

OWNING AND SELLING COMMON STOCK: A GUIDE FOR CITY GOVERNMENTAL PERSONNEL



Chicago's Governmental Ethics Ordinance and its Personnel Rules do not prohibit City employees or officials from owning, buying, or selling common stock of publicly traded corporations. However, there are some restrictions and requirements. This Guide describes them.

As with all guides published by the Board of Ethics, it is not a substitute for specific, confidential advice from the Board—which any City official or employee (or their attorney) may request.

Are City officials and employees prohibited from buying stock in public companies, even of companies, like AT&T, Oracle, or Ford, that are City vendors?

No—they are not prohibited by the City's Governmental Ethics Ordinance (the "Ordinance") from buying or owning common stock in any publicly traded company. However, City Personnel Rule XXIX, Section 2(a), does prohibit non-clerical employees of the Mayor's office from having a "financial interest" (as defined in the Ordinance) in any entity. But, under the Ordinance and Personnel Rules, ownership of common stock of any company that represents less than $\frac{1}{2}$ of 1% (.5% -- under the Ordinance), or 1% (under the Personnel Rules) of the company's outstanding common stock does not constitute a "financial interest."

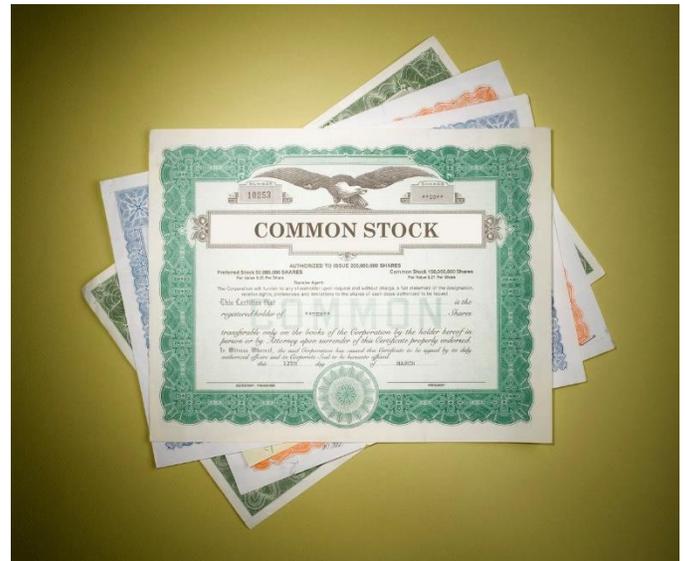
That is a lot of stock—we at the Board have never seen a City official or employee who's owned that much stock in a publicly traded company.

Thus in practice there is no meaningful prohibition on buying or owning common stock of any company, even of those that contract with the City.

Use of confidential or non-public information is prohibited.

Note, however, the Ordinance does prohibit City employees and officials from using confidential or

non-public information gained through their City position. Were a factual investigation to show that a City employee became privy to non-public information about a public company, perhaps an impending major contract with the City—and bought common stock of that company based on such knowledge—that employee would violate the Ordinance and be subject to fines of up \$20,000 for each violation, *and* a penalty equal to that of any ill-gotten gains. (That employee might also violate relevant federal securities laws too.)



Are City officials and employees prohibited from making City governmental decisions affecting public companies whose stock they own?

As a practical matter, no, unless they have a "financial interest" in that company, meaning they own more than .5% of the company's outstanding stock. Again, we at the Board have never seen this.

So, say, an employee of the City's Department of Technology and Information is asked to negotiate the City's purchase of 15,000 iMacs from Apple, Inc. The employee may perform this work, even if they own 1,000 shares of Apple common stock (assuming their decision otherwise complies with the Ordinance, e.g., no gifts were offered or given to the employee to influence their decision).

Note: there *may* be occasions when the Board would advise a City employee or official to recuse themselves from a decision affecting a public company whose stock they own -- out of prudence, or to avoid even an appearance of impropriety. But the Board might advise that only after considering the relevant facts.

Note also: City employees and officials may *not* participate in or make any City decisions involving *privately-owned or closely held businesses or entities* in which their or their relatives' ownership interest is worth more than \$1,000, or from which they received any compensation or income in the previous 12 months, or from whom or which they expect to receive any income or compensation in the following 12 months.



excess of \$5,000 that they realized in the previous calendar year. So, if that AIS employee sold shares of Apple stock in the previous year that, as a tax matter, yielded a capital gain in excess of \$5,000, they must name the asset sold and categorize the amount of the gain on their annual Statement. ~3,800 City employees and officials file these forms with our office. They are posted here: <https://webapps1.chicago.gov/efis/index.html>

And, ~3,900 City employees and officials also must file annual Statements of Economic Interests with the Cook County Clerk. As of 2022, these forms require filers to list their "assets" worth in excess of \$10,000 as of the end of the previous calendar year. "Asset" includes "stocks." To view those forms, please see the Cook County Clerk's website here:

<https://ethics.cookcountyclerk.gov/PublicSearch>

Must City employees and officials disclose which common stocks they own or sold?

In some cases, yes. City employees and officials who file annual Statements of Financial Interests with the Board must disclose capital gains in

Questions? Please contact us:



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