Amendment in the Nature of a Substitute to H. Res. 1490

Offered by Mr. Morelle of New York

Strike the preamble.

Strike all after the resolving clause and insert the following:

SECTION 1. RULES OF THE HOUSE OF REPRESENTATIVES PROHIBITION WITH RESPECT TO PREDICTION MARKETS.

Rule XXIII of the Rules of the House of Representatives is amended—

(1) by redesignating clause 22 as clause 23; and

(2) by inserting after clause 21 the following:

"21.(a) A Member, Delegate, Resident Commissioner, officer, or employee of the House may not enter into, or offer to enter into, an agreement, contract, or transaction that provides for any purchase, sale, payment, or delivery of an excluded commodity, as defined in section 1a of the Commodity Exchange Act (7 U.S.C. 1a), that is dependent on the occurrence, nonoccurrence, or the extent of the occurrence of a specific event or contingency.

"(b) Nothing in this clause shall be construed to apply to insurance for which the insured holds a lawful insurable interest.".

SEC. 2. RESTRICTIONS ON TRADE AND OWNERSHIP OF COVERED INVESTMENTS.

(a) DEFINITIONS.—In this section:

(1) COMMODITY.—The term "commodity"—

(A) has the meaning given the term in section 1a of the Commodity Exchange Act (7 U.S.C. 1a); and

(B) does not include a precious metal (as defined in section 1027.100 of title 31, Code of Federal Regulations).

(2) COVERED INDIVIDUAL.—The term "covered individual" means a Member, Delegate, Resident Commissioner, officer, or employee of the House of Representatives.

(3) COVERED INVESTMENT.—The term "covered investment"—

(A) means an investment in a security, a commodity, a future, or any comparable economic interest acquired through synthetic means, such as the use of a derivative, including an option, warrant, or other similar means; and

(B) does not include—

(i) a widely held investment fund described in section 13104(f)(8) of title 5, United States Code, that is diversified and publicly traded on a national or regional stock exchange;

(ii) a United States Treasury bill, note, or bond;

(iii) a State or municipal government bill, note, or bond;

(iv) an interest in a small business concern and, in the case of an investment in a family farm or ranch that qualifies as an interest in a small business concern, a future or commodity directly related to the farming activities and products of the farm or ranch;

(v) an interest in a limited liability company created for the sole purpose of purchasing or holding real estate that serves as the personal residences of the Member of the House of Representatives;

(vi) any share of Settlement Common Stock issued under section 7(g)(1)(A) of the Alaska Native Claims Settlement Act (43 U.S.C. 1606(g)(1)(A)); or

(vii) any share of Settlement Common Stock, as defined in section 3 of the Alaska Native Claims Settlement Act (43 U.S.C. 1602).

(4) DIVERSIFIED.—The term "diversified", with respect to an investment fund, means such fund does not have a stated policy of concentrating its investments in any industry, business, single country other than the United States, or bonds of a single State within the United States except for the State in which the Member of the House of Representatives resides.

(5) FUTURE.—The term "future" means a financial contract obligating the buyer to purchase an asset or the seller to sell an asset, such as a physical commodity or a financial investment, at a predetermined future date and price.

(6) MEMBER OF THE HOUSE OF REPRESENTATIVES.—The term "Member of the House of Representatives" means a Representative in, or Delegate or Resident Commissioner to, the Congress.

(7) SECURITY.—The term ‘‘security’’ has the meaning given the term in section 3(a) of the Securities Exchange Act of 1934 (15 U.S.C. 78c(a)).

(8) SMALL BUSINESS CONCERN.—The term ‘‘small business concern’’ has the meaning given that term under section 3 of the Small Business Act (15 U.S.C. 632).

(9) SUPERVISING ETHICS OFFICE.—The term ‘‘supervising ethics office’’ means the Committee on Ethics of the House of Representatives.

(b) TRADE AND OWNERSHIP OF COVERED INVESTMENTS.—

(1) CONDUCT DURING FEDERAL SERVICE.—Except as described in paragraph (2)(A)(ii) and paragraphs (5) and (6), no covered individual may, directly or indirectly, own or trade a covered investment.

(2) COMPLIANCE.—

(A) REQUIREMENT.—To comply with paragraph (1)—

(i) a covered individual may not purchase a covered investment; and

(ii) a covered individual shall divest of any covered investment by the effective date established in subparagraph (B) at fair market value.

(B) EFFECTIVE DATE.—The effective date is established as follows:

(i) 180 days for an individual who is a covered individual on the date of the adoption of this resolution.

(ii) 90 days within the date on which an individual becomes a covered individual if such date occurs after the date of the adoption of this resolution.

(3) CERTIFICATES OF DIVESTITURE.—

(A) APPLICATION OF CERTIFICATE OF DIVESTITURE PROGRAM.—For purposes of section 1043 of the Internal Revenue Code of 1986—

(i) this section shall be treated as a Federal conflict of interest statute; and

(ii) any covered individual described in subsection (a)(2) shall be treated as an eligible person described in section 1043(b)(1)(A) of such Code.

(B) ISSUANCE OF CERTIFICATE OF DIVESTITURE.—

(i) IN GENERAL.—The supervising ethics office shall issue a certificate of divestiture to each covered individual required to divest under this section upon submission of proof of compliance by such individual with the requirements to divest or any extensions granted by the supervising ethics office.

(ii) ELIGIBILITY.—Such certificate shall include an identification of each specific property eligible for the application of the certificate of divestiture program as determined by the supervising ethics office.

(4) INCOME TAX.—A loss from a transaction or holding involving a covered financial instrument that is conducted in violation of this section may not be deducted from the amount of income tax owed by the covered individual.

(5) TRUSTS.—

(A) QUALIFIED BLIND TRUST.—Any covered investment held in a qualified blind trust as defined in section 13104(f)(3) of title 5, United States Code, shall be divested in accordance with paragraph (2)(A)(ii) by the effective date established in paragraph (2)(B).

(B) FAMILY TRUST.—The supervising ethics office may grant an exemption for covered investments held in a family trust only if—

(i) no covered individual—

(I) is a grantor of the family trust;

(II) contributed any covered investment to the family trust; or

(III) has any authority over a trustee of the family trust, including the authority to appoint, replace, or direct the actions of such a trustee; and

(ii) the grantor of the family trust is or was a family member of the covered individual.

(C) REQUESTS.—A covered individual seeking an exemption under subparagraph (B) shall submit to the applicable supervising ethics office a request for the exemption, in writing, certifying that the conditions described in that paragraph are met.

(6) ASSETS ACQUIRED IN SPECIAL CIRCUMSTANCES.—In the event that a covered individual acquires a covered investment after the date

of the adoption of this resolution other than by purchase (such as by marriage, inheritance, divorce settlement, or other circumstance), the covered individual shall have 90 days from the date on which such investment was acquired to divest such covered investment at fair market value.

(7) EXTENSION.—The supervising ethics office may grant a covered individual an extension of time to comply with a divestment deadline under this section if a covered investment cannot be divested by such deadline due to low liquidity, vesting schedules, or contractual restrictions.

(8) INTERPRETATIVE GUIDANCE.—The supervising ethics office shall issue interpretive guidance on any relevant term not defined in this section.

(c) PENALTIES.—

(1) IN GENERAL.—

(A) PENALTIES.—Any covered individual who violates the restrictions on trading or ownership of covered investments in subsection (b) shall, at the direction of the supervising ethics office—

(i) pay a fee equal to ten percent of the value of the covered investment; and

(ii) disgorge the profits of any transaction that violates the provisions of this section.

(B) PAYMENT OF PENALTY TO TREASURY.—A penalty imposed under subparagraph (A)(ii) shall be payable into the Treasury of the United States.

(2) PAYMENT RESTRICTIONS.—A Member of the House of Representatives may not pay any of the penalties under this section by using amounts from the following sources:

(A) The Members' Representational Allowance.

(B) Any contribution (as defined in section 301(8) of the Federal Election Campaign Act of 1971 (52 U.S.C. 30101(8))) accepted as a candidate, and any other donation received as support for activities of the individual as a holder of Federal office.

(3) PUBLICATION.—The supervising ethics office shall publish on a publicly available website a description of—

(A) each fine assessed by the supervising ethics office pursuant to this section;

(B) the reason why each such fine was assessed; and

(C) the result of each assessment.

Amend the title so as to read: "Resolution amending the Rules of the House of Representatives to prohibit Members, officers, and employees of the House from participating in prediction markets and prohibiting a Member, Delegate, Resident Commissioner, officer, or employee of the House of Representatives from owning or trading stocks".