



TEXAS ETHICS COMMISSION



ETHICS ADVISORY OPINION NO. 326

May 10, 1996

Interpretation of the requirement that a personal financial statement filed under chapter 572 of the Government Code contain a listing of all shares of stock held or acquired by the filer during the year covered by the statement. (AOR-363)

The Texas Ethics Commission has been asked to interpret the requirement that a personal financial statement filed under chapter 572 of the Government Code contain a listing of all shares of stock held or acquired by the filer during the year covered by the statement. Specifically, the request letter asks whether "an investment account in which the account managers make all decisions regarding selection of investments as well as when to buy and sell may be reported as a single entity or whether each individual holding must be listed."

Chapter 572 requires various public officers and employees to file an annual personal financial statement. The information to be reported on that statement includes the "identification by name and the category of the number of shares of stock of any business entity held or acquired, and if sold, the category of the amount of net gain or loss realized from the sale." Gov't Code § 572.023(b)(2). A filer has asked about the reporting of a "managed investment account" in a situation in which an account manager, rather than the filer, makes all the decisions about stock sales and purchases. The filer asks whether he may report the existence of the account rather than reporting individual stocks held or acquired during the year.

The law requires that a filer report any stock held or acquired during the year covered by the report. In some cases, a filer may own stock in a fund that itself owns stock. In such a case, the filer is required to report only the stock the filer holds in the fund, not the stock the fund owns. Apparently the question raised here, however, is about a situation in which a filer is the owner of various stocks but has delegated the responsibility to buy and sell stocks to an account manager. In that situation section 572.023(b)(2) requires that the filer report the required information about any stock the filer held or acquired during the year covered by the report.

SUMMARY

On a financial statement filed under chapter 572 of the Government Code, a filer must list the stock of any business entity held or acquired during the year covered by the report, and if the stock is sold, the filer must report the category of the amount of net gain or loss realized from the sale. If a filer owns stock in a fund that itself owns stock, the filer is required to report only the stock the filer owns, not the stock the fund owns. On the other hand, if a filer has delegated the responsibility to buy and sell stocks to an account manager but retains ownership of the stocks, the filer must report the required information about each of the stocks held or acquired during the year covered by the report.