

114TH CONGRESS
1ST SESSION

H. R. 1097

To amend the Securities Exchange Act of 1934 to prohibit trading on material inside information.

IN THE HOUSE OF REPRESENTATIVES

FEBRUARY 26, 2015

Mr. LYNCH introduced the following bill; which was referred to the Committee on Financial Services

A BILL

To amend the Securities Exchange Act of 1934 to prohibit trading on material inside information.

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 “Ban Insider Trading
5 Act of 2015”.

6 **SEC. 2. PROHIBITING TRADING ON MATERIAL INSIDE IN-**
7 **FORMATION.**

8 (a) IN GENERAL.—Section 10 of the Securities Ex-
9 change Act of 1934 (15 U.S.C. 78j) is amended by insert-
10 ing after subsection (c) the following:

1 “(d) TRADING ON MATERIAL INSIDE INFORMA-
 2 TION.—

3 “(1) IN GENERAL.—To purchase or sell any se-
 4 curity, or any securities-based swap agreement,
 5 based on information that the person knows or, con-
 6 sidering factors including financial sophistication,
 7 net worth, knowledge of and experience in financial
 8 matters, position in a company, and amount of as-
 9 sets under management, should know is material in-
 10 formation and inside information.

11 “(2) RULES OF CONSTRUCTION.—Nothing in
 12 this subsection may be construed—

13 “(A) to affect liability under subsection
 14 (b); or

15 “(B) to require for an action under para-
 16 graph (1) a personal benefit to any party.

17 “(3) DEFINITIONS.—In this subsection:

18 “(A) INSIDE INFORMATION.—The term ‘in-
 19 side information’ means information that is—

20 “(i) nonpublic; and

21 “(ii) obtained—

22 “(I) illegally;

23 “(II) directly or indirectly from
 24 an issuer with an expectation of con-
 25 fidentiality or that such information

1 will only be used for a legitimate busi-
2 ness purposes; or

3 “(III) in violation of a fiduciary
4 duty.

5 “(B) MATERIAL INFORMATION.—The term
6 ‘material information’ means information that
7 relates, directly or indirectly, to an issuer or a
8 security, and that, if it were made public, would
9 be likely to have a significant effect on the price
10 of a security.”.

11 (b) LIABILITY FOR DISCLOSING MATERIAL INSIDE
12 INFORMATION.—Section 20(e) of the Securities Exchange
13 Act of 1934 (15 U.S.C. 78t(e)) is amended—

14 (1) by striking “(e)” and all that follows
15 through “For” and inserting the following:

16 “(e) PROSECUTION OF PERSONS WHO AID AND
17 ABET VIOLATIONS.—

18 “(1) IN GENERAL.—For”; and

19 (2) by adding at the end the following:

20 “(2) PROSECUTION OF PERSONS WHO FACILI-
21 TATE VIOLATIONS OF SECTION 10(d).—A person
22 shall be deemed to have violated section 10(d) if the
23 person intentionally discloses without a legitimate
24 business purpose to another person information that
25 the discloser knows or, considering factors including

1 financial sophistication, net worth, knowledge of and
2 experience in financial matters, position in a com-
3 pany, and amount of assets under management,
4 should know is material information and inside in-
5 formation, as such terms are defined, respectively, in
6 section 10(d)(3).”.

7 (c) TECHNICAL AMENDMENT.—Section 10 of the Se-
8 curities Exchange Act of 1934 (15 U.S.C. 78j) is amended
9 in the matter preceding subsection (a) by striking “ex-
10 change—” and inserting “exchange:”.

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