

810 words

**Congresswoman Pramila Jayapal (WA-07)**  
**U.S. House Committee on Administration**  
**“Member Day Hearing”**  
**March 8, 2023**

Chairman Steil, Ranking Member Morelle, and members of the Committee, thank you for the opportunity to appear before you today.

I’d like to address the ethics problems created when members of Congress own or trade individual stocks.

Eleven years ago, President Obama signed the Stop Trading on Congressional Knowledge (STOCK) Act into law.<sup>1</sup> The STOCK Act clarified that members of Congress were liable under existing insider trading law and required disclosures for any securities transaction. While this law created more transparency and scrutiny over members of Congress who practice dubious trading techniques, lawmakers (and their spouses) can still purchase and sell stock in corporations that they are responsible for regulating.

Last year, an investigation revealed countless violations<sup>2</sup> of the STOCK Act. Despite these violations, government officials suffered few fines or penalties for their misconduct.<sup>3</sup> Even more concerning, the fines and penalties that were enforced served as little deterrent to future violations of the law. For example, the penalty for violation of the disclosure provisions in the STOCK Act is \$200.<sup>4</sup> Compared to the significant profits that members may make from a conflicted asset, this penalty is a drop in the bucket.<sup>5</sup>

The American public relies on their faith in the integrity of elected officials to maintain our democracy. As long as these officials own stock in companies they oversee or to which they appropriate taxpayer dollars – this faith remains corrupted. Members of Congress must serve the people and place their service to our country over personal financial interests.

Last Congress, Congressman Matthew Rosendale and I introduced the *Bipartisan Ban on Congressional Stock Ownership Act*, with Senators Elizabeth Warren and Senator Steve Daines leading in the Senate.<sup>6</sup> Our bipartisan, bicameral bill bans members of Congress and their spouses from owning and trading individual stocks, bonds, commodities, futures, and other securities. Our bill also has exceptions – it does not ban common, widely held investments that do not present a conflict of interest and are suitably diversified. The bill gives members 180 days to come into compliance after its enactment, with a five-year deadline for complex assets such as hedge funds and venture capital funds.

The Bipartisan Ban on Congressional Stock Ownership Act is distinct from several existing proposals because it does not allow for the creation of qualified blind trusts. While blind trusts are well-intentioned, they are often not truly blind. In fact, blind trusts may be known or easily discovered by their grantor. For example, if a member holds millions of dollars in stock of one corporation, and this stock is placed in a qualified blind trust, they can be reasonably confident that they don’t own alternative stock for an extended period. To ensure that members do not pose such conflicts of interest during their public service, full divestment is necessary. Because full divestment is a sacrifice, our bill permits the deferral of taxation of capital gains on investments that Members and spouses divest under its authority.

There are several proposals in the House and Senate to address stock ownership in Congress. What we have learned from these proposals is that members, both Democrats and Republicans, are passionate about this issue. That is why I’m proud to have this bipartisan bill and to be working with other members who also have bipartisan bills to put together the strongest possible proposal.

As long as Members of Congress are allowed to hold and trade stocks, the door to corruption remains open. The American people widely support a stock ownership legislation across partisan lines<sup>7</sup> and are calling on Congress to act. Congress must pass a bipartisan proposal to address Congressional stock ownership.<sup>8</sup>

Thank you for your time.

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<sup>1</sup> Blog Post, EXEC. OFF. OF THE PRESIDENT, PRESIDENT OBAMA SIGNS THE STOCK ACT, (Apr. 4, 2012), <https://obamawhitehouse.archives.gov/blog/2012/04/04/president-obama-signs-stock-act>.

<sup>2</sup> Madison Hall & Dave Levinthal, *78 members of Congress have violated a law designed to prevent insider trading and stop conflicts-of-interest*, BUS. INSIDER, (Jan. 3, 2023), <https://www.businessinsider.com/congress-stock-act-violations-senate-house-trading-2021-9>.

<sup>3</sup> Camila DeChalus, Kimberly Leonard, & Dave Levinthal, *Congress and top Capitol Hill staff have violated the STOCK Act hundreds of times. But the consequences are minimal, inconsistent, and not recorded publicly*, BUS. INSIDER, (Dec. 15 2021), <https://www.businessinsider.com/congress-stock-act-violations-penalties-consequences-2021-12>.

<sup>4</sup> See *supra* note 2.

<sup>5</sup> *Id.*

<sup>6</sup> H.R. 6678, 117<sup>th</sup> Cong. (2022).

<sup>7</sup> See Jon Green & Mark White, “The Public Thinks Members of Congress Shouldn’t Be Able to Own Individual Stocks,” Data for Progress, Mar. 19, 2020, available at <https://www.dataforprogress.org/blog/2020/3/19/the-public-thinks-members-of-congress-shouldnt-be-able-to-own-individual-stocks> (“Republicans support prohibiting members of Congress from holding individual stocks by a 28 point margin, 55% to 27%, while Democrats support the policy by a 27 point margin, 50% to 23%, and Independents support a prohibition by a 29 point margin, 51% to 22%.”)

<sup>8</sup> See Claire Williams, “Most Voters of All Parties Support Congressional Stock Trading Restrictions,” Morning Consult, Jan. 19, 2022, available at <https://morningconsult.com/2022/01/19/ban-stock-trading-congress-poll> (“63% of all voters support a ban on members of Congress trading stocks, and 57% favor extending that prohibition to cover member spouses.”)