

**Common Cause • Democracy 21**  
**League of Women Voters • Public Citizen • U.S. PIRG**

March 4, 2009

The Hon. Brian Baird  
The Hon. Louise McIntosh Slaughter  
The Hon. Timothy Walz  
U.S. House of Representatives  
Washington, D.C. 20515

**RE: Stop Trading on Congressional Knowledge Act**

Dear Reps. Baird, Slaughter and Walz:

Our organizations – Common Cause, Democracy 21, League of Women Voters, Public Citizen and U.S. PIRG – strongly support passage of the “Stop Trading on Congressional Knowledge Act” (H.R. 682), which you have taken the lead in co-sponsoring.

The legislation would prohibit members of Congress, congressional staff and other federal employees from using non-public information obtained through their official duties for personal gain in the stocks and commodities markets. It would also prohibit private individuals and firms who attempt to mine such information from public officials to use it for insider trading. This legislation is critically important as the federal government increases its regulation and oversight – and invariably insider knowledge – of prospective business opportunities of banks and financial services companies.

The Securities and Exchange Commission (SEC) does not have the authority to hold employees of Congress or the Executive Branch liable for using non-public information gained from official proceedings for insider trading. Under current law, “insider trading” is defined as the buying or selling of securities or commodities based on non-public information in violation of confidentiality – either to the issuing company or the source of information. Most federal officials and employees do not owe a duty of confidentiality to the federal government and thus are not liable for insider trading.

With the federal government assuming a far greater role over the financial services industry, the opportunity and temptation for federal employees to cash in on their insider knowledge of legislation, rules and even business trends that can have a dramatic and immediate effect on the stock market will become all the more dangerous. Members of Congress and federal employees should be required to live by effective restrictions on insider trading.

H.R. 682 also enables the public and enforcement authorities to monitor more closely whether lobbyists and other political intelligence consultants are attempting to cash in on knowledge gained from federal officials or their staff. The legislation would require for the first time that individuals and firms that make it their business to extract non-public information from officials or employees of Congress or executive branch agencies for the purpose of analyzing securities markets or guiding investment decisions must register under the Lobbying Disclosure Act (LDA). They would have to disclose to the public their clients, income and expenditures and activity that affect government policy. Similarly, members of Congress and their staffers would be required to report stock transactions of \$1,000 or more within 90 days after the transaction.

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. H.R. 682 should be adopted by Congress before new problems arise.

Sincerely,

Common Cause  
Democracy 21  
League of Women Voters

Public Citizen  
U.S. PIRG