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Senate Approves Ban on Insider Trading by Congress

By ROBERT PEAR

WASHINGTON — The Senate passed a sweeping new ethics bill on Thursday that would ban insider trading by members of Congress and require prompt disclosure of stock transactions by lawmakers and by thousands of officials in the executive branch of government.

The **96-to-3** vote followed three days of impassioned debate in which senators tried to outdo one another in proclaiming their support for ethics in government.

President Obama called for passage of such legislation in his **State of the Union** address last week.

More than half of House members, including at least 100 Republicans, have signaled support for it, and House Republican leaders said Thursday that they would schedule consideration of the Senate-passed bill on the House floor next week.

A handful of lawmakers have tried for years to enact restrictions on stock dealing by members of Congress. Their efforts drew little support until new attention to the practice last year — coupled with election anxiety — prompted a flood of backing for the idea and support from Mr. Obama.

Senators of both parties said the bill was desperately needed to restore trust in Congress at a time when its public approval rating had sunk below 15 percent.

Senator **Kirsten E. Gillibrand**, Democrat of New York and an architect of the bill, said its purpose was simple: “to make sure that members of Congress play by the exact same rules as everyone else.”

The bill would prohibit members of Congress from trading stocks and other securities on the basis of confidential information they receive as lawmakers. It says explicitly that they are not exempt from the federal law and regulations that ban such insider trading.

Moreover, the bill requires members of Congress to disclose the purchase or sale of stocks, bonds, commodities futures and other securities within 30 days of transactions. The information would be posted on the Web.

A similar disclosure requirement would apply to many federal employees in the executive branch, including the White House, cabinet departments and independent agencies.

The new reporting requirements would not apply to transactions involving investments in **mutual funds** with “widely diversified” assets.

“For the first time,” Ms. Gillibrand said, “this bill would establish that we have a clear fiduciary responsibility to the people we serve. It removes any doubt that both the **Securities and Exchange Commission** and the **Commodity Futures Trading Commission** can investigate and prosecute cases involving insider trading of securities from nonpublic information that we have access to when we do our jobs.”

By a vote of 60 to 39, the Senate approved an amendment requiring “political intelligence” firms to register like lobbyists. Such firms collect information on Capitol Hill and sell it to hedge funds and others who use it to inform their investment decisions.

The main bill was genuinely bipartisan — a product of work by Ms. Gillibrand and Senators **Joseph I. Lieberman**, independent of Connecticut; **Susan Collins**, Republican of Maine; and **Scott P. Brown**, Republican of Massachusetts.

Republicans led the effort to impose new financial disclosure requirements on federal agency officials, similar to those for members of Congress. “What is good for the goose should be good for the gander,” said Senator Richard C. Shelby, Republican of Alabama.

By a vote of 58 to 41, the Senate approved Mr. Shelby’s amendment requiring executive branch employees to report promptly on stock transactions, just as members of Congress would have to do.

Lawmakers disagreed about the number of executive branch employees who would be affected. Mr. Lieberman said it was more than 300,000. Aides to Mr. Shelby said it was fewer than 28,000.

Federal securities law does not explicitly exempt members of Congress. But, Ms. Collins said, “there is a dispute among experts” about whether lawmakers are covered by existing laws on insider trading.

The bill is meant to eliminate any ambiguity. It says that lawmakers have “a duty arising from a relationship of trust and confidence” to Congress, the federal government and citizens of the United States — a duty they violate by trading on nonpublic information.

Mr. Lieberman, the chief sponsor of the bill, said its passage would “help assure our constituents that we are here in Washington to address their concerns and not to profit personally” from public service.

The Senate voted Thursday on more than a dozen amendments before passing the bill, the Stop Trading on Congressional Knowledge Act, or Stock Act.

A few lawmakers complained that the Senate was moving too fast, without proof of wrongdoing.

“The assumption here is that some of our colleagues are doing insider trading on the stock market,” said Senator Tom Coburn, Republican of Oklahoma. “Nothing could be further from the truth. The real insider trading is the horse-trading that goes on in this body that is not always in the best interest of the country.”

The “no” votes were cast by Mr. Coburn and Senators Jeff Bingaman, Democrat of New Mexico, and

Richard M. Burr, Republican of North Carolina. Mr. Bingaman said, “I can’t support a bill that places unreasonable and burdensome reporting requirements on over 300,000 federal workers.”

The Senate also approved an amendment to block payment of bonuses to senior executives of Fannie Mae and Freddie Mac. Senator John McCain, Republican of Arizona, said it was outrageous that the executives were receiving bonuses after the mortgage giants had been bailed out by taxpayers.



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