

110TH CONGRESS
1ST SESSION

H. R. 2341

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

IN THE HOUSE OF REPRESENTATIVES

MAY 16, 2007

Mr. BAIRD (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 House Administration, Judiciary, Agriculture, and Standards of Official Conduct, 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

A BILL

To prohibit securities and commodities trading based on nonpublic information relating to Congress, and to require additional reporting by Members and employees of Congress of securities transaction, 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.**

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

6 “(c) 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 the securities of
10 any issuer while such person is in possession of material
11 nonpublic information, as defined by the Commission, re-
12 lating to any pending or prospective legislative action re-
13 lating to such issuer 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 “(d) NONPUBLIC INFORMATION RELATING TO
21 OTHER 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 the securities of any issuer while
26 such person is in possession of material nonpublic

1 information derived from Federal employment and
2 relating to such issuer 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) COMMODITIES TRANSACTIONS.—Section 4c of the
5 Commodities Exchange Act (7 U.S.C. 6c) is amended by
6 adding at the end the following:

7 “(h) 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 any commodity
11 for future delivery while such person is in possession of
12 material nonpublic information, as defined by the Com-
13 mission, relating to any pending or prospective legislative
14 action relating to such commodity 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 “(i) NONPUBLIC INFORMATION RELATING TO OTHER
22 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 any commodity for future delivery
2 while such person is in possession of material non-
3 public information derived from Federal employment
4 and relating to such commodity 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 SECURITIES**
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. TIMELY REPORTING OF SECURITIES TRANS-**
 8 **ACTIONS.**

9 (a) AMENDMENT.—Section 103 of the Ethics in Gov-
 10 ernment Act of 1978 is amended by adding at the end
 11 the following subsection:

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

24 (b) EFFECTIVE DATE.—The amendment made by
 25 subsection (a) shall apply to transactions occurring on or

1 after the date that is 90 days after the date of the enact-
2 ment of this Act.

3 **SEC. 5. REGISTRATION OF POLITICAL INTELLIGENCE**
4 **FIRMS.**

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

7 (1) in paragraph (2)—

8 (A) by inserting after “lobbying activities”
9 both places such term appears the following:
10 “or political intelligence activities”; and

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

14 (2) by adding at the end the following new
15 paragraphs:

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

24 “(18) POLITICAL INTELLIGENCE CONTACT.—

1 “(A) DEFINITION.—The term ‘political in-
2 telligence contact’ means any oral or written
3 communication (including an electronic commu-
4 nication) to or from a covered executive branch
5 official or a covered legislative branch official,
6 the information derived from which is intended
7 for use in analyzing securities or commodities
8 markets, that is made on behalf of a client with
9 regard to—

10 “(i) the formulation, modification, or
11 adoption of Federal legislation (including
12 legislative proposals);

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

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

23 “(B) EXCEPTION.—The term ‘political in-
24 telligence contact’ does not include a commu-
25 nication that is made by or to a representative

1 of a media organization if the purpose of the
2 communication is gathering and disseminating
3 news and information to the public.

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

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

15 (b) REGISTRATION REQUIREMENT.—Section 4 of
16 that Act (2 U.S.C. 1603) is amended—

17 (1) in subsection (a)(1)—

18 (A) by inserting after “whichever is ear-
19 lier,” the following: “or a political intelligence
20 consultant first makes a political intelligence
21 contact,”; and

22 (B) by inserting after “such lobbyist” both
23 places such term appears the following: “or con-
24 sultant”;

1 (2) in subsection (a)(2), by inserting after “lob-
2 byists” both places such term appears the following:
3 “or consultants”;

4 (3) in subsection (a)(3)(A)—

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

8 (B) in clause (i), by inserting after “lob-
9 bying firm” the following: “or political intel-
10 ligence firm”;

11 (4) in subsection (b)(3), by inserting after “lob-
12 bying activities” both places such term appears the
13 following: “or political intelligence activities”;

14 (5) in subsection (b)(4), by inserting after “lob-
15 bying activities” the following: “or political intel-
16 ligence activities”;

17 (6) in subsection (b)(4)(C), by inserting after
18 “lobbying activity” the following: “or political intel-
19 ligence activity”;

20 (7) in subsection (b)(5), by inserting after “lob-
21 bying activities” both places such term appears the
22 following: “or political intelligence activities”;

23 (8) in subsection (b)(6), by inserting after “lob-
24 byist” both places such term appears the following:
25 “or political intelligence consultant”;

1 (9) in subsection (c)(1), by inserting after “lob-
 2 bying contacts” the following: “or political intel-
 3 ligence contacts”;

4 (10) in subsection (c)(2)—

5 (A) by inserting after “lobbying contact”
 6 the following: “or political intelligence contact”;
 7 and

8 (B) by inserting after “lobbying contacts”
 9 the following: “and political intelligence con-
 10 tacts”; and

11 (11) in subsection (d)(1), by inserting after
 12 “lobbying activities” both places such term appears
 13 the following: “or political intelligence activities”.

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

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

20 (2) in subsection (b)(2)—

21 (A) in the matter preceding subparagraph
 22 (A), by inserting after “lobbying activities” the
 23 following: “or political intelligence activities”;

24 (B) in subparagraph (A)—

1 (i) by inserting after “lobbyist” the
2 following: “or political intelligence consult-
3 ant”; and

4 (ii) by inserting after “lobbying activi-
5 ties” the following: “or political intelligence
6 activities”;

7 (C) in subparagraph (B), by inserting after
8 “lobbyists” the following: “or political intel-
9 ligence consultants”; and

10 (D) in subparagraph (C), by inserting
11 after “lobbyists” the following: “or political in-
12 telligence consultants”;

13 (3) in subsection (b)(3)—

14 (A) by inserting after “lobbying firm” the
15 following: “or political intelligence firm”; and

16 (B) by inserting after “lobbying activities”
17 both places such term appears the following:
18 “or political intelligence activities”; and

19 (4) in subsection (b)(4), by inserting after “lob-
20 bying activities” both places such term appears the
21 following: “or political intelligence activities”.

22 (d) DISCLOSURE AND ENFORCEMENT.—Section 6 of
23 the Lobbying Disclosure Act of 1995 (2 U.S.C. 1605) is
24 amended—

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

4 (2) in paragraph (7), by inserting after “lob-
5 bying firm” the following: “, or political intelligence
6 consultant or political intelligence firm,”; and

7 (3) in paragraph (8), by inserting after “lob-
8 bying firm” the following: “, or political intelligence
9 consultant or political intelligence firm,”.

10 (e) RULES OF CONSTRUCTION.—Section 8 of the
11 Lobbying Disclosure Act of 1995 (2 U.S.C. 1607) is
12 amended in subsection (b) by inserting after “lobbying
13 contacts” the following: “, or political intelligence activi-
14 ties or political intelligence contacts,”.

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