



# FACT

FOUNDATION FOR  
ACCOUNTABILITY  
AND CIVIC TRUST

July 19, 2021

Omar Ashmawy  
Chief Counsel  
Office of Congressional Ethics  
U.S. House of Representatives  
P.O. Box 895  
Washington, DC 20515-0895

Email: [oce@mail.house.gov](mailto:oce@mail.house.gov)

Dear Mr. Ashmawy,

The Foundation for Accountability and Civic Trust (FACT) is a nonprofit organization dedicated to promoting accountability, ethics, and transparency in government and civic arenas. We request the Office of Congressional Ethics immediately investigate former Representative, and current candidate, Harley Rouda for violating United States House of Representatives ethics rules.

Federal law and House Ethics rules require Members to disclose financial information to the public, including financial disclosure reports that provide a “full and complete” statement of the Member’s and his spouse’s assets, debts, and income, as well as periodic reports of financial transactions that exceed \$1,000 within 30 to 45 days of the transaction.<sup>1</sup> These disclosure requirements are an integral part of an ethical and transparent government—timely and accurate filing is the only method for citizens to determine whether Members have conflicts of interest or are wrongfully profiting from their position.<sup>2</sup>

Contrary to this well-known legal requirement, it was recently reported that Rouda failed to disclose the purchase and sale of stocks while he was in office last year.<sup>3</sup> In May and June of 2020, Rouda’s wife traded up to \$45,000 of Amazon and Tesla stocks—“companies Congress is

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<sup>1</sup> 5 U.S.C. app 4 sec. 101-111 (disclosure requirements); sec. 102(a)(5) (requirement for disclosure of financial transactions over \$1,000); House Rule 26.

<sup>2</sup> It is a foundational principal and embodied in numerous laws and ethics rules that Members “should not in any way use their office for private gain.” House Ethics Manual, at 1; *see also* House Ethics Manual, at 123-24 (Members cannot use official resources for any campaign or political purpose).

<sup>3</sup> Brooke Staggs, *Former Rep. Harley Rouda Missed Deadlines To Report Stock Trades*, The Orange County Register, July 7, 2021, available at <https://www.ocregister.com/2021/07/06/former-rep-harley-rouda-missed-deadlines-to-report-stock-trades/>; Dave Levinthal and Kimberly Leonard, *On The Congressional Comeback Trail, Democrat Harley Rouda Appears To Violate The Federal STOCK Act*, Insider, July 6, 2021.

looking to heavily regulate.”<sup>4</sup> Rouda disclosed the transactions nearly a year later in a report filed May 20, 2021.<sup>5</sup>

This is especially egregious because it is not Rouda’s first violation.<sup>6</sup> Rouda previously failed to report four stock transactions which occurred in 2019. A year after the majority of the transactions, he ultimately disclosed them in August 2020 and paid a fine for not complying with the law.<sup>7</sup>

There are no excuses for not complying with this law, especially multiple times—if a Member or their spouse chooses to trade stocks they must ensure compliance and failure to do so has consequences.<sup>8</sup> If the OCE does not enforce this law then it simply becomes ineffective and destroys citizens’ confidence in our government officials. We request the OCE investigate Rouda’s failure to disclose stock transactions and impose appropriate sanctions including fines and penalties.

To the best of my knowledge and ability, all evidence submitted was not obtained in violation of any law, rule, or regulation. Further, I am aware that the False Statements Act, 18 U.S.C. § 1001, applies to information submitted to the Office of Congressional Ethics.

Sincerely,



Kendra Arnold  
Executive Director  
Foundation for Accountability & Civic Trust

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<sup>4</sup> *Id.*

<sup>5</sup> *Id.* Harley Rouda, Periodic Transaction Report, U.S. House Of Reps., Filed May 20, 2021, available at: <https://www.documentcloud.org/documents/20983467-harley-rouda-disclosure-may-2021?responsive=1&title=1>.

<sup>6</sup> Caitlin Conant, *2020 Daily Trail Markers: Trump Campaign Launches Ad Blitz Encouraging Vote By Mail*, CBS News, Oct. 16, 2020.

<sup>7</sup> *Id.*; Rep. Harley Rouda, Periodic Transaction Report, U.S. House Of Reps., Filed Aug. 13, 2020, available at: [https://disclosures-clerk.house.gov/public\\_disc/ptr-pdfs/2020/20017090.pdf](https://disclosures-clerk.house.gov/public_disc/ptr-pdfs/2020/20017090.pdf).

<sup>8</sup> The Ethics in Government Act does not allow Members to break the law without consequence. See, e.g., 5 U.S.C. app 4 sec. 104(a)(1) (providing for a civil penalty not to exceed \$50,000); sec. 104(a)(2) (making it unlawful for any person to knowingly and willfully fail to file or report any information required under section 102, with penalties of up to \$50,000 and imprisonment of not more than one year); sec. 104(d) (providing for a late filing fee of \$200); *see also* Committee on Ethics, U.S. House of Reps., available at <https://ethics.house.gov/financial-disclosure/general-information-about-financial-disclosure> (“A \$200 late filing fee shall be assessed against any individual who files more than 30 days after the due date of a report or amendment (or the due date of any extension).”).

# Former Rep. Harley Rouda Missed Deadlines To Report Stock Trades

The Orange County Register | [Brooke Staggs](#) | July 7, 2021  
[View Source](#)

Former U.S. House Rep. Harley Rouda missed federally mandated deadlines for reporting that his wife traded six shares of Amazon and Tesla stocks while he was in office last year.

The Democrat from Laguna Beach, who hopes to reclaim the 48th District seat from Rep. Michelle Steel in 2022, said through a spokesperson that he didn't learn about the trades until after he'd left office. Rouda included the missed transactions — which were valued at less than \$45,000 total and didn't appear to generate much profit for the Rouda family — in a 23-page financial disclosure report he filed in May.

But the reporting error comes at a time when more attention is being paid to stock dealings by members of Congress, particularly after some members were accused of profiting on information about the pandemic that was not initially shared with the public. There also is a [growing push](#) for Congress members to divest themselves of all individual stocks while in office.

"They are supposed to know the rules," said Craig Holman, a campaign finance reform lobbyist for the think tank Public Citizen who helped write the stock trading transparency law.

Given the circumstances and the relatively low dollar amounts involved, Holman said Rouda is not likely to face fines or criminal penalties for the missed deadlines. Still, Holman noted the trades involved companies Congress is looking to heavily regulate. So he'd like to see the House Ethics Committee investigate, since he said the transparency requirements are the only real safeguard against insider trading.

"It's something the ethics committee should look into and make sure members of Congress know that they're watching."

Under the STOCK Act, passed in 2012 to prevent members of Congress from using their office to get rich, lawmakers have to report all stock transactions of \$1,000 or more within 45 days.

In early 2020, Rouda's son showed Rouda's wife, Kaira Rouda, how to use the stock trading app Robinhood, according to a spokesman for Rouda's campaign. Kaira Rouda ended up using the app in late May and early June 2020 for three trades: to buy and then sell up to \$15,000 in Amazon stock and to sell up to \$15,000 in Tesla stock. [Business Insider](#) first reported Rouda did not disclose the trades within the required 45-day window. Rouda's campaign on Tuesday declined to share the exact amount of the trades (which are listed as ranges of \$1,001 to \$15,000 on disclosure forms) but insisted they were "far below" \$15,000 each.

Rouda didn't know about the transactions until he went to file a [termination report](#) in May following the end of his term, his campaign spokesperson said. Within a week of learning about them, the spokesperson said Rouda voluntarily filed the missed disclosure forms.

While the Republican National Congressional Committee is painting Rouda's error as an effort to "hide his pandemic profiteering," none of the transactions appear to suggest insider trading, since they were made months after pandemic lockdowns had started.

Still, it's the latest example of a Congress member apparently violating the transparency requirement of the STOCK Act,

Holman noted, with complaints recently filed against New Jersey Democrat Rep. [Tom Malinowski](#) and Texas Republican Rep. [Pat Fallon](#), among others.

Criminal investigations were launched in early 2020 about several Senators using information gleaned from a private briefing at the outset of the COVID-19 pandemic to prompt stock sales. Senators Richard Burr, Kelly Loeffler, David Perdue, Jim Inhofe and Dianne Feinstein all were investigated but [no charges were filed](#).

Neither the Senate nor the House ethics committees have ever sanctioned members for violating the STOCK Act either, Holman said.

“The consequences have largely been political,” Holman said, pointing out that Loeffler and Perdue lost their reelection campaigns in January amid the scandal while Burr [resigned](#) as chair of the Senate Intelligence Committee.

The STOCK Act also has slowed Congressional trading, he said, with a study he commissioned showing a two-thirds drop in Senate members trading individual stocks after the law kicked in. But with ongoing examples of conflicts, he’s now endorsing a bill from Sen. Elizabeth Warren and Rep. Pramila Jayapal that would require Congress members to divest all individual stocks while they’re in office.

Rouda supports the idea of such a bill, his campaign spokesperson said.

Steel, who defeated Rouda in November to win the CA-48 seat, hasn’t filed her first financial disclosure report. The Republican from Seal Beach requested a 90-day [extension](#) in late April, bumping her report’s due date to Aug. 13.