Himes Bipartisan Insider Trading Bill Passes House

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Washington, DC— Today, the House of Representatives passed Congressman Jim Himes' (CT-04) *Insider Trading Prohibition Act* (HR 2534) by a vote of 410-13. The bill establishes an unambiguous statutory prohibition on insider trading. The fairness, integrity and safety of our nation's capital markets are weakened when corporate insiders and others who wrongfully obtain inside information misuse it, profiting at the expense of other investors and the market as a whole.

"The bipartisan passage of this bill represents years of work incorporating ideas and input from regulatory agencies, legal experts, and my colleagues on both sides of the aisle," said Himes. "It's a testament to the fact that Congress can craft meaningful policy that both Democrats and Republicans can support if we fully commit to working across the aisle in good faith. The resulting bill will help bolster faith in the fairness of the system for American investors and let potential wrongdoers know exactly what behavior will cross the line."

The *Insider Trading Prohibition Act* codifies and clarifies the overarching principles on insider trading set forth by courts, while eliminating the ambiguities that have existed in the case-by-case evolution of the law in this area.

"There is currently no bright line statutory prohibition against insider trading, forcing the SEC and DOJ to rely on more general anti-fraud statutes and decades of case law, subject to interpretation by individual judges," Himes continued. "It is past time for Congress to provide direction in this area, as there exists a clear and fundamental disadvantage in prosecuting a crime that has never been properly defined."

The *Insider Trading Prohibition Act*:

- Makes it unlawful for a person to trade while aware of material, non-public information if that person knows, or recklessly disregards, that the information was obtained wrongfully, or that making that trade would constitute a wrongful use of that inside information.
    - The bill lays out the following situations in which the trading or communication of material nonpublic information is wrongful:
        - Theft, bribery, misrepresentation, or espionage;
        - A violation of federal statutes protecting computer data;
        - Conversion, misappropriation, or other deceptive taking; or
        - A breach of fiduciary duty, contract, or various other agreements.
- Prohibits those with material, nonpublic information from passing along that information to others, or tipping them, if it's reasonably foreseeable that the

recipient of the information will trade on that information or pass it along to others who will.

The present state of uncertainty around insider trading liability harms public confidence in the market. Select insiders should not have the ability to profit from illegally obtained information. Moreover, average investors who are trying to save for their retirement or pay for their children's college tuition should not be discouraged from investing because of a fear that the market is unfair and unbalanced. Insider trading is wrong, and a clear, concise legal standard on insider trading is necessary to ensure the ongoing health, transparency and honesty of our markets.