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ONE HUNDRED SIXTEENTH CONGRESS

U.S. House of Representatives

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MEMORANDUM FOR ALL MEMBERS, OFFICERS, AND EMPLOYEES

FROM: Committee on Ethics
Theodore E. Deutch, Chairman
Kenny Marchant, Ranking Member

SUBJECT: Reminder of STOCK Act Requirements, Prohibition Against Insider Trading & New Certification Requirement

The Stop Trading on Congressional Knowledge of 2012 (STOCK) Act instituted several new ethics requirements. The purpose of this memorandum is to remind all House Members, officers, and employees of two of those requirements as well as introduce a **new certification on Periodic Transaction Reports (PTRs)**. First, the memorandum will discuss the requirement that all Members, officers, and certain House employees periodically disclose certain securities transactions on PTRs.¹ Second, the memorandum will discuss the provision of the STOCK Act that explicitly affirms that Members, officers, and all House employees are subject to the insider trading prohibitions arising under the securities laws. The Committee expects the House community to promptly and diligently comply with all applicable STOCK Act requirements.

PTR FILING REQUIREMENT

All Members, officers, and employees paid at the senior staff² rate must disclose certain securities transactions over \$1,000³ on a PTR within 30 days of notice of the transaction, but in no case later than 45 days after the transaction. Reportable transactions include purchases, sales, or exchanges by the filer, the filer's spouse, and or dependent children. Filers must disclose transactions involving stocks, bonds, commodities futures, options, private equity, cryptocurrencies and other

¹ STOCK Act (Pub. L. 112-105, as amended by Pub. L. 112-173, Pub. L. 112-178 & Pub. L. 113-7).

² House officers and employees whose "rate of basic pay is equal to or greater than 120 percent of the minimum rate of basic pay payable for GS-15 of the General Schedule" for at least 60 days at any time during a calendar year are considered to be paid at the senior staff rate. The applicable 120% calculation for that rate is \$131,239 (or a monthly salary of more than \$10,936) for calendar year 2020. Principal assistants and shared employees (who are not also paid at the senior staff rate) are not required to file PTRs.

³ The \$1,000 threshold is based on the total dollar value of the transaction. It is not based on the loss or gain generated from the transaction.

securities on a PTR. However, PTRs are not required for widely held investment funds such as mutual funds, exchange-traded funds, and index funds. No PTR is required to be filed if there is no reportable securities activity.

For all Members, officers, and senior staff who are subject to PTR filing requirements, securities transactions must be reported twice: for the first time on a PTR no later than 45 days from the transaction, and then a second time on the annual FD Statement covering that calendar year. Transactions in certain types of widely held investment funds (e.g. mutual funds, exchange-traded funds, index funds, bond funds, and similar assets) only have to be reported on the annual FD statement.

PTRs may be filed with the Legislative Resource Center (LRC) by 1) using the online filing system available at <https://fd.house.gov> or by 2) mailing in a pre-printed PTR form available at <https://ethics.house.gov/financial-disclosure/financial-disclosure-forms-and-filing> to The Clerk, U.S. House of Representatives, Legislative Resource Center (LRC), B-81 Cannon House Office Building, Washington, DC 20515-6612. Members must submit the original, signed form with 2 photocopies. Officers and staff must submit the original, signed form with 1 photocopy. These forms may not be filed by email, scan, or fax.

The STOCK does not allow for extensions for PTRs. Transactions must be reported no later than 45 days after the transaction occurs. All late PTR filings are subject to a late filing fee of \$200, up to as much as \$200 per late transaction. However, there is a 30-day grace period before late fees are imposed. Late filing fees should be mailed to the LRC by check or money order made payable to the U.S. Treasury.

Any PTR submitted more than 30 days after the due date without the required late filing fee shall be deemed procedurally deficient and not properly filed.

NEW CERTIFICATION REQUIREMENT

Each PTR submission has always required a certification that the information provided is true, complete, and correct to the best of the reporting individual's knowledge. The form has now been revised to expand the required certification statement to include an affirmation that the reporting individual has disclosed all securities transactions reportable pursuant to the STOCK Act.

Image of New Certification Statement

UNITED STATES HOUSE OF REPRESENTATIVES
ETHICS IN GOVERNMENT ACT
PERIODIC TRANSACTION REPORT

Please provide the following information. Your address and signature WILL NOT be made available to the public.

_____ (Print Full Name) _____ (Daytime Telephone)

(Complete Address – Office or Home)

Filer Status: Member Officer or Employee

CERTIFICATION – THIS DOCUMENT MUST BE SIGNED BY THE REPORTING INDIVIDUAL AND DATED

The attached Periodic Transaction Report (PTR) is required by the Ethics in Government Act of 1978, as amended by the Representative Louise McIntosh Slaughter Stop Trading on Congressional Knowledge (STOCK) Act. The PTR will be available to the public and will be reviewed by the Committee on Ethics or its designee. Any individual who knowingly and willfully falsifies or who knowingly and willfully fails to file the attached report may be subject to civil penalties and criminal sanctions. See Section 104 of the Ethics in Government Act (5 U.S.C. app. §§ 101-111) and 18 U.S.C. § 1001.

Certification	Signature of Reporting Individual	Date
I CERTIFY that the statements I have made on the attached Periodic Transaction Report are true, complete, and correct to the best of my knowledge and belief. Further, I CERTIFY that I have disclosed all transactions as required by the STOCK Act.		

Members must file a signed original and two photocopies thereof.
Officers and employees must file a signed original and one photocopy thereof.

FOR OFFICIAL USE ONLY – DO NOT WRITE BELOW

Certification	Signature of Certifying Official	Date
It is my opinion, based on the information contained in this Periodic Transaction Report, that the reporting individual is in compliance with title I of the Ethics in Government Act (5 U.S.C. app. §§ 101-111).		

FAILURE TO FILE OR FALSIFYING PTRs

Each Member, officer, and senior staffer is responsible for the completeness and accuracy of the information contained in the individual's PTR, even if someone else prepared, or assisted in preparing, all or part of it. The EIGA provides that the Attorney General may pursue either civil or criminal penalties against an individual who knowingly and willfully falsifies a statement or fails to file a statement required by the EIGA. The maximum civil penalty is \$61,585. The maximum criminal penalty is up to one year in prison and a fine of up to \$61,585.⁴

In addition, 18 U.S.C. § 1001, as amended by the False Statements Accountability Act of 1996, is applicable PTRs. That criminal statute provides for a fine of up to \$250,000 and/or imprisonment for up to five years for knowingly and willfully making any materially false, fictitious, or fraudulent statement or representation, or falsifying, concealing, or covering up a material fact, in a filing under the EIGA.

⁴ 2020 Civil Monetary Penalties Inflation Adjustments for Ethics in Government Act Violations, 85 Fed. Reg. 2279 (Jan.15, 2020).

PROHIBITION AGAINST INSIDER TRADING

The STOCK Act explicitly affirmed that Members, officers, and **all** employees are subject to the insider trading prohibitions arising under the securities laws, which include Section 10(b) of the Securities Exchange Act of 1934 and 17 C.F.R. § 240.10b-5 (popularly known as Rule 10b-5). The prohibition applies to information learned both in an official capacity and in a personal capacity.

Members, officers, and employees may obtain material nonpublic information about a public company or economic sector (*e.g.*, energy, telecommunications, or healthcare) during the course of their official duties or in their personal capacity from family, friends, acquaintances, or from their own involvement with a company. If the Member, officer, or employee chooses to trade on this information, they may have engaged in insider trading.

Material nonpublic information is any information concerning a company, security, industry or economic sector, or real or personal property that is not available to the general public **and** which an investor would likely consider important in making an investment decision. A good rule of thumb to determine whether information may be material nonpublic information is whether or not the release of that information to the public would have an effect on the price of the security or property.

Example: A House employee learns in a meeting with Food and Drug Administration (FDA) staff that a new Coronavirus vaccine is going to be approved by the FDA. The staffer is informed at the meeting that this information is confidential. The House employee then buys shares in the company that manufactures the vaccine. Once the news of the drug approval is made public, the company's share price increases and the employee sells at a profit. As the STOCK Act explains, the employee would be subject to liability for violation of federal civil and criminal insider trading statutes. However, if the House employee waits to purchase the shares until the information regarding the FDA decision becomes public, the employee would not be subject to liability.

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If you have any questions regarding financial disclosure or wish to discuss any of the STOCK Act's requirements, please contact the Committee at (202) 225-7103 or financial.disclosure@mail.house.gov.