

**Statement of the Honorable Louise M. Slaughter
Before the House Committee on Financial Services
December 6, 2011**

Chairman Bachus, Ranking Member Frank and Members of the Committee, thank you for holding this important hearing today and for giving me the opportunity to testify. Ranking Member Frank, thank you for acknowledging the need for this legislation and for requesting a hearing. Your leadership will be missed when you retire at the end of this Congress. I look forward with working with you and Chairman Bachus to enact yet another historic financial reform to add to your legacy.

I want to thank the Committee for taking up such an important issue that has now gained national notoriety. The issue of insider trading in the halls of Congress has given the American people the very worst impression of the men and women that serve this institution. I believe, as I have for some time now, that we must end the possibility of personal enrichment within the Halls of Congress.

The STOCK Act has been around for five years now and never gained more than fourteen cosponsors. Representative Brian Baird and I introduced the STOCK Act in 2006 after increasing reports of Members of Congress and staff abusing their official status for private gain, and the rise of political intelligence firms using congressional nonpublic information to gain an advantage on the stock market. In addition, an academic field had developed to study whether Members of Congress performed better than average on the stock market in the 1980's and 1990's.

The bill was reintroduced in the 110th and again in the 111th. On July 13, 2009, I testified before this committee's Oversight and Investigations Subcommittee at a hearing on this very topic, but the bill never went any further. The STOCK Act has been reintroduced for the fourth time. The bill is supported by a broad base of groups focused on government reform, including Public Citizen, Citizens for Responsibility and Ethics in Washington (CREW), Common Cause, Democracy 21, League of Women Voters, Project on Government Oversight, the Sunlight Foundation, and U.S. PIRG.

Leading up to the *60 Minutes* report on congressional insider trading, the STOCK Act had received 9 cosponsors, a typically low amount, though we did have Representative Walter Jones sign on, making him the first Republican to join since the 109th Congress. I want to thank him for the support he has lent the legislation.

We now have 171 cosponsors and counting. There are not one, but two Senate counterparts to the STOCK Act after years of attempting to get the upper chamber's attention on the issue. I have never seen such an explosion of interest in a bill. My colleagues are really starting to understand that light needs to be shed on insider trading and the political intelligence industry, which has been creeping into the halls of Congress for years now. There are 535 of us privileged enough to serve in this Congress and the fact that any one of us would think to personally profit off the information that's shared with us upsets me greatly.

To make up for lost time, the Senate has held a hearing on the STOCK Act and committed to markup the bill before the year's end. I encourage the Members of this Committee to work in concert with the other five House committees of jurisdiction, including the Rules Committee of which I serve as the Ranking Member, in bringing this bill to markup and to the House floor for a vote in short-order.

Congressional approval is at six-percent. Thousands of people across the country have been peacefully protesting to break the intimate relationship between Wall Street and Washington, D.C. Enacting the STOCK Act will prove that Congress is capable of reforming its internal operations and will help ensure Members are held to at least the same standards as everyone else when it comes to insider trading. Failing to pass the STOCK Act will send a clear signal to the American public that we have no interest in gaining their approval or reforming a broken system.

Members of Congress, congressional staff, and federal employees have the unique opportunity and means to make profound changes in our economy, the country and the world. But with this historical opportunity comes the serious potential for abuse of power and the public trust.

Now, I sincerely believe that the vast majority of members of Congress and congressional staff are here to serve the best interests of their constituents and the public, not to line their own pockets. This bill is not about individuals, it is about reforming this institution as a whole. By explicitly prohibiting the improper use of sensitive information for personal gain, we will be taking an enormous step in providing transparency while preserving and strengthening public faith in our government and the democratic process.

I understand there are some who do not think the STOCK Act is necessary. They might argue that, in theory, the current ethics rules and SEC rules could be applied to cases of trading using congressional material nonpublic information. However, in practice, we have never seen these rules applied to Congress. This has made the public rightly question the adequacy of the rules we have today. That is why the STOCK Act has a multi-pronged effort to address congressional insider trading and remove any current ambiguity around the issue. The STOCK Act requires the Securities and Exchange Commission (SEC), the Commodities Future Trading Commission (CFTC) and House Ethics rules to explicitly ban such trading, and provides two new enforcement tools. The bill requires timely financial disclosures similar to what is required of Wall Street insiders, and I cannot emphasize this enough, it requires the registration of Political Intelligence firms similar to what is required of lobbyists.

Throughout our current economic crisis, and indeed since their creation in the 1970's, so called "political intelligence" firms have operated quietly in the background without any regulation or oversight. Recently, the size of this industry has grown considerably, bringing in an estimated \$100 million a year. These firms focus *not* on influencing Congress, but rather on using Congressional information to influence their clients' stock portfolios. For example, one political intelligence firm brazenly makes this concerning claim on their website, and I quote:

"Providing this service for clients who do not want their interest in an issue publicly known is an activity that does not need to be reported under the Lobbying Disclosure Act (LDA), thus providing an additional layer of confidentiality for our clients."

The STOCK Act does not ban political intelligence firms, but simply requires that the industry is as transparent as the lobbying industry.

Chairman Bachus and Ranking Member Frank, once again, let me thank you for holding this hearing today to shed light on this important issue. I look forward to working with you and all the Members of this Committee, as well as any other interested parties, to enact this critical legislation in a timely fashion.