

## Qs & As About the STOCK Act

Q1: Does the STOCK Act change what I need to report on my annual Public Financial Disclosure Report (the OGE Form 278)?

A1: No, the STOCK Act does not change the content of the OGE Form 278. You are still required to report the assets owned by you, your spouse and your dependent children, such as diversified mutual funds.

Q2: But you recommend that we change how we report those assets?

A2: Yes. To protect your privacy as much as possible, we suggest that you do not attach brokerage statements which typically give more information than is required, such as assets below the \$1,000 reporting threshold, multiple listings of the same asset, and the exact value of each asset. Rather, you should consider typing each asset onto the report, omitting those that do not meet the reporting threshold and aggregating the entry of like assets. Your ethics official can explain the reporting options.

Q3: So is the STOCK ACT transaction reporting requirement different from the transactions I am required to report on my annual OGE-278 report?

A3: Yes, there is a difference. While both have a \$1,000 *de minimis* threshold, most mutual funds (those that are publicly traded or widely diversified, and that you do not control the assets held within) are not reportable under the Act's transaction reporting requirement. You would continue, however, to report the purchase and sale of those mutual funds on your annual OGE-278 report.

Q4: Must I meet the Act's transaction reporting requirement through an electronic format?

A4: The STOCK Act's transaction reporting requirement does not take effect until July 3, 2012. Only transactions occurring on or after July 3 will have to be reported under the Act. We do not yet know the format for such reporting. However, we do not expect that you will have to report the transactions electronically. Most likely, you can send a copy of your monthly brokerage statement to the ethics office to meet the reporting requirement.

Q5: You said earlier that we should not use brokerage statements for reporting purposes. So should we or not?

A5: It is unclear whether the STOCK Act transaction report will need to be posted on the web. If it does not need to be posted, and is solely a report to the NIH, then we would recommend forwarding a brokerage statement to ease the reporting burden. If we are required to post those reports on the web, then as discussed above, we will want to consider an alternate reporting method.

Q6: My broker runs a unique report that meets the government reporting requirements. Will you issue detailed reporting instructions regarding the Act's transaction reporting requirements that I may then forward to my broker?

A6: Yes. Once we learn more about the reporting requirements, we will issue further guidance.

Q7: OK. The purchase or sale of a publicly traded mutual fund whose asset portfolio I do not control is not a reportable STOCK Act transaction. I understand, however, that the purchase or sale of an individual stock is reportable. I've given my broker permission to make such purchases and sales on my behalf. Are these non-directed purchases (through a managed account) reportable?

A7: Yes. Just like with respect to your annual OGE-278 report, if these purchases meet the \$1,000 *de minimis* reporting level, they are reportable under the STOCK Act.

Q8: What if I purchase shares of stocks through dividend reinvestment? Report those purchases pursuant to the Act?

A8: Similar to the reporting threshold for your annual OGE-278 report, if the dividend reinvestment purchase exceeds \$1,000, then it is a reportable STOCK Act transaction.

Q9: I owned shares in company A, and company A was bought by company B. My shares in company A were then exchanged for shares in company B. I was required to report the exchange of company A's stock for company B's stock on my annual OGE-278 report. Is this exchange a reportable STOCK Act transaction?

A9: The STOCK Act uses the same definition of "transaction" as the Ethics in Government Act, the statute that created the OGE-278 reporting system. So, yes, an exchange is a reportable STOCK Act transaction.

Q10: What about investments in cash accounts, e.g., CDs or money market accounts? Are they reportable STOCK Act transactions?

A10: Because neither of these transactions are reportable OGE-278 transactions, they are similarly not reportable STOCK Act transactions.

Q11: I heard that the STOCK Act requires an OGE-278 filer to report the mortgage on his or her personal residence on his or her disclosure report. I was told that I only have to report the mortgage on my personal residence if I receive rental income from it. Which is correct?

A11: The Act's mortgage reporting provision only applies to certain Presidential appointees confirmed by the Senate (PAS), nominees to those positions, and all O-7 and above Corps Officers. All other OGE-278 filers are not required to report mortgages on personal residences unless the property is rented.

Those employees who are covered by the Act's mortgage reporting provision are required to disclose the name of the lender, the terms and conditions of the loan, and a notation as to whether the mortgage is on a personal residence or an investment property. They are not required to disclose the location of a residence secured by the mortgage.