

*Walz reform legislation featured on CBS news program "60 Minutes"
as solution to insider trading on Capitol Hill*

Mankato, MN - Congresswoman Louise Slaughter (NY-28), Ranking Member of the House Rules Committee, and Congressman Tim Walz (MN-01) re-introduced legislation on March 18, 2011, to prohibit insider trading on Capitol Hill saying Members of Congress should play by the same rules as everyone else. Republican Rep. Walter Jones (NC-3) is a co-sponsor of the bill.

The Stop Trading on Congressional Knowledge Act, or STOCK Act, (H.R. 1148) would prohibit Members of Congress and federal employees from profiting from nonpublic information they obtain via their official positions, and require greater oversight of the growing "political intelligence" industry.

This evening, the CBS news program "60 Minutes" featured the bi-partisan STOCK Act legislation as a solution to concerns about insider trading on Capitol Hill. (http://www.cbsnews.com/8301-18560_162-57323527/congress-trading-stock-on-inside-information/)

"It is time for the U.S. House to pass the STOCK Act" said Congressman Walz. "This legislation is a big step in the right direction to help restore the American people's faith in Congress and the work of democracy. It is time to stop the partisan fights and solve problems in our country. I urge Speaker Boehner to move this bi-partisan legislation forward as quickly as possible."

The STOCK Act has a broad base of support from organizations dedicated to government reform including Citizens for Responsibility and Ethics in Washington (CREW), Common Cause, Democracy 21, Public Citizen and U.S. PIRG. In a letter to both lawmakers earlier this year, the organizations said, "This measure provides a balanced application of the laws against insider trading to both the private and public sectors and offers the important tool of disclosure for ensuring compliance with the law. The STOCK Act should be adopted by Congress before new scandals arise."

The original version of the Stop Trading on Congressional Knowledge Act (STOCK Act) was introduced in 2006.

BACKGROUND

The Issue:

□ *Day Trading*

There have been reports that Members of Congress and Congressional staff may have been engaged in, or were engaged in, day trading of securities. Nonpublic information about current or upcoming congressional activities may be used, or may have been used, in some of these trading decisions. For example, the *Wall Street Journal* reported that from 1999-2000 the Deputy Chief of Staff to then Majority Leader Tom Delay bought and sold hundreds of stocks from his congressional office computer. This information has been confirmed by other Delay aides and in year-end financial disclosure forms.

Political Intelligence

According to additional accounts, there is reason to believe some Members of Congress or their staff may have shared nonpublic information about current or upcoming Congressional activities with individuals outside of Congress working for political intelligence firms. These reports indicate that these individuals or their firms may have used this for investment purposes.

The increase in the number of political intelligence firms suggests that the leaking of nonpublic congressional information occurs regularly. What started out as a handful of firms in the 1970s, political intelligence firms have grown into an industry that brings in an estimated \$40 million a year.

What the STOCK Act Does:

- Prohibits Members and employees of Congress from buying or selling securities, swaps, security based swaps, or commodity futures based on nonpublic information they obtain because of their status;
- Prohibits Executive Branch employees from buying or selling securities, swaps, security based swaps, or commodity futures based on nonpublic information they obtain because of their status;
- Prohibits those outside Congress from buying or selling securities, swaps, security based swaps, or commodity futures based on nonpublic information obtained from within Congress or the Executive Branch;
- Prohibits Members and employees of Congress from disclosing any non-public information about any pending or prospective legislative action for investment purposes;
- Requires Members and employees of Congress to report the purchase, sale or exchange of any stock, bond, or commodity future transaction in excess of \$1,000 within 90 days. Members and employees who choose to place their stock in holdings in blind trusts or mutual funds would be exempt from the reporting requirement; and,
- Requires firms that specialize in “political intelligence” and that obtain their information directly from Congress to register with the House and Senate, much like lobbying firms are now required to do.

Why the STOCK Act is Needed:

□ *There is no oversight authority on Congressional insider trading*

Insider trading is the buying or selling of financial instruments on the basis of material, nonpublic information in violation of a duty of confidentiality – either to the issuing company or to the source of information. Under current law, Members of Congress and their staff do not owe a duty of confidentiality to Congress, and therefore are not liable for insider trading.

We need sunlight and transparency of the political intelligence industry

Political intelligence firms first appeared in the 1970s and have been on the rise in the past decade, but the industry remains relatively unknown because the firms are currently not required to register their clients or their earnings. By having these firms register with Congress along with lobbyists, the public will gain knowledge on who might be gaining an unfair advantage in the financial markets at the expense of the average financial investor.

