To prohibit Members of Congress and employees of Congress from using nonpublic information derived from their official positions for personal gain, and for other purposes.

IN THE SENATE OF THE UNITED STATES

introduced the following bill; which was read twice and referred to the Committee on ____________

A BILL

To prohibit Members of Congress and employees of Congress from using nonpublic information derived from their official positions for personal gain, 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 of 2012”.

SEC. 2. USE OF NONPUBLIC INFORMATION FOR PERSONAL GAIN PROHIBITED.

The Congressional Accountability Act of 1995 (Public Law 104–1; 2 U.S.C. 1301 et seq.) is amended by at the end the following:

“TITLE VI—USE OF NONPUBLIC INFORMATION FOR PERSONAL GAIN PROHIBITED

“SEC. 601. DEFINITION.

“In this title—

“(1) the term ‘Member of Congress’ means a member of the Senate or the House of Representatives, a Delegate to the House of Representatives, and the Resident Commissioner from Puerto Rico; and

“(2) the term ‘employee of Congress’ means—

“(A) an employee of the Senate; and

“(B) an employee of the House of Representatives.

“SEC. 602. GENERAL PROHIBITION.

“No Member of Congress and no employee of Congress shall use any nonpublic information derived from the individual’s position as a Member of Congress or employee of Congress, or gained from performance of the individual’s duties, for personal benefit.
“SEC. 603. IMPLEMENTING RULES.

“The Select Committee on Ethics of the Senate and the Committee on Standards of Official Conduct of the House of Representatives shall issue rules or regulations to carry out the purposes of section 602.

“SEC. 604. APPLICABILITY TO SECURITIES LAWS.

“(a) In general.—For the purposes of the insider trading prohibitions arising under section 10(b) of the Securities Exchange Act of 1934 and rule 10b–5 thereunder, the prohibition set forth in section 602 states a duty of trust and confidence of each Member of Congress and of each employee of Congress to Congress, the United States Government, and the citizens of the United States.

“(b) Rulemaking authority.—The Securities and Exchange Commission may issue such rules or regulations as the Commission determines are necessary or appropriate to implement subsection (a) or to otherwise ensure that Members of Congress and employees of Congress are subject to the insider trading prohibitions that apply generally.

“SEC. 605. APPROPRIATE PUNITIVE, DISCIPLINARY, AND OTHER REMEDIAL ACTION.

“A Member of Congress or an employee of Congress who violates the prohibition under section 602 shall be subject to appropriate punitive, disciplinary, and other re-
medial action in accordance with any applicable laws, resolutions, rules, or regulations.

"SEC. 606. RULE OF CONSTRUCTION.

"Nothing in this title shall be construed to be in derogation of existing legal obligations of a Member of Congress or an employee of Congress or to limit or otherwise alter the securities laws, the authority of the Securities and Exchange Commission under such laws, or other laws of the United States.”

SEC. 3. TECHNICAL, CONFORMING, AND CLERICAL AMENDMENTS.

The Congressional Accountability Act of 1995 is amended—

(1) in section 1(b) by inserting, after the item relating to section 509, the following:

"TITLE VI—USE OF NONPUBLIC INFORMATION FOR PERSONAL GAIN PROHIBITED

"Sec. 601. Definition.
"Sec. 602. General prohibition.
"Sec. 603. Implementing rules.
"Sec. 604. Applicability to securities laws.
"Sec. 605. Appropriate punitive, disciplinary, and other remedial action.
"Sec. 606. Rule of construction.”;

and

(2) in section 413 (2 U.S.C. 1413) by striking “408” and inserting “408, or to bring a judicial proceeding to enforce the prohibition under section 602,”.
SEC. 4. CONFORMING CHANGES TO THE COMMODITY EXCHANGE ACT.

Section 4c(a) of the Commodity Exchange Act (7 U.S.C. 6c(a)) is amended by—

(1) inserting “or any Member of Congress or congressional employee” after “Federal Government,”—

(A) the first time it appears in paragraph (3);

(B) the first time it appears in paragraph (4)(A);

(C) in paragraph (4)(B); and

(D) in paragraph clause (4)(C)(iii);

(2) inserting “or by Congress”—

(A) in paragraph (3), before “in a manner”;

(B) in paragraph (4)(A), before “in a manner”; and

(C) in paragraph (4)(C)—

(i) before “that may affect” and

(ii) before “in a manner”;

(3) in paragraphs (3) and (4)(A), inserting “Member,” after “position of the”; and

(4) in paragraph (4)(C)(iii), inserting “to Congress” after “Federal Government”.
SEC. 5. PROMPT REPORTING OF FINANCIAL TRANSACTIONS.

(a) Reporting Requirement.—Section 101 of the Ethics in Government Act is amended by adding at the end the following subsection:

“(j) Within 30 days after any transaction required to be reported under subparagraph 102(a)(5)(B) of this Act, a Member of Congress or officer or employee of Congress shall file a report of the transaction.”.

(b) Effective Date.—The amendment made by subsection (a) shall apply to transactions occurring on or after the date that is 90 days after the date of enactment of this Act.

SEC. 6. REPORT ON POLITICAL INTELLIGENCE ACTIVITIES.

(a) Report.—

(1) In general.—Not later than 12 months after the date of enactment of this Act, the Comptroller General of the United States, in consultation with the Congressional Research Service, shall submit to the Committee on Homeland Security and Governmental Affairs of the Senate and the Committee on Oversight and Government Reform of the House of Representatives a report on the role of political intelligence in the financial markets.

(2) Contents.—The report required by this section shall include a discussion of—
(A) what is known about the prevalence of the sale of political intelligence and the extent to which investors rely on such information;

(B) what is known about the effect that the sale of political intelligence may have on the financial markets;

(C) the extent to which information which is being sold would be considered non-public information;

(D) the legal and ethical issues that may be raised by the sale of political intelligence;

(E) any benefits from imposing disclosure requirements on those who engage in political intelligence activities; and

(F) any legal and practical issues that may be raised by the imposition of disclosure requirements on those who engage in political intelligence activities.

(b) DEFINITION.—For purposes of this section, the term “political intelligence” shall mean information that is—

(1) derived by a seller from direct communications with executive branch and legislative branch officials; and
(2) provided in exchange for financial compensation to a client who intends, and who is known by the seller to intend, to use the information to inform investment decisions.