

107TH CONGRESS
2^D SESSION

H. R. 3840

To amend title I of the Employee Retirement Income Security Act of 1974 to provide for timely notification of plan participants and beneficiaries whose individual accounts hold employer securities of insider trading in employer securities.

IN THE HOUSE OF REPRESENTATIVES

MARCH 5, 2002

Mr. GEORGE MILLER of California (for himself, Ms. PELOSI, Mr. ANDREWS, Mr. FORD, Mr. KILDEE, Mr. KUCINICH, Mrs. MCCARTHY of New York, Mr. OWENS, Mr. PAYNE, Ms. RIVERS, Ms. SOLIS, Mr. TIERNEY, Ms. WOOLSEY, Mr. WU, Mrs. JONES of Ohio, Mr. SANDERS, Mr. BROWN of Ohio, and Mr. DOGGETT) introduced the following bill; which was referred to the Committee on Education and the Workforce

A BILL

To amend title I of the Employee Retirement Income Security Act of 1974 to provide for timely notification of plan participants and beneficiaries whose individual accounts hold employer securities of insider trading in employer securities.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Inside Stock Sales Em-
5 ployee Notification Act of 2002”.

1 **SEC. 2. REPORT TO PARTICIPANTS AND BENEFICIARIES OF**
2 **TRADES IN EMPLOYER SECURITIES.**

3 (a) IN GENERAL.—Section 104 of the Employee Re-
4 tirement Income Security Act of 1974 (29 U.S.C. 1024)
5 is amended—

6 (1) by redesignating subsection (d) as sub-
7 section (e); and

8 (2) by inserting after subsection (c) the fol-
9 lowing new subsection:

10 “(d)(1) In any case in which assets in the individual
11 account of a participant or beneficiary under an individual
12 account plan include employer securities, if any person en-
13 gages in a transaction constituting a direct or indirect
14 purchase or sale of employer securities and—

15 “(A) such transaction is required under section
16 16 of the Securities Exchange Act of 1934 to be re-
17 ported by such person to the Securities and Ex-
18 change Commission, or

19 “(B) such person is a named fiduciary of the
20 plan,

21 such person shall comply with the requirements of para-
22 graph (2).

23 “(2) A person described in paragraph (1) complies
24 with the requirements of this paragraph in connection
25 with a transaction described in paragraph (1) if such per-
26 son provides to the plan administrator of the plan a writ-

1 ten notification of the transaction not later than 1 busi-
2 ness day after the date of the transaction.

3 “(3)(A) If the plan administrator is made aware, on
4 the basis of notifications received pursuant to paragraph
5 (2) or otherwise, that the proceeds from any transaction
6 described in paragraph (1), constituting direct or indirect
7 sales of employer securities by any person described in
8 paragraph (1), exceed \$100,000, the plan administrator
9 of the plan shall provide to each participant and bene-
10 ficiary a written notification of such transaction.

11 “(B) In any case in which the proceeds from any
12 transaction described in paragraph (1) (with respect to
13 which a notification has not been provided pursuant to
14 this paragraph), together with the proceeds from any
15 other such transaction or transactions described in para-
16 graph (1) occurring during the preceding one-year period,
17 constituting direct or indirect sales of employer securities
18 by any person described in paragraph (1), exceed (in the
19 aggregate) \$100,000, such series of transactions by such
20 person shall be treated as a transaction described in sub-
21 paragraph (A) by such person.

22 “(C) Each notification required under this paragraph
23 shall be provided as soon as practicable, but not later than
24 3 business days after receipt of the written notification

1 or notifications indicating that the transaction (or series
2 of transactions) requiring such notice has occurred.

3 “(4) Each notification required under paragraph (2)
4 or (3) shall be made in such form and manner as may
5 be prescribed in regulations of the Secretary and shall in-
6 clude the number of shares involved in each transaction
7 and the price per share, and the notification required
8 under paragraph (3) shall be written in language designed
9 to be understood by the average plan participant. The Sec-
10 retary may provide by regulation, in consultation with the
11 Securities and Exchange Commission, for exemptions
12 from the requirements of this subsection with respect to
13 specified types of transactions to the extent that such ex-
14 emptions are consistent with the best interests of plan par-
15 ticipants and beneficiaries. Such exemptions may relate to
16 transactions involving reinvestment plans, stock splits,
17 stock dividends, qualified domestic relations orders, and
18 similar matters.

19 “(5) For purposes of this subsection, the term ‘em-
20 ployer security’ has the meaning provided in section
21 407(d)(1).”.

22 (b) ENFORCEMENT.—

23 (1) IN GENERAL.—Section 502(e) of such Act
24 (29 U.S.C. 1132(e)) is amended—

1 (A) by redesignating paragraph (7) as
2 paragraph (8); and

3 (B) by inserting after paragraph (6) the
4 following new paragraph:

5 “(7) The Secretary may assess a civil penalty against
6 any person required to provide notification under para-
7 graph (2) or (3) of section 104(d) of up to \$1,000 a day
8 from the date of any failure by such person to provide
9 such notification in accordance with such paragraph.”.

10 (2) CONFORMING AMENDMENT.—Section
11 502(a)(6) of such Act (29 U.S.C. 1132(a)(6)) is
12 amended by striking “(5), or (6)” and inserting
13 “(5), (6), or (7)”.

14 **SEC. 3. EFFECTIVE DATE.**

15 The amendments made by this Act shall apply with
16 respect to transactions occurring on or after July 1, 2002.

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