

October 21, 2019

Hon. Jay Clayton  
Chairman  
Securities and Exchange Commission  
100 F Street, NE  
Washington, DC 20549

Chairman Clayton:

The specter of insider trading by government officials threatens the integrity of our markets and the security of our Nation. I write to you as a member of the Senate Select Committee on Intelligence to express concern regarding a report of large futures trades that were followed immediately by significant foreign policy announcements.

Media coverage indicates that since late June, a troubling pattern of questionable futures trades has developed. Specifically, *Vanity Fair* reports that on at least three occasions, an investor or a group of investors purchased a substantial number of S&P 500 Index futures just before markets closed on the day before a market-moving foreign policy announcement related to China. Each futures purchase had the potential to create a fast, hefty profit for the fortunate investor who made it.

This pattern of futures purchases may be the result of insider trading by government officials, or it may be the product of good fortune. If a trader made futures purchases based on tips from government officials regarding important Chinese policy changes, then the government tipper endangered national security. Leaking confidential information – whether for profit or for the benefit of a foreign government – removes the elements of deliberation and surprise that are essential to the advantageous prosecution of American foreign policy.

Regardless of whether or not the trades resulted from insider trading, their size and repetition have raised public suspicion. It is incumbent upon the SEC to promote public trust in the Nation's financial markets, and, accordingly, I urge you to investigate any suspicious S&P 500 futures trades that occurred just prior to a market-moving foreign policy announcement. Should your investigation produce actionable evidence of civil wrongdoing, I urge you to hold the people who misappropriated non-public information responsible – and, if during the course of your investigation you determine that futures trades resulted from a leak of government information, I urge you to report your findings to the FBI immediately.

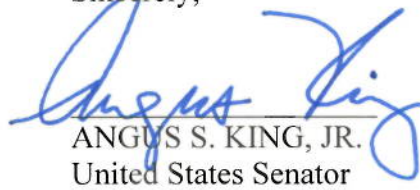
In addition to taking the steps that I urge above, I ask that you answer the following questions within 30 days:

- Has the SEC or any other U.S. Government agency (to your knowledge) opened an investigation into the above-mentioned trades? If not, please explain why it has not done so.

- Has the SEC made any criminal referrals to the FBI regarding insider trading by government officials that turn on disclosure of material, non-public foreign policy information?
- Does the SEC have procedures in place to detect and investigate the disclosure of material, non-public information by a government employee to a trader?
- Does the SEC have the resources that it needs to enforce the Stop Trading on Congressional Knowledge (“STOCK”) Act? If not, how can Congress better support the Commission as it carries out its duty to investigate and remedy cases of insider trading by government officials?

Thank you for your work to bolster public trust in our markets and to ensure that our Nation stays safe.

Sincerely,



ANGUS S. KING, JR.  
United States Senator