

[DISCUSSION DRAFT]117TH CONGRESS
2^D SESSION**H. R.** _____

To amend the Sarbanes-Oxley Act of 2002 to prohibit low-cost investment companies and the Thrift Savings Fund from holding the securities of issuers from noncompliant foreign jurisdictions, to amend Investment Company Act of 1940 to prohibit investment companies from purchasing Russia-related securities and to limit the securities certain index funds, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

Mr. SHERMAN introduced the following bill; which was referred to the Committee on _____

A BILL

To amend the Sarbanes-Oxley Act of 2002 to prohibit low-cost investment companies and the Thrift Savings Fund from holding the securities of issuers from noncompliant foreign jurisdictions, to amend Investment Company Act of 1940 to prohibit investment companies from purchasing Russia-related securities and to limit the securities certain index funds, 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,*

1 **SECTION 1. SHORT TITLE.**

2 This Act may be cited as the “Index Fund Investor
3 Protection Act”.

4 **SEC. 2. PROHIBITION RELATING TO SECURITIES OF**
5 **ISSUERS FROM NONCOMPLIANT FOREIGN JU-**
6 **RISDICTIONS.**

7 (a) IN GENERAL.—Section 104(i)(3) of the Sar-
8 banes-Oxley Act of 2002 (15 U.S.C. 7214(i)(3)) is amend-
9 ed—

10 (1) in the paragraph heading, by striking
11 “TRADING PROHIBITION” and insert “PROHIBI-
12 TIONS”; and

13 (2) by adding at the end the following:

14 “(E) PROHIBITION RELATING TO SECURI-
15 TIES OF ISSUERS FROM NONCOMPLIANT FOR-
16 EIGN JURISDICTIONS.—

17 “(i) IN GENERAL.—If the Commission
18 determines that an issuer is incorporated
19 or has a majority of consolidated assets
20 from entities in a noncompliant foreign ju-
21 risdiction, the Commission shall prohibit
22 the securities of such issuer from being
23 held by a covered fund.

24 “(ii) DIVESTMENT.—A covered fund
25 that holds the securities of an issuer de-
26 scribed in clause (i) to which a prohibition

1 is in effect under this subparagraph shall
2 not be in violation of this subparagraph if
3 the covered fund divests such securities not
4 later than 180 days after the Commission
5 imposes such prohibition.

6 “(iii) DEFINITIONS.—In this para-
7 graph:

8 “(I) ANNUAL WEIGHTED AVER-
9 AGE EXPENSE RATIO.—The term ‘an-
10 nual weighted average expense ratio’
11 means, with respect to a year—

12 “(aa) the sum total of cov-
13 ered fees of each registered open-
14 end investment company, divided
15 by

16 “(bb) the sum total of assets
17 under management of each reg-
18 istered open-end investment com-
19 pany.

20 “(II) COVERED FEES.—The term
21 ‘covered fees’ means, with respect to a
22 registered open-end investment com-
23 pany and a year, the sum total of the
24 following for each fund of the reg-
25 istered open-end investment company:

1 “(aa) The assets under
2 management of the fund, multi-
3 plied by

4 “(bb) The expense ratio with
5 respect to such fund.

6 “(III) COVERED FUND.—The
7 term ‘covered fund’ means—

8 “(aa) the Thrift Savings
9 Fund;

10 “(bb) a low-cost investment
11 company; and

12 “(cc) such other investment
13 companies as the Commission de-
14 termines appropriate.

15 “(IV) INDIVIDUAL AGGREGATE
16 EXPENSE RATIO.—The term ‘indi-
17 vidual aggregate expense ratio’ means,
18 with respect to a registered open-end
19 investment company and a year—

20 “(aa) the covered fees of the
21 registered open-end investment
22 company, divided by

23 “(bb) the sum total of assets
24 under management of the invest-
25 ment company.

1 “(V) INVESTMENT COMPANY.—
2 The term ‘investment company’ has
3 the meaning given the term in section
4 3 of the Investment Company Act of
5 1940 (15 U.S.C. 80a–3).

6 “(VI) LOW-COST INVESTMENT
7 COMPANY.—The term ‘low-cost invest-
8 ment company’ means—

9 “(aa) a registered open-end
10 investment company that the
11 Commission determines has an
12 individual aggregate expense
13 ratio with respect to a year equal
14 to or less than 50 percent of the
15 annual weighted average expense
16 ratio for such year; and

17 “(bb) such other registered
18 open-end investment companies
19 as the Commission determines
20 appropriate.

21 “(VII) NONCOMPLIANT FOREIGN
22 JURISDICTION.—The term ‘noncompli-
23 ant foreign jurisdiction’ means a for-
24 eign jurisdiction with respect to which
25 the Board is unable to inspect or in-

1 investigate completely the majority of
2 the branches or offices of registered
3 public accounting firms located in
4 such foreign jurisdiction because of a
5 position taken by an authority in the
6 foreign jurisdiction.

7 “(VIII) OPEN-END INVESTMENT
8 COMPANY.—The term ‘open-end in-
9 vestment company’ has the meaning
10 given the term ‘open-end company’ in
11 section 5(a)(1) of the Investment
12 Company Act of 1940 (15 U.S.C.
13 80a–5(a)(1)).”.

14 (b) CALCULATING ANNUAL WEIGHTED AVERAGE
15 EXPENSE RATIO.—Not later than 270 days after the date
16 of the enactment of this Act, and annually thereafter, the
17 Securities and Exchange Commission shall calculate the
18 annual weighted average expense ratio under subpara-
19 graph (E)(iii)(I) of section 104(i)(3) of the Sarbanes-
20 Oxley Act of 2002 (15 U.S.C. 7214(i)(3)), as added by
21 subsection (a).

22 (c) APPLICABILITY.—The amendments made by sub-
23 section (a) shall apply with respect to covered funds on
24 the date that is 270 days after the date of the enactment
25 of this Act.

1 **SEC. 3. INVESTMENT COMPANIES PROHIBITED FROM PUR-**
2 **CHASING RUSSIA-RELATED SECURITIES.**

3 The Investment Company Act of 1940 (15 U.S.C.
4 80a–1 et seq.) is amended by adding at the end the fol-
5 lowing:

6 **“SEC. 66. INVESTMENT COMPANIES PROHIBITED FROM**
7 **PURCHASING RUSSIA-RELATED SECURITIES.**

8 “(a) PUBLICATION OF LIST.—Not later than 90 days
9 after the date of the enactment of this section, and every
10 90 days thereafter, the Secretary of the Treasury shall
11 publish a list of Russia-related securities.

12 “(b) PROHIBITION.—After the end of the 90-day pe-
13 riod beginning on the date that a Russia-related security
14 is added to the list described in subsection (a) and until
15 such time as the Secretary of the Treasury removes that
16 security from the list, it shall be unlawful for an invest-
17 ment company to purchase such Russia-related security.

18 “(c) TERMINATION.—This section shall have no force
19 or effect on the date that is 30 days after the date that
20 the President reports to the Congress that termination of
21 this section is in the national interest.”.