

Waters Floor Statement on Her Bipartisan Legislation to Curb Illegal Insider Trading

Washington DC, January 28, 2019

Today, **Congresswoman Maxine Waters (D-CA)**, Chairwoman of the House Financial Services Committee, gave the following floor statement on [H.R. 624, the Promoting Transparent Standards for Corporate Insiders Act](#), bipartisan legislation which requires the Securities and Exchange Commission (SEC) to consider certain types of amendments to Rule 10b5-1 that would ensure corporate insiders are unable to indirectly engage in illegal insider trading through changes to their trading plans.

As Prepared for Delivery

Thank you, Mr. Speaker.

I am very pleased to have worked with Ranking Member McHenry on this bipartisan bill, H.R. 624, the Promoting Transparent Standards for Corporate Insiders Act.

The bill is designed to promote strong enforcement against financial fraud by ensuring that corporate executives cannot indirectly and illegally trade on material non-public information that they know about their companies.

The Securities and Exchange Commission (SEC) prohibits insider trading as a fraud that hurts both company investors and the integrity of our capital markets. Those accused of illegal insider trading may defend themselves using the SEC's rule for trading plans, Rule 10b5-1, and state that any trades that occurred while they possessed inside information were made pursuant to a preapproved trading plan.

But the rule for trading plans has several shortcomings that may allow corporate insiders to get away with insider trading.

My bill would require the SEC to study whether to amend its rule for trading plans to limit the ability of corporate insiders to, for example, adopt multiple, overlapping plans or change their plans to indirectly take advantage of inside information. The bill would then require the SEC to report to Congress and revise its rules based on the results of the study.

This bill is much needed as fraudulent stock sales by high ranking executives can erode confidence in our markets. For example, in November of 2017, the CEO of Intel reportedly sold \$39 million in stock after he learned of two security flaws in Intel processors and within days of revising his trading plan for the second time that year.

This bill is supported by investor and consumer advocates, public pension funds, and state securities regulators, including Public Citizen, Americans for Financial Reform, California Public Employees' Retirement System (CalPERS), the California State Teachers' Retirement System (CalSTRS), the Council of Institutional Investors, Healthy Markets, and North American Securities Administrators Association (NASAA).

I thank Ranking Member McHenry for joining me in reintroducing this bill this Congress and I urge Members to vote "Yes."

So, thank you and I reserve the balance of my time.

H.R. 624 was introduced by **Chairwoman Waters** and **Congressman Patrick McHenry (R-NC)**, Ranking Member of the House Committee on Financial Services. Chairwoman Waters selected the bill for floor consideration and worked with Ranking Member McHenry to ensure widespread bipartisan support.

The bill passed by a vote of 413-3.

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