

United States Senate

WASHINGTON, DC 20510

May 6, 2015

The Honorable Mary Jo White
Chair
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, D.C. 20549

Dear Chair White:

We write regarding the Second Circuit's decision in United States v. Newman, which may now require the government to prove that a tipper's benefit "must be of some consequence" rather than having to prove "the mere fact of a friendship." In light of this, we urge the Securities and Exchange Commission (SEC) to use its existing authorities to consider and update insider trading rules to resolve the damaging discrepancy left in the decision's wake.

As you know, the repercussions of this decision could make it easier for individuals to share confidential stock tips with one another, giving them an unfair advantage in our markets.

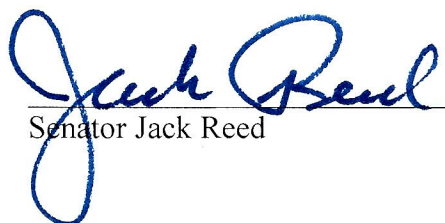
In the absence of a statutory definition for unlawful insider trading, the courts have used varying interpretations of anti-fraud statutes in order to decide insider trading cases, leading to the development of an inconsistent and complicated body of case law. Following the uncertainty created by the Newman decision, a few bills have been introduced in Congress to create a statutory ban on unlawful insider trading. While these bills work their way through the legislative process, we would appreciate answers to the following questions:

1. What specific actions can the SEC independently take to address the Newman decision?
2. Do you have any plans in the near term to ask the Commission to consider any of the specific actions the SEC may independently take in response to the Newman decision?

We have a common goal of protecting everyday investors so they can trust the integrity of the markets where they have invested their hard-earned savings. Given the urgency of this matter, please provide a response by May 29, 2015.

Thank you for your attention to and consideration of this important issue.

Sincerely,



Senator Jack Reed



Senator Mike Rounds