



FACT

FOUNDATION FOR
ACCOUNTABILITY
AND CIVIC TRUST

February 28, 2022

Chairman Christopher A. Coons
Vice Chairman James Lankford
Senate Select Committee on Ethics
220 Hart Senate Office Building
United States Senate
Washington, DC 20510

Dear Chairman Coons and Vice Chairman Lankford,

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 Senate Select Committee on Ethics immediately investigate Connecticut Senator Richard Blumenthal for violating federal law and Senate ethics rules. It appears Blumenthal did not timely report stock trades that present conflict of interest concerns.

Senators are prohibited from using their official position for personal gain.¹ Additionally, federal law and Senate ethics rules require Senators to disclose their financial information to the public.² The disclosure requirements are an integral part of an ethical and transparent government: accurate and timely filing is the only method for citizens to determine whether Members have conflicts of interest or are wrongfully profiting from their position.³

Under the disclosure requirements, each Senator must file an annual financial disclosure statement that provides a “full and complete” statement of the Senator’s assets, debts, and income, as well as any positions held outside of the Senate.⁴ In addition to the annual report, a Senator must file a periodic report to disclose any financial transaction that exceeds \$1,000, which must be filed within 30 or 45 days from the date of the transaction.⁵ This law is directly

¹ Senate Rule 37.

² 5 U.S.C. app 4 sec. 101-111; Senate Rules 34, 41.

³ *Id.*

⁴ 5 U.S.C. app 4 sec. 101-111 (disclosure requirements); sec. 102(a)(5) (requirement for disclosure of financial transactions over \$1,000); Senate Rules 34, 41.

⁵ *Id.*

incorporated into Senate rules and is considered to be the “heart of the [Senate] code of conduct.”⁶ Each Senator has an affirmative duty to comply with the law and every violation has consequences.⁷

Recently, it was reported that Senator Blumenthal and his wife “bought and sold shares of the stock trading app Robinhood while he called for Congress to investigate a controversial trading practice largely carried out on the platform.”⁸ On February 1, 2021, Blumenthal called for Congressional and consumer protection investigations into Robinhood’s role in the GameStop investor frenzy.⁹ Yet, ultimately, “Blumenthal did not probe the matter even though he was well positioned to do so as the chairman of the Senate Commerce Subcommittee on Consumer

⁶ Senate Rules 34, 41; Senate Ethic Manual, U.S. Senate Select Comm. on Ethics, at 124 (2003 ed), available at: https://www.ethics.senate.gov/public/_cache/files/f2eb14e3-1123-48eb-9334-8c4717102a6e/2003-senate-ethics-manual.pdf (“The drafters of the original Senate Code of Official Conduct . . . considered full and complete public financial disclosure to be the heart of the code of conduct.” (internal citation and quotation marks omitted)).

⁷ 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* Senate Select Comm. on Ethics, available at <https://www.ethics.senate.gov/public/index.cfm/financialdisclosure> (“Any individual who is required to file a report and files such report more than 30 days after the due date, or, if an extension is granted, more than 30 days after the last day of the filing extension period, **shall be subject to a \$200 penalty.**” (emphasis in original)).

⁸ Chuck Ross, *Blumenthal Bought Robinhood Shares As He Called For Congress To Investigate GameStop Trading Frenzy*, Washington Free Beacon, Feb. 10, 2022, available at: <https://freebeacon.com/democrats/blumenthal-bought-robinhood-shares-as-he-called-for-congress-to-investigate-gamestop-trading-frenzy/>.

⁹ *Id.*; Richard Blumenthal, Twitter, Feb.1, 2021, available at: <https://twitter.com/SenBlumenthal/status/1356329332583657477>:



Protection.”¹⁰ Meanwhile, throughout 2021, Blumenthal’s wife’s family fund, the Peter L Malkin Family fund, traded millions of dollars of Robinhood stock.¹¹

In the last quarter of 2021, Blumenthal’s wife sold between \$1,265,000 and \$2,550,000 shares of Robinhood stock through her family fund.¹² As part of those trades, Blumenthal’s family sold up to \$550,000 of Robinhood shares on Dec. 8, 2021, but did not disclose it until February 2, 2022—after the reporting deadline.¹³ Although Blumenthal’s spokesperson argued that the assets were held in a “family trust,” that is irrelevant to both the conflict of interest laws and the disclosure requirements.

Blumenthal’s stock trades raise conflict of interest concerns and, to make matters worse, Blumenthal failed to disclose his trades as required by the very laws intended to reveal conflicts of interest. In situations where a Senator’s official actions and investments appear to overlap, there are two distinct problems that arise. First, there is the ability for the Senator to use non-public information for his personal profit, for instance timing when to buy and sell stocks. On the converse side, the Senator may take or refrain from taking official action to benefit his personal investments, which of course leads to questioning the credibility of the Senate. The only way to determine whether either of these things occurred is through the disclosure laws—laws that Senators are well aware of and have an affirmative duty to comply with.

The Senate Select Committee on Ethics must act to ensure Senators comply with the most basic ethics requirements to maintain the public’s trust. Senator Blumenthal’s stock trades and any failure to comply with federal law must be investigated and appropriate sanctions imposed.

¹⁰ Chuck Ross, *Blumenthal Bought Robinhood Shares As He Called For Congress To Investigate GameStop Trading Frenzy*, Washington Free Beacon, Feb. 10, 2022, available at: <https://freebeacon.com/democrats/blumenthal-bought-robinhood-shares-as-he-called-for-congress-to-investigate-gamestop-trading-frenzy/>.

¹¹ *Id.* (“Blumenthal’s financial disclosures list between \$750,000 and \$1 million in a private equity entity called ‘A-RH-HOOD,’ an investment fund that pooled Robinhood shares before its initial public offering in July 2021. Blumenthal’s disclosures of the sale of Robinhood shares late last year refer to ‘A-RH-HOOD’ in footnotes for the transaction.”); Richard Blumenthal, Periodic Disclosure Of Financial Transactions, United States Senate Financial Disclosures, Filed Feb. 2, 2022, available at: <https://efdsearch.senate.gov/search/view/paper/01d98c63-1737-4bfd-b6eb-1e429dc16c1b/>; Richard Blumenthal, Periodic Disclosure Of Financial Transactions, United States Senate Financial Disclosures, Filed Dec. 13, 2021, available at: <https://efdsearch.senate.gov/search/view/paper/ec4d0d90-b4a7-4fb8-a1ac-bbcfd1c3ad6a/>; Richard Blumenthal, Periodic Disclosure Of Financial Transactions, United States Senate Financial Disclosures, Filed Mar. 15, 2021, available at: <https://efdsearch.senate.gov/search/view/paper/a68e9328-7725-42ef-8f34-32fb4139270f/>.

¹² *Id.*

¹³ Richard Blumenthal, Periodic Disclosure Of Financial Transactions, United States Senate Financial Disclosures, Filed Feb. 2, 2022, available at: <https://efdsearch.senate.gov/search/view/paper/01d98c63-1737-4bfd-b6eb-1e429dc16c1b/>.

Sincerely,

Kendra Arnold
Executive Director, Foundation for Accountability & Civic Trust