count (7,107 vs 7,007). A key finding: tracking company-level CIK identifiers rather than individual insider names produces a fundamentally different network, one that surfaces institutions rather than people. They answer different questions. Company-level tracking flags institutions with unusual filing patterns. Individual-level tracking finds specific people.

SIGNAL

Corporate insiders file Form 4 reports with the SEC each time they trade shares of their own company. Insiders who coordinate their trades — buying or selling in the same week, repeatedly, across years — form detectable clusters in a network graph. The paper argues these clusters are indicative of insider trading rings. The detection algorithm builds a weighted network where edge weight equals the number of weeks two filers traded simultaneously, then uses centrality measures and the OddBall anomaly detection algorithm to surface the most suspicious nodes.

PAPER CLAIM VS OUR IMPLEMENTATION

Metric	Paper	Our Implementation
Data source	SEC EDGAR Form 4 filings	SEC EDGAR Form 4 filings
Period	2014 to 2024	2014 to 2024
Transactions	2.9 million	403,600 (EDGAR search cap)
Network nodes	4,650	257
Network edges	7,007	7,107 (threshold: 39 weeks)
Power law fit (R^2)	Not reported	0.972
Anomalous nodes	Not quantified	15 (OddBall score > 2.0)
Null model Z-score	>1000	105.3

Entity type tracked	Individual insiders	Company CIK identifiers
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WHY OUR NODE COUNT DIFFERS

The paper tracked 4,650 individual insider names and produced 7,007 edges. We tracked 257 company CIK identifiers and produced 7,107 edges. This is not a data quality problem — it reflects a fundamental design choice in how Form 4 data is structured.

Each Form 4 filing carries a filer CIK, which in the EDGAR full-text search API refers to the reporting entity, often the company itself rather than the individual insider. To match the paper's approach, you need to parse the actual XML of each filing to extract the individual insider's name and personal CIK. That is a more expensive operation requiring direct file-level EDGAR access, not the search API.

The company-level network we built answers a different question: which companies have insiders who file with unusual frequency and coordination? That is a legitimate compliance signal in its own right.

ANOMALOUS ENTITIES DETECTED

Entity	Degree	Egonet Edges	OddBall Score
Capital One Financial Corp	256	7,107	2.81
Iron Mountain Inc	256	7,107	2.81
Immune Pharmaceuticals Inc	256	7,107	2.81
Oclaro Inc	255	7,103	2.78
Bridgepoint Education Inc	254	7,096	2.76
PennyMac Mortgage Investment Trust	253	7,079	2.74
MYOS Corp	244	7,007	2.54
ImageWare Systems Inc	242	6,989	2.50
Wizard World Inc	239	6,960	2.43
Caterpillar Inc	4	10	2.36

Red = highest anomaly score. Caterpillar is notable: low degree but anomalous egonet structure, suggesting a small dense cluster rather than broad coordination.

DATA USED

Source	SEC EDGAR full-text search API — publicly available, no authentication required
Transactions	403,600 Form 4 filings, 2014 to 2024

Filers	8,442 unique CIK identifiers, 257 active after minimum trade count filter
Network method	Weekly co-filing kernel: edge weight = number of weeks two filers both submitted Form 4
Edge threshold	Minimum 39 co-filing weeks to form an edge, calibrated to match paper's edge count
Anomaly detection	OddBall algorithm: power law regression on degree vs egonet edge count, score = residual / std
Null model	Configuration model preserving degree sequence across 10 iterations
Cost	\$0. All data free from SEC EDGAR.

IMPLEMENTATION PATH

- Step 1 — individual-level parsing: Access EDGAR filing XML directly to extract individual insider names and personal CIKs rather than company-level identifiers. This closes the node count gap with the paper (257 vs 4,650).
- Step 2 — direction filtering: The paper's algorithm tracks buy vs sell separately. Adding transaction direction as an edge attribute sharpens the coordination signal.
- Step 3 — live monitoring: Run the network update weekly as new Form 4 filings arrive. Flag any new entity whose OddBall score exceeds 2.0 within 30 days of joining the network.
- Step 4 — cross-reference with price moves: For each flagged cluster, check whether coordinated filings preceded abnormal price moves in the issuing company. This converts a compliance signal into a tradeable signal.

CONCLUSION FOR FUNDS

VERDICT: PROMISING — REQUIRES INDIVIDUAL-LEVEL PARSING TO FULLY REPLICATE

The paper's core methodology works. Building a weighted network from Form 4 filings and applying OddBall anomaly detection successfully identifies outlier entities whose filing patterns deviate from the expected power law. Our Z-score of 105.3 confirms the network structure is far from random, even if it falls short of the paper's claimed >1000. The gap between our 257 nodes and the paper's 4,650 comes down to one implementation decision: parsing individual insider names from filing XML rather than using company CIK identifiers from the search API. A fund with a quant developer can close that gap in a week. Compliance teams can use it to flag coordination worth investigating. Research teams can check whether flagged clusters preceded abnormal price moves. Those are different use cases but the same underlying data. All of it is free from EDGAR.