

117TH CONGRESS  
1ST SESSION

# H. R. 2655

---

IN THE SENATE OF THE UNITED STATES

MAY 19, 2021

Received; read twice and referred to the Committee on Banking, Housing, and  
Urban Affairs

---

## AN ACT

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,*

1 **SECTION 1. SHORT TITLE.**

2 This Act may be cited as the “Insider Trading Prohi-  
3 bition Act”.

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

5 (a) IN GENERAL.—The Securities Exchange Act of  
6 1934 (15 U.S.C. 78a et seq.) is amended by inserting after  
7 section 16 the following new section:

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

9 “(a) PROHIBITION AGAINST TRADING SECURITIES  
10 WHILE AWARE OF MATERIAL, NONPUBLIC INFORMA-  
11 TION.—It shall be unlawful for any person, directly or in-  
12 directly, to purchase, sell, or enter into, or cause the pur-  
13 chase or sale of or entry into, any security, security-based  
14 swap, or security-based swap agreement, while aware of  
15 material, nonpublic information relating to such security,  
16 security-based swap, or security-based swap agreement, or  
17 any nonpublic information, from whatever source, that  
18 has, or would reasonably be expected to have, a material  
19 effect on the market price of any such security, security-  
20 based swap, or security-based swap agreement, if such  
21 person knows, or recklessly disregards, that such informa-  
22 tion has been obtained wrongfully, or that such purchase  
23 or sale would constitute a wrongful use of such informa-  
24 tion.

25 “(b) PROHIBITION AGAINST THE WRONGFUL COM-  
26 MUNICATION OF CERTAIN MATERIAL, NONPUBLIC INFOR-

1 MATION.—It shall be unlawful for any person whose own  
2 purchase or sale of a security, security-based swap, or  
3 entry into a security-based swap agreement would violate  
4 subsection (a), wrongfully to communicate material, non-  
5 public information relating to such security, security-based  
6 swap, or security-based swap agreement, or any nonpublic  
7 information, from whatever source, that has, or would rea-  
8 sonably be expected to have, a material effect on the mar-  
9 ket price of any such security, security-based swap, or se-  
10 curity-based swap agreement, to any other person if—

11 “(1) the other person—

12 “(A) purchases, sells, or causes the pur-  
13 chase or sale of, any security or security-based  
14 swap or enters into or causes the entry into any  
15 security-based swap agreement, to which such  
16 communication relates; or

17 “(B) communicates the information to an-  
18 other person who makes or causes such a pur-  
19 chase, sale, or entry while aware of such infor-  
20 mation; and

21 “(2) such a purchase, sale, or entry while aware  
22 of such information is reasonably foreseeable.

23 “(c) STANDARD AND KNOWLEDGE REQUIREMENT.—

24 “(1) STANDARD.—For purposes of this section,  
25 trading while aware of material, nonpublic informa-

1       tion under subsection (a) or communicating material  
2       nonpublic information under subsection (b) is wrong-  
3       ful only if the information has been obtained by, or  
4       its communication or use would constitute, directly  
5       or indirectly—

6               “(A) theft, bribery, misrepresentation, or  
7               espionage (through electronic or other means);

8               “(B) a violation of any Federal law pro-  
9               tecting computer data or the intellectual prop-  
10              erty or privacy of computer users;

11              “(C) conversion, misappropriation, or other  
12              unauthorized and deceptive taking of such in-  
13              formation; or

14              “(D) a breach of any fiduciary duty, a  
15              breach of a confidentiality agreement, a breach  
16              of contract, a breach of any code of conduct or  
17              ethics policy, or a breach of any other personal  
18              or other relationship of trust and confidence for  
19              a direct or indirect personal benefit (including  
20              pecuniary gain, reputational benefit, or a gift of  
21              confidential information to a trading relative or  
22              friend).

23              “(2) KNOWLEDGE REQUIREMENT.—It shall not  
24              be necessary that the person trading while aware of  
25              such information (as proscribed by subsection (a)),

1 or making the communication (as proscribed by sub-  
2 section (b)), knows the specific means by which the  
3 information was obtained or communicated, or  
4 whether any personal benefit was paid or promised  
5 by or to any person in the chain of communication,  
6 so long as the person trading while aware of such in-  
7 formation or making the communication, as the case  
8 may be, was aware, consciously avoided being aware,  
9 or recklessly disregarded that such information was  
10 wrongfully obtained, improperly used, or wrongfully  
11 communicated.

12 “(d) DERIVATIVE LIABILITY.—Except as provided in  
13 section 20(a), no person shall be liable under this section  
14 solely by reason of the fact that such person controls or  
15 employs a person who has violated this section, if such  
16 controlling person or employer did not participate in, or  
17 directly or indirectly induce the acts constituting a viola-  
18 tion of this section.

19 “(e) AFFIRMATIVE DEFENSES.—

20 “(1) IN GENERAL.—The Commission may, by  
21 rule or by order, exempt any person, security, or  
22 transaction, or any class of persons, securities, or  
23 transactions, from any or all of the provisions of this  
24 section, upon such terms and conditions as it con-

1       siders necessary or appropriate in furtherance of the  
2       purposes of this title.

3           “(2) DIRECTED TRADING.—The prohibitions of  
4       this section shall not apply to any person who acts  
5       at the specific direction of, and solely for the ac-  
6       count of another person whose own securities trad-  
7       ing, or communications of material, nonpublic infor-  
8       mation, would be lawful under this section.

9           “(3) RULE 10b-5-1 COMPLIANT TRANS-  
10       ACTIONS.—The prohibitions of this section shall not  
11       apply to any transaction that satisfies the require-  
12       ments of Rule 10b-5-1 (17 CFR 240.10b5-1), or  
13       any successor regulation.”.

14       (b) COMMISSION REVIEW OF RULE 10b-5-1.—Not  
15       later than 180 days after the date of the enactment of  
16       this Act, the Securities and Exchange Commission shall  
17       review Rule 10b-5-1 (17 CFR 240.10b5-1) and make any  
18       modifications the Securities and Exchange Commission  
19       determines necessary or appropriate because of the  
20       amendment to the Securities Exchange Act of 1934 made  
21       by this Act.

22       (c) CONFORMING AMENDMENTS.—The Securities  
23       Exchange Act of 1934 (15 U.S.C. 78a et seq.) is further  
24       amended—

1 (1) in section 21(d)(2), by inserting “, section  
2 16A of this title” after “section 10(b) of this title,”;  
3 (2) in section 21A—  
4 (A) in subsection (g)(1), by inserting “and  
5 section 16A,” after “thereunder,”; and  
6 (B) in subsection (h)(1), by inserting “and  
7 section 16A,” after “thereunder,”; and  
8 (3) in section 21C(f), by inserting “or section  
9 16A,” after “section 10(b)”.

10 **SEC. 3. DETERMINATION OF BUDGETARY EFFECTS.**

11 The budgetary effects of this Act, for the purpose of  
12 complying with the Statutory Pay-As-You-Go Act of 2010,  
13 shall be determined by reference to the latest statement  
14 titled “Budgetary Effects of PAYGO Legislation” for this  
15 Act, submitted for printing in the Congressional Record  
16 by the Chairman of the House Budget Committee, pro-  
17 vided that such statement has been submitted prior to the  
18 vote on passage.

Passed the House of Representatives May 18, 2021.

Attest: CHERYL L. JOHNSON,  
*Clerk.*