

1 **TITLE IX—ADDITIONAL IMPROVEMENTS TO**
2 **FINANCIAL MARKETS REGULATION**

3 **SEC. 901. SHORT TITLE.**

4 This title may be cited as the “Investor Protection Act of 2009.”

5 **Subtitle A—Disclosure**

6 **SEC. 911. INVESTOR ADVISORY COMMITTEE ESTABLISHED.**

7 The Securities Exchange Act of 1934 (15 U.S.C. 78a *et seq.*) is amended by adding at the
8 end the following new section:

9 **“SEC. 38. INVESTOR ADVISORY COMMITTEE.**

10 “(a) ESTABLISHMENT AND PURPOSE.—There is established an Investor Advisory
11 Committee to advise and consult with the Commission on—

12 “(1) regulatory priorities and issues regarding new products, trading strategies, fee
13 structures and the effectiveness of disclosures;

14 “(2) initiatives to protect investor interest; and

15 “(3) initiatives to promote investor confidence in the integrity of the market place.

16 “(b) MEMBERSHIP.—

17 “(1) APPOINTMENT.—The Chairman of the Commission shall appoint the
18 members of the Investor Advisory Committee, which members shall—

19 “(A) represent the interests of individual investors;

20 “(B) represent the interests of institutional investors; and

21 “(C) use a wide range of investment and approaches.

22 “(2) MEMBERS NOT COMMISSION EMPLOYEES.—Members shall not be deemed

1 employees or agents of the Commission solely because of membership on the Investor
2 Advisory Commission.

3 “(c) MEETINGS.—The Investor Advisory Committee shall meet from time to time at the
4 call of the Commission, but, at a minimum, shall meet at least twice in each year.

5 “(d) COMPENSATION AND TRAVEL EXPENSES.—Members of the Investor Advisory
6 Committee who are not full-time employees of the United States shall—

7 “(1) be entitled to receive compensation at a rate fixed by the Commission while
8 attending meetings of the Investor Advisory Committee, including travel time; and

9 “(2) be allowed travel expenses, including transportation and subsistence, while
10 away from their homes or regular places of business.

11 “(e) COMMITTEE FINDINGS.—Nothing in this section requires the Commission to accept,
12 agree, or act upon the findings or recommendations of the Investor Advisory Committee.

13 “(f) AUTHORIZATION OF APPROPRIATIONS.—There is authorized to be appropriated to the
14 Commission such sums as are necessary to cover the costs of the Investor Advisory
15 Committee.”.

16 **SEC. 912. CLARIFICATION OF THE COMMISSION’S AUTHORITY TO ENGAGE IN**
17 **CONSUMER TESTING.**

18 (a) AMENDMENT TO SECURITIES ACT OF 1933.—Section 19 of the Securities Act of 1933
19 (15 U.S.C. 77s) is amended by adding at the end the following new subsection:

20 “(e) For the purposes of evaluating its rules and programs and for considering, proposing,
21 adopting, or engaging in rules or programs, the Commission is authorized to gather information,
22 communicate with investors or other members of the public, and engage in such temporary or
23 experimental programs as it in its discretion determines is in the public interest or for the

1 protection of investors. The Commission may delegate to its staff some or all of the authority
2 conferred by this subsection.”.

3 (b) AMENDMENT TO SECURITIES EXCHANGE ACT OF 1934.—Section 23 of the Securities
4 Exchange Act of 1934 (15 U.S.C. 78w) is amended by adding the following new subsection (b)
5 after subsection (a) and redesignating subsections (b), (c), and (d) as subsections (c), (d), and (e):

6 “(c) GATHERING INFORMATION.—For the purposes of evaluating its rules and programs
7 and for considering proposing, adopting, or engaging in rules or programs, the Commission is
8 authorized to gather information, communicate with investors or other members of the public,
9 and engage in such temporary or experimental programs as it in its discretion determines is in the
10 public interest or for the protection of investors. The Commission may delegate to its staff some
11 or all of the authority conferred by this subsection.”.

12 (d) AMENDMENT TO INVESTMENT COMPANY ACT OF 1940.—Section 38 of the Investment
13 Company Act of 1940 (15 U.S.C. 80a-38) is amended by adding at the end the following new
14 subsection:

15 “(e) GATHERING INFORMATION.—For the purposes of evaluating its rules and programs
16 and for considering proposing, adopting, or engaging in rules or programs, the Commission is
17 authorized to gather information, communicate with investors or other members of the public,
18 and engage in such temporary or experimental programs as it in its discretion determines is in the
19 public interest or for the protection of investors. The Commission may delegate to its staff some
20 or all of the authority conferred by this subsection.”.

21 (f) AMENDMENT TO THE INVESTMENT ADVISERS ACT OF 1940.—Section 211 of the
22 Investment Advisers Act of 1940 (15 U.S.C. 80b-11) is amended by adding at the end the
23 following new subsection:

1 “(2) examine and, where appropriate, promulgate rules prohibiting sales practices,
2 conflicts of interest, and compensation schemes for financial intermediaries (including
3 brokers, dealers, and investment advisers) that it deems contrary to the public interest and
4 the interests of investors.”.

5 (b) AMENDMENT TO INVESTMENT ADVISERS ACT OF 1940.—Section 211 of the Investment
6 Advisers Act of 1940 (15 U.S.C. 80b-11) is amended by adding at the end the following new
7 subsections:

8 “(f) STANDARDS OF CONDUCT.—Notwithstanding any other provision of this Act or the
9 Securities Exchange Act of 1934, the Securities and Exchange Commission may promulgate
10 rules to provide, in substance, that the standards of conduct for all brokers, dealers, and
11 investment advisers, in providing investment advice about securities to retail customers or clients
12 (and such other customers or clients as the Commission may by rule provide), shall be to act
13 solely in the interest of the customer or client without regard to the financial or other interest of
14 the broker, dealer, or investment adviser providing the advice.

15 “(g) OTHER MATTERS.—The Commission shall—

16 “(1) take steps to facilitate the provision of simple and clear disclosures to
17 investors regarding the terms of their relationships with investment professionals,
18 including consultation with other financial regulators on best practices for consumer
19 disclosures, as appropriate; and

20 “(2) examine and, where appropriate, promulgate rules prohibiting sales practices,
21 conflicts of interest, and compensation schemes for financial intermediaries (including
22 brokers, dealers, and investment advisers) that it deems contrary to the public interest and
23 the interests of investors.”.

1 **SEC. 914. CLARIFICATION OF COMMISSION AUTHORITY TO REQUIRE**
2 **INVESTOR DISCLOSURES BEFORE PURCHASE OF**
3 **INVESTMENT COMPANY SHARES.**

4 Section 24 of the Investment Company Act of 1940 (15 U.S.C. 80a-24) is amended by
5 adding at the end the following new subsection:

6 “(h) TIMING OF DISCLOSURE.—Notwithstanding any other provision of this Act or the
7 Securities Act of 1933, the Commission is authorized to promulgate rules designating documents
8 or information that must precede a sale to a purchaser of securities issued by a registered
9 investment company.”.

10 **Subtitle B—Enforcement and Remedies**

11 **SEC. 921. AUTHORITY TO RESTRICT MANDATORY PRE-DISPUTE**
12 **ARBITRATION.**

13 (a) AMENDMENT TO SECURITIES EXCHANGE ACT OF 1934.—Section 15 of the Securities
14 Exchange Act of 1934 (15 U.S.C. 78o) is amended by adding at the end the following new
15 subsection:

16 “(m) AUTHORITY TO RESTRICT MANDATORY PRE-DISPUTE ARBITRATION.—The
17 Commission, by rule, may prohibit, or impose conditions or limitations on the use of, agreements
18 that require customers or clients of any broker, dealer, or municipal securities dealer to arbitrate
19 any future dispute between them arising under the federal securities laws or the rules of a self-
20 regulatory organization if it finds that such prohibition, imposition of conditions, or limitations
21 are in the public interest and for the protection of investors.”.

22 (b) AMENDMENT TO INVESTMENT ADVISERS ACT OF 1940.—Section 205 of the Investment
23 Advisers Act of 1940 (15 U.S.C. 80b-5) is amended by adding at the end the following new

1 subsection:

2 “(f) AUTHORITY TO RESTRICT MANDATORY PRE-DISPUTE ARBITRATION.—The
3 Commission, by rule, may prohibit, or impose conditions or limitations on the use of, agreements
4 that require customers or clients of any investment adviser to arbitrate any future dispute
5 between them arising under the federal securities laws or the rules of a self-regulatory
6 organization if it finds that such prohibition, imposition of conditions, or limitations are in the
7 public interest and for the protection of investors.”.

8 **SEC. 922 WHISTLEBLOWER PROTECTION.**

9 The Securities Exchange Act of 1934 (15 U.S.C. 78a *et seq.*) is amended by adding after
10 section 21E the following new section:

11 **“SEC. 21F. SECURITIES WHISTLEBLOWER INCENTIVES AND PROTECTION.**

12 “(a) IN GENERAL.—In any judicial or administrative action brought by the Commission
13 under the securities laws that results in monetary sanctions exceeding \$1,000,000, the
14 Commission, under regulations prescribed by the Commission and subject to subsection (b), may
15 pay an award or awards not exceeding an amount equal to 30 percent, in total, of the monetary
16 sanctions imposed in the action or related actions to one or more whistleblowers who voluntarily
17 provided original information to the Commission that led to the successful enforcement of the
18 action. Any amount payable under the preceding sentence shall be paid from the fund described
19 in subsection (f).

20 “(b) DETERMINATION OF AMOUNT OF AWARD; DENIAL OF AWARD.—

21 “(1) DETERMINATION OF AMOUNT OF AWARD.—The determination of the amount
22 of an award, within the limit specified in subsection (a), shall be in the sole discretion of
23 the Commission. The Commission may take into account the significance of the

1 whistleblower’s information to the success of the judicial or administrative action
2 described in subsection (a), the degree of assistance provided by the whistleblower and
3 any legal representative of the whistleblower in such action, the Commission’s
4 programmatic interest in deterring violations of the securities laws by making awards to
5 whistleblowers who provide information that leads to the successful enforcement of such
6 laws, and such additional factors as the Commission may establish by rules or
7 regulations.

8 “(2) DENIAL OF AWARD.—No award under subsection (a) shall be made—

9 “(A) to any individual who is, or was at the time he or she acquired the
10 original information submitted to the Commission, a member, officer, or
11 employee of any appropriate regulatory agency, the Department of Justice, or a
12 self-regulatory organization;

13 “(B) to any individual who is convicted of a criminal violation related to
14 the judicial or administrative action for which the individual otherwise could
15 receive an award under this section; or

16 “(C) to any individual who fails to submit information to the Commission
17 in such form as the Commission may, by rule, require.

18 “(c) REPRESENTATION.—

19 “(1) PERMITTED REPRESENTATION.—Any whistleblower who makes a claim for an
20 award under subsection (a) may be represented by counsel.

21 “(2) REQUIRED REPRESENTATION.—Any whistleblower who makes a claim for an
22 award under subsection (a) must be represented by counsel if the whistleblower submits the
23 information upon which the claim is based anonymously. Prior to the payment of an award, a

1 whistleblower must disclose his or her identity and provide such other information as the
2 Commission may require.

3 “(d) NO CONTRACT NECESSARY.—No contract with the Commission is necessary for any
4 whistleblower to receive an award under subsection (a), unless the Commission, by rule or
5 regulation, so requires.

6 “(e) APPEALS.—Any determinations under this section, including whether, to whom, or in
7 what amounts to make awards, shall be in the sole discretion of the Commission, and any such
8 determinations shall be final and not subject to judicial review.

9 “(f) INVESTOR PROTECTION FUND.—

10 “(1) FUND ESTABLISHED.—There is established in the Treasury of the United
11 States a fund to be known as the “Securities and Exchange Commission Investor
12 Protection Fund” (referred to in this section as the “Fund”).

13 “(2) USE OF FUND.—The Fund shall be available to the Commission, without
14 further appropriation or fiscal year limitation, for the following purposes:

15 “(A) paying awards to whistleblowers as provided in subsection (a); and.

16 “(B) funding investor education initiatives designed to help investors
17 protect themselves against securities fraud or other violations of the securities
18 laws, or the rules and regulations thereunder.

19 “(2) DEPOSITS AND CREDITS.—There shall be deposited into or credited to the
20 Fund—

21 “(A) any monetary sanction collected by the Commission in any judicial
22 or administrative action brought by the Commission under the securities laws that
23 is not added to a disgorgement fund pursuant to Section 308 of the Sarbanes-

1 Oxley Act of 2002 or other fund or otherwise distributed to victims of a violation
2 of the securities laws, or the rules and regulations thereunder, underlying such
3 action, unless the balance of the Fund at the time the monetary sanction is
4 collected exceeds \$100,000,000;

5 “(B) any monetary sanction added to a disgorgement fund pursuant to
6 Section 308 of the Sarbanes-Oxley Act of 2002 or other fund that is not
7 distributed to the victims for whom the disgorgement fund was established, unless
8 the balance of the Fund at the time the determination is made not to distribute the
9 monetary sanction to such victims exceeds \$100,000,000; and

10 “(C) all income from investments made under paragraph (3).

11 “(3) INVESTMENTS.—

12 “(A) AMOUNTS IN FUND MAY BE INVESTED.—The Commission may
13 request the Secretary of the Treasury to invest the portion of the Fund that is not,
14 in the Commission’s judgment, required to meet the current needs of the Fund.

15 “(B) ELIGIBLE INVESTMENTS.—Investments shall be made by the Secretary
16 of the Treasury in obligations of the United States or obligations that are
17 guaranteed as to principal and interest by the United States, with maturities
18 suitable to the needs of the Fund as determined by the Commission.

19 “(C) INTEREST AND PROCEEDS CREDITED.—The interest on, and the
20 proceeds from the sale or redemption of, any obligations held in the Fund shall be
21 credited to, and form a part of, the Fund.

22 “(4) REPORTS TO CONGRESS.—Not later than October 30 of each year, the
23 Commission shall transmit to the Committee on Banking, Housing, and Urban Affairs of

1 the Senate, and the Committee on Financial Services of the House of Representatives a
2 report on—

3 “(A) the Commission’s whistleblower award program under this section,
4 including a description of the number of awards granted and the types of cases in
5 which awards were granted during the preceding fiscal year;

6 “(B) investor education initiatives described in paragraph (1)(B) that were
7 funded by the Fund during the preceding fiscal year;

8 “(C) the balance of the Fund at the beginning of the preceding fiscal year;

9 “(D) the amounts deposited into or credited to the Fund during the
10 preceding fiscal year;

11 “(E) the amount of earnings on investments of amounts in the Fund during
12 the preceding fiscal year;

13 “(F) the amount paid from the Fund during the preceding fiscal year to
14 whistleblowers pursuant to subsection (a);

15 “(G) the amount paid from the Fund during the preceding fiscal year for
16 investor education initiatives described in paragraph (1)(B);

17 “(H) the balance of the Fund at the end of the preceding fiscal year; and

18 “(I) a complete set of audited financial statements, including a balance
19 sheet, income statement, and cash flow analysis.

20 “(g) PROTECTION OF WHISTLEBLOWERS.—

21 “(1) PROHIBITION AGAINST RETALIATION.—

22 “(A) IN GENERAL.—Any employee, contractor, or agent shall be entitled
23 to all relief necessary to make that employee, contractor, or agent whole, if that

1 employee, contractor, or agent is discharged, demoted, suspended, threatened,
2 harassed, or in any other manner discriminated against in the terms and conditions
3 of employment because of any lawful act done by the employee, contractor, or
4 agent or associated others in providing information to the Commission in
5 accordance with subsection (a), or in assisting in any investigation or judicial or
6 administrative action of the Commission based upon or related to such
7 information.

8 “(B) RELIEF.—Relief under subparagraph (A) shall include reinstatement
9 with the same seniority status that the employee, contractor, or agent would have
10 had, but for the discrimination, 2 times the amount of back pay, with interest; and
11 compensation for any special damages sustained as a result of the discrimination,
12 including litigation costs, expert witness fees, and reasonable attorneys’ fees. An
13 action under this subsection may be brought in the appropriate district court of the
14 United States for the relief provided in this subsection.

15 “(C) PROCEDURE.—

16 “(i) SUBPOENAS.—A subpoena requiring the attendance of a
17 witness at a trial or hearing conducted under this section may be served at
18 any place in the United States.

19 “(ii) STATUTE OF LIMITATIONS.—An action under this subsection
20 may not be brought more than 6 years after the date on which the violation
21 reported in section (a) is committed, or more than 3 years after the date
22 when facts material to the right of action are known or reasonably should
23 have been known by the whistleblower, but in no event after 10 years after

1 the date on which the violation is committed.

2 “(2) CONFIDENTIALITY.—

3 “(A) IN GENERAL.—Except as provided in subparagraph (B), all
4 information provided to the Commission by a whistleblower shall be confidential
5 and privileged as an evidentiary matter (and shall not be subject to civil discovery
6 or other legal process) in any proceeding in any Federal or State court or
7 administrative agency, and shall be exempt from disclosure, in the hands of an
8 agency or establishment of the Federal Government, under the Freedom of
9 Information Act (5 U.S.C. 552), or otherwise, unless and until required to be
10 disclosed to a defendant or respondent in connection with a public proceeding
11 instituted by the Commission or any entity described in subparagraph (B). For
12 purposes of section 552 of title 5, United States Code, this paragraph shall be
13 considered a statute described in subsection (b)(3)(B) of such section 552.
14 Nothing herein is intended to limit the Attorney General’s ability to present such
15 evidence to a grand jury or to share such evidence with potential witnesses or
16 defendants in the course of an ongoing criminal investigation.

17 “(B) AVAILABILITY TO GOVERNMENT AGENCIES.—Without the loss of its
18 status as confidential and privileged in the hands of the Commission, all
19 information referred to in subparagraph (A) may, in the discretion of the
20 Commission, when determined by the Commission to be necessary to accomplish
21 the purposes of this Act and protect investors, be made available to—

22 “(i) the Attorney General of the United States;

23 “(ii) an appropriate regulatory authority;

1 “(iii) a self-regulatory organization;

2 “(iv) State attorneys general in connection with any criminal
3 investigation; and

4 “(v) any appropriate State regulatory authority,
5 each of which shall maintain such information as confidential and
6 privileged, in accordance with the requirements in subparagraph (A).

7 “(3) RIGHTS RETAINED.—Nothing in this section shall be deemed to diminish the
8 rights, privileges, or remedies of any whistleblower under any Federal or State law, or
9 under any collective bargaining agreement.

10 “(h) RULEMAKING AUTHORITY.—The Commission shall have the authority to issue such
11 rules and regulations as may be necessary or appropriate to implement the provisions of this
12 section consistent with the purposes of this section.

13 “(i) DEFINITIONS.—For purposes of this section, the following terms have the following
14 meanings:

15 “(1) ORIGINAL INFORMATION.—The term ‘original information’ means
16 information that—

17 “(A) is based on the direct and independent knowledge or analysis of a
18 whistleblower;

19 “(B) is not known to the Commission from any other source; and

20 “(C) is not based on allegations in a judicial or administrative hearing, in a
21 governmental report, hearing, audit, or investigation, or from the news media,
22 unless the whistleblower is the initial source of the information that resulted in the
23 judicial or administrative hearing, governmental report, hearing, audit, or

1 investigation, or the news media’s report on the allegations.

2 “(2) MONETARY SANCTIONS.—The term ‘monetary sanctions,’ when used with
3 respect to any judicial or administrative action, means any monies, including but not
4 limited to penalties, disgorgement, and interest, ordered to be paid, and any monies
5 deposited into a disgorgement fund pursuant to Section 308(b) of the Sarbanes-Oxley Act
6 of 2002 (15 U.S.C. 7246(b)), as a result of such action or any settlement of such action.

7 “(3) RELATED ACTION.—The term ‘related action,’ when used with respect to any
8 judicial or administrative action brought by the Commission under the securities laws,
9 means any judicial or administrative action brought by an entity described in subsection
10 (g)(2)(B) that is based upon the same original information provided by a whistleblower
11 pursuant to subsection (a) that led to the successful enforcement of the Commission
12 action.

13 “(4) WHISTLEBLOWER.—The term ‘whistleblower’ means an individual, or two or
14 more individuals acting jointly, who submit information to the Commission as provided
15 in this section.”.

16 **SEC. 923. CONFORMING AMENDMENTS FOR WHISTLEBLOWER PROTECTION.**

17 (a) IN GENERAL.—Each of the following provisions is amended by inserting “and section
18 21F of the Securities Exchange Act of 1934” after “the Sarbanes-Oxley Act of 2002”:

19 (1) Section 20(d)(3)(A) of the Securities Act of 1933 (15 U.S.C. 77t(d)(3)(A)).

20 (2) Section 42(e)(3)(A) of the Investment Company Act of 1940 (15 U.S.C. 80a–
21 41(e)(3)(A)).

22 (3) Section 209(e)(3)(A) of the Investment Advisers Act of 1940 (15 U.S.C. 80b–
23 9(e)(3)(A)).

1 (b) SECURITIES EXCHANGE ACT.—The Securities Exchange Act of 1934 (15 U.S.C. 78a
2 *et seq.*) is amended—

3 (1) in section 21(d)(3)(C)(i) (15 U.S.C. 78u(d)(3)(C)(i)), by inserting “and section
4 21F of this title” after “the Sarbanes-Oxley Act of 2002”;

5 (2) in section 21A(d)(1) (15 U.S.C. 78u-1(d)(1)), by

6 (A) striking “(subject to subsection (e))”; and

7 (B) inserting “and section 21F of this title” after “the Sarbanes-Oxley Act
8 of 2002”; and

9 (C) by striking section 21A(e) (15 U.S.C. 78u-1(e)) and renumbering
10 sections 21A(f) and (g) (15 U.S.C. 78u-1(f) and (g)) as sections 21A(e) and (f).

11 **SEC. 924. IMPLEMENTATION AND TRANSITION PROVISIONS FOR**

12 **WHISTLEBLOWER PROTECTIONS.**

13 (a) IMPLEMENTING RULES.—The Securities and Exchange Commission shall issue final
14 regulations implementing the provisions of section 21F of the Securities Exchange Act of 1934,
15 as added by this subtitle, no later than 270 days after the date of enactment of this Act.

16 (b) ORIGINAL INFORMATION.—Information submitted to the Commission by a
17 whistleblower in accordance with regulations implementing the provisions of section 21F of the
18 Securities Exchange Act of 1934, as added by this subtitle, shall not lose its status as original
19 information, as defined in section 21F(i)(1) of the Securities Exchange Act of 1934, as added by
20 this subtitle, solely because the whistleblower submitted such information prior to the effective
21 date of such regulations, provided such information was submitted after the date of enactment of
22 this subtitle, or related to insider trading violations for which a bounty could have been paid at
23 the time such information was submitted.

1 (c) AWARDS.—A whistleblower may receive an award pursuant to section 21F of the
2 Securities Exchange Act of 1934, as added by this subtitle, regardless of whether any violation of
3 a provision of the securities laws, or a rule or regulation thereunder, underlying the judicial or
4 administrative action upon which the award is based occurred prior to the date of enactment of
5 this subtitle.

6 **SEC. 925. COLLATERAL BARS.**

7 (a) SECTION 15 OF THE SECURITIES EXCHANGE ACT OF 1934.—Section 15(b)(6)(A) of the
8 Securities Exchange Act of 1934 (15 U.S.C. 78o(b)(6)(A)) is amended by striking “12 months,
9 or bar such person from being associated with a broker or dealer, ” and inserting “12 months, or
10 bar any such person from being associated with a broker, dealer, investment adviser, municipal
11 securities dealer, transfer agent, or nationally recognized statistical rating organization, ”.

12 (b) SECTION 15B OF THE SECURITIES EXCHANGE ACT OF 1934.—Section 15B(c)(4) of the
13 Securities Exchange Act of 1934 (15 U.S.C. 78o-4(c)(4)) is amended by striking “twelve months
14 or bar any such person from being associated with a municipal securities dealer, ” and inserting
15 “twelve months or bar any such person from being associated with a broker, dealer, investment
16 adviser, municipal securities dealer, transfer agent, or nationally recognized statistical rating
17 organization,”.

18 (c) SECTION 17A OF THE SECURITIES EXCHANGE ACT OF 1934.—Section 17A(c)(4)(C) of
19 the Securities Exchange Act of 1934 (15 U.S.C. 78q-1(c)(4)(C)) is amended by striking “twelve
20 months or bar any such person from being associated with the transfer agent, ” and inserting
21 “twelve months or bar any such person from being associated with any transfer agent, broker,
22 dealer, investment adviser, municipal securities dealer, or nationally recognized statistical rating
23 organization,”.

1 (d) SECTION 203 OF THE INVESTMENT ADVISERS ACT OF 1940.—Section 203(f) of the
2 Investment Advisers Act of 1940 (15 U.S.C. 80b-3(f)) is amended by striking “twelve months or
3 bar any such person from being associated with an investment adviser, ” and inserting “twelve
4 months or bar any such person from being associated with an investment adviser, broker, dealer,
5 municipal securities dealer, transfer agent, or nationally recognized statistical rating
6 organization,”.

7 **SEC. 926. AIDING AND ABETTING AUTHORITY UNDER THE SECURITIES ACT**
8 **AND THE INVESTMENT COMPANY ACT.**

9 (a) UNDER THE SECURITIES ACT OF 1933.—Section 15 of the Securities Act of 1933 (15
10 U.S.C. 77o) is amended to read as follows:

11 **“SEC. 15. LIABILITY OF CONTROLLING PERSONS AND PERSONS WHO AID AND**
12 **ABET VIOLATIONS.**

13 “(a) CONTROLLING PERSONS.—Every person who, by or through stock ownership,
14 agency, or otherwise, or who, pursuant to or in connection with an agreement or understanding
15 with one or more other persons by or through stock ownership, agency, or otherwise, controls
16 any person liable under section 11, or 12, shall also be liable jointly and severally with and to the
17 same extent as such controlled person to any person to which such controlled person is liable,
18 unless the controlling person had no knowledge of or reasonable ground to believe in the
19 existence of the facts by reason of which the liability of the controlled person is alleged to exist.

20 “(b) PROSECUTION OF PERSONS WHO AID AND ABET VIOLATIONS.—For purposes of any
21 action brought by the Commission under subparagraph (b) or (d) of section 20, any person that
22 knowingly or recklessly provides substantial assistance to another person in violation of a
23 provision of this Act, or of any rule or regulation issued under this Act, shall be deemed to be in

1 violation of such provision to the same extent as the person to whom such assistance is
2 provided.”.

3 (b) UNDER THE INVESTMENT COMPANY ACT OF 1940.—Section 48 of the Investment
4 Company Act of 1940 (15 U.S.C. 80a-48) is amended to read as follows:

5 **“SEC. 48. LIABILITY OF CONTROLLING PERSONS AND PERSONS WHO AID AND**
6 **ABET VIOLATIONS; PREVENTING COMPLIANCE WITH ACT.**

7 “(a) CONTROLLING PERSONS.—It shall be unlawful for any person, directly or indirectly,
8 to cause to be done any act or thing through or by means of any other person which it would be
9 unlawful for such person to do under the provisions of this Act or any rule, regulation, or order
10 thereunder.

11 “(b) PROSECUTION OF PERSONS WHO AID AND ABET VIOLATIONS.—For purposes of any
12 action brought by the Commission under subsection (d) or (e) of section 42, any person that
13 knowingly or recklessly provides substantial assistance to another person in violation of a
14 provision of this Act, or of any rule or regulation issued under this Act, shall be deemed to be in
15 violation of such provision to the same extent as the person to whom such assistance is provided.

16 “(c) PREVENTING COMPLIANCE WITH ACT.—It shall be unlawful for any person without
17 just cause to hinder, delay, or obstruct the making, filing, or keeping of any information,
18 document, report, record, or account required to be made, filed, or kept under any provision of
19 this Act or any rule, regulation, or order thereunder.”.

20 **SEC. 927. AUTHORITY TO IMPOSE PENALTIES FOR AIDING AND ABETTING**
21 **VIOLATIONS OF THE INVESTMENT ADVISERS ACT.**

22 Section 209 of the Investment Advisers Act of 1940 (15 U.S.C. 80b-9) is amended by
23 inserting at the end the following new subsection:

1 “(f) AIDING AND ABETTING.—For purposes of any action brought by the Commission
2 under subsection (e), any person that knowingly or recklessly has aided, abetted, counseled,
3 commanded, induced, or procured a violation of any provision of this Act, or of any rule,
4 regulation, or order hereunder, shall be deemed to be in violation of such provision, rule,
5 regulation, or order to the same extent as the person that committed such violation.”.