STOP TRADING ON CONGRESSIONAL KNOWLEDGE ACT OF 2012

Section 1. Short Title

This section provides the short title, "Stop Trading on Congressional Knowledge Act of 2012" (STOCK Act).

Section 2. Use of Nonpublic Information for Personal Benefit Prohibited

This section amends the Congressional Accountability Act by adding a new title to that Act that prohibits Members of Congress and employees of Congress generally from using nonpublic information derived from their positions in Congress for personal benefit and makes it clear that existing insider trading prohibitions under the securities laws apply to Members of Congress and staff.

"Section 601. Definition"

This section defines the terms "Member of Congress" and "employee of Congress."

"Section 602. General Prohibition"

This section lays out the prohibition that Members and staff shall not use any nonpublic information that is derived from their positions in Congress, or gained from performance of their duties, for personal benefit.

"Section 603. Implementing Rules"

This section directs the Ethics Committees in the Senate and House to issue rules to carry out the purposes of Section 602.

"Section 604. Applicability to Securities Laws"

The dispute over the applicability of insider trading laws to Congress centers largely on the issue of whether Congress owes a legally enforceable fiduciary duty to the source from which they receive material, non-public information. This section makes it explicit that Members and staff owe such a duty under the securities laws. Specifically, subsection (a) provides that, for purposes of insider trading prohibitions under the Securities Exchange Act, the Section 602 prohibition against Members and employees using nonpublic information for personal benefit states a duty of "trust and confidence."

Subsection (b) authorizes the Securities and Exchange Commission to issue rules to implement this section and otherwise ensure that Members and staff are subject to insider trading prohibitions.

"Section 605. Appropriate Punitive, Disciplinary, and Other Remedial Action"

This section ensures that Members and staff that violate the prohibition under Section 602 are subject to appropriate disciplinary actions.

"Section 606. Rule of Construction"

This section provides that nothing in this title diminishes an existing legal obligation of Members and staff and makes clear that the STOCK Act does not limit or otherwise alter existing securities laws.

Section 3. Technical, Conforming, and Clerical Amendments

This section makes technical changes to the Congressional Accountability Act.

Section 4. Conforming Changes to the Commodity Exchange Act

This section makes conforming changes to the Commodity Exchange Act to ensure that the insider trading prohibitions under that Act apply to Members of Congress and staff.

Section 5. Prompt Reporting of Financial Transactions

This section amends existing financial disclosure rules to require Members and staff to report the purchase or sale of stocks, bonds, commodities futures, and other forms of securities within 30 days after such a transaction takes place.

Section 6. Report on Political Intelligence Activities

This section requires that no later than 12 months after the date of enactment of the STOCK Act, GAO is to submit a report to Congress assessing the role of "political intelligence" in the financial markets and the extent to which investors are using access to Congressional insiders and other federal employees to inform their investment decisions. This report is intended to shed light on the practice and better inform any future Congressional action in this area.