

RENMUN VIII

The Restoration of Serenity



March 4th & 5th 2023

Chair Report

Chair Introduction

Hello Senators!

Welcome to RENMUN's United States Senate council! As an intermediate council, we expect to have delegates with a diverse range of experience levels. Whether you're still a relative newbie, or you've had a plethora of conferences under your belt, we know that your time here will be exciting and fruitful. Shiv Agarwal will be your head chair, and Evan Zhang will be your deputy chair.

The US Senate is one of two equal legislative bodies in Congress, the legislative (law-making) branch of the US government. Although separate, the Senate works together with the House of Representatives to pass 'bills'. There are 100 Senators in the real Senate, however, we will obviously **not** have 100 people crowded in a room together for this MUN. As Senators, you have the duty and ability to enact federal legislation in the US, something you definitely cannot do as a lousy UN delegate. As such, we hope that you will make the most of this power in debate!

This chair report is written as a guide to assist you in your research, though we strongly recommend each delegate perform individual research specific to your country to prepare ahead of the committee session. We also just wanted to explain, if it was confusing, that bracketed things such as "(R-FL)" show the party and state of the Senator in question. The first letter, in this case "R", stands for Republican, and the code "FL" stands for Florida. We understand that the rules of procedure and lingo of the US Senate will likely be different to what many of you will have experienced in the past, so please feel free to contact us if you have any questions or concerns!

See you at RENMUN!

Best Regards,

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Addressing securities trading for government officials

Trading Securities is an inherently risky move. Some have even gone as far as to say that it is like gambling in the biggest casino in the world. However, government officials have an inherent advantage in this Casino. By having access to nonpublic information along with being able to control legislation, they have immense power and influence in the markets. Throughout this committee, delegates must come up with unique and innovative strategies to tackle this critical issue. You must devise a strategy to improve trust in the free markets and ensure that politicians and government officials don't take advantage of the financial system.

Key Terms

Term	Definition
Securities	Securities refer to financial instruments that are tradable and are used to raise capital
Insider Trading	It is when someone trades a stock based on information they received that is not public
Prosecutions	Prosecutions refer to when a government agency starts legal proceedings to those who violate laws
Initial Public Offering (IPO)	This refers to the first time a company offers its stock to the general public
SEC	SEC refers to the Securities Exchange Commission, the federal agency tasked with overseeing the financial markets
Trading Securities	This refers to the process of selling/buying securities in the financial markets
Volatility	Refers to the stocks rapidly changing in value.

Background Information

Government Officials Doing Trades

Government officials engaging in trades is widespread, especially for those working in the two branches of the legislature. Capitol Trades, which is a website that documents the filings from politicians, reported that within the past year, there has

been around 11500 trades in these branches alone. Most of these trades occur right before a major event, showing that there was some nonpublic information that they were acting on.

Trading Securities

is a relatively simple process that can make people money, choose a company, invest in it, and hope the company does well. However, there is an inherent risk that comes along with this. The securities can go up or down based on various factors, most of which are unknown to the general public. However, being part of a government agency or in a position where one has access to nonpublic data removes parts of the uncertainty innate in trading securities. With this reduced uncertainty, they stand to make significant amounts of money. This occurs as government officials control the laws regarding the companies they are invested in. For example, if the government were about to release tax incentives for producing electric cars, government officials could invest in electric car companies, knowing prior that the stock would react positively as a result.

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Importance of Regulating

Officials trading securities may seem like it has obvious moral and ethical flaws, however on the surface level, it does not seem like it directly affects the general public. However, these actions affect market liquidity and increase transaction costs, reducing returns for most investors. Furthermore, it undermines confidence in the financial markets and perpetuates a view that the system is 'rigged' for a select few. This will decrease public investment in the financial markets, reducing the number of capital that certain companies can raise, reducing the number of workers they can higher leading to a chain reaction that weakens the companies and the economy as a whole.

Extent of the problem

According to the Wall Street Journal, more than 2600 officials at various federal agencies disclosed stock investments in companies, whilst those companies were simultaneously lobbying those agencies regarding certain issues. These problems manifest themselves in various ways, for example at the Environmental Protection Agency or the EPA, over 200 senior officials had invested in companies that were actively lobbying for policy changes. Furthermore, the Wall Street Journal found that between 2016 and 2021, EPA employees and their families had around 400,000 to 2,000,000 dollars invested in various oil and gas companies. The same problems are all around different government agencies such as the Department of Defense, which is responsible for choosing which companies to receive billion-dollar contracts.

As previously mentioned, capitol trades records data by pulling the records of public filings. Within the past year, 27 senators engaged in a total of 879 combined trades, worth around 88.8M dollars in total volume. The democratic party is responsible for

325 of those 879 transactions. However, the house is significantly more active in terms of trades, with 10610 trades in the past year that were worth \$386M done by a total of 106 members. It is quite important to note that some of these trades are not done by the congress member, but by a spouse.

Potential Clashes

Which positions should be allowed to trade

It will be critical that a consensus is reached on which positions of the government should be allowed to trade. There are around 2.85 million employees of the federal government, some of them being secretaries with no access to decision-making. Therefore, senators must figure out how far down they want to limit trading.

Free Market,

The definition of a free market varies from person to person. The United States of America was founded on a core principle of liberty, which the free market system of the USA also strictly follows. Therefore, senators will have to decide if regulating the securities of governmental officials follows free-market ideals, or is essential to uphold the free market

Depth of Potential Regulation

Even if there are direct regulations on the trading of governmental employees, family members could still trade, to that extent, senators will have to decide if they want to ban investing in related companies, or ban investing at all, so and so forth. Deciding on the appropriate depth of regulation may be completely subjective.

Prosecution of Offenders

Even if laws are adequately passed to specifically address the issue, determining which office will be responsible for the prosecution and enforcement of the laws is tricky, as current offices commonly refuse to launch prosecutions and investigations into the breaches of current law.

Key Stakeholders

Stakeholder	Involvement with the Issue
Hedge Funds	All Hedge Funds are directly connected with this, being actively involved in trading the markets as a source of their revenue, they would hope for the fairest markets possible.
Public Workers	Most public workers have part of their pension invested in the financial markets. This means

	that their retirement money and the ability for them to retire early is hedged on the success of investments in the financial market
Securities Exchange Commission (SEC)	Being responsible for regulating the financial markets, the SEC would wish for the fairest markets possible.
Defense Companies	Being major beneficiaries of this kind of trading, any potential action will have major repercussions for these companies
Government Employees	Any major action could reduce the amount of money that certain employees are making, causing some of those employees to look for another job costing the government long-standing employees and senior officials
American General Public	Any investor in the financial markets has a major stake in this if this continues to go on, Americans will continue to lose out on potential earnings

Key Senator Positions

Senator	Involvement with the Issue
Cory Booker (D)	Cory Booker supports the banning of ownership of securities for senators, and he pushes for any and all insider trading to be prosecuted heavily by the Department of Justice sometimes lobbying the Department of Justice to do so
Richard Blumenthal (D)	Richard Blumenthal has had a history of various trades and is currently trading. Clearly, this means he strongly opposes any changes to current law that make it harder to trade securities.
Mazie Hirono (D)	Whilst in the house, she sponsored a bill that would ban all Federal employees from trading at all

Mitch McConnell (R)	Being the senate minority leader, he has quite an influence. Mitch McConnell personally does not own any stocks, he just has some money in mutual funds. He believes that senators should avoid investing and is open to policies that ban trading for congresspeople.
Elizabeth Warren (D)	She has been a vocal advocate and has been seen leading the charge to ban the owning or trading of stocks from Congressional Officials
Amy Klobuchar (D)	She has sponsored bills preventing lawmakers from trading securities
Chuck Schumer (D)	Being the Senate Majority, he has the most powerful presence in the United States Senate, he has repeatedly stated and often pursued bills that would ban lawmakers from owning any stocks.

Possible Solutions

1. Complete banning of all officials from engaging in this trading is an obvious one, but one that senators will have to think about the ramifications of. Firstly this would entail banning members of all parts of the federal government from trading securities. Such kind of banning again will have to consider, do we ban it for all family members, only for lawmakers, or for employees
2. Transparency is another potential solution, forcing all federal employees to post all their trades on a clear public forum, currently, journalists need to fight through court systems and use the freedom of information act to get access to filings, if all filings need to be public in a place where the general public can easily access them, such as on an online platform, this may dissuade some lawmakers from trading as their constituents will be more aware of their actions and may change how they vote
3. Finally, employees could be forced to get their trades approved by some sort of agency or panels that make sure there is no conflict of interest with any of the businesses that the individual has for the government.

Past Actions

Stock Act of 2012

The Stocks Act specifically affirms that members of Congress and employees are not exempt from the insider trading prohibitions of the federal securities laws and empowers the House and Senate ethics committees to impose additional ethics rules. The law clearly states that members and employees have an obligation to American citizens not to misuse non-public information for profit.

United States Office of Government Ethics

The U.S. Office of Government Ethics (OGE) is an agency within the executive branch of the U.S. federal government that establishes executive branch policy regarding the avoidance of conflicts of interest for federal officials and executive branch employees. Under the Ethics in Government Act, the office is responsible for prosecuting offenders of the Stock act, yet these prosecutions rarely take place.

Guiding Questions

- To what extent should the markets be kept protected?
- What extent do we hold elected officials accountable?
- How much should we as a people keep the markets free?
- How free should the markets be?
- What is the role of the federal government in regulating the markets?

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