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December 21, 2011

The Hon. Harry Reid
The Hon. Mitch McConnell
The Hon. John Boehner
The Hon. Nancy Pelosi
All Members of the U.S. Senate and House of Representatives

Legislation Banning Congressional Insider Trading Must Neither Be Weakened Nor Delayed any Further

Dear Members of Congress:

It now should come as no surprise: the American public as a whole strongly supports passage of bipartisan legislation to prevent congressional insider trading, known as the “Stop Trading on Congressional Knowledge” (STOCK) Act. For that matter, so do most members of Congress, with the House version (H.R. 1148) introduced by Reps. Timothy Walz (D-Minn.) and Louise Slaughter (D-NY) gaining 239 cosponsors thus far, and the Senate version receiving dozens of cosponsors as it moves to the floor for further consideration.

Public Citizen is writing out of deep concern that the delaying tactics by the House Republican leadership, under the direction of House Majority Leader Eric Cantor (R-Va.), are intended to weaken the original legislation. Stalling is providing lobbyists and others with precious time to deflate the scope and nature of the STOCK Act.

One key provision that would prohibit “political intelligence consultants” – lobbyists and stock brokers who develop close working relations in Congress – from trading on insider information derived from non-public information gleaned from members and staff is in the process of being stripped from the legislation in the Senate and is being threatened in the House as well.

The Senate Homeland Security and Government Affairs Committee sent a STOCK Act to the floor that proposes merely to “study” the issue of political intelligence consultants and whether any such insider trading is indeed occurring.

Indeed it is.

Make no mistake: though no one will admit it, lobbyists and brokers appear to be enjoying a very profitable relationship with members of Congress, getting them to divulge information about pending legislation that will directly impact the markets, and then trading on that information. A *Wall Street Journal* investigative report (Dec. 20, 2011) found that:

“Seeking advance word of government decisions is part of a growing, lucrative – and legal – practice in Washington that employs a network of brokers, lobbyists and political insiders who arrange private meetings between hedge funds and officials, including lawmakers and their aides.... News tips, combined with data and analysis, help steer firms to profitable investment decision.”

Other studies have found that members of Congress themselves enjoy a 12 percent higher rate of return on stock investments than the market; House members a 6 percent higher rate of return. Even some congressional staff appear to be reaping the benefits. A separate *Wall Street Journal* study (Oct. 11, 2010) identified at least 72 top congressional staffers that are actively trading in their own fields of legislative responsibility, with some receiving startling cash gains.

The time for “study” and procrastination has long past.

It is time to pass a strong prohibition against congressional insider trading of non-public information by Members and their staff and by anyone who does business with Congress.

Walz and Slaughter have it right by specifically extending the ban on insider trading to political intelligence consultants and adding a disclosure requirement so that the law may be enforced.

Public Citizen strongly encourages the House Republican leadership to remove its hold on this important legislation, and encourages both the House and Senate to approve a strong STOCK Act that addresses all the documented problems of congressional insider trading.

Sincerely

A handwritten signature in black ink, appearing to read "Craig Holman". The signature is fluid and cursive, with the first name "Craig" and last name "Holman" clearly distinguishable.

Craig Holman, Ph.D.
Government Affairs lobbyist
Public Citizen