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114TH CONGRESS
1ST SESSION

H. R. 1173

To amend the Securities Exchange Act of 1934 to prohibit trading on material inside information.

IN THE HOUSE OF REPRESENTATIVES

FEBRUARY 27, 2015

Mr. LYNCH introduced the following bill; which was referred to the Committee on Financial Services

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A BILL

To amend the Securities Exchange Act of 1934 to prohibit trading on material inside information.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the ''Ban Insider Trading Act of 2015''.

SEC. 2. PROHIBITING TRADING ON MATERIAL INSIDE INFORMATION.

(a) IN GENERAL.—Section 10 of the Securities Exchange Act of 1934 (15 U.S.C. 78j) is amended by inserting after subsection (c) the following:

"(d) TRADING ON MATERIAL INSIDE INFORMATION.—

"(1) IN GENERAL.—To purchase or sell any security, or any securities-based swap agreement, based on information that the person knows or, considering factors including financial sophistication, knowledge of and experience in financial matters, position in a company, and amount of assets under management, should know is material information and inside information.

"(2) RULES OF CONSTRUCTION.—Nothing in this subsection may be construed—

"(A) to affect liability under subsection (b); or

"(B) to require for an action under paragraph (1) a personal benefit to any party.

"(3) DEFINITIONS.—In this subsection:

"(A) INSIDE INFORMATION.—The term 'inside information' means information that is—

"(i) nonpublic; and

"(ii) obtained—

"(I) illegally;

"(II) directly or indirectly from an issuer with an expectation of confidentiality or that such information

will only be used for a legitimate business purposes; or

"(III) in violation of a fiduciary duty.

"(B) MATERIAL INFORMATION.—The term 'material information' means information that relates, directly or indirectly, to an issuer or a security, and that, if it were made public, would be likely to have a significant effect on the price of a security.".

(b) LIABILITY FOR DISCLOSING MATERIAL INSIDE INFORMATION.—Section 20(e) of the Securities Exchange Act of 1934 (15 U.S.C. 78t(e)) is amended—

(1) by striking "(e)" and all that follows through "For" and inserting the following:

"(e) PROSECUTION OF PERSONS WHO AID AND ABET VIOLATIONS.—

"(1) IN GENERAL.—For"; and

(2) by adding at the end the following:

"(2) PROSECUTION OF PERSONS WHO FACILITATE VIOLATIONS OF SECTION 10(d).—A person shall be deemed to have violated section 10(d) if the person intentionally discloses without a legitimate business purpose to another person information that the discloser knows or, considering factors including

financial sophistication, knowledge of and experience in financial matters, position in a company, and amount of assets under management, should know is material information and inside information, as such terms are defined, respectively, in section 10(d)(3).''.

(c) TECHNICAL AMENDMENT.—Section 10 of the Securities Exchange Act of 1934 (15 U.S.C. 78j) is amended in the matter preceding subsection (a) by striking ''exchange—'' and inserting ''exchange:''.

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