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Analysis: Stop Insider Trading Act

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TOPLINE POINTS

- Current law prohibits members of Congress, congressional staff, and other federal employees from using material nonpublic information (MNPI) to trade for personal gain but does not categorically prohibit trading by their immediate family members.
- Despite prohibitions on federal lawmakers using MNPI to profit, numerous allegations of questionable securities trading have been brought forth against members of Congress, with some reports stating that officials' trades have outperformed the S&P 500 in recent years.
- Rep. Bryan Steil (WI-01) recently introduced the Stop Insider Trading Act, which would prohibit members of Congress, their spouses, and dependent children from purchasing individual publicly traded stocks.

Overview

There has been overwhelming bipartisan support from the public in favor of the prohibition of stock trading by members of Congress, with 86% of the public supporting legislation that would prohibit them from trading stocks of individual companies. In response, House Administration Committee Chairman Bryan Steil (WI-01) recently introduced H.R.7008, the Stop Insider Trading Act, which would prohibit members of Congress, their spouses, and dependent children from purchasing individual publicly traded stocks, with the goal of bringing transparency to Americans and restoring the public's trust in their elected officials.

Material nonpublic information (MNPI) that can greatly influence financial markets is often readily accessible to lawmakers. The Stop Trading On Congressional Knowledge (STOCK) Act of 2012 sought to address this exposure by affirming that federal insider trading laws apply to members of Congress and requiring public disclosure of covered securities transactions within 30 days of becoming aware of the transaction and no later than 45 days after it occurred. In practice, however, the statute's enforcement architecture has proven inadequate. The standard penalty for a late or missed filing is a $200 fine, and no Member of Congress has been prosecuted under the Act in the more than fourteen years since its enactment. Members remain effectively unconstrained from trading securities in sectors over which they exercise legislative jurisdiction, hold financial interests, or possess MNPI.

This inherently creates an ethical concern with elected officials potentially prioritizing personal financial interest over the public's best interest, and the practice has certainly played a role in influencing the nearly 70% of Americans who have an unfavorable view of Congress. Americans have seen federally elected officials' portfolios continuously and significantly outperform the S&P 500 by leveraging private information, while everyday families struggle to make ends meet. Any successor to the STOCK Act should expand the scope of covered persons to match existing law, extend the prohibition to prediction markets, and require divestiture into diversified instruments or qualified blind trusts rather than rely on post-hoc disclosure.

Allegations of Insider Trading

Since the passage of the STOCK Act in 2012, allegations of insider trading and conflicts of interest among elected officials have continued to surface. To better understand the extent of information accessible and the potential for personal financial gain, it is important to examine one of the wealthiest members of Congress: Nancy Pelosi (CA-11). The California Democrat's wealth grew substantially during her time in Congress and has benefited from substantial returns, including reportedly $4.7 million in a single day of trading. While Pelosi claims that the trades are made by her husband, Paul Pelosi, without her "prior knowledge or subsequent involvement," she has become the prime example of the ongoing debate over congressional insider trading.

Several examples have drawn public criticism. In December of 2020, Paul Pelosi purchased Tesla call options worth just over $1 million days before then-President-elect Joe Biden announced EV infrastructure plans that would benefit Tesla shareholders. Beyond that single trade, Paul and Nancy Pelosi saw a gain of almost 80% in 2023, while Democrats averaged a 31.18% gain and Republicans a 17.99% gain in the same year. For context, the S&P 500 returned a gain of roughly 25% in 2023, with many congressional members outperforming the index. The Pelosi portfolio continued to see massive gains and avoid massive losses in 2024, particularly when Visa shares were sold just months before the Department of Justice announced a major antitrust lawsuit against the company, which ultimately lowered the company's share price.

All told, Pelosi's net worth is now estimated to be over $240 million, primarily from her husband's timely investments before key legislative actions. Nancy Pelosi is the most commonly cited example of the problem at hand, but the timing and sale of stocks by numerous members of Congress have raised suspicion and concern among the public for years and have raised questions about the adequacy of the STOCK Act's coverage of immediate family members.

Past Legislation

The Securities Exchange Act of 1934 aimed to protect investors and prevent insider trading by creating a mandatory disclosure process, but the bill failed to apply to members of Congress. Nearly 70 years later, the STOCK Act was introduced and signed into law in 2012, with tremendous bipartisan support. The STOCK Act aimed to prevent insider trading by members of Congress and staff, ensuring that they cannot profit from material nonpublic information provided to them through their official positions. Additionally, it required members to file financial disclosures of their stock trades within 30 days and placed new penalties on members who misuse information for insider trading. The overall goal of the bill was to increase public trust, provide transparency, and penalize members for engaging in insider trading.

While the STOCK Act sought to deter members of Congress from trading on nonpublic information acquired through their official duties, it falls short as a meaningful solution to prevent corruption and insider trading within Congress for several reasons. As discussed above, the meager $200 fine for violating the STOCK Act is hardly a deterrent when there is the potential to make millions off the stock market. Moreover, the STOCK Act has failed to penalize any member for insider trading in its 14 years of existence, and despite numerous credible allegations of insider trading, no member of Congress has ever formally been prosecuted under the STOCK Act. Accordingly, the underlying problem remains.

Recent Legislative Actions

Since the passing of the STOCK Act, there have been several bills introduced into Congress to further prevent insider trading. In 2025, Congressman Mark Alford (MO-04) introduced the Preventing Elected Leaders from Owning Securities and Investments (PELOSI) Act. This Act bans lawmakers and their spouses from holding, purchasing, or selling individual stocks while in office, but allows investments in diversified funds, ETFs, or Treasury Bonds. If caught engaging in insider trading under the PELOSI Act, the member must return their profits to the Treasury and may be subject to a civil penalty. Additionally, a loss resulting from prohibited trading is not eligible for an income tax deduction. While there is significant bipartisan interest in this legislation, the bill has yet to pass.

In early 2026, Senators Ashley Moody (R-FL) and Kirsten Gillibrand (D-NY) introduced the bipartisan Restore Trust in Congress Act, which bans stock ownership and trading for members of Congress and their immediate family members. In 2012, Senator Gillibrand played a large role in the passage of the STOCK Act and has since acknowledged the additional measures that need to be taken to further prevent insider trading. In the corresponding press release to their bill, Gillibrand and Moody cite an unambiguous reason as to why there needs to be next steps: one in three members of Congress traded assets between 2019 and 2021, and almost 4,000 of those trades posed potential conflicts of interest with their legislative responsibilities under the STOCK Act.

Requirements for Effective Reform

To ensure that government officials, their families, and staff no longer profit from insider information, legislation that regulates their ability to trade securities must include several provisions. Chief among them is that legislation should, at a minimum, adopt the scope of parties included within the STOCK Act, including members of Congress, employees of Congress, executive branch employees, judicial officers, and judicial employees, then extend it to spouses and dependent children of each covered person.[1] Another necessary provision is to extend the scope of the ban to prediction markets, which allow individuals to trade on the outcome of particular events, some of which closely correlate to stock movement, and can be accessed through MNPI. Thus, any legislation preventing trading on insider information should logically extend to these markets.

The Stop Insider Trading Act

[1] STOCK Act, Pub. L. 112-105, § 2, codified at 5 U.S.C. § 13101 note (defining "Member of Congress," "employee of Congress," and "executive branch employee"); id. § 9(b)(2)(B), codified at 15 U.S.C. § 78u-1(h) (extending the trading duty to "each executive branch employee, each judicial officer, and each judicial employee").

The most recent legislation pertaining to insider trading is H.R. 7008, the Stop Insider Trading Act, proposed in early 2026 by Chairman of the House Administrative Committee, Rep. Bryan Steil. Chairman Steil's proposed legislation helps advance the America First Agenda goal of prohibiting congressmen from owning or trading individual stocks. Speaker Mike Johnson described the legislation as "an important step in our efforts to restore the people's faith and trust in Congress."

The bill proposes that:

1. Members, spouses, and their dependent children will be banned from purchasing a security issued by a publicly traded company.
2. Members of Congress must file a public notice at least 7 days but no more than 14 days before each intended sale with the Clerk of the House of Representatives.
3. The Committee on Ethics will be required to issue a fee equal to $2,000 or 10% of the value of the covered investment, whichever is greater, and the net gain realized from the sale.

Recommendations to Strengthen the Stop Insider Trading Act

Insider trading by members of Congress is an issue the original America First Agenda identified as a critical lever for draining the swamp. President Trump reinforced this priority in his 2026 State of the Union address, underscoring that legislating against these abuses is essential to restoring public trust. Any durable solution must therefore be both comprehensive in scope and rigorous in enforcement, or it will simply be another iteration of the STOCK Act. While Chairman Steil's bill is a strong benchmark, there are three substantive gaps that Congress could consider in making these provisions even more transparent.

1. Expand the Scope

First, as discussed above, a comprehensive bill should reach congressional staff, executive branch officials, and judicial officers and clerks, all of whom the STOCK Act already covers. While Chairman Steil's bill reaches members, spouses, and dependent children, it does not reach the scope necessary to alleviate the larger issue of government officials trading on MNPI. The reality is that Cabinet secretaries, agency heads, and senior committee staff often sit closer to market-moving information than members, and a bill that narrows the scope of covered persons relative to existing law is a step in the wrong direction.

2. Include Prediction Markets

Second, the bill regulates securities but leaves prediction markets untouched. With the explosion in the number of markets and trading volume on platforms like Kalshi and Polymarket (especially as these markets expand into Federal Reserve decisions, legislative passage, regulatory actions, and election outcomes—all events fluidly impacted by MNPI), it is crucial that any future bill cover them. Otherwise, trading on MNPI will simply migrate to prediction markets rather than be eliminated.

3. Require Divestiture

Finally, the 7-to-14-day pre-sale notice is not a comprehensive fix to the underlying issue. The notice window itself transmits information about insider intentions to the market, and the accompanying fee structure applies only to realized sales rather than the portfolio a member built while in office. A more targeted approach would be to remove the underlying conflict rather than manage disclosure around it. Congress should require covered persons, within a defined period of taking office, to divest individual securities and reinvest in diversified mutual funds, exchange-traded funds, Treasuries, or a qualified blind trust. Sales executed by a qualified blind trust trustee, who operates without the member's direction or knowledge, do not require pre-notice because the underlying information asymmetry is eliminated rather than disclosed around. Moreover, qualified blind trusts are already a fixture of federal ethics law, as the Office of Government Ethics certifies them for the executive branch under 5 C.F.R. § 2634, and the congressional ethics committees perform the same function for members.

Conclusion

While there has been meaningful recognition on both sides of the aisle of the problem of government officials and their spouses trading on and profiting from MNPI, little has been done. While Rep. Steil's bill includes strong next steps like the inclusion of spouses and dependents, Congress should consider expanding its scope to more closely replicate that of the STOCK Act. Congress should also extend the prohibition to prediction markets, as platforms like Kalshi and Polymarket increasingly host contracts pertaining to decisions sensitive to MNPI, and the Legislature should seek to address the underlying issue of member portfolio construction rather than relying on a 7-to-14 day pre-sale notice, which itself signals insider intentions to the market. Members of the executive branch, members of Congress, their staffs, and their families all sit close enough to information that allows them to profit, and without the correct guardrails, any solution will amount to patchwork rather than a comprehensive solution that thoroughly roots out unethical behavior.