

119TH CONGRESS  
1ST SESSION

# H. R. 2478

To amend the Investment Company Act of 1940 to postpone the date of payment or satisfaction upon redemption of certain securities in the case of the financial exploitation of specified adults, and for other purposes.

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## IN THE HOUSE OF REPRESENTATIVES

MARCH 27, 2025

Mrs. WAGNER (for herself, Mr. GOTTHEIMER, Mr. GARBARINO, Mr. STEIL, Mrs. KIM, Ms. PEREZ, and Mr. LAWLER) introduced the following bill; which was referred to the Committee on Financial Services

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## A BILL

To amend the Investment Company Act of 1940 to postpone the date of payment or satisfaction upon redemption of certain securities in the case of the financial exploitation of specified adults, 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 “Financial Exploitation  
5       Prevention Act of 2025”.

1 **SEC. 2. 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  
 18 transfer agent that have made the election  
 19 under subparagraph (A).

20 “(2) REQUIREMENTS.—In the case of a cus-  
 21 tomer who is a holder of a non-institutional account  
 22 held directly with a registered open-end investment  
 23 company and serviced by a transfer agent (a ‘direct-  
 24 at-fund account’), the company and transfer agent  
 25 shall—

1           “(A) request from such customer the name  
2           and contact information of at least one indi-  
3           vidual who—

4                   “(i) is at the time of such request an  
5           adult; and

6                   “(ii) may be contacted with respect to  
7           such account;

8           “(B) document and retain the information  
9           received pursuant to subparagraph (A); and

10           “(C) disclose to such customer in writing  
11           (including through electronic delivery) that such  
12           company or transfer agent may contact an indi-  
13           vidual specified pursuant to subparagraph (A)  
14           with respect to the account of such customer  
15           to—

16                   “(i) address possible financial exploi-  
17           tation of such customer;

18                   “(ii) confirm the contact information  
19           or health status of the customer; or

20                   “(iii) identify any legal guardian, ex-  
21           ecutor, trustee, or holder of a power of at-  
22           torney of the customer.

23           “(i) REDEMPTION OF CERTAIN SECURITIES POST-  
24           PONED.—

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

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

12                 “(B) financial exploitation has occurred, is  
13                 occurring, or has been attempted with respect  
14                 to such redemption.

15           “(2) DURATION.—

16                 “(A) IN GENERAL.—Except as provided in  
17                 subparagraphs (B) and (C), a registered open-  
18                 end investment company or a transfer agent  
19                 acting on behalf of such company may postpone  
20                 the date of payment or satisfaction upon re-  
21                 demption of a redeemable security under para-  
22                 graph (1) for a period of not more than 15  
23                 business days.

24                 “(B) EXTENSION UPON DETERMINATION  
25                 OF EXPLOITATION.—The period described in

1           subparagraph (A) may be extended by an addi-  
2           tional 10 business days if the registered open-  
3           end investment company or a transfer agent  
4           acting on behalf of such company—

5                   “(i) reasonably believes that—

6                           “(I) the redemption is requested  
7                           by a security holder who is a specified  
8                           adult; and

9                           “(II) financial exploitation has  
10                          occurred, is occurring, or has been at-  
11                          tempted with respect to such redemp-  
12                          tion;

13                   “(ii) subject to subparagraph (D), not  
14                   later than 2 days after making a deter-  
15                   mination under clause (i), notifies the indi-  
16                   viduals specified by such security holder  
17                   under subsection (h)(2)(A) in writing (in-  
18                   cluding through electronic delivery) of the  
19                   extension of the period described in sub-  
20                   paragraph (A) under this subparagraph  
21                   and the reason for such extension;

22                   “(iii) initiates an internal review of  
23                   the facts and circumstances relating to the  
24                   determination under clause (i);

“(iv) holds amounts related to the delayed payment or satisfaction upon redemption of the redeemable security in a demand deposit account; and

“(v) documents and retains records related to carrying out clause (iv) and includes such records in the first required account statement of the security holder provided after the date on which the determination is made under clause (i).

“(C) EXTENSION BY GOVERNMENT.—A State regulator, administrative agency of competent jurisdiction, or court of competent jurisdiction may extend the period described in subparagraph (A).

“(D) NOTIFICATION.—

“(i) EXCEPTION.—Subparagraph (B)(ii) shall not apply if a registered open-end investment company or transfer agent acting on behalf of such company reasonably believes that an individual required to be notified under such subparagraph is, has been, or will subject the security holder who identified such individual under subsection (h)(2)(A) to financial exploitation.

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

9           “(E) INTERNAL PROCEDURES.—An open-  
10          end investment company or transfer agent act-  
11          ing on behalf of such company shall establish  
12          procedures to carry out the requirements under  
13          this subsection, including procedures—

14               “(i) related to the identification and  
15               reporting of matters related to the finan-  
16               cial exploitation of specified adults;

17               “(ii) to determine whether to release  
18               or reinvest delayed redemption proceeds,  
19               taking into account the facts and cir-  
20               cumstances of each case, should the inter-  
21               nal review under subparagraph (B)(iii)  
22               support the reasonable belief described in  
23               subparagraph (B)(i);

24               “(iii) identifying each employee of the  
25               company or transfer agent with authority

1 to establish, extend, or terminate a period  
2 described in paragraph (1) or subpara-  
3 graph (A);

4 “(iv) in the case of a transfer agent,  
5 that are reasonably designed to ensure that  
6 the employees of such transfer agent com-  
7 ply with this subsection; and

8 “(v) in the case of an open-end invest-  
9 ment company, establishing periodic re-  
10 porting requirements under which a trans-  
11 fer agent acting on behalf of such company  
12 shall notify such company of—

13 “(I) each extension under sub-  
14 paragraph (B) authorized by such  
15 transfer agent;

16 “(II) each finding by the transfer  
17 agent under subparagraph (B)(i);

18 “(III) each notification under  
19 subparagraph (B)(ii) carried out by  
20 such transfer agent; and

21 “(IV) the results of each internal  
22 review initiated by the transfer agent  
23 under subparagraph (B)(iii).

24 “(F) INFORMATION INCLUDED IN CERTAIN  
25 STATEMENTS.—An open-end investment com-



pany shall include in each prospectus or statement of additional information a notification that the company or transfer agent acting on behalf of such company may postpone redemption of certain securities under this subsection.

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

“(i) document and retain records of—

“(I) each postponement of redemption under subparagraph (A), (B), and (C);

“(II) each finding under subparagraph (B)(i);

“(III) the name and position of each employee described in subparagraph (E)(iii);

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

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

“(ii) make such records available to the Commission at the request of the Commission.

1           “(3) SPECIFIED ADULT DEFINED.—In this sub-  
2       section, the term ‘specified adult’ means—

3                   “(A) an individual age 65 or older; or

4                   “(B) an individual age 18 or older who a  
5       registered open-end investment company or a  
6       transfer agent acting on behalf of such com-  
7       pany reasonably believes has a mental or phys-  
8       ical impairment that renders the individual un-  
9       able to protect the individual’s own interests.”.

10       (b) RECOMMENDATIONS.—

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

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

24                   (A) The Commodity Futures Trading  
25       Commission.

1 (B) The Director of the Bureau of Con-  
2 sumer Financial Protection.

3 (C) The Financial Industry Regulatory Au-  
4 thority.

5 (D) The North American Securities Ad-  
6 ministrators Association.

7 (E) The Board of Governors of the Fed-  
8 eral Reserve System.

9 (F) The Comptroller of the Currency.

10 (G) The Federal Deposit Insurance Cor-  
11 poration.

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