

AMENDMENT TO THE RULES COMMITTEE PRINT
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OFFERED BY MRS. WAGNER OF MISSOURI

At the end of title XVII, insert the following new section:

1 **SEC. 17____. REDEMPTION OF CERTAIN SECURITIES POST-**
2 **PONED.**

3 (a) IN GENERAL.—Section 22 of the Investment
4 Company Act of 1940 (15 U.S.C. 80a–22) is amended by
5 adding at the end the following:

6 “(h) REQUIREMENTS WITH RESPECT TO NON-INSTI-
7 TUTIONAL DIRECT AT-FUND ACCOUNTS.—

8 “(1) ELECTION.—

9 “(A) IN GENERAL.—A registered open-end
10 investment company and a transfer agent de-
11 scribed under paragraph (2) may elect to com-
12 ply with the requirements under paragraph (2)
13 and subsection (i) by notifying the Commission
14 of such election.

15 “(B) EFFECT OF ELECTION.—Paragraph
16 (2) and subsection (i) shall only apply to a reg-
17 istered open-end investment company and a

1 transfer agent that have made the election
2 under subparagraph (A).

3 “(2) REQUIREMENTS.—In the case of a cus-
4 tomer who is a holder of a non-institutional account
5 held directly with a registered open-end investment
6 company and serviced by a transfer agent (a ‘direct-
7 at-fund account’), the company and transfer agent
8 shall—

9 “(A) request from such customer the name
10 and contact information of at least one indi-
11 vidual who—

12 “(i) is at the time of such request an
13 adult; and

14 “(ii) may be contacted with respect to
15 such account;

16 “(B) document and retain the information
17 received pursuant to subparagraph (A); and

18 “(C) disclose to such customer in writing
19 (including through electronic delivery) that such
20 company or transfer agent may contact an indi-
21 vidual specified pursuant to subparagraph (A)
22 with respect to the account of such customer
23 to—

24 “(i) address possible financial exploi-
25 tation of such customer;

1 “(ii) confirm the contact information
2 or health status of the customer; or

3 “(iii) identify any legal guardian, ex-
4 ecutor, trustee, or holder of a power of at-
5 torney of the customer.

6 “(i) REDEMPTION OF CERTAIN SECURITIES POST-
7 Poned.—

8 “(1) IN GENERAL.—Notwithstanding subsection
9 (e), a registered open-end investment company or a
10 transfer agent acting on behalf of such company
11 may postpone the date of payment or satisfaction
12 upon redemption of any redeemable security in ac-
13 cordance with its terms for more than seven days
14 after the tender of such security to such company or
15 its agent designated for that purpose for redemption
16 if such company or agent reasonably believes that—

17 “(A) the redemption is requested by a se-
18 curity holder who is a specified adult; and

19 “(B) financial exploitation has occurred, is
20 occurring, or has been attempted with respect
21 to such redemption.

22 “(2) DURATION.—

23 “(A) IN GENERAL.—Except as provided in
24 subparagraphs (B) and (C), a registered open-
25 end investment company or a transfer agent

1 acting on behalf of such company may postpone
2 the date of payment or satisfaction upon re-
3 demption of a redeemable security under para-
4 graph (1) for a period of not more than 15
5 business days.

6 “(B) EXTENSION UPON DETERMINATION
7 OF EXPLOITATION.—The period described in
8 subparagraph (A) may be extended by an addi-
9 tional 10 business days if the registered open-
10 end investment company or a transfer agent
11 acting on behalf of such company—

12 “(i) reasonably believes that—

13 “(I) the redemption is requested
14 by a security holder who is a specified
15 adult; and

16 “(II) financial exploitation has
17 occurred, is occurring, or has been at-
18 tempted with respect to such redemp-
19 tion;

20 “(ii) subject to subparagraph (D), not
21 later than 2 days after making a deter-
22 mination under clause (i), notifies the indi-
23 viduals specified by such security holder
24 under subsection (h)(2)(A) in writing (in-
25 cluding through electronic delivery) of the

1 extension of the period described in sub-
2 paragraph (A) under this subparagraph
3 and the reason for such extension;

4 “(iii) initiates an internal review of
5 the facts and circumstances relating to the
6 determination under clause (i);

7 “(iv) holds amounts related to the de-
8 layed payment or satisfaction upon re-
9 demption of the redeemable security in a
10 demand deposit account; and

11 “(v) documents and retains records
12 related to carrying out clause (iv) and in-
13 cludes such records in the first required
14 account statement of the security holder
15 provided after the date on which the deter-
16 mination is made under clause (i).

17 “(C) EXTENSION BY GOVERNMENT.—A
18 State regulator, administrative agency of com-
19 petent jurisdiction, or court of competent juris-
20 diction may extend the period described in sub-
21 paragraph (A).

22 “(D) NOTIFICATION.—

23 “(i) EXCEPTION.—Subparagraph
24 (B)(ii) shall not apply if a registered open-
25 end investment company or transfer agent

1 acting on behalf of such company reason-
2 ably believes that an individual required to
3 be notified under such subparagraph is,
4 has been, or will subject the security holder
5 who identified such individual under sub-
6 section (h)(2)(A) to financial exploitation.

7 “(ii) REASONABLE EFFORTS.—An
8 open-end investment company or transfer
9 agent acting on behalf of such company
10 shall be considered in compliance with sub-
11 paragraph (B)(ii) if such company or
12 transfer agent makes a reasonable effort to
13 contact the individuals specified by a secu-
14 rity holder under subsection (h)(2)(A).

15 “(E) INTERNAL PROCEDURES.—An open-
16 end investment company or transfer agent act-
17 ing on behalf of such company shall establish
18 procedures to carry out the requirements under
19 this subsection, including procedures—

20 “(i) related to the identification and
21 reporting of matters related to the finan-
22 cial exploitation of specified adults;

23 “(ii) to determine whether to release
24 or reinvest delayed redemption proceeds,
25 taking into account the facts and cir-

1 cumstances of each case, should the inter-
2 nal review under subparagraph (B)(iii)
3 support the reasonable belief described in
4 subparagraph (B)(i);

5 “(iii) identifying each employee of the
6 company or transfer agent with authority
7 to establish, extend, or terminate a period
8 described in paragraph (1) or subpara-
9 graph (A);

10 “(iv) in the case of a transfer agent,
11 that are reasonably designed to ensure that
12 the employees of such transfer agent com-
13 ply with this subsection; and

14 “(v) in the case of an open-end invest-
15 ment company, establishing periodic re-
16 porting requirements under which a trans-
17 fer agent acting on behalf of such company
18 shall notify such company of—

19 “(I) each extension under sub-
20 paragraph (B) authorized by such
21 transfer agent;

22 “(II) each finding by the transfer
23 agent under subparagraph (B)(i);

1 “(III) each notification under
2 subparagraph (B)(ii) carried out by
3 such transfer agent; and

4 “(IV) the results of each internal
5 review initiated by the transfer agent
6 under subparagraph (B)(iii).

7 “(F) INFORMATION INCLUDED IN CERTAIN
8 STATEMENTS.—An open-end investment com-
9 pany shall include in each prospectus or state-
10 ment of additional information a notification
11 that the company or transfer agent acting on
12 behalf of such company may postpone redemp-
13 tion of certain securities under this subsection.

14 “(G) RECORD RETENTION.—An open-end
15 investment company or transfer agent acting on
16 behalf of such company shall—

17 “(i) document and retain records of—

18 “(I) each postponement of re-
19 demption under subparagraph (A),
20 (B), and (C);

21 “(II) each finding under subpara-
22 graph (B)(i);

23 “(III) the name and position of
24 each employee described in subpara-
25 graph (E)(iii);

1 “(IV) each notification carried
2 out under subparagraph (B)(ii); and

3 “(V) the results of each internal
4 review initiated under subparagraph
5 (B)(iii); and

6 “(ii) make such records available to
7 the Commission at the request of the Com-
8 mission.

9 “(3) SPECIFIED ADULT DEFINED.—In this sub-
10 section, the term ‘specified adult’ means a veteran
11 age 65 or older.”.

12 (b) RECOMMENDATIONS.—

13 (1) IN GENERAL.—Not later than 1 year after
14 the date of the enactment of this section, the Securi-
15 ties and Exchange Commission, in consultation with
16 the entities specified in paragraph (2), shall submit
17 to Congress a report that includes recommendations
18 regarding the regulatory and legislative changes nec-
19 essary to address the financial exploitation of secu-
20 rity holders who are specified adults (as defined in
21 subsection (i)(3) of section 22 of the Investment
22 Company Act of 1940 (15 U.S.C. 80a–22), as added
23 by this section).

24 (2) CONSULTATION.—The entities specified in
25 this paragraph are as follows:

1 (A) The Commodity Futures Trading
2 Commission.

3 (B) The Director of the Bureau of Con-
4 sumer Financial Protection.

5 (C) The Financial Industry Regulatory Au-
6 thority.

7 (D) The North American Securities Ad-
8 ministrators Association.

9 (E) The Board of Governors of the Fed-
10 eral Reserve System.

11 (F) The Comptroller of the Currency.

12 (G) The Federal Deposit Insurance Cor-
13 poration.

14 (H) The Secretary of Veterans Affairs.

