

# Spotlight: Increased Focus on Personal Financial Disclosure

---

November 2006

Over the past few months the personal financial disclosure reports of public officials—including Members of Congress and federal judges—have made national headlines.

Incomplete or inaccurate financial disclosure reports can draw unwanted attention not only from the media and constituents, but also from congressional investigators and federal prosecutors. The penalties can be severe: for knowingly filing a false report, a filer may face felony charges and criminal penalties of five years' imprisonment and a \$250,000 fine. Similar penalties apply if the undisclosed holdings constitute a conflict of interest.

To ensure the accuracy of their financial disclosure reports, public officials should be aware of common pitfalls in financial disclosures. One recurring theme in the recent media reports is the filer's lack of understanding of the disclosure rules for stock options, real estate holdings and gifts. Of these three, stock options are particularly prone to misunderstanding. Stock options are not specifically cited in the federal ethics statute or regulations and receive only a brief mention in congressional ethics manuals. Yet they qualify as securities that must be disclosed—often repeatedly—on a financial disclosure report. For example, an option must be disclosed as an asset if it is valued above \$1,000 at the close of a reporting period or has produced income of more than \$200 during that period. The exercise of an option also must be disclosed as a transaction if the sale or purchase of the underlying stock exceeds \$1,000. Moreover, an option received as compensation may be subject to disclosure as a employment-related arrangement—regardless of its value—or as compensation exceeding \$5,000 from a single source.

Stock options are just one pitfall along the complicated road to financial disclosure. For more information on public financial disclosure requirements, see [www.house.gov/ethics/Ethicforward.html](http://www.house.gov/ethics/Ethicforward.html), [www.ethics.senate.gov/downloads/pdf/manual.pdf](http://www.ethics.senate.gov/downloads/pdf/manual.pdf) and [www.usoge.gov/home.html](http://www.usoge.gov/home.html).