

Common Cause · CREW · Democracy 21
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March 18, 2011

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

**RE: Support the “Stop Trading on Congressional Knowledge Act”
(H.R. 1148)**

Dear Reps. Walz and Slaughter:

Our organizations – Citizens for Responsibility and Ethics in Washington (CREW), Common Cause, Democracy 21, Public Citizen and U.S. PIRG – strongly support passage of the “Stop Trading on Congressional Knowledge Act” (STOCK Act), which you have taken the lead in sponsoring.

The legislation would prohibit members of Congress and congressional staff 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.

The Securities and Exchange Commission (SEC) does not have the authority to hold employees of Congress 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. Congressional officials and employees do not owe a duty of confidentiality to these companies and thus are not liable for insider trading.

With the federal government playing a large role in the economy, congressional officials and staff have both the temptation and opportunity to cash in unfairly on their insider knowledge of legislation, rules and even business trends. Members of Congress and staff should be required to live by the same effective restrictions on insider trading that apply to everyone else.

The STOCK Act 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 congressional 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 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. The STOCK Act should be adopted by Congress before new scandals arise.

Sincerely,

Common Cause
CREW
Democracy 21
Public Citizen
U.S. PIRG