

106TH CONGRESS
1ST SESSION

H. R. 1340

To require brokers, dealers, investment companies, and investment advisers to protect the confidentiality of financial information obtained concerning their customers, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

MARCH 25, 1999

Mr. MARKEY introduced the following bill; which was referred to the
Committee on Commerce

A BILL

To require brokers, dealers, investment companies, and investment advisers to protect the confidentiality of financial information obtained concerning their customers, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Securities Investors
5 Privacy Enhancement Act of 1999”.

1 **SEC. 2. CONFIDENTIAL FINANCIAL INFORMATION OF CUS-**
2 **TOMERS OF BROKERS AND DEALERS.**

3 Section 15A(b) of the Securities Exchange Act of
4 1934 (15 U.S.C. 78o-3(b)) is amended by adding at the
5 end the following new paragraph:

6 “(14) The rules of the association include rules
7 to require members of the association—

8 “(A) to protect the confidentiality of finan-
9 cial information of, and relating to, their cus-
10 tomers;

11 “(B) to inform their customers whenever—

12 “(i) financial information is being col-
13 lected that pertains to such customers; or

14 “(ii) a member intends (with the ap-
15 proval of the customer pursuant to sub-
16 paragraph (C)(ii)) to offer financial infor-
17 mation pertaining to such customer to any
18 other person, including an affiliate or
19 agent of such member; and

20 “(C) to refrain, and to take measures rea-
21 sonably designed to prevent their agents, from
22 using, disclosing, or permitting access to indi-
23 vidualy identifiable financial information per-
24 taining to any customer except—

25 “(i) for the provision of the financial
26 services from which such information is de-

1 rived, or services necessary to, or used in,
2 the provision of such services;

3 “(ii) upon the affirmative written re-
4 quest, or with the affirmative written con-
5 sent, of the customer to whom the infor-
6 mation pertains; or

7 “(iii) upon request of the Commission
8 or as otherwise required by law.”.

9 **SEC. 3. CONFIDENTIAL FINANCIAL INFORMATION OF**
10 **SHAREHOLDERS OF INVESTMENT COMPA-**
11 **NIES.**

12 Section 38 of the Investment Company Act of 1940
13 (15 U.S.C. 80a-37) is amended by adding at the end the
14 following new subsection:

15 “(d) **PRIVACY OF FINANCIAL INFORMATION.**—The
16 Commission, as it deems necessary or appropriate in the
17 public interest or for the protection of investors, shall
18 adopt rules or regulations to require any investment
19 company—

20 “(1) to protect the confidentiality of financial
21 information of, and relating to, the beneficial owners
22 of the outstanding securities of the investment com-
23 pany;

1 “(2) to inform a beneficial owner of the out-
2 standing securities of the investment company
3 whenever—

4 “(A) financial information is being col-
5 lected that pertains to such beneficial owner; or

6 “(B) the investment company intends
7 (with the approval of the beneficial owner pur-
8 suant to paragraph (3)(B)) to offer financial in-
9 formation pertaining to such beneficial owner to
10 any other person, including an affiliate or agent
11 of such investment company; and

12 “(3) to refrain, and to take measures reason-
13 ably designed to prevent their agents, from using,
14 disclosing, or permitting access to individually iden-
15 tifiable financial information pertaining to any such
16 beneficial owner except—

17 “(A) for the provision of the financial serv-
18 ices from which such information is derived, or
19 services necessary to, or used in, the provision
20 of such services;

21 “(B) upon the affirmative written request,
22 or with the affirmative written consent, of the
23 beneficial owner to whom the information per-
24 tains; or

1 “(C) upon request of the Commission or as
2 otherwise required by law.”.

3 **SEC. 4. CONFIDENTIAL FINANCIAL INFORMATION OF CLI-**
4 **ENTS OF INVESTMENT ADVISERS.**

5 Section 211 of the Investment Advisers Act of 1940
6 (15 U.S.C. 80b–11) is amended by adding at the end the
7 following new subsection:

8 “(e) **PRIVACY OF FINANCIAL INFORMATION.**—The
9 Commission, as it deems necessary or appropriate in the
10 public interest or for the protection of investors, shall
11 adopt rules or regulations to require any investment
12 adviser—

13 “(1) to protect the confidentiality of financial
14 information of, and relating to, the clients of the in-
15 vestment adviser;

16 “(2) to inform a client of the investment ad-
17 viser whenever—

18 “(A) financial information is being col-
19 lected that pertains to such client; or

20 “(B) the investment adviser intends (with
21 the approval of the client pursuant to para-
22 graph (3)(B)) to offer financial information
23 pertaining to such client to any other person,
24 including an affiliate or agent of such invest-
25 ment adviser; and

1 “(3) to refrain, and to take measures reason-
2 ably designed to prevent their agents, from using,
3 disclosing, or permitting access to individually iden-
4 tifiable financial information pertaining to any such
5 client except—

6 “(A) for the provision of the financial serv-
7 ices from which such information is derived, or
8 services necessary to, or used in, the provision
9 of such services;

10 “(B) upon the affirmative written request,
11 or with the affirmative written consent, of the
12 client to whom the information pertains; or

13 “(C) upon request of the Commission or as
14 otherwise required by law.”.

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