



Statement of

**Jacob R. Straus**  
Specialist on the Congress

Before

Committee on House Administration  
U.S. House of Representatives

Hearing on

# **“Examining Stock Trading Reforms for Congress”**

April 8, 2022

**Congressional Research Service**

<https://crsreports.congress.gov>

TE10073

Chairperson Lofgren, Ranking Member Davis, and Members of the Committee, on behalf of the Congressional Research Service thank you for the opportunity to appear today.

My testimony focuses on two main areas: current financial disclosure and periodic transaction reporting requirements; and legislative proposals introduced during the 117<sup>th</sup> Congress to limit or prohibit certain financial transactions by Members of Congress and covered congressional employees.

Federal government officials and employees, including Members of Congress, when taking official action, are expected to place “loyalty to the Constitution, laws, and ethical principles above private gain.” Using this guiding principle, the Ethics in Government Act, as amended, including by the STOCK Act in 2012, requires covered officials, including Members of Congress and certain congressional employees, to file annual financial disclosure statements that report income, gifts, liabilities, and property, and make periodic transaction reports that disclose the purchase or sale of certain financial assets. Further, the STOCK Act affirms that Members of Congress, congressional employees, and other federal officials are not exempt from “insider trading” laws.

In the 117<sup>th</sup> Congress, CRS identified 14 bills or resolutions that propose limitations on Members of Congress and other covered congressional employees from engaging in certain financial transactions. Broadly, these measures propose to amend the Ethics in Government Act and/or the STOCK Act, create new law, or amend House Rules to prohibit the holding, purchasing, selling, and/or actively managing certain types of assets. Currently, Congress does not prohibit the ownership of specified financial assets, but certain targeted restrictions do exist in some executive branch agencies.

With regard to the legislative proposals before Congress, six points are pertinent:

First, to address Member and covered individuals’ financial holdings and transactions, several legislative proposals would either amend the Ethics in Government Act, the STOCK Act, or both. Others would create new law.

Second, each of the legislative proposals would generally prohibit covered officials from holding, purchasing, selling, and/or actively managing certain types of assets.

Third, a number of the proposals would allow or require a Member of Congress to place covered assets in a qualified blind trust that is approved by the official’s supervising ethics office, the House Ethics Committee for the House of Representatives. Qualified blind trusts separate the covered official from day-to-day decisionmaking about their holdings, which can serve to remedy potential conflicts that might arise from officials’ actions that could impact their individual holdings.

Fourth, four of the proposals would expand public access to information in the financial disclosure statements and periodic transaction reports.

Fifth, 10 of the 14 legislative proposals would change available penalties for non-compliance. Within those proposals, two basic penalty strategies are suggested: fine individuals for non-compliance and/or publish the names of individuals who are found in violation of the law on a public webpage.

Finally, two legislative proposals would amend House Rule XXIII, the House Code of Conduct, to add a new section that would prohibit Members from trading stocks.

In closing—

These legislative proposals include a range of options to limit or prohibit certain financial activities. Policymakers may wish to consider the scope of the proposals, the benefits of particular proposals, any potential administrative adjustments that might be necessary to implement a modification of ethics laws, and the potential costs to covered officials to comply with the proposed laws. My written testimony raises particular questions that might be considered.

Should Congress choose to act, it could implement a particular measure as introduced or incorporate various concepts from several different measures. Each choice likely has advantages and disadvantages that CRS is available to discuss further.

Thank you again for the opportunity to testify. I look forward to your questions.

---

## Disclaimer

This document was prepared by the Congressional Research Service (CRS). CRS serves as nonpartisan shared staff to congressional committees and Members of Congress. It operates solely at the behest of and under the direction of Congress. Information in a CRS Report should not be relied upon for purposes other than public understanding of information that has been provided by CRS to Members of Congress in connection with CRS's institutional role. CRS Reports, as a work of the United States Government, are not subject to copyright protection in the United States. Any CRS Report may be reproduced and distributed in its entirety without permission from CRS. However, as a CRS Report may include copyrighted images or material from a third party, you may need to obtain the permission of the copyright holder if you wish to copy or otherwise use copyrighted material.