

109<sup>TH</sup> CONGRESS  
2<sup>D</sup> SESSION

# H. R. 5015

To prohibit securities trading based on nonpublic information relating to Congress, and to require additional reporting by Members and employees of Congress of securities transaction, and for other purposes.

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## IN THE HOUSE OF REPRESENTATIVES

MARCH 28, 2006

Mr. BAIRD (for himself and Ms. SLAUGHTER) introduced the following bill; which was referred to the Committee on Financial Services, and in addition to the Committees on House Administration, the Judiciary, and Agriculture, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

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## A BILL

To prohibit securities trading based on nonpublic information relating to Congress, and to require additional reporting by Members and employees of Congress of securities transaction, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*  
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Stop Trading on Con-  
5 gressional Knowledge Act”.

1 **SEC. 2. NONPUBLIC INFORMATION RELATING TO CON-**  
2 **GRESS.**

3 (a) SECURITIES TRANSACTIONS.—Section 10 of the  
4 Securities Exchange Act of 1934 is amended by adding  
5 at the end the following:

6 “(c) NONPUBLIC INFORMATION RELATING TO CON-  
7 GRESS.—

8 “(1) PROHIBITION.—Not later than 270 days  
9 after the date of enactment of this subsection, the  
10 Commission shall by rule prohibit any person from  
11 buying or selling the securities of any issuer while  
12 such person is in possession of material nonpublic  
13 information relating to any pending or prospective  
14 legislative action relating to such issuer if—

15 “(A) such information was obtained by  
16 reason of such person being a Member or em-  
17 ployee of Congress; or

18 “(B) such information was obtained from a  
19 Member or employee of Congress, and such per-  
20 son knows that the information was so ob-  
21 tained.

22 “(2) DISCLOSURE.—Not later than 270 days  
23 after the date of enactment of this subsection, the  
24 Commission shall by rule prohibit any Member or  
25 employee of Congress, or any other person from dis-  
26 closing material nonpublic information relating to

1 any pending or prospective legislative action relating  
2 to any issuer if that Member, employee, or other  
3 person has reason to believe that the information  
4 will be used to buy or sell the securities of such  
5 issuer based on such information.”.

6 (b) COMMODITIES TRANSACTIONS.—Section 4c of the  
7 Commodities Exchange Act (7 U.S.C. 6c) is amended by  
8 adding at the end the following:

9 “(h) NONPUBLIC INFORMATION RELATING TO CON-  
10 GRESS.—

11 “(1) PROHIBITION.—Not later than 270 days  
12 after the date of enactment of this subsection, the  
13 Commission shall by rule prohibit any person from  
14 buying or selling any commodity for future delivery  
15 while such person is in possession of material non-  
16 public information relating to any pending or pro-  
17 spective legislative action relating to such commodity  
18 if—

19 “(A) such information was obtained by  
20 reason of such person being a Member or em-  
21 ployee of Congress; or

22 “(B) such information was obtained from a  
23 Member or employee of Congress, and such per-  
24 son knows that the information was so ob-  
25 tained.

1           “(2) DISCLOSURE.—Not later than 270 days  
2 after the date of enactment of this subsection, the  
3 Commission shall by rule prohibit any Member or  
4 employee of Congress, or any other person from dis-  
5 closing material nonpublic information relating to  
6 any pending or prospective legislative action relating  
7 to any commodity if that Member, employee, or  
8 other person has reason to believe that the informa-  
9 tion will be used to buy or sell such commodity for  
10 future delivery based on such information.”.

11 **SEC. 3. TIMELY REPORTING OF SECURITIES TRANS-**  
12 **ACTIONS.**

13           (a) AMENDMENT.—Section 103 of the Ethics in Gov-  
14 ernment Act of 1978 is amended by adding at the end  
15 the following subsection:

16           “(1) Within 30 days after the purchase, sale, or ex-  
17 change of any stocks, bonds, commodities futures, or other  
18 forms of securities that are otherwise required to be re-  
19 ported under this Act and the transaction of which in-  
20 volves at least \$1000 by any Member of Congress or offi-  
21 cer or employee of the legislative branch required to so  
22 file, that Member, officer, or employee shall file a report  
23 of that transaction with the Clerk of the House of Rep-  
24 resentatives in the case of a Representative in Congress,  
25 a Delegate to Congress, or the Resident Commissioner

1 from Puerto Rico, or with the Secretary of the Senate in  
2 the case of a Senator.”.

3 (b) EFFECTIVE DATE.—The amendment made by  
4 subsection (a) shall apply to transactions occurring on or  
5 after the date that is 90 days after the date of the enact-  
6 ment of this Act.

7 **SEC. 4. REGISTRATION OF POLITICAL INTELLIGENCE**  
8 **FIRMS.**

9 (a) DEFINITIONS.—Section 3 of the Lobbying Dislo-  
10 sure Act of 1995 (2 U.S.C. 1602) is amended—

11 (1) in paragraph (2)—

12 (A) by inserting after “lobbying activities”  
13 both places such term appears the following:  
14 “or political intelligence activities”; and

15 (B) by inserting after “lobbyists” the fol-  
16 lowing: “or political intelligence consultants”;  
17 and

18 (2) by adding at the end the following new  
19 paragraphs:

20 “(17) POLITICAL INTELLIGENCE ACTIVITIES.—

21 The term ‘political intelligence activities’ means po-  
22 litical intelligence contacts and efforts in support of  
23 such contacts, including preparation and planning  
24 activities, research and other background work that  
25 is intended, at the time it is performed, for use in

1 contacts, and coordination with the political intel-  
2 ligence activities of others.

3 “(18) POLITICAL INTELLIGENCE CONTACT.—

4 “(A) DEFINITION.—The term ‘political in-  
5 telligence contact’ means any oral or written  
6 communication (including an electronic commu-  
7 nication) to or from a covered legislative branch  
8 official, the information derived from which is  
9 intended for use in analyzing securities or com-  
10 modities markets, that is made on behalf of a  
11 client with regard to the formulation, modifica-  
12 tion, or adoption of Federal legislation (includ-  
13 ing legislative proposals).

14 “(B) EXCEPTION.—The term ‘political in-  
15 telligence contact’ does not include a commu-  
16 nication that is made by or to a representative  
17 of a media organization if the purpose of the  
18 communication is gathering and disseminating  
19 news and information to the public.

20 “(19) POLITICAL INTELLIGENCE FIRM.—The  
21 term ‘political intelligence firm’ means a person or  
22 entity that has 1 or more employees who are polit-  
23 ical intelligence consultants to a client other than  
24 that person or entity.

1           “(20) POLITICAL INTELLIGENCE CONSULT-  
2           ANT.—The term ‘political intelligence consultant’  
3           means any individual who is employed or retained by  
4           a client for financial or other compensation for serv-  
5           ices that include one or more political intelligence  
6           contacts.”.

7           (b) REGISTRATION REQUIREMENT.—Section 4 of  
8           that Act (2 U.S.C. 1603) is amended—

9           (1) in subsection (a)(1)—

10           (A) by inserting after “whichever is ear-  
11           lier,” the following: “or a political intelligence  
12           consultant first makes a political intelligence  
13           contact,”; and

14           (B) by inserting after “such lobbyist” both  
15           places such term appears the following: “or con-  
16           sultant”;

17           (2) in subsection (a)(2), by inserting after “lob-  
18           byists” both places such term appears the following:  
19           “or consultants”;

20           (3) in subsection (a)(3)(A)—

21           (A) by inserting after “lobbying activities”  
22           each place such term appears the following:  
23           “and political intelligence activities”; and

1 (B) in clause (i), by inserting after “lob-  
2 bying firm” the following: “or political intel-  
3 ligence firm”;

4 (4) in subsection (b)(3), by inserting after “lob-  
5 bying activities” both places such term appears the  
6 following: “or political intelligence activities”;

7 (5) in subsection (b)(4), by inserting after “lob-  
8 bying activities” the following: “or political intel-  
9 ligence activities”;

10 (6) in subsection (b)(4)(C), by inserting after  
11 “lobbying activity” the following: “or political intel-  
12 ligence activity”;

13 (7) in subsection (b)(5), by inserting after “lob-  
14 bying activities” both places such term appears the  
15 following: “or political intelligence activities”;

16 (8) in subsection (b)(6), by inserting after “lob-  
17 byist” both places such term appears the following:  
18 “or political intelligence consultant”;

19 (9) in subsection (c)(1), by inserting after “lob-  
20 bying contacts” the following: “or political intel-  
21 ligence contacts”;

22 (10) in subsection (c)(2)—

23 (A) by inserting after “lobbying contact”  
24 the following: “or political intelligence contact”;

25 and



1 (B) by inserting after “lobbying contacts”  
2 the following: “and political intelligence con-  
3 tacts”; and

4 (11) in subsection (d)(1), by inserting after  
5 “lobbying activities” both places such term appears  
6 the following: “or political intelligence activities”.

7 (c) REPORTS BY REGISTERED POLITICAL INTEL-  
8 LIGENCE CONSULTANTS.—Section 5 of the Lobbying Dis-  
9 closure Act of 1995 (2 U.S.C. 1604) is amended—

10 (1) in subsection (a), by inserting after “lob-  
11 bying activities” the following: “and political intel-  
12 ligence activities”;

13 (2) in subsection (b)(2)—

14 (A) in the matter preceding subparagraph  
15 (A), by inserting after “lobbying activities” the  
16 following: “or political intelligence activities”;

17 (B) in subparagraph (A)—

18 (i) by inserting after “lobbyist” the  
19 following: “or political intelligence consult-  
20 ant”; and

21 (ii) by inserting after “lobbying activi-  
22 ties” the following: “or political intelligence  
23 activities”;

1 (C) in subparagraph (B), by inserting after  
2 “lobbyists” the following: “or political intel-  
3 ligence consultants”; and

4 (D) in subparagraph (C), by inserting  
5 after “lobbyists” the following: “or political in-  
6 telligence consultants”;

7 (3) in subsection (b)(3)—

8 (A) by inserting after “lobbying firm” the  
9 following: “or political intelligence firm”; and

10 (B) by inserting after “lobbying activities”  
11 both places such term appears the following:  
12 “or political intelligence activities”; and

13 (4) in subsection (b)(4), by inserting after “lob-  
14 bying activities” both places such term appears the  
15 following: “or political intelligence activities”.

16 (d) DISCLOSURE AND ENFORCEMENT.—Section 6 of  
17 the Lobbying Disclosure Act of 1995 (2 U.S.C. 1605) is  
18 amended—

19 (1) in paragraph (3)(A), by inserting after “lob-  
20 bying firms” the following: “, political intelligence  
21 consultants, political intelligence firms,”;

22 (2) in paragraph (7), by inserting after “lob-  
23 bying firm” the following: “, or political intelligence  
24 consultant or political intelligence firm,”; and

1           (3) in paragraph (8), by inserting after “lob-  
2           bying firm” the following: “, or political intelligence  
3           consultant or political intelligence firm,”.

4           (e) RULES OF CONSTRUCTION.—Section 8 of the  
5           Lobbying Disclosure Act of 1995 (2 U.S.C. 1607) is  
6           amended in subsection (b) by inserting after “lobbying  
7           contacts” the following: “, or political intelligence activi-  
8           ties or political intelligence contacts,”.

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