

114TH CONGRESS
1ST SESSION

H. R. 1625

To amend the Securities Exchange Act of 1934 to prohibit certain securities trading and related communications by those who possess material, non-public information.

IN THE HOUSE OF REPRESENTATIVES

MARCH 25, 2015

Mr. HIMES (for himself, Mr. WOMACK, Mrs. CAROLYN B. MALONEY of New York, and Mr. CLEAVER) introduced the following bill; which was referred to the Committee on Financial Services

A BILL

To amend the Securities Exchange Act of 1934 to prohibit certain securities trading and related communications by those who possess material, nonpublic information.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Insider Trading Prohi-
5 bition Act”.

6 **SEC. 2. PROHIBITION ON INSIDER TRADING.**

7 (a) IN GENERAL.—The Securities Exchange Act of
8 1934 (15 U.S.C. 78a et seq.) is amended by adding after
9 section 16 the following new section:

1 **“SEC. 16A. PROHIBITION ON INSIDER TRADING.**

2 “(a) PROHIBITION AGAINST TRADING SECURITIES
3 WHILE IN POSSESSION OF MATERIAL, NONPUBLIC IN-
4 FORMATION.—It shall be unlawful for any person, directly
5 or indirectly, to purchase, sell, or enter into, or cause the
6 purchase or sale of or entry into, any security, security-
7 based swap, or security-based swap agreement, while in
8 possession of material, nonpublic information relating to
9 such security, security-based swap, or security-based swap
10 agreement, or relating to the market for such security, se-
11 curity-based swap, or security-based swap agreement, if
12 such person knows, or recklessly disregards, that such in-
13 formation has been obtained wrongfully, or that such pur-
14 chase, sale, or entry would constitute a wrongful use of
15 such information.

16 “(b) PROHIBITION AGAINST THE WRONGFUL COM-
17 MUNICATION OF CERTAIN MATERIAL, NONPUBLIC INFOR-
18 MATION.—It shall be unlawful for any person whose own
19 purchase or sale of a security, security-based swap, or
20 entry into a security-based swap agreement would violate
21 subsection (a) (referred to in this subsection as the ‘com-
22 municating person’), wrongfully to communicate material,
23 nonpublic information relating to such security, security-
24 based swap, or security-based swap agreement, or relating
25 to the market for such security, security-based swap, or
26 security-based swap agreement, to any other person if—

1 “(1) the other person—

2 “(A) purchases, sells, or causes the pur-
3 chase or sale of, any security or security-based
4 swap or enters into or causes the entry into any
5 security-based swap agreement, to which such
6 communication relates; or

7 “(B) communicates the information to an-
8 other person who makes or causes such a pur-
9 chase, sale, or entry while in possession of such
10 information; and

11 “(2) such a purchase, sale, or entry while in
12 possession of such information is reasonably foresee-
13 able.

14 “(c) STANDARD AND KNOWLEDGE REQUIREMENT.—

15 “(1) STANDARD.—For purposes of this section,
16 trading while in possession of material, nonpublic in-
17 formation under subsection (a) or communicating
18 material nonpublic information under subsection (b)
19 is wrongful only if the information has been obtained
20 by, or its communication or use would constitute, di-
21 rectly or indirectly—

22 “(A) theft, bribery, misrepresentation, or
23 espionage (through electronic or other means);

1 “(B) a violation of any Federal law pro-
2 tecting computer data or the intellectual prop-
3 erty or privacy of computer users; or

4 “(C) conversion, misappropriation, or other
5 unauthorized and deceptive taking of such in-
6 formation, or a breach of any fiduciary duty or
7 any other personal or other relationship of trust
8 and confidence.

9 “(2) KNOWLEDGE REQUIREMENT.—It shall not
10 be necessary that the person trading while in posses-
11 sion of such information (as proscribed by sub-
12 section (a)), or making the communication (as pro-
13 scribed by subsection (b)), know the specific means
14 by which the information was obtained or commu-
15 nicated, or whether any personal benefit was paid or
16 promised by or to any person in the chain of com-
17 munication, so long as the person trading while in
18 possession of such information or making the com-
19 munication, as the case may be, was aware, or reck-
20 lessly disregarded that such information was wrong-
21 fully obtained or communicated.

22 “(d) DERIVATIVE LIABILITY.—Except as provided in
23 section 20(a), no person shall be liable under this section
24 solely by reason of the fact that such person controls or
25 employs a person who has violated this section, if such

1 controlling person or employer did not participate in, prof-
2 it from, or directly or indirectly induce the acts consti-
3 tuting the violation of this section.

4 “(e) EXEMPTED TRANSACTIONS.—The Commission
5 may, by rule, exempt any person, security, or transaction,
6 or any class persons securities, or transactions, from any
7 or all of the provisions of this section, upon such terms
8 and conditions as it considers necessary or appropriate,
9 if the Commission determines that such action is not in-
10 consistent with the purposes of this section. The prohibi-
11 tions of this section shall not apply to any person who
12 acts at the specific direction of, and solely for the account
13 of, a person whose own securities trading, or communica-
14 tions of material, nonpublic information, would be lawful
15 under this section.”.

16 (b) CONFORMING AMENDMENTS.—The Securities
17 Exchange Act of 1934 (15 U.S.C. 78a et seq.) is further
18 amended—

19 (1) in section 21(d)(2), by inserting “or section
20 16A,” after “section 10(b) of this title”;

21 (2) in section 21A—

22 (A) in subsection (g)(1), by inserting “and
23 section 16A,” after “thereunder,”; and

24 (B) in subsection (h)(1), by inserting “and
25 section 16A,” after “thereunder,”; and

1 (3) in section 21C(f), by inserting “or section
2 16A,” after “section 10(b)”.

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