



March 23, 2012

**SENATE PASSES HOUSE-AMENDED  
INSIDER TRADING LEGISLATION**

Lobbying and Public Policy, Financial Services and Products Client Alert

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On Thursday, March 22, the Senate cleared the House version of the Stop Trading on Congressional Knowledge Act (STOCK Act) by unanimous consent. The legislation will now head to the President's desk to be signed into law. The legislation was originally introduced by Senator Joseph Lieberman (I-CT) following a CBS *60 Minutes* piece alleging that Congressional Members were making money by trading stocks using non-public information. It explicitly prohibits Members of Congress, the President, and other federal employees from trading stocks based on non-public Congressional information. In our view, this new law will very likely have a chilling effect on the ordinary exchange and collection of information about Congressional and Executive Branch activities and actions.

Among other things, the STOCK Act creates a specific fiduciary duty for Members and staff with respect to knowledge obtained as a result of their position. The legislation also prohibits certain federal employees from buying or selling securities, swaps, or commodity futures based on non-public, material information gained during the course of their employment. Under the legislation, such employees would have to report the purchase, sale, or exchange of any stock, bond, or commodity future transaction in excess of a certain amount, within 30 days of the transaction. The legislation would prohibit such employees from disclosing non-public information relating to any pending or prospective legislative action on commodities or securities.

Senator Lieberman's legislation first passed the Senate on February 2, 2012. When the House took up the legislation the following week, however, House Majority Leader Eric Cantor (R-VA) struck two Senate provisions added by Senators Patrick Leahy (D-VT) and Charles Grassley (R-IA). Senator Leahy's provision would have increased the penalties made available to lawmakers in public corruption cases, and Senator Grassley's amendment would have required "political intelligence consultants" to register as lobbyists.

The House-passed legislation currently awaiting the President's signature does not include these two controversial provisions. It does, however, contain a twelve month Government Accountability Office study on the issue of political intelligence activities. When complete, the study will be submitted to the Senate Committee on Homeland Security and Government Affairs, the House Committee on Government Reform, and the House Committee on the Judiciary.

Prior to the Senate invoking cloture to vote on the legislation, both Senators Leahy and Grassley asked Majority Leader Reid (D-NV) to send the legislation to conference so they could fight to have their provisions included. Majority Leader Reid denied this request, citing a lack of time before the April recess.

## Legislation Breakdown

For a breakdown of the entire STOCK Act expected to be signed by the President, click [here](#). The [Patton Boggs Financial Services Group](#) is closely tracking developments related to the STOCK Act. Further information on the legislation is available by contacting Micah Green or Jim Christian.

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