offices dedicated to women's and minority health.

As we know, threats to the public health recognize no national boundaries. So today, the CDC also plays an important role in worldwide efforts to promote health, overcome global health threats, eradicate disease, and prevent illness, disability, and premature death. There is a small number of CDC staff members working around the world. During its first half century, the CDC has responded to health emergencies in such diverse locales as Love Canal, Philadelphia, New Mexico, Washington State, Southeast Asia, India, and Zaire.

CDC activities have paralleled the revolutionary advances in medical sciences made during the second half of the 20th century. Throughout the first 50 years of the CDC, we can point to events which represent significant milestones in the mission to promote a healthy nation. The litany of achievements is too long to list here, but includes a primary role in the eradication of smallpox; the identification of the linkage between smoking and cancer; the publication of public health statistics; the immunization of children; the tracking of health trends; and the surveillance and investigation of threats to health including polio, tuberculosis, HIV/AIDS, Legionnaires' disease, Ebola, and exposure to hazardous substances.

Promoting health is more than merely controlling the spread of microorganisms. Promoting health involves research and education. As early as 1947, the CDC established programs to communicate information to the public concerning specific health problems or illnesses. Through the years, there have been many topics covered including rabies, measles, gonorrhea, diabetes, nutrition for women of child-bearing age, breast cancer, and HIV/AIDS. Promoting health also demands that we focus on changing behavior which is clearly unsafe or potentially dangerous. To that end, the CDC has launched efforts concerning tobacco use and violence in our society.

During its 50 year history, the CDC has been in the forefront of efforts to combat more recent threats to health such as HIV/AIDS, as well as afflictions which have menaced us in the longer term, like cardiovascular disease. The CDC is also looking ahead by targeting more prevention efforts to youth; enhancing the capabilities of communities to detect, monitor, and overcome health problems; and developing partnerships which will enhance efforts to change unhealthy behavior. The CDC enters its sixth decade focused on priorities designed to detect, meet, and overcome threats to the health of the people of our Nation and the world.

Today, the CDC provides leadership and direction in the prevention and control of diseases and other health conditions. I commend the CDC for its past efforts and I am confident that as new menaces to the public health emerge and new priorities evolve, the CDC will remain vigilant, proactive, and poised to take action to protect the people of our Nation and the world.●

CONDOLENCES TO THE KING FAMILY OF BATTLE CREEK, MI, ON THE DEATH OF S. SGT. RONALD LEWIS KING, USAF

● Mr. ABRAHAM. Mr. President, I rise today to express my deep condolences to the King family of Battle Creek, MI, who lost S. Sgt. Ronald Lewis King due to the terrorist act which took place at the Khobar Towers housing facility in Dhahran, Saudi Arabia. My prayers and thoughts are with his mother, Mrs. Beatrice Robinson of Battle Creek, MI, and his wife, Mrs. Melvia Y. King of Bellevue, NE.

Staff Sergeant King was a contracting journeyman with the 55th Contracting Squadron from Offutt Air Force Base, NE. He was proudly serving our country in Saudi Arabia, and know I speak for many in the State of Michigan who feel this tragedy very deeply.

We must do everything we rightfully can to prevent future tragedies of this sort and to see to it that the perpetrators of this terrible act are brought to justice. I reiterate my support for the cooperative efforts between the United States and Saudi Arabia to ensure that those terrorists who committed this crime will be apprehended and prosecuted to the fullest extent of the law.●

SECURITIES INVESTMENT PROMOTIONS ACT

The text of the bill (H.R. 3005) to amend the Federal securities laws in order to promote efficiency and capital formation in the financial markets, and to amend the Investment Company Act of 1940 to promote more efficient management of mutual funds, protect investors, and provide more effective and less burdensome regulation, as passed by the Senate on June 27, 1996, is as follows:

Resolved, That the bill from the House of Representatives (H.R. 3005) entitled ''An Act to amend the Federal securities laws in order to promote efficiency and capital formation in the financial markets, and to amend the Investment Company Act of 1940 to promote more efficient management of mutual funds, protect investors, and provide more effective and less burdensome regulation.'', do pass with the following amendment:

Strike out all after the enacting clause and insert:

SECTION 1. SHORT TITLE; TABLE OF CONTENTS.

(a) SHORT TITLE.—This Act may be cited as the ''Securities Investment Promotion Act of 1996''.

(b) TABLE OF CONTENTS.—The table of contents for this Act is as follows:

SEC. 2. SEVERABILITY.

If any provision of this Act, an amendment made by this Act, or the application of such provision or amendment to any person or circumstance is held to be unconstitutional, the remainder of this Act, the amendments made by this Act, and the application of the provisions of such to any person or circumstance shall not be affected thereby.

TITLE I—INVESTMENT ADVISERS SUPERVISION COORDINATION ACT

SEC. 101. SHORT TITLE.

This title may be cited as the ''Investment Advisers Supervision Coordination Act''.

SEC. 102. FUNDING FOR ENHANCED ENFORCEMENT PRIORITY.

There are authorized to be appropriated to the Securities and Exchange Commission, for the enforcement of the Investment Advisers Act of 1940, not more than $16,000,000 in each of fiscal years 1997 and 1998.

SEC. 103. IMPROVED SUPERVISION THROUGH STATE AND FEDERAL COOPERATION.

(a) STATE AND FEDERAL RESPONSIBILITIES.—The Investment Advisers Act of 1940 (15 U.S.C. 80b–1 et seq.) is amended by inserting after section 203 the following new section:

''SEC. 203A. STATE AND FEDERAL RESPONSIBILITIES.

''(a) ADVISERS SUBJECT TO STATE AUTHORITIES.—

''(1) IN GENERAL.—No investment adviser that is regulated or required to be regulated as an investment adviser in the State in which it maintains its principal office and place of business shall register under section 203, unless the investment adviser—

''(A) has assets under management of not less than $25,000,000, or such higher amount as the Commission may, by rule, deem appropriate in accordance with the purposes of this title; or

''(B) is an adviser to an investment company registered under title I of this Act, or a company that has elected to be a business development company pursuant to section 54 of title I of this Act.

''(2) DEFINITION.—For purposes of this subsection, the term 'assets under management' means the securities portfolios with respect to which an investment adviser provides continuous and regular supervisory or management services.

''(b) ADVISERS SUBJECT TO COMMISSION AUTHORITY.—

''(1) IN GENERAL.—No law of any State or political subdivision thereof requiring the registration, licensing, or qualification as an investment adviser or supervised person of an investment adviser shall apply to any person—

''(A) that is registered under section 203 as an investment adviser, or that is a supervised person of such a person; or

''(B) that is not registered under section 203 because that person is excepted from the definition of an investment adviser under section 202(a)(11).

''(2) LIMITATION.—Nothing in this subsection shall prohibit the securities commission (or any agency or office performing like functions) of any State from—

''(A) requiring the filing with such commission, agency, or office of any document filed with the Commission by an investment adviser, together with a consent to service of process and requisite fees; or

''(B) investigating and bringing enforcement actions with respect to fraud or deceit against an investment adviser or person associated with an investment adviser.

''(c) EXEMPTIONS.—Notwithstanding subsection (a), the Commission, by rule or regulation upon its own motion, or by order upon application, may permit the registration with the Commission of any person or class of persons to which the application of subsection (a) would be unfair, a burden on interstate commerce, or otherwise inconsistent with the purposes of this section.

''(d) FILING DEPOSITORIES.—The Commission may, by rule, require an investment adviser—

''(1) to file with the Commission any fee, application, report, or notice required by this title or by the rules issued under this title through any entity designated by the Commission for that purpose; and

''(2) to pay the reasonable costs associated with such filing.

''(e) STATE ASSISTANCE.—Upon request of the securities commissioner (or any agency or officer performing like functions) of any State, the Commission may provide such training, technical assistance, or other reasonable assistance in connection with the regulation of investment advisers by the State.''.

(b) ADVISERS NOT ELIGIBLE TO REGISTER.—Section 203 of the Investment Advisers Act of 1940 (15 U.S.C. 80b–3) is amended—

(1) in subsection (c), in the matter immediately following paragraph (2), by inserting ''and that the applicant is not prohibited from registering as an investment adviser under section 203A'' after ''satisfied''; and

(2) in subsection (h), in the second sentence—

(A) by striking ''existence or'' and inserting ''existence,''; and

(B) by inserting ''or is prohibited from registering as an investment adviser under section 203A,'' after ''adviser,''.

(c) DEFINITION OF ''SUPERVISED PERSON''.—Section 202(a) of the Investment Advisers Act of 1940 (15 U.S.C. 80b–2(a)) is amended—

(1) by striking ''requires—'' and inserting ''requires, the following definitions shall apply:''; and

(2) by adding at the end the following new paragraph:

''(25) 'Supervised person' means any partner, officer, director (or other person occupying a similar status or performing similar functions), or employee of an investment adviser, or other person who provides investment advice on behalf of the investment adviser and is subject to the supervision and control of the investment adviser.''.

(d) CONFORMING AMENDMENT.—Section 203(a) of the Investment Advisers Act of 1940 (15 U.S.C. 80b–3(a)) is amended by striking ''subsection (b) of this section'' and inserting ''subsection (b) and section 203A''.

SEC. 104. INTERSTATE COOPERATION.

Section 222 of the Investment Advisers Act of 1940 (15 U.S.C. 80b–18a) is amended to read as follows:

''SEC. 222. STATE REGULATION OF INVESTMENT ADVISERS.

''(a) JURISDICTION OF STATE REGULATORS.—Nothing in this title shall affect the jurisdiction of the securities commissioner (or any agency or officer performing like functions) of any State over any security or any person insofar as it does not conflict with the provisions of this title or the rules and regulations thereunder.

''(b) DUAL COMPLIANCE PURPOSES.—No State may enforce any law or regulation that would require an investment adviser to maintain any books or records in addition to those required under the laws of the State in which it maintains its principal place of business, if the investment adviser—

''(1) is registered or licensed as such in the State in which it maintains its principal place of business; and

''(2) is in compliance with the applicable books and records requirements of the State in which it maintains its principle place of business.

''(c) LIMITATION ON CAPITAL AND BOND REQUIREMENTS.—No State may enforce any law or regulation that would require an investment adviser to maintain a higher minimum net capital or to post any bond in addition to any that is required under the laws of the State in which it maintains its principal place of business, if the investment adviser—

''(1) is registered or licensed as such in the State in which it maintains its principal place of business; and

''(2) is in compliance with the applicable net capital or bonding requirements of the State in which it maintains its principal place of business.''.

SEC. 105. DISQUALIFICATION OF CONVICTED FELONS.

(a) AMENDMENT.—Section 203(e) of the Investment Advisers Act of 1940 (15 U.S.C. 80b–3(e)) is amended—

(1) by redesignating paragraphs (3) through (7) as paragraphs (4) through (8), respectively; and

(2) by inserting after paragraph (2) the following new paragraph:

''(3) has been convicted during the 10-year period preceding the date of filing of any application for registration, or at any time thereafter, of—

''(A) any crime that is punishable by imprisonment for 1 or more years, and that is not described in paragraph (2); or

''(B) a substantially equivalent crime by a foreign court of competent jurisdiction.''.

(b) CONFORMING AMENDMENTS.—Section 203 of the Investment Advisers Act of 1940 (15 U.S.C. 80b–3) is amended—

(1) in subsection (e)(6) (as redesignated by subsection (a) of this section), by striking ''this paragraph (5)'' and inserting ''this paragraph'';

(2) in subsection (f)—

(A) by striking ''paragraph (1), (4), (5), or (7) of subsection (e) of this section'' and inserting ''paragraph (1), (5), (6), or (8) of subsection (e)'';

(B) by striking ''paragraph (3)'' and inserting ''paragraph (4)''; and

(C) by striking ''said subsection'' each place that term appears and inserting ''subsection''; and

(3) in subsection (i)(1)(D), by striking ''section 203(e)(5) of this title'' and inserting ''subsection (e)(6)''.

SEC. 106. CONTINUED STATE AUTHORITY.

Notwithstanding any other provision of this title, or any amendment made by this title, a State or Territory of the United States, or the District of Columbia may continue to collect filing, registration, or licensing fees in amounts determined pursuant to State law as in effect on the day before the date of enactment of this Act, until otherwise specifically provided under a State law enacted on or after that date of enactment.

SEC. 107. EFFECTIVE DATE.

This title and the amendments made by this title shall take effect 180 days after the date of enactment of this Act.

TITLE II—FACILITATING INVESTMENT IN MUTUAL FUNDS

SEC. 201. SHORT TITLE.

This title may be cited as the ''Investment Company Amendments Act of 1996''.

SEC. 202. FUNDS OF FUNDS.

Section 12(d)(1) of the Investment Company Act of 1940 (15 U.S.C. 80a–12(d)(1)) is amended—

(1) in subparagraph (E)(iii)—

(A) by striking ''in the event such investment company is not a registered investment company,''; and

(B) by inserting ''in the event that such investment company is not a registered investment company,'' after ''(bb)'';

(2) by redesignating subparagraphs (G) and (H) as subparagraphs (H) and (I), respectively;

(3) by striking ''this paragraph (1)'' each place that term appears and inserting ''this paragraph'';

(4) by inserting after subparagraph (F) the following new subparagraph:

''(G)(i) This paragraph does not apply to securities of a registered open-end investment company or a registered unit investment trust (hereafter in this subparagraph referred to as the 'acquired company') purchased or otherwise acquired by a registered open-end investment company or a registered unit investment trust (hereafter in this subparagraph referred to as the 'acquiring company') if—

''(I) the acquired company and the acquiring company are part of the same group of investment companies;

''(II) the securities of the acquired company, securities of other registered open-end investment companies and registered unit investment trusts that are part of the same group of investment companies, Government securities, and short-term paper are the only investments held by the acquiring company;

''(III)(aa) the acquiring company does not pay and is not assessed any charges or fees for distribution-related activities with respect to securities of the acquired company, unless the acquiring company does not charge a sales load or other fees or charges for distribution-related activities; or

''(bb) any sales loads and other distribution-related fees charged with respect to securities of the acquiring company, when aggregated with any sales load and distribution-related fees paid by the acquiring company with respect to securities of the acquired fund, are not excessive under rules adopted pursuant to section 22(b) or section 22(c) by a securities association registered under section 15A of the Securities Exchange Act of 1934 or the Commission;

''(IV) the acquired company has a policy that prohibits it from acquiring any securities of registered open-end investment companies or registered unit investment trusts in reliance on this subparagraph or subparagraph (F); and

''(V) such acquisition is not in contravention of such rules and regulations as the Commission may from time to time prescribe with respect to acquisitions in accordance with this subparagraph, as necessary and appropriate for the protection of investors.

''(ii) For purposes of this subparagraph, the term 'group of investment companies' means any 2 or more registered investment companies that hold themselves out to investors as related companies for purposes of investment and investor services.''; and

(5) by adding at the end the following new subparagraph:

''(J) The Commission, by rules and regulations, upon its own motion, or by order upon application, may conditionally or unconditionally exempt any person, security, or transaction, or any class or classes of persons, securities, or transactions from any provision of this subsection, if and to the extent that such exemption is consistent with the public interest and the protection of investors.''.

SEC. 203. FLEXIBLE REGISTRATION OF SECURITIES.

(a) AMENDMENTS TO REGISTRATION STATEMENTS.—Section 24(e) of the Investment Company Act of 1940 (15 U.S.C. 80a–24(e)) is amended—

(1) by striking paragraphs (1) and (2);

(2) by striking ''(3) For'' and inserting ''For''; and

(3) by striking ''pursuant to this subsection or otherwise''.

(b) REGISTRATION OF INDEFINITE AMOUNT OF SECURITIES.—Section 24(f) of the Investment Company Act of 1940 (15 U.S.C. 80a–24(f)) is amended to read as follows:

''(f) REGISTRATION OF INDEFINITE AMOUNT OF SECURITIES.—

''(1) REGISTRATION OF SECURITIES.—Upon the effective date of its registration statement, as provided by section 8 of the Securities Act of 1933, a face-amount certificate company, open-end management company, or unit investment trust, shall be deemed to have registered an indefinite amount of securities.

''(2) PAYMENT OF REGISTRATION FEES.—Not later than 90 days after the end of the fiscal year of an entity referred to in paragraph (1), the entity shall pay a registration fee to the Commission, calculated in the manner specified in section 6(b) of the Securities Act of 1933, based on the aggregate sales price for which its securities (including, for purposes of this paragraph, all securities issued pursuant to a dividend reinvestment plan) were sold pursuant to a registration of an indefinite amount of securities under this subsection during the previous fiscal year of the entity, reduced by—

''(A) the aggregate redemption or repurchase price of the securities of the entity during that year; and

''(B) the aggregate redemption or repurchase price of the securities of the entity during any prior fiscal year ending not more than 1 year before the date of enactment of the Investment Company Amendments Act of 1996, that were not used previously by the entity to reduce fees payable under this section.

''(3) INTEREST DUE ON LATE PAYMENT.—An entity paying the fee required by this subsection or any portion thereof more than 90 days after the end of the fiscal year of the entity shall pay to the Commission interest on unpaid amounts, compounded daily, at the underpayment rate established by the Secretary of the Treasury pursuant to section 3717 of title 31, United States Code. The payment of interest pursuant to this paragraph shall not preclude the Commission from bringing an action to enforce the requirements of paragraph (2).

''(4) RULEMAKING AUTHORITY.—The Commission may adopt rules and regulations to implement this subsection.''.

(c) EFFECTIVE DATE.—The amendments made by this section shall become effective on the earlier of—

(1) 1 year after the date of enactment of this Act; or

(2) the effective date of final rules or regulations issued in accordance with section 24(f) of the Investment Company Act of 1940, as amended by this section.

SEC. 204. FACILITATING USE OF CURRENT INFORMATION IN ADVERTISING.

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

''(g) ADDITIONAL PROSPECTUSES.—In addition to any prospectus permitted or required by section 10(a) of the Securities Act of 1933, the Commission shall permit, by rules or regulations deemed necessary or appropriate in the public interest or for the protection of investors, the use of a prospectus for the purposes of section 5(b)(1) of that Act with respect to securities issued by a registered investment company. Such a prospectus, which may include information the substance of which is not included in the prospectus specified in section 10(a) of the Securities Act of 1933, shall be deemed to be permitted by section 10(b) of that Act.''.

SEC. 205. VARIABLE INSURANCE CONTRACTS.

(a) UNIT INVESTMENT TRUST TREATMENT.—Section 26 of the Investment Company Act of 1940 (15 U.S.C. 80a–26) is amended by adding at the end the following new subsection:

''(e) EXEMPTION.—

''(1) IN GENERAL.—Subsection (a) does not apply to any registered separate account funding variable insurance contracts, or to the sponsoring insurance company and principal underwriter of such account.

''(2) LIMITATION ON SALES.—It shall be unlawful for any registered separate account funding variable insurance contracts, or for the sponsoring insurance company of such account, to sell any such contract, unless—

''(A) the fees and charges deducted under the contract, in the aggregate, are reasonable in relation to the services rendered, the expenses expected to be incurred, and the risks assumed by the insurance company, and the insurance company so represents in the registration statement for the contract; and

''(B) the insurance company—

''(i) complies with all other applicable provisions of this section, as if it were a trustee or custodian of the registered separate account;

''(ii) files with the insurance regulatory authority of the State or territory of the United States or of the District of Columbia in which is located the principal place of business of the insurance company, an annual statement of its financial condition, which most recent statement indicates that the insurance company has a combined capital and surplus, if a stock company, or an unassigned surplus, if a mutual company, of not less than $1,000,000, or such other amount as the Commission may from time to time prescribe by rule, as necessary or appropriate in the public interest or for the protection of investors; and

''(iii) together with its registered separate accounts, is supervised and examined periodically by the insurance authority of such State, territory, or the District of Columbia.

''(3) FEES AND CHARGES.—For purposes of paragraph (2), the fees and charges deducted under the contract shall include all fees and charges imposed for any purpose and in any manner.

''(4) REGULATORY AUTHORITY.—The Commission may issue such rules and regulations to carry out paragraph (2)(A) as it determines are necessary or appropriate in the public interest or for the protection of investors.''.

(b) PERIODIC PAYMENT PLAN TREATMENT.—Section 27 of the Investment Company Act of 1940 (15 U.S.C. 80a–27) is amended by adding at the end the following new subsection:

''(i)(1) This section does not apply to any registered separate account funding variable insurance contracts, or to the sponsoring insurance company and principal underwriter of such account, except as provided in paragraph (2).

''(2) It shall be unlawful for any registered separate account funding variable insurance contracts, or for the sponsoring insurance company of such account, to sell any such contract unless—

''(A) such contract is a redeemable security; and

''(B) the insurance company complies with section 26(e) and any rules or regulations issued by the Commission under section 26(e).''.

SEC. 206. PROHIBITION ON DECEPTIVE INVESTMENT COMPANY NAMES.

Section 35(d) of the Investment Company Act of 1940 (15 U.S.C. 80a–34(d)) is amended to read as follows:

''(d) It shall be unlawful for any registered investment company to adopt as a part of the name or title of such company, or of any securities of which it is the issuer, any word or words that the Commission finds are materially deceptive or misleading. The Commission is authorized, by rule, regulation, or order, to define such names or titles as are materially deceptive or misleading.''.

SEC. 207. EXCEPTED INVESTMENT COMPANIES.

(a) AMENDMENTS.—Section 3(c) of the Investment Company Act of 1940 (15 U.S.C. 80a–3(c)) is amended—

(1) in paragraph (1), by inserting after the first sentence the following: ''Such issuer shall be deemed to be an investment company for purposes of the limitations set forth in subparagraphs (A)(i) and (B)(i) of section 12(d)(1) governing the purchase or other acquisition by such issuer of any security issued by any registered investment company and the sale of any security issued by any registered open-end investment company to any such issuer.'';

(2) in subparagraph (A) of paragraph (1)—

(A) by inserting after ''issuer,'' the first place that term appears, the following: ''and is or, but for the exception provided for in this paragraph or paragraph (7), would be an investment company,''; and

(B) by striking ''unless, as of'' and all that follows through the end of the subparagraph and inserting a period;

(3) in paragraph (2)—

(A) by striking ''and acting as broker,'' and inserting ''acting as broker, and acting as market intermediary,'';

(B) by inserting ''(A)'' after ''(2)''; and

(C) by adding at the end the following new subparagraph:

''(B) For purposes of this paragraph—

''(i) the term 'market intermediary' means any person that regularly holds itself out as being willing contemporaneously to engage in, and that is regularly engaged in, the business of entering into transactions on both sides of the market for a financial contract or one or more such financial contracts; and

''(ii) the term 'financial contract' means any arrangement that—

''(I) takes the form of an individually negotiated contract, agreement, or option to buy, sell, lend, swap, or repurchase, or other similar individually negotiated transaction commonly entered into by participants in the financial markets;

''(II) is in respect of securities, commodities, currencies, interest or other rates, other measures of value, or any other financial or economic interest similar in purpose or function to any of the foregoing; and

''(III) is entered into in response to a request from a counter party for a quotation, or is otherwise entered into and structured to accommodate the objectives of the counter party to such arrangement.''; and

(4) by striking paragraph (7) and inserting the following:

''(7)(A) Any issuer, the outstanding securities of which are owned exclusively by persons who, at the time of acquisition of such securities, are

qualified purchasers, and which is not making and does not at that time propose to make a public offering of such securities. Securities that are owned by persons who received the securities from a qualified purchaser as a gift or bequest, or in a case in which the transfer was caused by legal separation, divorce, death, or other involuntary event, shall be deemed to be owned by a qualified purchaser, subject to such rules, regulations, and orders as the Commission may prescribe as necessary or appropriate in the public interest or for the protection of investors.

''(B) Notwithstanding subparagraph (A), an issuer is within the exception provided by this paragraph if—

''(i) in addition to qualified purchasers, outstanding securities of that issuer are beneficially owned by not more than 100 persons who are not qualified purchasers, if—

''(I) such persons acquired such securities on or before April 30, 1996; and

''(II) at the time such securities were acquired by such persons, the issuer was excepted by paragraph (1); and

''(ii) prior to availing itself of the exception provided by this paragraph—

''(I) such issuer has disclosed to each beneficial owner that future investors will be limited to qualified purchasers, and that ownership in such issuer is no longer limited to not more than 100 persons; and

''(II) concurrently with or after such disclosure, such issuer has provided each beneficial owner with a reasonable opportunity to redeem any part or all of their interests in the issuer, notwithstanding any agreement to the contrary between the issuer and such persons, for that person's proportionate share of the issuer's net assets.

''(C) Each person that elects to redeem under subparagraph (B)(ii)(II) shall receive an amount in cash equal to that person's proportionate share of the issuer's net assets, unless the issuer elects to provide such person with the option of receiving, and such person agrees to receive, all or a portion of such person's share in assets of the issuer. If the issuer elects to provide such persons with such an opportunity, disclosure concerning such opportunity shall be made in the disclosure required by subparagraph (B)(ii)(I).

''(D) An issuer that is excepted under this paragraph shall nonetheless be deemed to be an investment company for purposes of the limitations set forth in subparagraphs (A)(i) and (B)(i) of section 12(d)(1) relating to the purchase or other acquisition by such issuer of any security issued by any registered investment company and the sale of any security issued by any registered open-end investment company to any such issuer.

''(E) For purposes of determining compliance with this paragraph and paragraph (1), an issuer that is otherwise excepted under this paragraph and an issuer that is otherwise excepted under paragraph (1) shall not be treated by the Commission as being a single issuer for purposes of determining whether the outstanding securities of the issuer excepted under paragraph (1) are beneficially owned by not more than 100 persons or whether the outstanding securities of the issuer excepted under this paragraph are owned by persons that are not qualified purchasers. Nothing in this subparagraph shall be construed to establish that a person is a bona fide qualified purchaser for purposes of this paragraph or a bona fide beneficial owner for purposes of paragraph (1).''.

(b) DEFINITION OF QUALIFIED PURCHASER.—Section 2(a) of the Investment Company Act of 1940 (15 U.S.C. 80a–2(a)) is amended by adding at the end the following new paragraph:

''(51)(A) 'Qualified purchaser' means—

''(i) any natural person (including any person who holds a joint, community property, or other similar shared ownership interest in an issuer that is excepted under section 3(c)(7) with that person's qualified purchaser spouse) who owns not less than $5,000,000 in investments, as defined by the Commission;

''(ii) any company that owns not less than $5,000,000 in investments and that is owned directly or indirectly by or for 2 or more natural persons who are related as siblings or spouse (including former spouses), or direct lineal descendants by birth or adoption, spouses of such persons, the estates of such persons, or foundations, charitable organizations, or trusts established by or for the benefit of such persons;

''(iii) any trust that is not covered by subparagraph (B) and that was not formed for the specific purpose of acquiring the securities offered, as to which the trustee or other person authorized to make decisions with respect to the trust, and each settlor or other person who has contributed assets to the trust, is a person described in clause (i), (ii), or (iv);

''(iv) any person, acting for its own account or the accounts of other qualified purchasers, who in the aggregate owns and invests on a discretionary basis, not less than $25,000,000 in investments; or

''(v) any person that the Commission, by rule or regulation, has determined does not need the protections of this title, after consideration of factors such as—

''(I) a high degree of financial sophistication, including extensive knowledge of and experience in financial matters;

''(II) a substantial amount of assets owned or under management;

''(III) relationship with an issuer; and

''(IV) such other factors as the Commission may determine to be consistent with the purposes of this paragraph.

''(B) The Commission may adopt such rules and regulations applicable to the persons and trusts specified in clauses (i) through (v) of subparagraph (A) as it determines are necessary or appropriate in the public interest or for the protection of investors.

''(C) The term 'qualified purchaser' does not include a company that, but for the exceptions provided for in paragraph (1) or (7) of section 3(c), would be an investment company (hereafter in this paragraph referred to as an 'excepted investment company'), unless all beneficial owners of its outstanding securities (other than short-term paper), determined in accordance with section 3(c)(1)(A), that acquired such securities on or before April 30, 1996 (hereafter in this paragraph referred to as 'pre-amendment beneficial owners'), and all pre-amendment beneficial owners of the outstanding securities (other than short-term paper) of any excepted investment company that, directly or indirectly, owns any outstanding securities of such excepted investment company, have consented to its treatment as a qualified purchaser. Unanimous consent of all trustees, directors, or general partners of a company or trust referred to in clause (ii) or (iii) of subparagraph (A) shall constitute consent for purposes of this subparagraph.''.

(c) CONFORMING AMENDMENTS.—Section 3(a) of the Investment Company Act of 1940 (15 U.S.C. 80a–3(a)) is amended—

(1) by striking ''(1)'' and inserting ''(A)'';

(2) by striking ''(2)'' and inserting ''(B)'';

(3) by striking ''(3)'' and inserting ''(C)'';

(4) by inserting ''(1)'' after ''(a)'';

(5) by striking ''As used'' and inserting ''(2) As used''; and

(6) in paragraph (2)(C), as designated by paragraph (5) of this subsection—

(A) by striking ''which are'' and inserting the following: ''which (i) are''; and

(B) by inserting before the period at the end, the following: '', and (ii) are not relying on the exception from the definition of investment company in paragraph (1) or (7) of subsection (c)''.

(d) RULEMAKING REQUIRED.—

(1) IMPLEMENTATION OF SECTION 3(C)(1)(B).—Not later than 1 year after the date of enactment of this Act, the Commission shall prescribe rules to implement the requirements of section 3(c)(1)(B) of the Investment Company Act of 1940 (15 U.S.C. 80a–3(c)(1)(B)).

(2) IDENTIFICATION OF INVESTMENTS.—Not later than 180 days after the date of enactment of this Act, the Commission shall prescribe rules defining the term, or otherwise identifying, ''investments'' for purposes of section 2(a)(51) of the Investment Company Act of 1940, as added by this Act.

(3) EMPLOYEE EXCEPTION.—Not later than 1 year after the date of enactment of this Act, the Commission shall prescribe rules pursuant to its authority under section 6 of the Investment Company Act of 1940 to permit the ownership of securities by knowledgeable employees of the issuer of the securities or an affiliated person without loss of the exception of the issuer under paragraph (1) or (7) of section 3(c) of that Act from treatment as an investment company under that Act.

(e) EFFECTIVE DATE.—The amendments made by this section shall take effect on the earlier of—

(1) 180 days after the date of enactment of this Act; or

(2) the date on which the rulemaking required under subsection (d)(2) is completed.

SEC. 208. PERFORMANCE FEES EXEMPTIONS.

Section 205 of the Investment Advisers Act of 1940 (15 U.S.C. 80b–5) is amended—

(1) in subsection (b)—

(A) in paragraph (2), by striking ''or'' at the end;

(B) in paragraph (3), by striking the period at the end and inserting a semicolon; and

(C) by adding at the end the following new paragraphs:

''(4) apply to an investment advisory contract with a company excepted from the definition of an investment company under section 3(c)(7) of title I of this Act; or

''(5) apply to an investment advisory contract with a person who is not a resident of the United States.''; and

(2) by adding at the end the following new subsection:

''(e) The Commission, by rule or regulation, upon its own motion, or by order upon application, may conditionally or unconditionally exempt any person or transaction, or any class or classes of persons or transactions, from subsection (a)(1), if and to the extent that the exemption relates to an investment advisory contract with any person that the Commission determines does not need the protections of subsection (a)(1), on the basis of such factors as financial sophistication, net worth, knowledge of and experience in financial matters, amount of assets under management, relationship with a registered investment adviser, and such other factors as the Commission determines are consistent with this section.''.

SEC. 209. REPORTS TO THE COMMISSION AND SHAREHOLDERS.

Section 30 of the Investment Company Act of 1940 (15 U.S.C. 80a–29) is amended—

(1) in subsection (b), by striking paragraph (1) and inserting the following:

''(1) such information, documents, and reports (other than financial statements), as the Commission may require to keep reasonably current the information and documents contained in the registration statement of such company filed under this title;'';

(2) by redesignating subsections (c), (d), (e), and (f) as subsections (d), (e), (g), and (h), respectively;

(3) by inserting after subsection (b) the following new subsection:

''(c)(1) The Commission shall take such action as it deems necessary or appropriate, consistent with the public interest and the protection of investors, to avoid unnecessary reporting by, and minimize the compliance burdens on, registered investment companies and their affiliated persons in exercising its authority—

''(A) under subsection (f); and

''(B) under subsection (b)(1), if the Commission requires the filing of information, documents, and reports under that subsection on a basis more frequently than semiannually.

''(2) Action taken by the Commission under paragraph (1) shall include considering, and requesting public comment on—

''(A) feasible alternatives that minimize the reporting burdens on registered investment companies; and

''(B) the utility of such information, documents, and reports to the Commission in relation to the costs to registered investment companies and their affiliated persons of providing such information, documents, and reports.'';

(4) by inserting after subsection (e) (as redesignated by paragraph (2) of this section), the following new subsection:

''(f) The Commission may, by rule, require that semi-annual reports containing the information set forth in subsection (e) include such other information as the Commission deems necessary or appropriate in the public interest or for the protection of investors.''; and

(5) in subsection (g) (as redesignated by paragraph (2) of this section), by striking ''subsections (a) and (d)'' and inserting ''subsections (a) and (e)''.

SEC. 210. BOOKS, RECORDS, AND INSPECTIONS.

Section 31 of the Investment Company Act of 1940 (15 U.S.C. 80a–30) is amended—

(1) by striking subsections (a) and (b) and inserting the following:

''(a)(1) Each registered investment company, and each underwriter, broker, dealer, or investment adviser that is a majority-owned subsidiary of such a company, shall maintain and preserve such records (as defined in section 3(a)(37) of the Securities Exchange Act of 1934) for such period or periods as the Commission, by rules and regulations, may prescribe as necessary or appropriate in the public interest or for the protection of investors. Each investment adviser that is not a majority-owned subsidiary of, and each depositor of any registered investment company, and each principal underwriter for any registered investment company other than a closed-end company, shall maintain and preserve for such period or periods as the Commission shall prescribe by rules and regulations, such records as are necessary or appropriate to record such person's transactions with such registered company.

''(2) In exercising its authority under this subsection, the Commission shall take such steps as it deems necessary or appropriate, consistent with the public interest and for the protection of investors, to avoid unnecessary recordkeeping by, and minimize the compliance burden on, persons required to maintain records under this subsection (hereafter in this section referred to as 'subject persons'). Such steps shall include considering, and requesting public comment on—

''(A) feasible alternatives that minimize the recordkeeping burdens on subject persons;

''(B) the necessity of such records in view of the public benefits derived from the independent scrutiny of such records through Commission examination;

''(C) the costs associated with maintaining the information that would be required to be reflected in such records; and

''(D) the effects that a proposed recordkeeping requirement would have on internal compliance policies and procedures.

''(b) All records required to be maintained and preserved in accordance with subsection (a) shall be subject at any time and from time to time to such reasonable periodic, special, and other examinations by the Commission, or any member or representative thereof, as the Commission may prescribe. For purposes of such examinations, any subject person shall make available to the Commission or its representatives any copies or extracts from such records as may be prepared without undue effort, expense, or delay as the Commission or its representatives may reasonably request. The Commission shall exercise its authority under this subsection with due regard for the benefits of internal compliance policies and procedures and the effective implementation and operation thereof.'';

(2) by redesignating subsections (c) and (d) as subsections (e) and (f), respectively; and

(3) by inserting after subsection (b) the following new subsections:

''(c) Notwithstanding any other provision of law, the Commission shall not be compelled to disclose any internal compliance or audit records, or information contained therein, provided to the Commission under this section. Nothing in this subsection shall authorize the Commission to withhold information from the Congress or prevent the Commission from complying with a request for information from any other Federal department or agency requesting the information for purposes within the scope of the jurisdiction of that department or agency, or complying with an order of a court of the United States in an action brought by the United States or the Commission. For purposes of section 552 of title 5, United States Code, this section shall be considered a statute described in subsection (b)(3)(B) of such section 552.

''(d) For purposes of this section—

''(1) the term 'internal compliance policies and procedures' means policies and procedures designed by subject persons to promote compliance with the Federal securities laws; and

''(2) the term 'internal compliance and audit record' means any record prepared by a subject person in accordance with internal compliance policies and procedures.''.

TITLE III—REDUCING THE COST OF SAVING AND INVESTMENT

SEC. 301. EXEMPTION FOR ECONOMIC, BUSINESS, AND INDUSTRIAL DEVELOPMENT COMPANIES.

Section 6(a) of the Investment Company Act of 1940 (15 U.S.C. 80a–6(a)) is amended by adding at the end the following new paragraph:

''(5)(A) Any company that is not engaged in the business of issuing redeemable securities, the operations of which are subject to regulation by the State in which the company is organized under a statute governing entities that provide financial or managerial assistance to enterprises doing business, or proposing to do business, in that State if—

''(i) the organizational documents of the company state that the activities of the company are limited to the promotion of economic, business, or industrial development in the State through the provision of financial or managerial assistance to enterprises doing business, or proposing to do business, in that State, and such other activities that are incidental or necessary to carry out that purpose;

''(ii) immediately following each sale of the securities of the company by the company or any underwriter for the company, not less than 80 percent of the securities of the company being offered in such sale, on a class-by-class basis, are held by persons who reside or who have a substantial business presence in that State;

''(iii) the securities of the company are sold, or proposed to be sold, by the company or by any underwriter for the company, solely to accredited investors, as that term is defined in section 2(15) of the Securities Act of 1933, or to such other persons that the Commission, as necessary or appropriate in the public interest and consistent with the protection of investors, may permit by rule, regulation, or order; and

''(iv) the company does not purchase any security issued by an investment company or by any company that would be an investment company except for the exclusions from the definition of the term 'investment company' under paragraph (1) or (7) of section 3(c), other than—

''(I) any debt security that is rated investment grade by not less than 1 nationally recognized statistical rating organization; or

''(II) any security issued by a registered open-end investment company that is required by its investment policies to invest not less than 65 percent of its total assets in securities described in subclause (I) or securities that are determined by such registered open-end investment company to be comparable in quality to securities described in subclause (I).

''(B) Notwithstanding the exemption provided by this paragraph, section 9 (and, to the extent necessary to enforce section 9, sections 38 through 51) shall apply to a company described in this paragraph as if the company were an investment company registered under this title.

''(C) Any company proposing to rely on the exemption provided by this paragraph shall file with the Commission a notification stating that the company intends to do so, in such form and manner as the Commission may prescribe by rule.

''(D) Any company meeting the requirements of this paragraph may rely on the exemption provided by this paragraph upon filing with the Commission the notification required by subparagraph (C), until such time as the Commission determines by order that such reliance is not in the public interest or is not consistent with the protection of investors.

''(E) The exemption provided by this paragraph may be subject to such additional terms and conditions as the Commission may by rule, regulation, or order determine are necessary or appropriate in the public interest or for the protection of investors.''.

SEC. 302. INTRASTATE CLOSED-END INVESTMENT COMPANY EXEMPTION.

Section 6(d)(1) of the Investment Company Act of 1940 (15 U.S.C. 80a–6(d)(1)) is amended by striking ''$100,000'' and inserting ''$10,000,000, or such other amount as the Commission may set by rule, regulation, or order''.

SEC. 303. DEFINITION OF ELIGIBLE PORTFOLIO COMPANY.

Section 2(a)(46)(C) of the Investment Company Act of 1940 (15 U.S.C. 80a–2(a)(46)(C)) is amended—

(1) in clause (ii), by striking ''or'' at the end;

(2) by redesignating clause (iii) as clause (iv); and

(3) by inserting after clause (ii) the following:

''(iii) it has total assets of not more than $4,000,000, and capital and surplus (shareholders' equity less retained earnings) of not less than $2,000,000, except that the Commission may adjust such amounts by rule, regulation, or order to reflect changes in 1 or more generally accepted indices or other indicators for small businesses; or''.

SEC. 304. DEFINITION OF BUSINESS DEVELOPMENT COMPANY.

Section 2(a)(48)(B) of the Investment Company Act of 1940 (15 U.S.C. 80a–2(a)(48)(B)) is amended by adding at the end the following: ''provided further that a business development company need not make available significant managerial assistance with respect to any company described in paragraph (46)(C)(iii), or with respect to any

other company that meets such criteria as the Commission may by rule, regulation, or order permit, as consistent with the public interest, the protection of investors, and the purposes of this title; and''.

SEC. 305. ACQUISITION OF ASSETS BY BUSINESS DEVELOPMENT COMPANIES.

Section 55(a)(1)(A) of the Investment Company Act of 1940 (15 U.S.C. 80a–54(a)(1)(A)) is amended—

(1) by striking ''or from any person'' and inserting ''from any person''; and

(2) by inserting before the semicolon '', or from any other person, subject to such rules and regulations as the Commission may prescribe as necessary or appropriate in the public interest or for the protection of investors''.

SEC. 306. CAPITAL STRUCTURE AMENDMENTS.

Section 61(a) of the Investment Company Act of 1940 (15 U.S.C. 80a–60(a)) is amended—

(1) in paragraph (2), by striking ''if such business development company'' and all that follows through the end of the paragraph and inserting a period;

(2) in paragraph (3)(A)—

(A) by striking ''senior securities representing indebtedness accompanied by'';

(B) by inserting ''accompanied by securities,'' after ''of such company,''; and

(C) in clause (ii), by striking ''senior''; and

(3) in paragraph (3)—

(A) in subparagraph (A), by striking ''and'' at the end;

(B) in subparagraph (B), by striking the period at the end of clause (iv) and inserting ''; and''; and

(C) by inserting immediately after subparagraph (B) the following new subparagraph:

''(C) a business development company may issue warrants, options, or rights to subscribe to, convert to, or purchase voting securities not accompanied by securities, if—

''(i) such warrants, options, or rights satisfy the conditions in clauses (i) and (iii) of subparagraph (A); and

''(ii) the proposal to issue such warrants, options, or rights is authorized by the shareholders or partners of such business development company, and such issuance is approved by the required majority (as defined in section 57(o)) of the directors of or general partners in such company on the basis that such issuance is in the best interests of the company and its shareholders or partners.''.

SEC. 307. FILING OF WRITTEN STATEMENTS.

Section 64(b)(1) of the Investment Company Act of 1940 (15 U.S.C. 80a–63(b)(1)) is amended by inserting ''and capital structure'' after ''portfolio''.

SEC. 308. FACILITATING NATIONAL SECURITIES MARKETS.

Section 18 of the Securities Act of 1933 (15 U.S.C. 77r) is amended to read as follows:

''SEC. 18. EXEMPTION FROM STATE CONTROL OF SECURITIES OFFERINGS.

''(a) EXEMPTION FROM STATE LAW FOR REGISTERED SECURITIES.—Except with respect to offerings described in subsection (b) and as otherwise specifically provided in this section, no law, rule, regulation, order, or other administrative action of any State or Territory of the United States, or the District of Columbia, or any political subdivision thereof—

''(1) requiring, or with respect to, registration or qualification of securities or securities transactions shall directly or indirectly apply to an offering subject to a registration statement filed pursuant to this title;

''(2) shall directly or indirectly prohibit, limit, or impose conditions upon the use of any offering document, including any prospectus contained in a registration statement that has been filed with the Commission; or

''(3) shall directly or indirectly prohibit, limit, or impose conditions upon the offer or sale of any security registered with the Commission under this title based on the merits of such offering or issuer.

''(b) SPECIAL RULES FOR CERTAIN OFFERINGS.—Except with respect to a security of an investment company that is registered under the Investment Company Act of 1940, the provisions of subsection (a) shall not apply to—

''(1) an offering—

''(A) by an issuer that is a blank check company, as defined in section 7(b), or a direct participation investment program;

''(B) of penny stock; or

''(C) giving effect to a limited partnership rollup transaction;

''(2) an offering of a security, if a person associated with the offering is subject to a statutory disqualification, as defined in section 3(a)(39) of the Securities Exchange Act of 1934, or any substantially equivalent State law; or

''(3) an offering of a security that—

''(A) is not listed on the New York Stock Exchange, the American Stock Exchange, or the National Market Segment of the National Association of Securities Dealers Automated Quotation System Stock Market;

''(B) is not listed, authorized for listing, or authorized for trading on a national securities exchange (or tier or segment thereof) that has standards for listing or for trading authorization that the Commission determines, by rule (on its own initiative or on the basis of a petition), are substantially similar to the standards for listing or for trading authorization that are applicable to securities described in subparagraph (A); or

''(C) will not be listed or authorized for trading as described in subparagraph (A) or (B) upon completion of the transaction.

''(c) EXEMPTION FROM STATE LAW FOR TRANSACTIONS IN SECURITIES WITH QUALIFIED PURCHASERS.—Notwithstanding subsection (b), subsection (a) shall apply with respect to offers and sales to qualified purchasers, as defined by the Commission.

''(d) PRESERVATION OF FILING REQUIREMENTS.—

''(1) IN GENERAL.—Nothing in this section shall prohibit the securities commission (or any agency or office performing like functions) of any State or Territory of the United States, or the District of Columbia, from requiring the filing of any documents filed with the Commission pursuant to this title solely for notice purposes, along with a consent to service of process and requisite fee, except that no such filing, consent, or fee may be required with respect to securities, or transactions relating to securities that are of the same class, or are senior to such a class, as securities described in subsection (b)(3).

''(2) CONTINUED STATE AUTHORITY.—Notwithstanding paragraph (1), a State or Territory of the United States, or the District of Columbia may continue to collect filing or registration fees with respect to securities or securities transactions in amounts determined pursuant to State law as in effect on the day before the date of enactment of the Securities Investment Promotion Act of 1996, until otherwise specifically provided under a State law enacted on or after that date of enactment.

''(e) PRESERVATION OF STATE AUTHORITY.—Nothing in this section shall affect the jurisdiction of the securities commission (or any agency or office performing like functions) of any State or Territory of the United States, or the District of Columbia pursuant to the laws of such State or Territory, with respect to any fraud or broker-dealer conduct in connection with securities or securities transactions.''.

SEC. 309. REGULATORY FLEXIBILITY.

(a) UNDER THE SECURITIES ACT OF 1933.—Title I of the Securities Act of 1933 (15 U.S.C. 77a et seq.) is amended by adding at the end the following new section:

''SEC. 28. GENERAL EXEMPTIVE AUTHORITY.

''The Commission, by rule or regulation, may conditionally or unconditionally exempt any person, security, or transaction, or any class or classes of persons, securities, or transactions, from any provision or provisions of this title or of any rule or regulation issued under this title, to the extent that such exemption is necessary or appropriate in the public interest, and is consistent with the protection of investors.''.

(b) UNDER THE SECURITIES EXCHANGE ACT OF 1934.—Title I of the Securities Exchange Act of 1934 (15 U.S.C. 78a et seq.) is amended by adding at the end the following new section:

''SEC. 36. GENERAL EXEMPTIVE AUTHORITY.

''(a) IN GENERAL.—Except as provided in subsection (b), the Commission, by rule, regulation, or order, may conditionally or unconditionally exempt any person, security, or transaction, or any class or classes of persons, securities, or transactions, from any provision or provisions of this title or of any rule or regulation issued under this title, to the extent that such exemption is necessary or appropriate in the public interest, and is consistent with the protection of investors. The Commission shall, by rule or regulation, determine the procedures under which an exemptive order under this section shall be granted and may, in its sole discretion, decline to entertain any application for an order of exemption under this section.

''(b) LIMITATION.—The Commission may not, under this section, exempt any person, security, or transaction, or any class or classes of persons, securities, or transactions from section 15C or the rules or regulations issued thereunder or (for purposes of section 15C and the rules and regulations issued thereunder) from the definitions in paragraphs (42), (43), (44), or (45) of section 3(a).''.

SEC. 310. ANALYSIS OF ECONOMIC EFFECTS OF REGULATION.

(a) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated to carry out the Economic Analysis Program, including funding for the Office of Economic Analysis of the Securities and Exchange Commission, $6,000,000 for fiscal year 1997, and $6,000,000 for fiscal year 1998.

(b) ANALYSIS OF ECONOMIC EFFECTS OF REGULATION.—

(1) IN GENERAL.—The Chief Economist of the Commission shall prepare a report on each proposed regulation of the Commission. Such report shall be provided to each Commissioner and shall be published in the Federal Register before any such regulation of the Commission may become effective.

(2) REPORT CONTENTS.—The report required by this subsection shall include—

(A) an analysis of the likely effects of the proposed regulation on the economy of the United States, and particularly upon the securities markets and the participants in those markets; and

(B) the estimated impact of the proposed regulation upon economic and market behavior, including any impact on market liquidity, the costs of investment, and the financial risks of investment.

SEC. 311. PRIVATIZATION OF EDGAR.

Not later than 180 days after the date of enactment of this Act, the Commission shall submit to the Congress a report on the Electronic Data Gathering Analysis and Retrieval System consisting of the Commission's plan for promoting competition and

innovation of the system through privatization of all or any part of the system. Such plan shall include such recommendations for action as may be necessary to implement the plan.

SEC. 312. IMPROVING COORDINATION OF SUPERVISION.

Section 17 of the Securities Exchange Act of 1934 (15 U.S.C. 78q) is amended by adding at the end the following new subsection:

''(i) COORDINATION OF EXAMINING AUTHORITIES.—

''(1) OBJECTIVE.—The Commission and the examining authorities shall promote effective and efficient oversight of the activities of brokers and dealers, avoiding redundancy, while maintaining the highest level of examination and oversight quality.

''(2) ELIMINATION OF DUPLICATION.—The Commission and the examining authorities, through cooperation and coordination of examination and oversight activities, shall eliminate any unnecessary and burdensome duplication in the examination process.

''(3) COORDINATION OF EXAMINATIONS.—The Commission and the examining authorities shall share such information, including reports of examinations, customer complaint information, and other nonpublic regulatory information, as appropriate to foster a coordinated approach to regulatory oversight of brokers and dealers that are subject to examination by more than one examining authority.

''(4) EXAMINATIONS FOR CAUSE.—At any time, any examining authority may conduct an examination for cause of any broker or dealer subject to its jurisdiction.

''(5) CONFIDENTIALITY.—

''(A) IN GENERAL.—The provisions of section 24 shall apply to the sharing of information in accordance with this subsection. The Commission shall take appropriate action under section 24(c) to assure that such information is not inappropriately disclosed.

''(B) APPROPRIATE DISCLOSURE NOT PROHIBITED.—Nothing in this paragraph shall authorize the Commission or any examining authority to withhold information from the Congress, or prevent the Commission or any examining authority from complying with a request for information from any other Federal department or agency requesting the information for purposes within the scope of its jurisdiction, or complying with an order of a court of the United States in an action brought by the United States or the Commission.

''(6) DEFINITION.—For purposes of this subsection, the term 'examining authority' means the self-regulatory organizations registered with the Commission under this title (other than registered clearing agencies) with the authority to examine, inspect, and otherwise oversee the activities of a registered broker or dealer.''.

SEC. 313. INCREASED ACCESS TO FOREIGN BUSINESS INFORMATION.

(a) THE SECURITIES ACT OF 1993.—Section 2(3) of the Securities Act of 1933 (15 U.S.C. 77b(3)) is amended in the third sentence—

(1) by striking ''not include preliminary'' and inserting ''not include (A) preliminary''; and

(2) by inserting before the period ''; or (B) solely for purposes of section 5, press conferences held outside of the United States, public meetings with issuer representatives conducted outside of the United States, or press related materials released outside of the United States in which an offshore offering is discussed, irrespective of whether journalists from the United States or journalists for publications (including on-line services) with circulation in the United States attend such press conferences or meetings or receive such press related materials.''.

(b) THE SECURITIES EXCHANGE ACT OF 1934.—Section 14 of the Securities Exchange Act of 1934 (15 U.S.C. 78n) is amended by adding at the end the following new subsection:

''(i) TREATMENT OF PRESS RELATED MATERIALS.—

''(1) IN GENERAL.—Any person making a tender offer for, or a request or invitation for tenders of, the securities of a foreign issuer may grant journalists from the United States or journalists for publications (including on-line services) with circulation in the United States access to press conferences occurring outside of the United States, meetings with its representatives conducted outside of the United States, or press related materials released outside of the United States in which an offshore tender offer is discussed, without being deemed to have used the jurisdictional means specified in subsection (d)(1) or becoming subject to any regulations promulgated by the Commission, pursuant to subsection (e) of this section or section 13(e), or otherwise, that relate to tender offers or requests or invitations for tenders.

''(2) DEFINITION.—For purposes of this subsection, the term 'foreign issuer' means any corporation or other organization—

''(A) that is incorporated or organized under the laws of any foreign country; or

''(B) the principal place of business of which is located in a foreign country.''.

SEC. 314. SHORT-FORM REGISTRATION.

(a) IN GENERAL.—Not later than 180 days after the date of enactment of this Act, the Commission shall amend Form S–3 (17 C.F.R. 239.13, relating to registration under the Securities Act of 1933, of securities of certain issuers offered pursuant to certain types of transactions) to allow such form, or its equivalent, to be used for primary offerings by a registrant if—

(1) the outstanding stock of the registrant held by nonaffiliates of the registrant has an adequate aggregate market value, as determined by the Commission; and

(2) such registrant otherwise meets the eligibility requirements for registration using such form, or its equivalent.

(b) ADJUSTMENTS.—Any adjustment to the adequate aggregate market value threshold referred to in subsection (a)(1) by the Commission following the date of enactment of this Act shall apply equally to voting and nonvoting common shares and such other securities as the Commission shall establish.

(c) DEFINITION.—For purposes of this section, the term ''stock'' includes voting and nonvoting common shares, and such other securities as the Commission shall establish.

SEC. 315. CHURCH EMPLOYEE PENSION PLANS.

(a) AMENDMENT TO THE INVESTMENT COMPANY ACT OF 1940.—Section 3(c) of the Investment Company Act of 1940 (15 U.S.C. 80a–3(c)) is amended by adding at the end the following new paragraph:

''(14) Any church plan described in section 414(e) of the Internal Revenue Code of 1986, if, under any such plan, no part of the assets may be used for, or diverted to, purposes other than the exclusive benefit of plan participants or beneficiaries, or any company or account that is—

''(A) established by a person that is eligible to establish and maintain such a plan under section 414(e) of the Internal Revenue Code of 1986; and

''(B) substantially all of the activities of which consist of—

''(i) managing or holding assets contributed to such church plans or other assets which are permitted to be commingled with the assets of church plans under the Internal Revenue Code of 1986; or

''(ii) administering or providing benefits pursuant to church plans.''.

(b) AMENDMENT TO THE SECURITIES ACT OF 1933.—Section 3(a) of the Securities Act of 1933 (15 U.S.C. 77c(a)) is amended by adding at the end the following new paragraph:

''(13) Any security issued by or any interest or participation in any church plan, company or account that is excluded from the definition of an investment company under section 3(c)(14) of the Investment Company Act of 1940.''.

(c) AMENDMENTS TO THE SECURITIES EXCHANGE ACT OF 1934.—

(1) EXEMPTED SECURITIES.—Section 3(a)(12)(A) of the Securities Exchange Act of 1934 (15 U.S.C. 78c(a)(12)(A)) is amended—

(A) in clause (v), by striking ''and'' at the end;

(B) by redesignating clause (vi) as clause (vii); and

(C) by inserting after clause (v) the following new clause:

''(vi) solely for purposes of sections 12, 13, 14, and 16 of this title, any security issued by or any interest or participation in any church plan, company, or account that is excluded from the definition of an investment company under section 3(c)(14) of the Investment Company Act of 1940; and''.

(2) EXEMPTION FROM BROKER-DEALER PROVISIONS.—Section 3 of the Securities Exchange Act of 1934 (15 U.S.C. 78c) is amended by adding at the end the following new subsection:

''(f) CHURCH PLANS.—No church plan described in section 414(e) of the Internal Revenue Code of 1986, no person or entity eligible to establish and maintain such a plan under the Internal Revenue Code of 1986, no company or account that is excluded from the definition of an investment company under section 3(c)(14) of the Investment Company Act of 1940, and no trustee, director, officer or employee of or volunteer for such plan, company, account person, or entity, acting within the scope of that person's employment or activities with respect to such plan, shall be deemed to be a 'broker', 'dealer', 'municipal securities broker', 'municipal securities dealer', 'government securities broker', 'government securities dealer', 'clearing agency', or 'transfer agent' for purposes of this title—

''(1) solely because such plan, company, person, or entity buys, holds, sells, trades in, or transfers securities or acts as an intermediary in making payments in connection with transactions in securities for its own account in its capacity as trustee or administrator of, or otherwise on behalf of, or for the account of, any church plan, company, or account that is excluded from the definition of an investment company under section 3(c)(14) of the Investment Company Act of 1940; and

''(2) if no such person or entity receives a commission or other transaction-related sales compensation in connection with any activities conducted in reliance on the exemption provided by this subsection.''.

(d) AMENDMENT TO THE INVESTMENT ADVISERS ACT OF 1940.—Section 203(b) of the Investment Advisers Act of 1940 (15 U.S.C. 80b–3(b)) is amended—

(1) in paragraph (3), by striking ''or'' at the end;

(2) in paragraph (4), by striking the period at the end and inserting ''; or''; and

(3) by adding at the end the following new paragraph:

''(5) any plan described in section 414(e) of the Internal Revenue Code of 1986, any person or entity eligible to establish and maintain such a plan under the Internal Revenue Code of 1986, or any trustee, director, officer, or employee of or volunteer for any such plan or person, if such person or entity provides investment advice exclusively to any plan, person, or entity or any company,

account, or fund that is excluded from the definition of an investment company under section 3(c)(14) of the Investment Company Act of 1940.''.

(e) AMENDMENT TO THE TRUST INDENTURE ACT OF 1939.—Section 304(a)(4)(A) of the Trust Indenture Act of 1939 (15 U.S.C. 77ddd(4)(A)) is amended by striking ''or (11)'' and inserting ''(11), or (14)''.

(f) PROTECTION OF CHURCH EMPLOYEE BENEFIT PLANS UNDER STATE LAW.—

(1) REGISTRATION REQUIREMENTS.—Any security issued by or any interest or participation in any church plan, company, or account that is excluded from the definition of an investment company under section 3(c)(14) of the Investment Company Act of 1940, as added by subsection (a) of this section, and any offer, sale, or purchase thereof, shall be exempt from any law of a State that requires registration or qualification of securities.

(2) TREATMENT OF CHURCH PLANS.—No church plan described in section 414(e) of the Internal Revenue Code of 1986, no person or entity eligible to establish and maintain such a plan under the Internal Revenue Code of 1986, no company or account that is excluded from the definition of an investment company under section 3(c)(14) of the Investment Company Act of 1940, as added by subsection (a) of this section, and no trustee, director, officer, or employee of or volunteer for any such plan, person, entity, company, or account shall be required to qualify, register, or be subject to regulation as an investment company or as a broker, dealer, investment adviser, or agent under the laws of any State solely because such plan, person, entity, company, or account buys, holds, sells, or trades in securities for its own account or in its capacity as a trustee or administrator of or otherwise on behalf of, or for the account of, or provides investment advice to, for, or on behalf of, any such plan, person, or entity or any company or account that is excluded from the definition of an investment company under section 3(c)(14) of the Investment Company Act of 1940, as added by subsection (a) of this section.

(g) AMENDMENT TO THE INVESTMENT COMPANY ACT OF 1940.—Section 30 of the Investment Company Act of 1940 (15 U.S.C. 80a–29) is amended by adding at the end the following new subsections:

''(g) DISCLOSURE TO CHURCH PLAN PARTICIPANTS.—A person that maintains a church plan that is excluded from the definition of an investment company solely by reason of section 3(c)(14) shall provide disclosure to plan participants, in writing, and not less frequently than annually, and for new participants joining such a plan after May 31, 1996, prior to joining such plan, that—

''(1) the plan, or any company or account maintained to manage or hold plan assets and interests in such plan, company, or account, are not subject to registration, regulation, or reporting under this title, the Securities Act of 1933, the Securities Exchange Act of 1934, or State securities laws; and

''(2) plan participants and beneficiaries therefore will not be afforded the protections of those provisions.

''(h) NOTICE TO COMMISSION.—The Commission may issue rules and regulations to require any person that maintains a church plan that is excluded from the definition of an investment company solely by reason of section 3(c)(14) to file a notice with the Commission containing such information and in such form as the Commission may prescribe as necessary or appropriate in the public interest or consistent with the protection of investors.''.

SEC. 316. PROMOTING GLOBAL PREEMINENCE OF AMERICAN SECURITIES MARKETS.

It is the sense of the Congress that—

(1) the United States and foreign securities markets are increasingly becoming international securities markets, as issuers and investors seek the benefits of new capital and secondary market opportunities without regard to national borders;

(2) as issuers seek to raise capital across national borders, they confront differing accounting requirements in the various regulatory jurisdictions;

(3) the establishment of a high-quality comprehensive set of generally accepted international accounting standards in cross-border securities offerings would greatly facilitate international financing activities and, most significantly, would enhance the ability of foreign corporations to access and list in United States markets;

(4) in addition to the efforts made before the date of enactment of this Act by the Commission to respond to the growing internationalization of securities markets, the Commission should enhance its vigorous support for the development of high-quality international accounting standards as soon as practicable; and

(5) the Commission, in view of its clear authority under law to facilitate the access of foreign corporations to list their securities in United States markets, should report to the Congress, not later than 1 year after the date of enactment of this Act, on progress in the development of international accounting standards and the outlook for successful completion of a set of international standards that would be acceptable to the Commission for offerings and listings by foreign corporations in United States markets.

SEC. 317. BROKER-DEALER EXEMPTION FROM STATE LAW FOR CERTAIN DE MINIMIS TRANSACTIONS.

(a) IN GENERAL.—Section 15 of the Securities Exchange Act of 1934 (15 U.S.C. 78o) is amended by adding at the end the following new subsection:

''(h) EXEMPTION FROM STATE LAW FOR CERTAIN DE MINIMIS TRANSACTIONS.—

''(1) IN GENERAL.—No law, rule, regulation, or order, or other administrative action of any State or political subdivision thereof may prohibit an associated person of a broker or dealer from affecting a transaction described in paragraph (2) for a customer in such State if—

''(A) such associated person is not ineligible to register with such State for any reason other than such a transaction;

''(B) such associated person is registered with a registered securities association and at least one State; and

''(C) the broker or dealer with which such person is associated is registered with such State.

''(2) DESCRIBED TRANSACTIONS.—

''(A) IN GENERAL.—A transaction is described in this paragraph if—

''(i) such transaction is effected—

''(I) on behalf of a customer that, for 30 days prior to the day of the transaction, maintained an account with the broker or dealer; and

''(II) by an associated person of the broker or dealer—

''(aa) to which the customer was assigned for 14 days prior to the day of the transaction; and

''(bb) who is registered with a State in which the customer was a resident or was present for at least 30 consecutive days during the one-year period prior to the day of the transaction;

''(ii) the transaction is effected—

''(I) on behalf of a customer that, for 30 days prior to the day of the transaction, maintains an account with the broker or dealer; and

''(II) within the period beginning on the date on which such associated person files an application for registration with the State in which the transaction is effected and ending on the earlier of—

''(aa) 60 days after the date on which the application is filed; or

''(bb) the date on which such State notifies the associated person that it has denied the application for registration or has stayed the pendency of the application for cause.

''(B) RULES OF CONSTRUCTION.—For purposes of subparagraph (A)(i)(II)—

''(i) each of up to 3 associated persons of a broker or dealer who are designated to effect transactions during the absence or unavailability of the principal associated person for a customer may be treated as an associated person to which such customer is assigned; and

''(ii) if the customer is present in another State for 30 or more consecutive days or has permanently changed his or her residence to another State, a transaction is not described in this paragraph, unless the association person of the broker or dealer files an application for registration with such State not later than 10 business days after the later of the date of the transaction, or the date of the discovery of the presence of the customer in the other State for 30 or more consecutive days or the change in the customer's residence.''.

(b) TECHNICAL AMENDMENT.—Section 28(a) of the Securities Exchange Act of 1934 (15 U.S.C. 78bb(a)) is amended by striking ''Nothing'' and inserting ''Except as otherwise specifically provided in this title, nothing''.

SEC. 318. STUDIES AND REPORTS.

(a) IMPACT OF TECHNOLOGICAL ADVANCES.—

(1) STUDY.—

(A) IN GENERAL.—The Commission shall conduct a study of—

(i) the impact of technological advances and the use of on-line information systems on the securities markets;

(ii) how such technologies have changed the way in which the securities markets operate; and

(iii) any steps taken by the Commission to address such changes.

(B) CONSIDERATIONS.—In conducting the study under subparagraph (A), the Commission shall consider how the Commission has adapted its enforcement policies and practices in response to technological developments with regard to—

(i) disclosure, prospectus delivery, and other customer protection regulations;

(ii) intermediaries and exchanges in the domestic and international financial services industry;

(iii) reporting by issuers, including communications with holders of securities;

(iv) the relationship of the Commission with other national regulatory authorities and organizations to improve coordination and cooperation; and

(v) the relationship of the Commission with State regulatory authorities and organizations to improve coordination and cooperation.

(2) REPORT.—Not later than 1 year after the date of enactment of this Act, the Commission shall submit a report to the Congress on the results of the study conducted under paragraph (1).

(b) SHAREHOLDER PROPOSALS.—

(1) STUDY.—The Commission shall conduct a study of—

(A) whether shareholder access to proxy statements pursuant to section 14 of the Securities Exchange Act of 1934 has been impaired by recent statutory, judicial, or regulatory changes; and

(B) the ability of shareholders to have proposals relating to corporate practices and social issues included as part of proxy statements.

(2) REPORT.—Not later than 1 year after the date of enactment of this Act, the Commission shall submit a report to the Congress on the results of the study conducted under paragraph (1), together with any recommendations for regulatory or legislative changes that it considers necessary to improve shareholder access to proxy statements.

(c) PREFERENCING.—

(1) STUDY.—The Commission shall conduct a study of the impact on investors and the national market system of the practice known as ''preferencing'' on one or more registered securities exchanges, including consideration of—

(A) how preferencing impacts—

(i) the execution prices received by retail securities customers whose orders are preferenced; and

(ii) the ability of retail securities customers in all markets to obtain executions of their limit orders in preferenced securities; and

(B) the costs of preferencing to such customers.

(2) REPORT.—Not later than 6 months after the date of enactment of this Act, the Commission shall submit a report to the Congress on the results of the study conducted under paragraph (1).

(3) DEFINITION.—For purposes of this subsection, the term ''preferencing'' refers to the practice of a broker acting as a dealer on a national securities exchange, directing the orders of customers to buy or sell securities to itself for execution under rules that permit the broker to take priority in execution over same-priced orders or quotations entered prior in time.

MARK O. HATFIELD UNITED STATES COURTHOUSE

The text of the bill (S. 1636) to designate the United States Courthouse under construction at 1030 Southwest 3d Avenue, Portland, OR, as the ''Mark O. Hatfield United States Courthouse,'' and for other purposes, as passed by the Senate on June 27, 1996, is as follows:

S. 1636

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. DESIGNATION OF MARK O. HATFIELD UNITED STATES COURTHOUSE.

The United States Courthouse under construction at 1030 Southwest 3rd Avenue in Portland, Oregon, shall be known and designated as the ''Mark O. Hatfield United States Courthouse''.

SEC. 2. REFERENCES.

Any reference in a law, map, regulation, document, paper, or other record of the United States to the courthouse referred to in section 1 shall be deemed to be a reference to the ''Mark O. Hatfield United States Courthouse''.

SEC. 3. EXTENSION OF FDR MEMORIAL MEMBER TERMS.

The first section of the Act entitled ''An Act to establish a commission to formulate plans for a memorial to Franklin Delano Roosevelt'', approved August 11, 1955 (69 Stat. 694) is amended by adding at the end thereof the following: ''A Commissioner who ceases to be a Member of the Senate or the House of Representatives may, with the approval of the appointing authority, continue to serve as a Commissioner for a period of up to one year after he or she ceases to be a Member of the Senate or the House of Representatives.''.

SEC. 4. EFFECTIVE DATE.

This Act shall take effect on January 3, 1997.

COMPLIMENTS TO THE MAJORITY LEADER AND MANAGERS OF THE BILL

Mr. NICKLES. Mr. President, at the conclusion of this week, I compliment the majority leader, Senator LOTT, for his leadership and tireless efforts to get a lot of things moving. After a long week, a lot of work was done to complete, for all practical purposes, the Department of Defense bill, which we will be voting on early when we return.

Also, I wish to compliment Senator DASCHLE and Senator NUNN, as well as Senator THURMOND, Senator MCCAIN, and Senator WARNER for their leadership in passing this very important bill. They have put in a lot of effort and time in the last couple of days. Some were wondering whether or not we would be able to pass the bill.

In addition, I compliment the majority leader, because during the process this week, he was able to break the logjam on the minimum wage bill. Again, that was one that we have been wrestling with for a long time, and we will be voting on that when we return for debate on July 8 and a vote on the July 9, as well as action on the TEAM bill. I compliment him on that.

It is a little disappointing that we have not yet made greater progress on the so-called health bill, the Kassebaum-Kennedy bill. As a matter of fact, there has been an objection placed by Democrat Members on appointing conferees. That is very unusual. It has been 40 some days now that they have opposed appointing conferees on that piece of legislation. I hope they will reconsider. I heard Senator KENNEDY speaking on that earlier today. He was critical of the medical savings accounts provisions. I think we made a very generous offer on medical savings accounts. Hopefully, that will be resolved and we can complete action on that bill which will solve a lot of problems for preexisting illnesses and coverage for small business, allowing deductibility. That is important legislation that is broadly supported by Congress. Hopefully, we will have appointees and go to conference.

By and large, I compliment the majority leader. He has had a very active and successful week.

EXECUTIVE SESSION

Mr. NICKLES. Mr. President, I ask unanimous consent that the Senate go into executive session to consider calendar No. 563, the nomination of Christopher Hill; that the Senate proceed to a vote on the nomination, and following the vote, the President be immediately notified of the Senate's action, and the Senate immediately return to legislative session.

The PRESIDING OFFICER. Without objection, it is so ordered.

The nomination was considered and confirmed, as follows:

Christopher Robert Hill, of Rhode Island, a Career Member of the Senior Foreign Service, Class of Counselor, to be Ambassador Extraordinary and Plenipotentiary of the United States of America to the former Yugoslav Republic of Macedonia.

Mr. NICKLES. Mr. President, I announce for the benefit of the Senate that the Senator from Kentucky, Senator MCCONNELL, votes in the negative on the confirmation of Mr. Hill, and I ask that his statement be placed in the RECORD at this point as if read.

Mr. MCCONNELL. Mr. President, for several months, I have tried to get a straight answer from the administration on the legal justification for the deployment of United States troops under United Nations' command in Macedonia. While the soldiers have a mission, I do not believe they have a clear, legal mandate.

The question of our involvement in Macedonia was first brought to my attention by Ron Ray, a constituent of mine who is representing Michael New. Apparently, Michael New asked his commanding officer to provide some explanation as to why an American Army specialist was being asked to wear a U.N. uniform and deploy to Macedonia under the U.N. flag.

In a recent hearing with Ambassador Madeliene Albright, usually one of the more plain spoken members of the President's foreign policy team, we reviewed the procedures for deploying American troops under the U.N. flag. She offered the view that while there were clear guidelines defining chapter VII deployments, using chapter VI to justify a mission had evolved as a matter of U.N. custom and tradition.

Since 1948, 27 peace operations have been authorized by the U.N. Security Council. In addition to being authorized by a specific chapter of the U.N. Charter, U.S. troop deployments must be authorized consistent with U.S. legal requirements spelled out in the United Nations Participation Act.

In July 1993, President Clinton wrote the Congress stating,

U.N. Security Council Resolution 795 established the UNPROFOR Macedonia mission under a chapter VI of the U.N. Charter and UNPROFOR Macedonia is a peacekeeking force under chapter VI of the Charter.

But this assertion is not substantiated by the record of resolutions and reports passed by the United Nations.

Between 1991 and the end of 1995, the United Nations passed 97 Security Council resolutions related to the former Yugoslavia. In addition, 13 reports were issued by to U.N. Secretary General relative to the mandate of the UNPROFOR Macedonia operation. None of these resolutions or reports mention a chapter VI mandate for Macedonia. In fact, there are 27 resolutions which specifically refer to UNPROFOR, which includes Macedonia, as chapter