

112TH CONGRESS  
1ST SESSION

# H. R. 1148

To prohibit commodities and securities trading based on nonpublic information relating to Congress, to require additional reporting by Members and employees of Congress of securities transactions, and for other purposes.

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## IN THE HOUSE OF REPRESENTATIVES

MARCH 17, 2011

Mr. WALZ of Minnesota (for himself and Ms. SLAUGHTER) introduced the following bill; which was referred to the Committee on Financial Services, and in addition to the Committees on Agriculture, House Administration, the Judiciary, and Ethics, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

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## A BILL

To prohibit commodities and securities trading based on nonpublic information relating to Congress, to require additional reporting by Members and employees of Congress of securities transactions, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*  
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Stop Trading on Con-  
5 gressional Knowledge Act”.

1 **SEC. 2. NONPUBLIC INFORMATION RELATING TO CON-**  
2 **GRESS AND OTHER FEDERAL EMPLOYEES.**

3 (a) COMMODITIES TRANSACTIONS.—Section 4c of the  
4 Commodity Exchange Act (7 U.S.C. 6c) is amended by  
5 adding at the end the following:

6 “(h) NONPUBLIC INFORMATION RELATING TO CON-  
7 GRESS.—Not later than 270 days after the date of enact-  
8 ment of this subsection, the Commission shall by rule pro-  
9 hibit any person from buying or selling any commodity  
10 for future delivery or swap while such person is in posses-  
11 sion of material nonpublic information, as defined by the  
12 Commission, relating to any pending or prospective legis-  
13 lative action relating to such commodity if—

14 “(1) such information was obtained by reason  
15 of such person being a Member or employee of Con-  
16 gress; or

17 “(2) such information was obtained from a  
18 Member or employee of Congress, and such person  
19 knows that the information was so obtained.

20 “(i) NONPUBLIC INFORMATION RELATING TO OTHER  
21 FEDERAL EMPLOYEES.—

22 “(1) RULEMAKING.—Not later than 270 days  
23 after the date of enactment of this subsection, the  
24 Commission shall by rule prohibit any person from  
25 buying or selling any commodity for future delivery  
26 or swap while such person is in possession of mate-

1       rial nonpublic information derived from Federal em-  
2       ployment and relating to such commodity if—

3               “(A) such information was obtained by  
4               reason of such person being an employee of an  
5               agency, as such term is defined in section  
6               551(1) of title 5, United States Code; or

7               “(B) such information was obtained from  
8               such an employee, and such person knows that  
9               the information was so obtained.

10              “(2) MATERIAL NONPUBLIC INFORMATION.—

11       For purposes of this subsection, the term ‘material  
12       nonpublic information’ means any information that  
13       an employee of an agency (as such term is defined  
14       in section 551(1) of title 5, United States Code)  
15       gains by reason of Federal employment and that  
16       such employee knows or should know has not been  
17       made available to the general public, including infor-  
18       mation that—

19              “(A) is routinely exempt from disclosure  
20              under section 552 of title 5, United States  
21              Code, or otherwise protected from disclosure by  
22              statute, Executive order, or regulation;

23              “(B) is designated as confidential by an  
24              agency; or

1           “(C) has not actually been disseminated to  
2           the general public and is not authorized to be  
3           made available to the public on request.”.

4           (b) SECURITIES TRANSACTIONS.—Section 10 of the  
5 Securities Exchange Act of 1934 is amended by adding  
6 at the end the following:

7           “(d) NONPUBLIC INFORMATION RELATING TO CON-  
8 GRESS.—Not later than 270 days after the date of enact-  
9 ment of this subsection, the Commission shall by rule pro-  
10 hibit any person from buying or selling the securities or  
11 security-based swaps of any issuer while such person is  
12 in possession of material nonpublic information, as defined  
13 by the Commission, relating to any pending or prospective  
14 legislative action relating to such issuer if—

15           “(1) such information was obtained by reason  
16 of such person being a Member or employee of Con-  
17 gress; or

18           “(2) such information was obtained from a  
19 Member or employee of Congress, and such person  
20 knows that the information was so obtained.

21           “(e) NONPUBLIC INFORMATION RELATING TO  
22 OTHER FEDERAL EMPLOYEES.—

23           “(1) RULEMAKING.—Not later than 270 days  
24 after the date of enactment of this subsection, the  
25 Commission shall by rule prohibit any person from

1 buying or selling the securities or security-based  
2 swaps of any issuer while such person is in posses-  
3 sion of material nonpublic information derived from  
4 Federal employment and relating to such issuer if—

5 “(A) such information was obtained by  
6 reason of such person being an employee of an  
7 agency, as such term is defined in section  
8 551(1) of title 5, United States Code; or

9 “(B) such information was obtained from  
10 such an employee, and such person knows that  
11 the information was so obtained.

12 “(2) MATERIAL NONPUBLIC INFORMATION.—

13 For purposes of this subsection, the term ‘material  
14 nonpublic information’ means any information that  
15 an employee of an agency (as such term is defined  
16 in section 551(1) of title 5, United States Code)  
17 gains by reason of Federal employment and that  
18 such employee knows or should know has not been  
19 made available to the general public, including infor-  
20 mation that—

21 “(A) is routinely exempt from disclosure  
22 under section 552 of title 5, United States  
23 Code, or otherwise protected from disclosure by  
24 statute, Executive order, or regulation;

1           “(B) is designated as confidential by an  
2           agency; or

3           “(C) has not actually been disseminated to  
4           the general public and is not authorized to be  
5           made available to the public on request.”.

6 **SEC. 3. AMENDMENT TO THE RULES OF THE HOUSE OF**  
7           **REPRESENTATIVES REGARDING FINANCIAL**  
8           **TRADING BASED ON NONPUBLIC INFORMA-**  
9           **TION.**

10         Rule XXIII (known as the “Code of Official Con-  
11         duct”) of the Rules of the House of Representatives is  
12         amended by redesignating clause 18 as clause 19 and by  
13         inserting after clause 17 the following new clause:

14                 “18. A Member, Delegate, Resident Commis-  
15                 sioner, officer, or employee of the House shall not—

16                         “(a) disclose material nonpublic informa-  
17                         tion relating to any pending or prospective leg-  
18                         islative action relating to any publicly traded  
19                         company if that Member, Delegate, Resident  
20                         Commissioner, officer, or employee has reason  
21                         to believe that the information will be used to  
22                         buy or sell the securities of such publicly traded  
23                         company based on such information; or

24                         “(b) disclose material nonpublic informa-  
25                         tion relating to any pending or prospective leg-

1           islative action relating to any commodity if that  
2           Member, Delegate, Resident Commissioner, offi-  
3           cer, or employee has reason to believe that the  
4           information will be used to buy or sell such  
5           commodity for future delivery based on such in-  
6           formation.”.

7   **SEC. 4. COMMITTEE HEARINGS ON IMPLEMENTATION.**

8           (a) **IN GENERAL.**—The Committee on Agriculture of  
9   the House of Representatives shall hold a hearing on the  
10  implementation by the Commodity Futures Trading Com-  
11  mission of subsections (h) and (i) of section 4e of the Com-  
12  modity Exchange Act (as added by section 2(b) of this  
13  Act), and the Committee on Financial Services of the  
14  House of Representatives shall hold a hearing on the im-  
15  plementation by the Securities Exchange Commission of  
16  subsections (d) and (e) of section 10 of the Securities Ex-  
17  change Act of 1934 (as added by section 2(a) of this Act).

18          (b) **EXERCISE OF RULEMAKING AUTHORITY.**—Sub-  
19  section (a) is enacted—

20               (1) as an exercise of the rulemaking power of  
21   the House of Representatives and, as such, shall be  
22   considered as part of the rules of the House, and  
23   such rules shall supersede any other rule of the  
24   House only to the extent that rule is inconsistent  
25   therewith; and

1           (2) with full recognition of the constitutional  
2           right of the House to change such rules (so far as  
3           relating to the procedure in the House) at any time,  
4           in the same manner, and to the same extent as in  
5           the case of any other rule of the House.

6 **SEC. 5. TIMELY REPORTING OF FINANCIAL TRANSACTIONS.**

7           (a) REPORTING REQUIREMENT.—Section 103 of the  
8 Ethics in Government Act of 1978 is amended by adding  
9 at the end the following subsection:

10           “(1) Within 90 days after the purchase, sale, or ex-  
11 change of any stocks, bonds, commodities futures, or other  
12 forms of securities that are otherwise required to be re-  
13 ported under this Act and the transaction of which in-  
14 volves at least \$1000 by any Member of Congress or offi-  
15 cer or employee of the legislative branch required to so  
16 file, that Member, officer, or employee shall file a report  
17 of that transaction with the Clerk of the House of Rep-  
18 resentatives in the case of a Representative in Congress,  
19 a Delegate to Congress, or the Resident Commissioner  
20 from Puerto Rico, or with the Secretary of the Senate in  
21 the case of a Senator.”.

22           (b) EFFECTIVE DATE.—The amendment made by  
23 subsection (a) shall apply to transactions occurring on or  
24 after the date that is 90 days after the date of the enact-  
25 ment of this Act.

1 **SEC. 6. DISCLOSURE OF POLITICAL INTELLIGENCE ACTIVI-**  
2 **TIES UNDER LOBBYING DISCLOSURE ACT.**

3 (a) DEFINITIONS.—Section 3 of the Lobbying Disclo-  
4 sure Act of 1995 (2 U.S.C. 1602) is amended—

5 (1) in paragraph (2)—

6 (A) by inserting after “lobbying activities”  
7 each place that term appears the following: “or  
8 political intelligence activities”; and

9 (B) by inserting after “lobbyists” the fol-  
10 lowing: “or political intelligence consultants”;  
11 and

12 (2) by adding at the end the following new  
13 paragraphs:

14 “(17) POLITICAL INTELLIGENCE ACTIVITIES.—  
15 The term ‘political intelligence activities’ means po-  
16 litical intelligence contacts and efforts in support of  
17 such contacts, including preparation and planning  
18 activities, research, and other background work that  
19 is intended, at the time it is performed, for use in  
20 contacts, and coordination with such contacts and  
21 efforts of others.

22 “(18) POLITICAL INTELLIGENCE CONTACT.—

23 “(A) DEFINITION.—The term ‘political in-  
24 telligence contact’ means any oral or written  
25 communication (including an electronic commu-  
26 nication) to or from a covered executive branch

1 official or a covered legislative branch official,  
2 the information derived from which is intended  
3 for use in analyzing securities or commodities  
4 markets, or in informing investment decisions,  
5 and which is made on behalf of a client with re-  
6 gard to—

7 “(i) the formulation, modification, or  
8 adoption of Federal legislation (including  
9 legislative proposals);

10 “(ii) the formulation, modification, or  
11 adoption of a Federal rule, regulation, Ex-  
12 ecutive order, or any other program, policy,  
13 or position of the United States Govern-  
14 ment; or

15 “(iii) the administration or execution  
16 of a Federal program or policy (including  
17 the negotiation, award, or administration  
18 of a Federal contract, grant, loan, permit,  
19 or license).

20 “(B) EXCEPTION.—The term ‘political in-  
21 telligence contact’ does not include a commu-  
22 nication that is made by or to a representative  
23 of the media if the purpose of the communica-  
24 tion is gathering and disseminating news and  
25 information to the public.

1           “(19) POLITICAL INTELLIGENCE FIRM.—The  
2 term ‘political intelligence firm’ means a person or  
3 entity that has 1 or more employees who are polit-  
4 ical intelligence consultants to a client other than  
5 that person or entity.

6           “(20) POLITICAL INTELLIGENCE CONSULT-  
7 ANT.—The term ‘political intelligence consultant’  
8 means any individual who is employed or retained by  
9 a client for financial or other compensation for serv-  
10 ices that include one or more political intelligence  
11 contacts.”.

12       (b) REGISTRATION REQUIREMENT.—Section 4 of the  
13 Lobbying Disclosure Act of 1995 (2 U.S.C. 1603) is  
14 amended—

15           (1) in subsection (a)—

16               (A) in paragraph (1)—

17                   (i) by inserting after “whichever is  
18 earlier,” the following: “or a political intel-  
19 ligence consultant first makes a political  
20 intelligence contact,”; and

21                   (ii) by inserting after “such lobbyist”  
22 each place that term appears the following:  
23 “or consultant”;

24               (B) in paragraph (2), by inserting after  
25 “lobbyists” each place that term appears the

1 following: “or political intelligence consultants”;  
2 and

3 (C) in paragraph (3)(A)—

4 (i) by inserting after “lobbying activi-  
5 ties” each place that term appears the fol-  
6 lowing: “and political intelligence activi-  
7 ties”; and

8 (ii) in clause (i), by inserting after  
9 “lobbying firm” the following: “or political  
10 intelligence firm”;

11 (2) in subsection (b)—

12 (A) in paragraph (3), by inserting after  
13 “lobbying activities” each place that term ap-  
14 pears the following: “or political intelligence ac-  
15 tivities”;

16 (B) in paragraph (4)—

17 (i) in the matter preceding subpara-  
18 graph (A), by inserting after “lobbying ac-  
19 tivities” the following: “or political intel-  
20 ligence activities”; and

21 (ii) in subparagraph (C), by inserting  
22 after “lobbying activity” the following: “or  
23 political intelligence activity”;

24 (C) in paragraph (5), by inserting after  
25 “lobbying activities” each place that term ap-

1           appears the following: “or political intelligence ac-  
2           tivities”;

3           (D) in paragraph (6), by inserting after  
4           “lobbyist” each place that term appears the fol-  
5           lowing: “or political intelligence consultant”;  
6           and

7           (E) in the matter following paragraph (6),  
8           by inserting “or political intelligence activities”  
9           after “such lobbying activities”;

10          (3) in subsection (c)—

11           (A) in paragraph (1), by inserting after  
12           “lobbying contacts” the following: “or political  
13           intelligence contacts”; and

14           (B) in paragraph (2)—

15           (i) by inserting after “lobbying con-  
16           tact” the following: “or political intel-  
17           ligence contact”; and

18           (ii) by inserting after “lobbying con-  
19           tacts” the following: “and political intel-  
20           ligence contacts”; and

21          (4) in subsection (d), by inserting after “lob-  
22          bying activities” each place that term appears the  
23          following: “or political intelligence activities”.

1           (c) REPORTS BY REGISTERED POLITICAL INTEL-  
2   LIGENCE CONSULTANTS.—Section 5 of the Lobbying Dis-  
3   closure Act of 1995 (2 U.S.C. 1604) is amended—

4           (1) in subsection (a), by inserting after “lob-  
5   bying activities” the following: “and political intel-  
6   ligence activities”;

7           (2) in subsection (b)—

8           (A) in paragraph (2)—

9           (i) in the matter preceding subpara-  
10   graph (A), by inserting after “lobbying ac-  
11   tivities” the following: “or political intel-  
12   ligence activities”;

13           (ii) in subparagraph (A)—

14           (I) by inserting after “lobbyist”  
15   the following: “or political intelligence  
16   consultant”; and

17           (II) by inserting after “lobbying  
18   activities” the following: “or political  
19   intelligence activities”;

20           (iii) in subparagraph (B), by inserting  
21   after “lobbyists” the following: “and polit-  
22   ical intelligence consultants”; and

23           (iv) in subparagraph (C), by inserting  
24   after “lobbyists” the following: “or political  
25   intelligence consultants”;

1 (B) in paragraph (3)—

2 (i) by inserting after “lobbying firm”  
3 the following: “or political intelligence  
4 firm”; and

5 (ii) by inserting after “lobbying activi-  
6 ties” each place that term appears the fol-  
7 lowing: “or political intelligence activities”;  
8 and

9 (C) in paragraph (4), by inserting after  
10 “lobbying activities” each place that term ap-  
11 pears the following: “or political intelligence ac-  
12 tivities”; and

13 (3) in subsection (d)(1), in the matter pre-  
14 ceding subparagraph (A), by inserting “or a political  
15 intelligence consultant” after “a lobbyist”.

16 (d) DISCLOSURE AND ENFORCEMENT.—Section 6(a)  
17 of the Lobbying Disclosure Act of 1995 (2 U.S.C. 1605)  
18 is amended—

19 (1) in paragraph (3)(A), by inserting after “lob-  
20 bying firms” the following: “, political intelligence  
21 consultants, political intelligence firms,”;

22 (2) in paragraph (7), by striking “or lobbying  
23 firm” and inserting “lobbying firm, political intel-  
24 ligence consultant, or political intelligence firm”; and

1           (3) in paragraph (8), by striking “or lobbying  
2           firm” and inserting “lobbying firm, political intel-  
3           ligence consultant, or political intelligence firm”.

4           (e) RULES OF CONSTRUCTION.—Section 8(b) of the  
5           Lobbying Disclosure Act of 1995 (2 U.S.C. 1607(b)) is  
6           amended by striking “or lobbying contacts” and inserting  
7           “lobbying contacts, political intelligence activities, or polit-  
8           ical intelligence contacts”.

9           (f) IDENTIFICATION OF CLIENTS AND COVERED OF-  
10          FICIALS.—Section 14 of the Lobbying Disclosure Act of  
11          1995 (2 U.S.C. 1609) is amended—

12                 (1) in subsection (a)—

13                         (A) in the heading, by inserting “OR PO-  
14                         LITICAL INTELLIGENCE” after “LOBBYING”;

15                         (B) by inserting “or political intelligence  
16                         contact” after “lobbying contact” each place  
17                         that term appears; and

18                         (C) in paragraph (2), by inserting “or po-  
19                         litical intelligence activity, as the case may be”  
20                         after “lobbying activity”;

21                 (2) in subsection (b)—

22                         (A) in the heading, by inserting “OR PO-  
23                         LITICAL INTELLIGENCE” after “LOBBYING”;

1 (B) by inserting “or political intelligence  
2 contact” after “lobbying contact” each place  
3 that term appears; and

4 (C) in paragraph (2), by inserting “or po-  
5 litical intelligence activity, as the case may be”  
6 after “lobbying activity”; and

7 (3) in subsection (c), by inserting “or political  
8 intelligence contact” after “lobbying contact”.

9 (g) ANNUAL AUDITS AND REPORTS BY COMP-  
10 TROLLER GENERAL.—Section 26 of the Lobbying Dislo-  
11 sure Act of 1995 (2 U.S.C. 1614) is amended—

12 (1) in subsection (a)—

13 (A) by inserting “political intelligence  
14 firms, political intelligence consultants,” after  
15 “lobbying firms”; and

16 (B) by striking “lobbying registrations”  
17 and inserting “registrations”;

18 (2) in subsection (b)(1)(A), by inserting “polit-  
19 ical intelligence firms, political intelligence consult-  
20 ants,” after “lobbying firms”; and

21 (3) in subsection (c), by inserting “or political  
22 intelligence consultant” after “a lobbyist”.

23 **SEC. 7. EFFECTIVE DATE.**

24 Subject to section 5(b), this Act and the amendments  
25 made by this Act shall take effect at the end of the 90-

1 day period beginning on the date of the enactment of this  
2 Act.

○