

MESSAGE FROM THE PRESIDENT

A message in writing from the President of the United States was communicated to the House by Ms. Mariel Ridgway, one of his secretaries.

COMMUNICATION FROM THE CLERK OF THE HOUSE

The SPEAKER pro tempore laid before the House the following communication from the Clerk of the House of Representatives:

OFFICE OF THE CLERK,
HOUSE OF REPRESENTATIVES,
Washington, DC, January 28, 2019.
Hon. NANCY PELOSI,
The Speaker, House of Representatives,
Washington, DC.

DEAR MADAM SPEAKER: Pursuant to the permission granted in Clause 2(h) of Rule II of the Rules of the U.S. House of Representatives, the Clerk received the following message from the Secretary of the Senate on January 28, 2019, at 2:36 p.m.:

That the Senate agreed to Relative to the death of Harris L. Wofford, Jr. S. Res. 31

With best wishes, I am,
Sincerely,

KAREN L. HAAS.

ANNOUNCEMENT BY THE SPEAKER PRO TEMPORE

The SPEAKER pro tempore. Pursuant to clause 8 of rule XX, the Chair will postpone further proceedings today on motions to suspend the rules on which a recorded vote or the yeas and nays are ordered, or votes objected to under clause 6 of rule XX.

The House will resume proceedings on postponed questions at a later time.

PROMOTING TRANSPARENT STANDARDS FOR CORPORATE INSIDERS ACT

Mr. HIMES. Mr. Speaker, I move to suspend the rules and pass the bill (H.R. 624) to require the Securities and Exchange Commission to carry out a study of Rule 10b5-1 trading plans, and for other purposes.

The Clerk read the title of the bill.

The text of the bill is as follows:

H.R. 624

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the “Promoting Transparent Standards for Corporate Insiders Act”.

SEC. 2. SEC STUDY.

(a) STUDY.—

(1) IN GENERAL.—The Securities and Exchange Commission shall carry out a study of whether Rule 10b5-1 (17 C.F.R. 240.10b5-1) should be amended to—

(A) limit the ability of issuers and issuer insiders to adopt a plan described under paragraph (c)(1)(i)(A)(3) of Rule 10b5-1 (“trading plan”) to a time when the issuer or issuer insider is permitted to buy or sell securities during issuer-adopted trading windows;

(B) limit the ability of issuers and issuer insiders to adopt multiple trading plans;

(C) establish a mandatory delay between the adoption of a trading plan and the execu-

tion of the first trade pursuant to such a plan and, if so and depending on the Commission’s findings with respect to subparagraph (A)—

(i) whether any such delay should be the same for trading plans adopted during an issuer-adopted trading window as opposed to outside of such a window; and

(ii) whether any exceptions to such a delay are appropriate;

(D) limit the frequency that issuers and issuer insiders may modify or cancel trading plans;

(E) require issuers and issuer insiders to file with the Commission trading plan adoptions, amendments, terminations and transactions; or

(F) require boards of issuers that have adopted a trading plan to—

(i) adopt policies covering trading plan practices;

(ii) periodically monitor trading plan transactions; and

(iii) ensure that issuer policies discuss trading plan use in the context of guidelines or requirements on equity hedging, holding, and ownership.

(2) ADDITIONAL CONSIDERATIONS.—In carrying out the study required under paragraph (1), the Commission shall consider—

(A) how any such amendments may clarify and enhance existing prohibitions against insider trading;

(B) the impact any such amendments may have on the ability of issuers to attract persons to become an issuer insider;

(C) the impact any such amendments may have on capital formation;

(D) the impact any such amendments may have on an issuer’s willingness to operate as a public company; and

(E) any other consideration that the Commission considers necessary and appropriate for the protection of investors.

(b) REPORT.—Not later than the end of the 1-year period beginning on the date of the enactment of this Act, the Commission shall issue a report to the Committee on Financial Services of the House of Representatives and the Committee on Banking, Housing, and Urban Affairs of the Senate containing all findings and determinations made in carrying out the study required under section (a).

(c) RULEMAKING.—After the completion of the study required under subsection (a), the Commission shall, subject to public notice and comment, revise Rule 10b5-1 consistent with the results of such study.

The SPEAKER pro tempore. Pursuant to the rule, the gentleman from Connecticut (Mr. HIMES) and the gentleman from North Carolina (Mr. MCHENRY) each will control 20 minutes.

The Chair recognizes the gentleman from Connecticut.

GENERAL LEAVE

Mr. HIMES. Mr. Speaker, I ask unanimous consent that all Members have 5 legislative days within which to revise and extend their remarks on this legislation and to insert extraneous material thereon.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Connecticut?

There was no objection.

Mr. HIMES. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, I am delighted to rise in support of H.R. 624 and to recognize the bipartisan fashion in which this bill is being brought to the floor and, in par-

ticular, thank Ranking Member MCHENRY for his work on this bipartisan bill.

It is terrific to see the first bill out of the committee and onto the floor be not only a bipartisan bill, but the kind of thing that I think we should be able to find agreement on in this Congress.

We have a robust debate in the committee and in this Congress around the question of how we establish well-balanced regulation on the capital markets and the financial services industry. That is a good debate in which the answer is always moving, but it is terrific to see that we can agree that wherever there is an opportunity either for fraudulent behavior, insider trading, or rent-seeking to occur—that is to say, when there is an advantage for a particular player in the market—that the parties can come together to move legislation like H.R. 624.

Whatever we may think and however we may argue over the proper balance of regulation, if market participants do not have confidence in those markets, we have a huge problem. And nothing erodes confidence so much as the suspicion that there may be players in the market who have an inside advantage who are operating fraudulently.

So, again, I thank Mr. MCHENRY for his work on this bill. I thank Chairwoman WATERS, in particular, for her hard work on this bill.

Mr. Speaker, I reserve the balance of my time.

Mr. MCHENRY. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, I rise in support of H.R. 624, the Promoting Transparent Standards for Corporate Insiders Act.

This bipartisan legislation is critical for protecting mom-and-pop investors from the effects of insider trading while ensuring that the rules are clear, fair, and not unduly burdensome.

I want to first thank Chairwoman WATERS for her sponsorship of this bill and for writing this legislation. I am glad to join her in a meaningful effort to help the Securities and Exchange Commission better understand illicit trading, and I look forward to working with her in many more bipartisan efforts and her leadership on the Financial Services Committee.

Mr. Speaker, preventing and cracking down on fraud and abuse within our financial system, such as illegal insider trading, is apolitical and should be.

When a corporate insider breaks the rules on trading and profits from trading on insider information, that illegal activity hurts everyday investors who diligently put their hard-earned money away for retirement.

To be clear, most corporate insiders faithfully follow the insider trading guidelines under Rule 10b5-1. I know that is not an everyday quoted thing, but those folks who are abiding by the law are complying with this very complex but important rule from the Securities and Exchange Commission. That allows for them to purchase and sell securities without concern for insider trading liability.

These law-abiding corporate insiders should not be punished or barred from trading just because of the bad actors who succumbed to greed and those who chose to illegally trade on insider information.

When properly adhered to, 10b5-1 insider trading rules are fair tools for allowing folks to help pay for down payments on a home or help pay for their kids' college education or other normal financial transactions.

Moreover, allowing folks to purchase and sell securities at predetermined times on a scheduled basis under that rule ensures market stability and decreases the risk of volatility by preventing fraudulent behavior, such as pump-and-dump schemes that sometimes occur in the financial markets.

By directing the Securities and Exchange Commission to study whether Rule 10b5-1 should be amended and to consider how any amendments to the rule would clarify and enhance existing prohibitions against insider trading, this legislation achieves a bipartisan goal of protecting mom-and-pop investors while encouraging economic growth.

And, again, I want to thank Chairwoman WATERS for her leadership. I applaud her willingness to work in a bipartisan way and in this important bipartisan manner that she is approaching the Financial Services Committee's jurisdiction we both care so much about. That bipartisan activity should help improve Federal oversight and protect American investors as well as enhance economic growth.

Mr. Speaker, I urge my colleagues to support H.R. 624, and I reserve the balance of my time.

The SPEAKER pro tempore. Without objection, the gentlewoman from California (Ms. WATERS) will control the time for the majority.

There was no objection.

Ms. WATERS. Mr. Speaker, I yield myself such time as I may consume.

I am very pleased to have worked with Ranking Member MCHENRY on this bipartisan bill, H.R. 624, the Promoting Transparent Standards for Corporate Insiders Act.

The bill is designed to promote strong enforcement against financial fraud by ensuring that corporate executives cannot indirectly and illegally trade on material nonpublic information that they know about their companies.

The Securities and Exchange Commission prohibits insider trading as a fraud that hurts both company investors and the integrity of our capital markets. Those accused of illegal insider trading may defend themselves by using the SEC's rule for trading plans, Rule 10b5-1, and state that any trades that occurred while they possessed inside information were made pursuant to a pre-approved training plan. But the rule for trading plans has several shortcomings that may allow corporate insiders to get away with insider trading.

My bill would require the SEC to study whether to amend its rule for trading plans to limit the ability of corporate insiders to, for example, adopt multiple, overlapping plans or change their plans to indirectly take advantage of inside information. The bill would then require the SEC to report to Congress and revise its rules based on the results of the study.

This bill is much needed as fraudulent stock sales by high-ranking executives can erode confidence in our markets. For example, in November of 2017, the CEO of Intel reportedly sold \$39 million in stock after he learned of two security flaws in Intel processors and within days of revising his trading plan for the second time that year.

This bill is supported by investor and consumer advocates, public pension funds, and State securities regulators, including Public Citizen; Americans for Financial Reform; California Public Employees' Retirement System, CalPERS; the California State Teachers' Retirement System, CalSTRS; the Council of Institutional Investors; Healthy Markets; and North American Securities Administrators Association.

I thank Ranking Member MCHENRY for joining me in reintroducing this bill this Congress, and I urge Members to vote "yes."

Mr. Speaker, I reserve the balance of my time.

Mr. MCHENRY. Mr. Speaker, I yield 2 minutes to the gentleman from Texas (Mr. GOODEN), a new Member of this body and a new member of the Financial Services Committee.

Mr. GOODEN. Mr. Speaker, I rise today in support of H.R. 624, the Promoting Transparent Standards for Corporate Insiders Act.

Introduced by Chairwoman WATERS and Ranking Member MCHENRY, this bipartisan bill would require the SEC to update regulatory language to ensure corporate insiders are not able to take advantage of loopholes in the system to engage in illegal insider trading.

The language within the bill overwhelming passed the House last Congress as part of the JOBS Act 3.0.

Simply put, Mr. Speaker, it should be a top priority for financial regulators to ensure clear guidelines and robust enforcement against any illegal activity.

This legislation, along with the SEC's recent guidance, will help us better understand insider trading, serve as a driving force to hold potential bad actors accountable, and further promote good governance among the leaders of our Nation's financial system.

I strongly support this bill and would like to thank Ranking Member MCHENRY for the time this afternoon.

Mr. Speaker, I also look forward to working with all my colleagues on the Financial Services Committee, and I thank Chairwoman WATERS for filing this bill and carrying it forward.

Ms. WATERS. Mr. Speaker, I yield 3 minutes to the gentlewoman from New

York (Ms. VELÁZQUEZ), who is a senior member of the Financial Services Committee and the chairwoman of the Small Business Committee.

Ms. VELÁZQUEZ. Mr. Speaker, I rise in support of H.R. 624, the Promoting Transparent Standards for Corporate Insiders Act, bipartisan legislation sponsored by Chairwoman WATERS and Ranking Member MCHENRY.

Mr. Speaker, our Nation's financial markets are safer and more efficient when they are transparent.

□ 1700

Unfortunately, those that participate in insider trading damage the structure and integrity of our financial markets by engaging in practices outside of the public's view, profiting on information that is only known to a select few.

This nefarious practice damages ordinary, hardworking Americans who invest in pension funds, 401(k)s, mutual funds, and other retirement vehicles. As lawmakers, we must remain ever vigilant and seek to root out this illegal practice before it starts.

Currently, SEC regulations permit corporate insiders to evade insider trading rules by allowing them to adopt multiple trading plans and make select changes to their predetermined trading plans.

H.R. 624 closes this loophole by requiring the SEC to study and analyze the effectiveness of its current insider trading rules while also considering any rule change's impact on capital formation and a company's willingness to go public. Further, the bill requires the SEC report to Congress on its findings and draft rules consistent with the results.

This carefully crafted piece of legislation is an important step to closing a loophole in our Nation's insider trading laws.

Mr. Speaker, I want to take this opportunity to commend Chair WATERS and Ranking Member MCHENRY for working in a bipartisan manner on this bill. I hope it is the first of many bipartisan bills we can bring to the floor from the Financial Services Committee in the 116th Congress.

Mr. Speaker, I urge the speedy adoption of this important measure.

Mr. MCHENRY. Mr. Speaker, I reserve the balance of my time.

Ms. WATERS. Mr. Speaker, I yield 2 minutes to the gentleman from Connecticut (Mr. HIMES), who is a senior member on the Financial Services Committee and on the Intelligence Committee.

Mr. HIMES. Mr. Speaker, I thank very much Madam Chairwoman for yielding, and, again, to the ranking member. It is a delight, as I said before, to come right out with a bipartisan bill that really addresses the fundamental question of confidence in our markets.

H.R. 624—and I will be proud to vote for it and urge my colleagues to do the same—closes a number of technical loopholes that have allowed corporate

insiders over time flexibility to actually trade possibly on inside information. That, of course, has the effect of causing regular investors to wonder whether they want to compete with that sort of player in the market.

H.R. 624 is a terrific bipartisan, thoughtful bill right out of the gates in the Financial Services Committee.

I want to just take 30 seconds, though, to reflect on the fact that at this point in time, there is currently no Federal law explicitly prohibiting insider trading. That requires the SEC and the Department of Justice to rely on general antifraud provisions in the law to go after people suspected of insider trading.

Mr. Speaker, in closing, I would just like to urge the committee, the chairwoman and the ranking member, to reflect on the words of U.S. District Judge Jed Rakoff, who wrote: "But if unlawful insider trading is to be properly deterred, it must be adequately defined. The appropriate body to do so, one would think, is Congress."

Mr. Speaker, I thank the chairwoman and ranking member for their hard work on this bill. I hope we can take it to the next step of making it very clear that insider trading itself is a crime for the lack of confidence that it generates in our capital markets.

Mr. Speaker, I again thank the chairwoman and the ranking member, and I urge passage of H.R. 624.

Mr. MCHENRY. Mr. Speaker, I am prepared to close, and I reserve the balance of my time.

Ms. WATERS. Mr. Speaker, I yield 2 minutes to the gentleman from Illinois (Mr. CASTEN).

Mr. CASTEN of Illinois. Mr. Speaker, I thank Chairwoman WATERS and Ranking Member MCHENRY for working in a bipartisan manner to craft H.R. 624, a bill to help the Securities and Exchange Commission better protect hardworking Americans from financial fraud.

As a new member on the Financial Services Committee, I look forward to working together with both the chairwoman and the ranking member on similar commonsense pieces of legislation.

However, we cannot forget that the most recent shutdown all but caused the SEC to shut its doors. If people wanted to manipulate and defraud financial markets that was the perfect time to get away with it.

Now that the shutdown has ended, we have to work together to ensure that the government stays open to protect consumers and focus on proactive measures like H.R. 624 that will strengthen our markets.

Mr. Speaker, I support H.R. 624, and I thank the chairwoman for her leadership.

Mr. MCHENRY. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, now, being in the minority and the majority, we are both learning something in the organization of control and debate on the House

floor. Chairwoman WATERS has been the ranking member of the committee previously to coming to the chair. Now I have to ask her for time, which is a different process.

Mr. Speaker, I would like to close on this important bill, the first bill from the Financial Services Committee for this Congress. It is a bill written by Chairwoman WATERS and cosponsored by me as the ranking member.

This is a piece of legislation that we had discussed and worked through last Congress, and she was the lead sponsor and I was the cosponsor of it last Congress, and I held to my word and she has held to her word.

This is proof that we can have bipartisan achievement that is of substance, that is real, that is meaningful, and we can do it representing vastly different districts, having different world views, having our disagreements that we have stated publicly and privately to one another, but still being willing to work through those disagreements to hammer out something that is good for the investor, for the consumer, to make sure that we have important consumer protections while also having vibrant markets of exchange so that we can lift folks out of poverty, to actually make sure people are safe for retirement.

There are wonderful opportunities for us to legislate in a bipartisan way. This is proof of what potential we have in the Financial Services jurisdiction.

Mr. Speaker, I want to thank Chairwoman WATERS for her efforts here. I urge my colleagues to support and vote for this important piece of legislation.

Mr. Speaker, I thank once again Chairwoman WATERS for her leadership, and I yield back the balance of my time.

Ms. WATERS. Mr. Speaker, I yield myself the balance of my time. I am pleased that I was able to work in a bipartisan manner with the gentleman from North Carolina (Mr. MCHENRY), the committee's ranking member.

This bill shows that protecting our capital markets is something that both sides of the aisle should support. The SEC is indeed our cop on the block, and they need this bill and additional funding resources in order to make sure that our markets and our investors are safe from fraud.

Another thing that the SEC needs is stability. During the recent government shutdown, the longest shutdown in American history, the SEC essentially closed its doors, furloughing 94 percent of its staff and suspending its enforcement efforts.

For 34 days the agency was forced to police the markets with a skeleton crew of 110 enforcement staff. This may translate into unacceptable delays in holding bad actors accountable and obtaining relief for their victims.

The SEC wasn't the only agency impacted. The Congressional Budget Office estimates that the Trump shutdown cost our economy \$11 billion, and \$3 billion of that will never be recovered.

What is more, the White House wouldn't even rule out the chance of another shutdown in 3 weeks.

Mr. Speaker, we should fully fund our government and focus our efforts on bipartisan compromises like H.R. 624.

Again, I am pleased that one of the first bills to be brought to the floor for a vote from the Financial Services Committee is a bill that is cosponsored by Ranking Member MCHENRY that seeks to strengthen the ability of the SEC to punish fraudsters and protect investors.

So, Mr. Speaker and Members, again, I am pleased to have had the opportunity to work with the ranking member and to come together and present a bill that is extremely important and will go a long way to getting rid of insiders who would basically cheat the system.

So Mr. MCHENRY and I have not only worked on this bill together, we developed a relationship some time ago. And I know that there are those who are thinking that, oh, I don't know if both sides are going to be able to get together in an atmosphere that really is not conducive to getting along sometimes, but Mr. MCHENRY and I have shown that it is possible, and we are looking forward to other opportunities.

We are not going to agree on everything and we are going to oppose each other on some things, but this bill here today indicates that we are willing to work together to try and see what we can do as cosponsors and coauthors of important pieces of legislation that both sides of the aisle should be supporting.

Mr. Speaker, I yield back the balance of my time.

The SPEAKER pro tempore. The question is on the motion offered by the gentleman from Connecticut (Mr. HIMES) that the House suspend the rules and pass the bill, H.R. 624.

The question was taken.

The SPEAKER pro tempore. In the opinion of the Chair, two-thirds being in the affirmative, the ayes have it.

Ms. WATERS. Mr. Speaker, on that I demand the yeas and nays.

The yeas and nays were ordered.

The SPEAKER pro tempore. Pursuant to clause 8 of rule XX, further proceedings on this motion will be postponed.

FIGHT ILLICIT NETWORKS AND DETECT TRAFFICKING ACT

Ms. WATERS. Mr. Speaker, I move to suspend the rules and pass the bill (H.R. 502) to require the Comptroller General of the United States to carry out a study on how virtual currencies and online marketplaces are used to buy, sell, or facilitate the financing of goods or services associated with sex trafficking or drug trafficking, and for other purposes.

The Clerk read the title of the bill.

The text of the bill is as follows:

H.R. 502

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,