

## **Securities Regulation Daily Wrap Up, INVESTOR EDUCATION—House passes judicial financial disclosure bill, (Dec. 1, 2021)**

Securities Regulation Daily Wrap Up

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The legislation advanced rapidly this fall after media reports indicated that a sizeable number of federal judges failed to recuse themselves from litigated cases in which they may have had financial interests.

The House passed the Courthouse Ethics and Transparency Act ([H.R. 5720](#)), which would require federal judges to make public disclosures of their potential financial interests in litigated cases. The specific requirements are similar to those that already apply to members of Congress and senior executive branch officials under the Stop Trading on Congressional Knowledge (STOCK) Act (Pub. L. [No. 112-105](#)). The bill passed the House by a vote of 422-4.

A key concern during a Congressional [hearing](#) on the legislation was the potential that the required disclosures to be made by federal judges could jeopardize the safety of judges, several of whom have in recent years experienced violent attacks on themselves and/or their families. The bill would address this possibility by allowing the redaction of certain information that, if revealed publicly, could put judges at risk.

Both the House and Senate versions of the bill originally contained a congressional findings section that indirectly mentioned an article that appeared in *The Wall Street Journal* on the failure of some federal judges to recuse themselves in cases where they had financial interests. The findings section also noted that current law requires recusal when a federal judge has a financial interest in the subject matter of or a party to federal court proceedings. The findings also reiterated that the STOCK Act extended insider trading provisions of the federal securities laws to members of Congress and other federal officials. The version of the bill passed by the House, however, removed the Congressional findings section from the bill text.

House Judiciary Committee Chair Jerrold Nadler (D-NY) [told](#) members that the bipartisan bill would address an alarming lack of transparency about the financial holdings of federal judges. He also explained that the bill would apply the same rules to judges as already apply to Congress and the executive branch and that judges' disclosure reports would be available publicly via a searchable online database.

Representative Deborah Ross (D-NC), the bill's sponsor, [said](#) the disclosure requirements contained in the bill would fill a transparency void revealed by media reports finding that more than 130 federal judges broke the law by hearing cases where they had financial interests. She also noted that safeguards had been written into the bill to protect the safety of federal judges.

Representative Darrell Issa (R-Calif), Ranking Member of the House Judiciary Committee's Subcommittee on Courts, Intellectual Property, and the Internet, said the judicial ethics rules were important because of federal judges' lifetime appointments and the money involved in some cases, but also because of the costs to public confidence. He also suggested that judges will need better databases with which to track their potential conflicts of interest arising from their financial holdings. Representative Issa [summarized](#) the bill's goal when it cleared the full House Judiciary Committee: "With this legislation, we align accountability of the judicial branch with that of elected officials. It is a standard that is overdue."

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