

## ACCOUNTS AND RECORDS

Sec. 31. (a) Every registered investment company, every underwriter, broker, dealer, or investment adviser which is a majority-owned subsidiary of such a company, and every manager, investment adviser, principal underwriter, depositor, or distributor registered under section 9, shall make, keep, and preserve for such periods, such accounts, cost-accounting procedures, correspondence, memoranda, papers, books, and other records as the Commission may prescribe by rules and regulations or order as necessary or appropriate in the public interest, for the protection of investors or for the enforcement of this title.

(b) All accounts, cost-accounting procedures, correspondence, memoranda, papers, books, and other records kept or required to be kept by any person subject to 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. It shall be the duty of any such person to furnish to the Commission, within such reasonable time as the Commission may prescribe, any information with respect to such records which the Commission may by order require.

(c) The Commission, or any member or representative thereof designated by it, shall have power at any time and from time to time to make an examination of all the affairs of any registered investment company.

(d) The Commission, by rules and regulations in the public interest or for the protection of investors, may prescribe for registered investment companies or classes or subclasses of registered investment companies —

(1) uniform methods for keeping accounts and other records required to be kept pursuant to subsection (a), including, among other things, uniform methods of (A) classifying and segregating accounts, (B) recording and carrying securities and other assets, and (C) differentiating between capital and income; and

(2) the methods, practices, and procedures to be followed in determining the entries to be made in accounts, books, and other records required to be kept pursuant to subsection (a), including, among other things, methods, practices, and procedures of determining (A) cost of assets; (B) the value of assets; (C) profits, losses, income, and expenses; (D) the incurrence and discharge of liabilities and contingent liabilities; (E) the entries to reflect the issuance, sale, exchange, acquisition, redemption, or retirement of any security of which such a company is the issuer; (F) the adjustment of accounts upon the restatement of any asset or liability or any capital or surplus account; and (G) the entries providing for depreciation or reflecting appreciation of assets.

(e) For the purpose of enforcing the rules and regulations of the Commission under subsection (d) and preventing circumvention thereof, the Commission is authorized—

(1) to prescribe by order the account or accounts in which particular outlays, receipts, expenses, income, profits, losses, depreciation, appreciation, dividend distributions, and other transactions shall be entered, charged, or credited, and the manner in which any such entry, charge, or credit shall be made;

(2) to require by order that an entry be modified or supplemented;

(3) to prohibit, by rules and regulations or order, the keeping of accounting records other than those prescribed or approved by the Commission, or the keeping of such records in a manner other than those prescribed or approved by the Commission.

(f) No rule, regulation, or order shall be issued under this section prohibiting a person from subclassifying an account, or from maintaining supplementary records reflecting subclassifications of an account, in any manner which does not impair the integrity of the account subclassified.

## ACCOUNTANTS AND AUDITORS

Sec. 32. (a) After one year from the effective date of this title, it shall be unlawful for any registered management investment company to file with the Commission any financial statement signed or certified or based upon an examination or audit by any independent public accountant, unless such accountant was selected by vote of the holders of such company's voting securities at the annual

or a special meeting of such security holders duly called; except that any vacancy between such meetings may be filled by the board of directors of such company.

(b) No registered management investment company or registered face-amount certificate company shall file with the Commission any financial statement in the preparation of which the principal accounting officer or employee of such company participated, unless such officer or employee was selected, either by vote of the holders of such company's voting securities at the last annual meeting of such security holders, or by the board of directors of such company.

(c) The Commission is authorized, by rules and regulations or order in the public interest or for the protection of investors--

(1) to prescribe the minimum scope of and procedures to be followed in any audit of a registered investment company; and

(2) to require accountants and auditors to keep reports, work sheets, and other documents and papers relating to registered investment companies and to make the same available for inspection by the Commission or any member or representative thereof.

#### SETTLEMENT OF CIVIL ACTIONS

SEC. 33. (a) It shall be unlawful for any registered investment company or affiliated person thereof to settle or compromise any claim of the following classes, unless such claim is the subject of a civil action or suit in a court having jurisdiction to approve such settlement or compromise:

(1) any claim by a registered investment company or a security holder thereof against an officer, director, manager, trustee, or depositor of such company for an alleged breach of official duty; or

(2) any claim by a security holder of a registered investment company against such company or an officer, director, manager, trustee, or depositor thereof for an alleged injury done such security holder together with other security holders of the same class.

(b) Whenever any claim of the classes enumerated in subsection (a) is made the subject of a civil action or suit in a court of the United States, such court shall not approve any proposed settlement or compromise of such action or suit, or permit confession of judgment therein without trial, until after the Commission has filed with the court a report concerning the fairness of the proposed settlement, compromise, or confession of judgment, or has notified the court that it will not file a report, or until the expiration of such reasonable time for the filing of a report as the court has fixed, whichever first occurs. A report of the Commission under this section may treat, among other things, of the reasonableness of any legal or other fees to be paid by any registered investment company, in connection with such action or suit, for services rendered a party or parties other than such company.

(c) The Commission is authorized, at the request of any court of a State to which such a proposed settlement, compromise, or confession of judgment has been submitted, to file such a report with such court.

(d) Every report filed pursuant to this section shall be based upon facts established before the court or an officer thereof, or before a member or officer of the Commission pursuant to an investigation by the Commission, and shall be advisory only.

#### DESTRUCTION AND FALSIFICATION OF REPORTS AND RECORDS

SEC. 34. (a) It shall be unlawful for any person, except as permitted by rule, regulation, or order of the Commission, to destroy, mutilate, or alter any account, cost-accounting procedure, correspondence, memorandum, book, paper, or other record kept pursuant to this title.

(b) It shall be unlawful for any person to make any untrue statement of a material fact in any registration statement, application, report, account, record, or other document filed, transmitted, or kept pursuant to this title. It shall be unlawful for any person filing, transmitting, or keeping any such document pursuant to this title to omit to state therein any fact necessary in order to prevent the statements made therein from being materially misleading. For the purposes of this subsection, any part of any such document which is signed or certified by an accountant or auditor in his capacity as such shall be deemed to be made, filed, transmitted, or kept by such accountant or auditor, as well as by the person filing, transmitting, or keeping the complete document.

## UNLAWFUL REPRESENTATIONS AND NAMES

SEC. 25. (a) It shall be unlawful for any person in issuing, selling, or offering for sale any security of which a registered investment company is the issuer, to represent or imply in any manner whatsoever that such security or company, or any affiliated person of or principal underwriter for such company, has been guaranteed, sponsored, recommended, or approved by the United States or any agency or officer thereof.

(b) It shall be unlawful for any person registered under any section of this title to represent or imply in any manner whatsoever that such person has been sponsored, recommended, or approved, or that his abilities or qualifications have in any respect been passed upon by the United States or any agency or officer thereof.

(c) No provision of subsection (a) or (b) shall be construed to prohibit a statement that a person or security is registered under this Act, the Securities Act of 1933, or the Securities Exchange Act of 1934, if such statement is true in fact and if the effect of such registration is not misrepresented.

(d) It shall be unlawful for any registered investment company, as part of the name or title of such company or of any security of which it is the issuer, to use any word or words which, in the light of the business and history of such company the Commission finds and by order declares to be deceptive or misleading.

## RULES, REGULATIONS, AND ORDERS; GENERAL POWERS OF COMMISSION

SEC. 36. (a) The Commission shall have authority from time to time to make, issue, amend, and rescind such rules and regulations and such orders as it finds necessary or appropriate to carry out the provisions of this title, including rules and regulations defining accounting, technical, and trade terms used in this title, classifying investment companies and other persons to whom this title relates, and prescribing the form or forms in which information required in registration statements, applications, reports, and other documents filed with the Commission shall be set forth.

(b) The Commission, by such rules and regulations or order as it deems necessary or appropriate in the public interest or for the protection of investors or consumers, may authorize the filing of any information or documents required to be filed with the Commission under this title, the Securities Act of 1933, the Securities Exchange Act of 1934, the Public Utility Holding Company Act of 1935, or the Trust Indenture Act of 1939, by incorporating by reference any information or documents theretofore or concurrently filed with the Commission under this title or any of such Acts.

(c) No provision of this title imposing any liability shall apply to any act done or omitted in good faith in conformity with any rule, regulation, or order of the Commission, notwithstanding that such rule, regulation, or order may, after such act or omission, be amended or rescinded or be determined by judicial or other authority to be invalid for any reason.

## HEARINGS BY COMMISSION

SEC. 37. Hearings may be public and may be held before the Commission, any member of members thereof, or any officer or officers of the Commission designated by it, and appropriate records thereof shall be kept. In any proceeding before the Commission, the Commission, in accordance with such rules and regulations as it may prescribe, shall admit as a party any interested State or State agency, and may admit as a party any representative of interested security holders, or any other person whose participation in the proceeding may be in the public interest or for the protection of investors.

## ENFORCEMENT OF TITLE; INVESTIGATIONS

SEC. 38. (a) The Commission, in its discretion, may investigate any facts, conditions, practices, or matters which it may deem necessary or appropriate to determine whether any person has violated or is about to violate any provision of this title or any rule or regulations thereunder, or to aid in the enforcement of the provisions of this title, in the prescribing of such rules and regulations thereunder, or in obtaining information to serve as a basis for recommending further legislation concerning the matters to which this title relates. The Commission may require or permit any person to file with it a statement in writing, under oath or otherwise as it shall determine, as to any or all facts and circumstances concerning a matter which may be the subject of investigation. The Commission, in its discretion, may publish information concerning any of the foregoing matters.

(b) For the purpose of any investigation or any other proceeding under this title, including any examination pursuant to section 31, any member of the Commission, or any officer thereof designated by it, is empowered to administer oaths and affirmations, subpoena witnesses, compel their attendance, take evidence, and require the production of any books, papers, correspondence, memoranda, contracts, agreements, or other records which are relevant or material to the inquiry. Such attendance of witnesses and the production of any such records may be required from any place in any State or in any Territory or other place subject to the jurisdiction of the United States at any designated place of hearing.

(c) In case of contumacy by, or refusal to obey a subpoena issued to, any person, the Commission may invoke the aid of any court of the United States within the jurisdiction of which such investigation or proceeding is carried on, or where such person resides or carries on business, in requiring the attendance and testimony of witnesses and the production of books, papers, correspondence, memoranda, contracts, agreements, and other records. And such court may issue an order requiring such person to appear before the Commission or member or officer designated by the Commission, there to produce records, if so ordered, or to give testimony touching the matter under investigation or in question; and any failure to obey such order of the court may be punished by such court as a contempt thereof. All process in any such case may be served in the judicial district whereof such person is an inhabitant or wherever he may be found. Any person who without just cause shall fail or refuse to attend and testify or to answer any lawful inquiry or to produce books, papers, correspondence, memoranda, contracts, agreements, or other records, if in his or its power so to do, in obedience to the subpoena of the Commission, shall be guilty of a misdemeanor, and upon conviction shall be subject to a fine of not more than \$1,000 or to imprisonment for a term of not more than one year, or both.

(d) No person shall be excused from attending and testifying or from producing books, papers, correspondence, memoranda, contracts, agreements, or other records and documents before the Commission, or in obedience to the subpoena of the Commission or any member thereof or any officer designated by it, or in any cause or proceeding instituted by the Commission, on the ground that the testimony or evidence, documentary or otherwise, required of him may tend to incriminate him or subject him to a penalty or forfeiture; but no individual shall be prosecuted or subject to any penalty or forfeiture for or on account of any transaction, matter, or thing concerning which he is compelled to testify or produce evidence, documentary or otherwise, after having claimed his privilege against self-incrimination, except that such individual so testifying shall not be exempt from prosecution and punishment for perjury committed in so testifying.

(e) Whenever it shall appear to the Commission that any person has engaged or is about to engage in any act or practice constituting a violation of any provision of this title, or of any rule, regulation, or order hereunder, it may in its discretion bring an action in the proper district court of the United States, the Supreme Court of the District of Columbia, or the United States courts of any Territory or other place subject to the jurisdiction of the United States, to enjoin such acts or practices and to enforce compliance with this title or any rule, regulation, or order hereunder. Upon a showing that such person has engaged or is about to engage in any such act or practice, a permanent or temporary injunction or decree or restraining order shall be granted without bond. In any proceeding under this subsection to enforce compliance with section 7, the court as a court of equity may, to the extent it deems necessary or appropriate, take exclusive jurisdiction and possession of the investment company or companies involved and the books, records, and assets thereof, wherever located; and the court shall have jurisdiction to appoint a trustee, who with the approval of the court shall have power to dispose of any or all of such assets and, subject to such terms and conditions as the court may prescribe, may make such disposition in accordance with a plan of reorganization as to which a declaration is effective under section 25. The Commission may transmit such evidence as may be available concerning any violation of the provisions of this title, or of any rule, regulation, or order thereunder, to the Attorney General, who, in his discretion, may institute the appropriate criminal proceedings under this title.

#### COURT REVIEW OF ORDERS

Sec. 39. The provisions of section 24 of the Public Utility Holding Company Act of 1935 are hereby incorporated in this title as though fully set forth herein.

## JURISDICTION OF OFFENSES AND SUITS

SEC. 40. (a) The provisions of section 25 of the Public Utility Holding Company Act of 1935 are hereby incorporated in this title as though fully set forth herein.

(b) Any criminal proceeding based upon a violation of section 34, or upon a failure to file a report or other document required to be filed under this title, may be brought in the district wherein the defendant is an inhabitant or maintains his or its principal office or place of business.

## INFORMATION FILED WITH COMMISSION

SEC. 41. (a) The information contained in any registration statement, application, report, or other document filed with the Commission pursuant to any provision of this title or of any rule or regulation thereunder shall be made available to the public, unless and except insofar as the Commission, by rules and regulations upon its own motion, or by order upon application, finds that public disclosure is neither necessary nor appropriate in the public interest or for the protection of investors. It shall be unlawful for any member, officer, or employee of the Commission to use for personal benefit, or to disclose to any person other than an official or employee of the United States or of a State, for official use, any information contained in any document so filed, if such information is not available to the public.

(b) Photostatic or other copies of information contained in documents filed with the Commission under this title and made available to the public shall be furnished any person at such reasonable charge and under such reasonable limitations as the Commission shall prescribe.

## ANNUAL REPORTS OF COMMISSION; VALIDITY OF CONTRACTS; LIABILITY OF CONTROLLING PERSONS; PREVENTING COMPLIANCE WITH TITLE; EMPLOYEES OF THE COMMISSION

SEC. 42. The provisions of sections 23, 26, 27, and 31 of the Public Utility Holding Company Act of 1935 are hereby incorporated in this title as though fully set forth herein.

## PENALTIES

SEC. 43. Any person who willfully violates any provision of this title or of any rule, regulation, or order hereunder shall upon conviction be fined not more than \$10,000 or imprisoned not more than two years, or both; but no person shall be convicted under this section for the violation of any rule, regulation, or order if he proves that he had no knowledge of such rule, regulation, or order.

## EFFECT ON EXISTING LAW

SEC. 44. Except where specific provision is made to the contrary, nothing in this title shall affect (1) the jurisdiction of the Commission under the Securities Act of 1933, the Securities Exchange Act of 1934, the Public Utility Holding Company Act of 1935, or the Trust Indenture Act of 1939, over any person, security, or transaction, or (2) the rights, obligations, duties, or liabilities of any person under such Acts; nor shall anything in this title affect the jurisdiction of any other commission, board, agency, or officer of the United States or of any State or political subdivision of any State, over any person, security, or transaction, insofar as such jurisdiction does not conflict with any provision of this title or of any rule, regulation, or order hereunder.

## GENERAL DEFINITION

SEC. 45. (a) When used in this title, unless the context otherwise requires—

(1) "Person" means a natural person or a company.

(2) "Company" means a corporation, a partnership, an association, a joint-stock company, a trust, or any organized group of persons whether incorporated or not; or any receiver, trustee in bankruptcy, or similar official or any liquidating agent for any of the foregoing, in his capacity as such.

(3) "Security", "prospectus", and "underwriter" have the same meanings as in the Securities Act of 1933.

(4) "Exchange", "facility" (when used with respect to an exchange), "broker", "dealer", "bank", "director", "State", and "interstate commerce" have the same meanings as in the Securities Exchange Act of 1934.

(5) "Voting security" means any security presently entitling the owner or holder thereof to vote in the direction or management of the affairs of a company. A specified percentage of the outstanding voting securities of a company means such amount of its outstanding voting securities as entitles the holder or holders thereof to cast said specified percentage of the aggregate votes which the holders of all the outstanding voting securities of such company are entitled to cast. The vote of a majority of the outstanding voting securities of a company means the vote, at the annual or a special meeting of the security holders of such company duly called, (A) of 67 per centum or more of the voting securities present at such meeting, if more than 50 per centum of the outstanding voting securities of such company are present; or (B) or more than 50 per centum of the outstanding voting securities of such company.

(6) "Senior security" means a security, other than short-term paper, which is entitled to a preference in its distribution of assets over another security of the same issuer.

(7) "Redeemable security" means any security, other than short-term paper, under the terms of which the holder, upon its presentation to the issuer or to a person designated by the issuer, is entitled to receive approximately his proportionate share of the issuer's current net assets, or the cash equivalent thereof.

(8) "Face-amount certificate" means any certificate, investment contract, or other security which represents an obligation on the part of its issuer to pay a stated or determinable sum or sums at a fixed or determinable date or dates, in consideration of the payment of a sum certain or of periodic installments of a stated or determinable amount.

(9) "Periodic payment plan certificate" means any certificate, investment contract, or other security providing for a series of periodic payments by the holder, and representing an undivided interest in certain specified securities or in a unit or fund of securities purchased wholly or partly with the proceeds of such payments.

(10) "Short-term paper" means any note, draft, bill of exchange, or banker's acceptance payable on demand or having a maturity at the time of issuance of not exceeding nine months, exclusive of days of grace, or any renewal thereof payable on demand or having a maturity likewise limited; and such other classes of securities, of a commercial rather than an investment character, as the Commission may designate by rules and regulations.

(11) "Government security" means any security issued or guaranteed as to principal or interest by the United States, or by a person controlled or supervised by and acting as an instrumentality of the Government of the United States pursuant to authority granted by the Congress of the United States; or any certificate of deposit for any of the foregoing.

(12) "Marketable security" means any security which is listed or admitted to unlisted trading privileges on a national securities exchange or on an exchange exempted from registration pursuant to section 5 of the Securities Exchange Act of 1934, or for which a market price is regularly ascertainable from publications or other readily accessible sources.

(13) "Issuer" means every person who issues or proposes to issue any security, or has outstanding any security which it has issued.

(14) "Principal underwriter" means any underwriter who, in connection with a primary distribution of securities, (A) is in privity of contract with the issuer or an affiliated person of the issuer; (B) acting alone or in concert with one or more other persons, initiates or directs the formation of an underwriting syndicate; or (C) is allowed a rate of gross commission, spread, or other profit greater than the rate allowed another underwriter participating in the distribution.

(15) "Investment officer" means any officer of an investment company who is empowered to execute or order the execution of purchases or sales of securities for the account of such company.

(16) "Investment adviser" means any person who, for compensation, engages in the business of advising others, either directly or through publications or writings, as to the value of securities or as to the advisability of investing in, purchasing, or selling securities, or who, for compensation and as part of a regular business, issues or promulgates analyses or reports concerning securities; but does not include (A) a bank; (B) any lawyer, accountant, engineer, or teacher whose performance of such services is solely incidental to the practice of his profession; (C) the publisher of any bona fide newspaper or newsmagazine of general circulation; or (D) such other persons, not within the intent of this paragraph, as the Commission may designate by rules and regulations or order.

(17) "Manager" of an investment company means a person empowered by contract or otherwise to determine what securities and other investments shall be

purchased or sold by such company; but does not include (A) a bona fide officer, director, trustee, depositor, or employee of such company in his capacity as such; (B) an investment adviser each of whose recommendations for purchase or sale must be approved, before such purchase or sale is executed, by an investment officer, director, or trustee of such company who is not an affiliated person of such investment adviser; or (C) any person the character and amount of whose compensation from such company must be approved by a court.

(18) "Affiliated person" of another person means (A) any person directly or indirectly owning, controlling, or holding with power to vote, 5 per centum or more of the outstanding voting securities of such other person; (B) any person 5 per centum or more of whose outstanding voting securities are directly or indirectly owned, controlled, or held with power to vote, by such other person; (C) any person directly or indirectly controlling, controlled by, or under common control with, such other person; (D) any officer, director, partner, or copartner of such other person; (E) if such other person is an investment company, any manager thereof or any person who regularly acts as investment adviser thereof; and (F) if such other person is a unit investment trust, the depositor thereof.

(19) "Affiliated company" means a company which is an affiliated person.

(20) "Majority-owned subsidiary" of a person means a company 50 per centum or more of the outstanding voting securities of which are owned by such person, or by a company which, within the meaning of this paragraph, is a majority-owned subsidiary of such person.

(21) "Wholly-owned subsidiary" of a person means a company 95 per centum or more of the outstanding voting securities of which are owned by such person, or by a company which, within the meaning of this paragraph, is a wholly-owned subsidiary of such person.

(22) "Investment company system" means two or more investment companies one of which through its ownership of voting securities directly or indirectly controls the others.

(23) "Insurance company" means a company which is organized as an insurance company under the laws of a State, whose primary and predominant business activity is the writing of insurance, and which is subject to supervision by the insurance commissioner or a similar official or agency of such State; or any receiver or similar official or any liquidating agent for such a company, in his capacity as such.

(24) "Employees' securities company" means any investment company or similar issuer all of the outstanding securities of which (other than short-term paper) are owned (A) by the employees of a single employer or of two or more employers each of which is an affiliated company of the other, (B) by former employees of such employer or employers, (C) by members of the immediate family of such employees or former employees, (D) by any two or more of the foregoing classes of persons, or (E) by such employer or employers together with any one or more of the foregoing classes of persons.

(25) "Sale", "sell", "offer to sell", or "offer for sale" includes every contract of sale or disposition of, attempt or offer to dispose of, or solicitation of an offer to buy, a security or interest in a security, for value. Any security given or delivered with, or as a bonus on account of, any purchase of securities or any other thing, shall be conclusively presumed to constitute a part of the subject of such purchase and to have been sold for value.

(26) "Sales load" means the difference between the price of a security to the public and that portion of the proceeds from its sale which is received and invested or held for investment by the issuer, or in the case of a unit investment trust, by the depositor or trustee. In the case of a periodic payment plan certificate, "sales load" includes the sales load on any investment company securities in which the payments made on such certificate are invested, as well as the sales load on the certificate itself.

(27) "Lend" includes a purchase coupled with an agreement by the vendor to repurchase; "borrow" includes a sale coupled with a similar agreement.

(28) "Assignment" includes any direct or indirect transfer or hypothecation of a contract or chose in action by the assignor, or of a controlling block of the assignor's outstanding voting securities by a security holder of the assignor; but does not include an assignment of partnership interests incidental to the death or withdrawal of a minority of the members of the partnership having only a minority interest in the partnership business.

(29) "Value", as used in sections 3, 5, and 12, means (A) with respect to marketable securities acquired before the end of the owner's last fiscal quarter, the market value of such securities at the end of such fiscal quarter, and (B) with respect to other assets (including other securities), the cost thereof to the owner, or if the

Commission finds that such cost is not ascertainable without undue effort or expense or does not fairly reflect the value thereof, a valuation on such other reasonable basis as the Commission may prescribe by rules and regulations or order. As used elsewhere in this title, the term "value" or any other term importing value means the valuation given in, or a valuation based on the accounting principles followed in, the most recent registration statement or periodic report filed under this title by the company concerned.

(30) "Portfolio turnover" means the ratio which the sum of the dollar amount of a company's sales and purchases of portfolio securities (other than Government securities) during a given fiscal year, minus the dollar amount of net sales during the same year of securities of which such company is the issuer, bears to the value of such company's security assets (exclusive of Government securities) at the beginning of such year or at the end of any quarter thereof, whichever is the highest.

(31) "Convicted" includes a verdict, judgment, or plea of guilty, or a finding of guilt on a plea of nolo contendere, if such verdict, judgment, plea, or finding has not been reversed, set aside, or withdrawn, whether or not sentence has been imposed.

(32) "National securities exchange" means an exchange registered under section 6 of the Securities Exchange Act of 1934.

(33) "Means or instrumentality of interstate commerce" includes any facility of a national securities exchange.

(34) "Commission" means the Securities and Exchange Commission.

(35) "Securities Act of 1933", "Securities Exchange Act of 1934", "Public Utility Holding Company Act of 1935", and "Trust Indenture Act of 1939" mean those Acts, respectively, as heretofore or hereafter amended.

(b) No provision in this title shall apply to, or be deemed to include, the United States, a State, or any political subdivision of a State, or any agency, authority, or instrumentality of any one or more of the foregoing, or any corporation which is wholly owned directly or indirectly by any one or more of the foregoing, or any officer, agent, or employee of any of the foregoing acting as such in the course of his official duty, unless such provision makes specific reference thereto.

#### SEPARABILITY OF PROVISIONS

SEC. 46. If any provision of this title or any provision incorporated in this title by reference, or the application of any such provision to any person or circumstances, shall be held invalid, the remainder of this title and the application of any such provision to persons or circumstances other than those as to which it is held invalid shall not be affected thereby.

#### SHORT TITLE

SEC. 47. This title may be cited as the "Investment Company Act of 1940."

#### EFFECTIVE DATE

SEC. 48. The effective date of this title is October 1, 1940. Except where specific provision is made to the contrary, every provision of this title shall take effect on said effective date.

### TITLE II—INVESTMENT ADVISERS

#### FINDINGS OF THE CONGRESS

SEC. 201. Upon the basis of facts disclosed by the record and report of the Securities and Exchange Commission made pursuant to section 30 of the Public Utility Holding Company Act of 1935, and facts otherwise disclosed and ascertained, it is hereby found that investment advisers are of national concern, in that, among other things—

(1) their advice, counsel, publications, writings, analyses, and reports are customarily furnished and distributed, and their contracts, subscription agreements, and other arrangements with clients are customarily negotiated and performed, by the use of the mails and means and instrumentalities of interstate commerce;

(2) their advice, counsel, publications, writings, analyses, and reports customarily relate to securities, and to the volume of trading in and the prices