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STOCK Act Requirements for Senate Staff

The Stop Trading on Congressional Knowledge Act of 2012 (STOCK Act) imposes new requirements for Senate employees who are required to file a Financial Disclosure Report ("FDR") based on their rate of pay. Political fund designees paid less than the threshold rate of $119,554, detailees, and fellows are not subject to the STOCK Act's requirements.

This guidance describes the new requirements and who must fulfill them, and it reviews other longstanding restrictions for staff paid at or above the threshold. If you have any questions, please contact the Ethics Committee's staff at (202) 224-2981.

Who is Subject to the STOCK Act?

You are subject to the STOCK Act if you are required to file a FDR because your rate of pay is $119,554 or more. This group includes:

(1) a *new* Senate employee who is paid at a rate at or above $119,554 and files a "new employee" FDR within 30 days of assuming his or her position;
(2) a *current* Senate employee who is paid an annual salary of $119,554 or more and files an "annual" FDR on May 15th;
(3) a current Senate employee *who receives a permanent raise midyear to a rate at or above $119,554*; a FDR is due **within 30 days** of that permanent raise; and
(4) any *part-time* Senate employee whose rate of pay is at or above $119,554; part-time employees must prorate their annual salary (for example, a staffer who works two and one-half days per week (half-time) and is paid $60,000 per year, has a $120,000 rate of pay, and must file).

Prompt Reporting of Financial Transactions

Beginning on **July 3, 2012**, the FDR filers listed above must promptly report any purchase, sale, or exchange of any stock, bond, commodities future, and other securities if the transaction exceeds $1,000. These disclosures must be filed no later than 30 days after receiving "notification" of the transaction, but in no case later than 45 days after such transaction.

Notification occurs when a filer receives a written communication that a transaction has occurred, such as when a FDR filer receives an email or other written confirmation from his or her broker or financial advisor that a transaction has occurred, or when a filer receives a monthly account statement. An email will be deemed to be received when sent. For example, if a staffer contacts her broker to initiate the sale of a stock on August 16, the broker completes the transaction on August 17, and emails confirmation to the staffer the same day, the staffer must report the transaction by September 16 – 30 days after the emailed confirmation.

FDR filers must disclose not only their own transactions that meet the threshold, but they must also disclose those of their spouses or dependent children. Certain assets are *excluded* from the periodic transaction requirement. FDR filers are **not** required to report on the periodic form transactions involving mutual funds, exchange traded funds, or any other asset that is an excepted investment fund (EIF) (see the FDR instructions for the definition of an EIF); holdings in a blind trust; real property; cash accounts (*e.g.*, checking, savings, and money markets); U.S. Treasury bonds, bills, and notes; pensions; and any asset that is solely incidental to the trade or business of an entity.

A *Periodic Disclosure of Financial Transactions* form and instructions are available on the Ethics Committee website. You must submit the form to the Office of Public Records. All of these transactions must *also* be reported on the annual FDR or the "termination" FDR filed by staff who leave Senate employment.

Post-Employment Negotiations and Recusal Requirements

Effective immediately, the FDR filers listed above must disclose any negotiations or arrangements for private employment by filing out and signing a disclosure form with the Ethics Committee within three days of such negotiations or arrangements. Prior to the STOCK Act, only those staff earning more than $130,500 in a calendar year were required to file such disclosures.

The Committee has issued a revised *Non-Public Disclosure By Staff of Employment Negotiations* form and *Employment Negotiations and Recusal Quick Reference Guide* to assist you in complying with this requirement.

Initial Public Offering ("IPO")

Effective immediately, the FDR filers listed above may not purchase assets that are part of an IPO in any manner other than what is available to members of the public generally. Before participating in an IPO, you should contact the Ethics Committee for specific guidance.

Outside Employment Restrictions and Outside Earned Income Limit

Under longstanding Senate rules, the FDR filers listed above may **not** receive any compensation for affiliating with or being employed by an entity that provides **professional services** involving a fiduciary relationship (*e.g.*, law, medicine, engineering, architecture, real estate, insurance, or consulting). These filers are also prohibited from receiving any compensation for one of these fiduciary professions even if they are a solo practitioner, practicing on their own time. FDR filers are permitted to receive compensation for **teaching**, but they must receive *prior written approval* from the Ethics Committee before doing so. Finally, FDR filers may not earn **outside income** exceeding 15% of the annual rate of basic pay for level II of the Executive Schedule (currently, $26,955).