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U.S. Senate  
Washington, D.C. 20510

January 31, 2012

## **Pass the “Stop Trading on Congressional Knowledge Act”**

### ***Extend Coverage of Insider Trading Law to Include Political Intelligence Consultants***

Dear Senator:

Public Citizen joins with most Americans in strongly supporting passage of the “Stop Trading on Congressional Knowledge Act” (STOCK Act) designed to prohibit congressional insider trading. *We encourage you to vote in favor of this important reform legislation when it is brought to the Senate floor this week.*

However, there have been proposals to weaken the legislation by substituting alternate language or stripping key provisions, and we urge you to support the legislation in its original form.

One important component of the original legislation – addressing the pervasive problem of lobbyists and trade dealers (“political intelligence consultants”) mining non-public information from lawmakers and staff for lucrative trades in the stock market – has been placed on a separate track in the senate for consideration as a stand-alone bill. *We strongly urge the senate to include regulating political intelligence consultants in the STOCK Act or to ensure that political intelligence consultants are included in the final reform package.*

The STOCK Act makes clear that Members of Congress and their staff are subject to the same laws against insider trading that apply to the rest of America. It also creates an important system of real-time transparency of stock trading activity by members and staff. These steps alone make the legislation worthwhile.

But there is also an unsavory cottage industry of lobbyists and trade dealers who take advantage of the fact that to-date insider trading laws have not been applied to Congress. These political intelligence consultants roam the halls of Congress and tap into their networks for non-public information that they then use to enrich themselves or their clients in the stock market. Unfortunately, political intelligence consultants have been exempted from the Senate version of the STOCK Act – and it is unclear whether House Majority Leader Eric Cantor (R-Va.) will allow this provision to be included in the final House version.

The “political intelligence” provision in the original bills does not prevent lobbyists and traders from keeping abreast of legislative trends on Capitol Hill. It merely requires that they disclose

their clients and trading activity, so that the law against using non-public material information for illegal insider trading can be properly enforced.

Some Members of Congress are suggesting alternative proposals to the STOCK Act, such as mandating that congressional investments be placed in blind trusts. Mandatory blind trusts are not a solution to the problem. “Blind trusts” are blind to the public, but often not blind at all to the participants. Public Citizen does not support trading public disclosure for secrecy.

If Congress does not step up to plate and unequivocally declare that congressional insider trading is illegal, the prospects for congressional insider trading abuse will continue. Those selected to manage lawmakers’ qualified blind trusts may well be political intelligence consultants themselves, mining non-public material information for providing the highest return to their lawmaker-clients in the stock market.

Congress has the responsibility to ensure that it is subject to the same laws against self-dealing that apply to the general public, and that compliance with those laws is monitored and enforced through full transparency. The best way to do this is by passing the STOCK Act in its original form.

**Vote ‘YES’ on the STOCK Act, and strengthen it by restoring the provisions covering political intelligence consultants.**