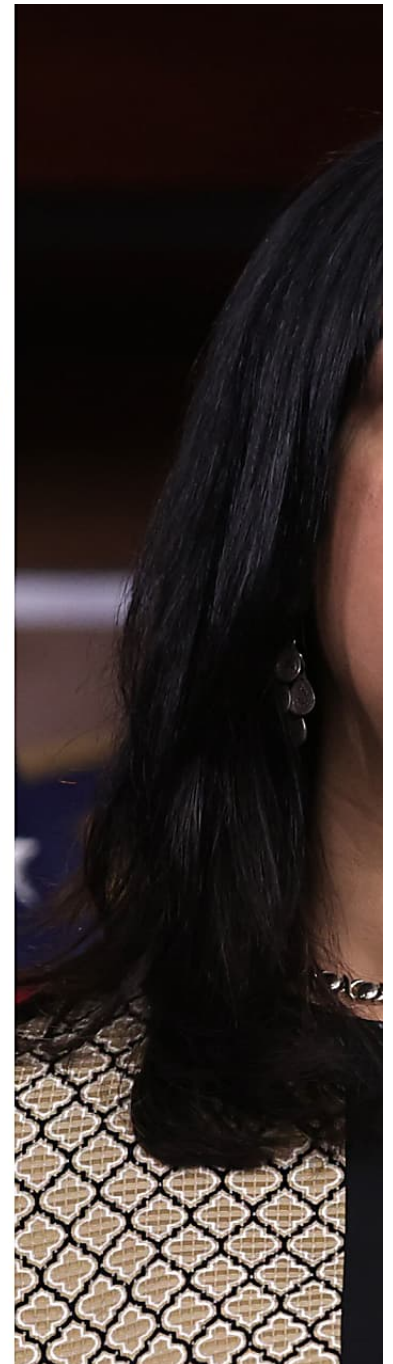


Lawmakers Trade Bank Stocks While Working on U.S. Bank-Failure Fallout

Mon, 10 Apr 2023 14:11:49, swmof88, [post_tag: lawmakers-trade-bank-stocks-while-working-on-u-s-bank-failure-fallout, category: news]

Lawmakers Trade Bank Stocks While Working on U.S. Bank-Failure Fallout

Trades could intensify calls to restrict congressional stock trading



Rep. Earl Blumenauer (D., Ore.) and Rep. Nicole Malliotakis (R., N.Y.) reported bank-stock trades amid involvement in addressing the banking crisis. AL DRAGO/BLOOMBERG NEWS, ALEX WONG/GETTY IMAGES

SHARE

- [FACEBOOK](#)
- [TWITTER](#)
- [LINKEDIN](#)
- [COPY LINK](#)

By [Rebecca Ballhaus](#)

Two lawmakers reported trades in bank stocks last month as they worked on government efforts to [address fallout](#) from two of the [largest bank failures](#) in American history.

The disclosures, by a New York Republican and an Oregon Democrat, mark the latest instance of congressional stock trading [intersecting with official business](#).

Rep. Nicole Malliotakis (R., N.Y.) bought stock in a regional bank before a subsidiary agreed to take over Signature Bank's deposits [following its closure](#). Days before she bought the stock, she said she met with financial regulators to discuss the bank's closure.

Rep. Earl Blumenauer (D., Ore.) reported three trades in bank stocks as he co-sponsored legislation seeking to strengthen restrictions on financial firms in the wake of the [bank failures](#).

The trades could intensify the pressure on Congress to restrict stock trading by lawmakers. That effort briefly gained momentum last fall, when House Democrats released a bill to [ban stock trading](#) by members of Congress, judges and senior executive-branch officials, but has since stalled. A bipartisan group of lawmakers earlier this year reintroduced a bill seeking to ban congressional stock trading.

Lawmakers are uniquely positioned to gain insight about particular industries in the course of their work. But beyond rules mandating regular disclosure and the laws against insider trading, they face no other restrictions on what stocks they are allowed to own or trade.

They are required to disclose any trades by them or their spouses of \$1,001 or more in stocks, bonds, commodities, futures and other securities within 45 days, and must disclose their assets and liabilities every year in broad ranges.

A spokeswoman for Ms. Malliotakis said the lawmaker made the trade at the recommendation of her financial adviser and that she wasn't aware the bank planned to bid on Signature Bank assets. A spokeswoman for Mr. Blumenauer said that the trade was made by his wife and that he wasn't aware of it at the time.

Several lawmakers have faced criticism for stock trading over the years. Former Sen. Richard Burr, a North Carolina Republican, faced U.S. investigations over stock sales valued at as much as \$1.7 million in February 2020, while sitting on committees that received detailed briefings on the then-growing pandemic. Both investigations later closed without enforcement action.



New York regulators put Signature Bank into receivership last month. PHOTO: ANGUS MORDANT/BLOOMBERG NEWS

Rep. [Nancy Pelosi](#) (D., Calif.) has reported frequent trading by her husband, Paul Pelosi, that has come under scrutiny. She has said she doesn't discuss trades with her husband.

Lawmakers aren't required to disclose the time at which their trades were made, making it impossible to determine how much money they made or lost on stock trades.

Ms. Malliotakis bought \$1,001 to \$15,000 in [New York Community Bancorp](#) Inc. stock on March 17, soon after she met with financial regulators.

Days before she bought the stock, she emphasized her work on Signature Bank, which New York regulators had put into receivership on March 12.

"Both last night and this morning I have been meeting with the Federal Reserve, U.S. Department of Treasury, Governor [Kathy] Hochul and New York State Department of Financial Services Superintendent Adrienne Harris to discuss the closure of Signature Bank," she said in a March 13 [statement](#) posted to her office's Twitter account.

"I have been assured all depositors will be made whole through the Deposit Insurance Fund which is made up of contributions from all member banks, not taxpayer funds," she added.

The next day, Ms. Malliotakis, a member of the House Ways and Means Committee, called for the Fed and the Biden administration to "review its monetary policy," saying that rising interest rates had "played a role" in the failure of Silicon Valley Bank the previous week.

On March 17, she bought the New York Community Bancorp shares. On March 19, the Federal Deposit Insurance Corp. announced that NYCB's Flagstar Bank would take on Signature's deposits.

NYCB stock [rose 32%](#) on the news the next day.

Ms. Malliotakis's [disclosure](#) said the stock purchase was made by her spouse. She is unmarried. A spokeswoman said that was an error and that the report will be updated.

Ms. Malliotakis's financial adviser "recommended the purchase of NYCB as a long-term investment given the purchase price was \$6.69 with a 9% dividend considering the stock was over \$11.00 last March," the spokeswoman said in an email.

The spokeswoman said there was no mention of NYCB in the briefings she participated in. She learned that the bank's subsidiary had agreed to take on the Signature deposits in the news on March 19, the spokeswoman said.

Rep. Earl Blumenauer of Oregon reported selling between \$1,001 and \$15,000 in [Bank of America](#) stock on March 9, as panic was spreading and shares of the four biggest U.S. banks—including Bank of America—slid. The next day, federal regulators announced they had taken control of [SVB](#), marking the second-biggest bank failure in U.S. history.

A week after the sale, the stock was down 5%.

Mr. Blumenauer also reported a less successful trade made March 9: a purchase of between \$1,001 and \$15,000 in SVB Financial Group. Shares of SVB were halted the next morning, shortly before the bank was taken over.

Less than a week later, on March 14, Mr. Blumenauer was among lawmakers who co-sponsored a bill to repeal the 2018 law that [relaxed restrictions](#) placed on financial firms.

His office sent an email to supporters heralding his work on the issue. "I am working with my friends Senator Elizabeth Warren and Congresswoman Katie Porter on a bill to repeal the Trump-era regulatory rollback and put banks with at least \$50 billion in assets back under strict federal oversight and Dodd-Frank era stress tests," said the email.

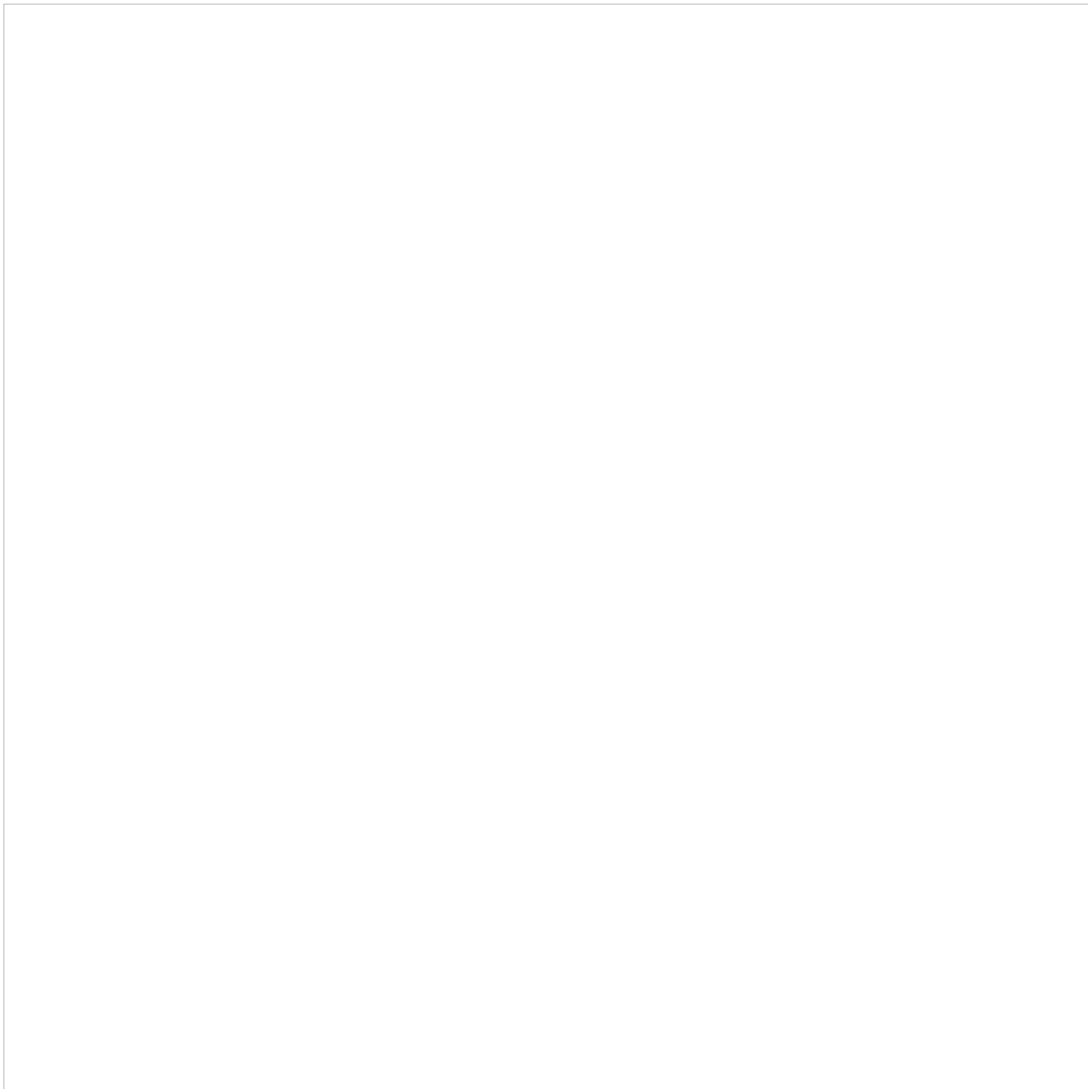


Rep. John Curtis (R., Utah) reported selling Bank of America and First Republic shares. PHOTO: ADAM FONDREN/THE DESERET NEWS/ASSOCIATED PRESS

"I will keep working to keep the public, our savings, and our businesses safe, healthy, and secure," he said.

Days later, as the banking industry continued to reel, Mr. Blumenauer reported a sale of between \$1,001 and \$15,000 in [First Republic Bank](#). On that day, March 20, the bank's stock closed down 47%, after The Wall Street Journal [reported](#) that a group of big U.S. banks were in discussions about fresh efforts to stabilize the lender.

Mr. Blumenauer's [disclosure](#) said all three trades were part of his spouse's retirement portfolio.



A spokeswoman said the congressman doesn't personally own any stock and has "no knowledge of financial transactions made by his wife." His wife uses a financial adviser who makes transactions "without her input, advice, consent, or prior knowledge," the spokeswoman said.

What Does SVB's Collapse Mean for the Banking Sector? We'll Explain.

YOU MAY ALSO LIKE



What Does SVB's Collapse Mean for the Banking Sector? We'll Explain. Play video: What Does SVB's Collapse Mean for the Banking Sector? We'll Explain.

Illustration: Preston Jessee

Mr. Blumenauer, elected to the House in 1996, is a member of the Ways and Means Committee and a senior member of the Budget Committee.

A third lawmaker reported two trades in bank stocks last month, although he appears to have been less involved in the congressional response to the bank failures.

Rep. John Curtis (R., Utah) reported selling \$1,001 to \$15,000 in Bank of America stock on March 16. Four major banks, including Bank of America, [announced](#) they would deposit \$30 billion at First Republic that day.

That same day, he also reported selling \$1,001 to \$15,000 in First Republic stock. The bank's stock closed down 33% the next day, reflecting investors' worries that the bank's problems hadn't been fully addressed. It was the bank's worst week on record.

Mr. Curtis's [disclosure](#) says both stocks were traded in a joint fund with his spouse. A spokesman didn't respond to a request for comment.

Mr. Curtis, who sits on the Energy and Commerce Committee, said in a January 2022 [interview](#) with the Journal that he was critical of proposals banning lawmakers from trading stocks. "For 40 years I've been building up a retirement, mostly in stocks. It's not as easy as 'don't do stocks,'" he said.

Natalie Andrews contributed to this article.