

119TH CONGRESS  
1ST SESSION

**S.** \_\_\_\_\_

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 SENATE OF THE UNITED STATES

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Mr. HAGERTY (for himself and Mr. GALLEG0) introduced the following bill;  
which was read twice and referred to the Committee on

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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 in paragraph (2) may elect to comply  
12 with the requirements under paragraph (2) and  
13 subsection (i) by notifying the Commission of  
14 that 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 an 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 (com-  
24 monly known as a ‘direct-at-fund account’), the com-  
25 pany and transfer agent shall—

1 “(A) request from that customer the name  
2 and contact information of at least 1 individual  
3 who—

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

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

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

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

15 “(i) address possible financial exploi-  
16 tation of that customer;

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

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

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

24 “(1) IN GENERAL.—Notwithstanding subsection  
25 (e), a registered open-end investment company or a

1 transfer agent acting on behalf of such a company  
2 may postpone the date of payment or satisfaction  
3 upon redemption of any redeemable security in ac-  
4 cordance with its terms for more than seven days  
5 after the tender of such security to such company or  
6 its agent designated for that purpose for redemption  
7 if such company or agent reasonably believes that—

8 “(A) that redemption is requested by a se-  
9 curity holder who is a specified adult; and

10 “(B) financial exploitation has occurred, is  
11 occurring, or has been attempted with respect  
12 to that redemption.

13 “(2) DURATION.—

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

22 “(B) EXTENSION UPON DETERMINATION  
23 OF EXPLOITATION.—The period described in  
24 subparagraph (A) may be extended by an addi-  
25 tional 10 business days if the registered open-

1        end investment company or a transfer agent  
2        acting on behalf of such a company—

3 “(i) reasonably believes that—

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

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

“(ii) subject to subparagraph (D), not later than 2 days after making a determination under clause (i), notifies the individuals specified by that security holder under subsection (h)(2)(A) in writing (including through electronic delivery) of the extension of the period described in subparagraph (A) under this subparagraph and the reason for that extension;

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

23 “(iv) holds amounts relating to the  
24 delayed payment or satisfaction upon re-

1 demption of the redeemable security in a  
2 demand deposit account; and

3 “(v) documents and retains records  
4 related to carrying out clause (iv) and in-  
5 cludes those records in the first required  
6 account statement of the security holder  
7 provided after the date on which the deter-  
8 mination is made under clause (i).

9 “(C) EXTENSION BY GOVERNMENT.—A  
10 State regulator, administrative agency of com-  
11 petent jurisdiction, or court of competent juris-  
12 diction may extend the period described in sub-  
13 paragraph (A).

14 “(D) NOTIFICATION.—

15 “(i) EXCEPTION.—Subparagraph  
16 (B)(ii) shall not apply if a registered open-  
17 end investment company or transfer agent  
18 acting on behalf of such a company reason-  
19 ably believes that an individual required to  
20 be notified under that subparagraph is,  
21 has been, or will subject the security holder  
22 who identified that individual under sub-  
23 section (h)(2)(A) to financial exploitation.

24 “(ii) REASONABLE EFFORTS.—An  
25 open-end investment company or transfer

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

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

12 “(i) relating to the identification and  
13 reporting of matters relating to the finan-  
14 cial exploitation of specified adults;

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

22 “(iii) identifying each employee of the  
23 company or transfer agent with authority  
24 to establish, extend, or terminate a period

1 described in paragraph (1) or subpara-  
2 graph (A);

3 “(iv) in the case of a transfer agent,  
4 that are reasonably designed to ensure that  
5 the employees of the transfer agent comply  
6 with this subsection; and

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

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

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

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

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

23 “(F) INFORMATION INCLUDED IN CERTAIN  
24 STATEMENTS.—An open-end investment com-  
25 pany shall include in each prospectus or state-

1           ment of additional information a notification  
2           that the company or a transfer agent acting on  
3           behalf of the company may postpone redemp-  
4           tion of certain securities under this subsection.

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

8                   “(i) document and retain records of—

9                           “(I) each postponement of re-  
10                          demption under subparagraphs (A),  
11                          (B), and (C);

12                          “(II) each finding under subpara-  
13                          graph (B)(i);

14                          “(III) the name and position of  
15                          each employee described in subpara-  
16                          graph (E)(iii);

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

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

22                          “(ii) make the records described in  
23                          clause (i) available to the Commission at  
24                          the request of the Commission.

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

4                   “(A) is not younger than 65 years of age;  
5                   or

6                   “(B) is not younger than 18 years of age  
7                   and who a registered open-end investment com-  
8                   pany or a transfer agent acting on behalf of  
9                   such a company reasonably believes has a men-  
10                  tal or physical impairment that renders the in-  
11                  dividual unable to protect the interests of the  
12                  individual.”.

13           (b) RECOMMENDATIONS.—

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

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

3           (A) The Commodity Futures Trading  
4       Commission.

5           (B) The Director of the Bureau of Con-  
6       sumer Financial Protection.

7           (C) The Financial Industry Regulatory Au-  
8       thority.

9           (D) The North American Securities Ad-  
10      ministrators Association.

11          (E) The Board of Governors of the Fed-  
12      eral Reserve System.

13          (F) The Comptroller of the Currency.

14          (G) The Federal Deposit Insurance Cor-  
15      poration.