

company or companies controlled by such registered company more than 10 per centum of the total outstanding voting stock of any insurance company owned by any such company or companies, or may acquire the securities of any insurance company if the Commission by order determines that such acquisition is in the public interest because the financial condition of such insurance company will be improved as a result of such acquisition or any plan contemplated as a result thereof. This section shall not be deemed to prohibit the promotion of a new insurance company or the acquisition of the securities of any newly created insurance company by a registered investment company, alone or with other persons. Nothing contained in this section shall in any way affect or derogate from the powers of any insurance commissioner or similar official or agency of the United States or any State, or to affect the right under State law of any insurance company to acquire securities of any other insurance company or insurance companies.

(Aug. 22, 1940, ch. 686, title I, §12, 54 Stat. 808; Pub. L. 91-547, §7, Dec. 14, 1970, 84 Stat. 1417; Pub. L. 100-181, title VI, §610, Dec. 4, 1987, 101 Stat. 1261; Pub. L. 104-290, title II, §202, Oct. 11, 1996, 110 Stat. 3426; Pub. L. 105-353, title III, §301(c)(3), Nov. 3, 1998, 112 Stat. 3236; Pub. L. 111-203, title IX, §985(d)(3), July 21, 2010, 124 Stat. 1934.)

Editorial Notes

REFERENCES IN TEXT

The Securities Exchange Act of 1934, referred to in subsec. (d)(1)(B), (E)(i), is act June 6, 1934, ch. 404, 48 Stat. 881, which is classified generally to 2B (§78a et seq.) of this title. For complete classification of this Act to the Code, see section 78a of this title and Tables.

AMENDMENTS

2010—Subsec. (d)(1)(J). Pub. L. 111-203 substituted “any provision of this paragraph” for “any provision of this subsection”.

1998—Subsec. (d)(1)(G)(i)(III)(bb). Pub. L. 105-353 substituted “the acquired company” for “the acquired fund”.

1996—Subsec. (d)(1)(D), (E). Pub. L. 104-290, §202(3), substituted “this paragraph” for “this paragraph (1)”.

Subsec. (d)(1)(E)(iii). Pub. L. 104-290, §202(1)(A), struck out “in the event such investment company is not a registered investment company,” after “(iii)”.

Subsec. (d)(1)(E)(iii)(bb). Pub. L. 104-290, §202(1)(B), inserted “in the event that such investment company is not a registered investment company,” after “(bb)”.

Subsec. (d)(1)(F). Pub. L. 104-290, §202(3), substituted “this paragraph” for “this paragraph (1)”.

Subsec. (d)(1)(G). Pub. L. 104-290, §202(2), (4), added subpar. (G). Former subpar. (G) redesignated (H).

Subsec. (d)(1)(H). Pub. L. 104-290, §202(3), substituted “this paragraph” for “this paragraph (1)”.

Pub. L. 104-290, §202(2), redesignated subpar. (G) as (H). Former subpar. (H) redesignated (I).

Subsec. (d)(1)(I). Pub. L. 104-290, §202(3), substituted “this paragraph” for “this paragraph (1)” wherever appearing.

Pub. L. 104-290, §202(2), redesignated subpar. (H) as (I). Subsec. (d)(1)(J). Pub. L. 104-290, §202(5), added subpar. (J).

1987—Subsec. (d)(1)(A)(iii). Pub. L. 100-181, §610(1), substituted “treasury” for “Treasury”.

Subsec. (d)(1)(G). Pub. L. 100-181, §610(2), substituted “is reasonably possible” for “it reasonably possible”.

Subsec. (f). Pub. L. 100-181, §610(3), substituted “thereof only” for “only thereof”.

1970—Subsec. (d)(1). Pub. L. 91-547 substituted provisions designated as subpars. (A) to (C) and (E) to (H) for former introductory provisions reading “It shall be unlawful for any registered investment company and any company or companies controlled by such registered investment company to purchase or otherwise acquire after August 22, 1940, any security issued by or any other interest in the business of—” and subpar. (1) reading “any other investment company of which such registered investment company and company or companies controlled by such registered company shall not at the time of such purchase or acquisition own in the aggregate at least 25 per centum of the total outstanding voting stock, if such registered investment company and any company or companies controlled by it own in the aggregate or as a result of such purchase or acquisition will own in the aggregate more than 5 per centum of the total outstanding voting stock of such other investment company if the policy of such other investment company is the concentration of investments in a particular industry or group of industries, or more than 3 per centum of the total outstanding voting stock of such other investment company if the policy of such other investment company is not the concentration of investments in a particular industry or group of industries, except and cl. (B) exception reading “a security purchased with the proceeds of payments on periodic payment plan certificates, pursuant to the terms of the trust indenture under which such certificates are issued”, cl. (A) of such subpar. (1) being incorporated in subpar. (D) of this par. (1).

Subsec. (d)(2). Pub. L. 91-547 incorporated existing introductory text and subpar. (2) provisions in provisions redesignated as par. (2) and struck out “after August 22, 1940,” after “purchase or otherwise acquire”.

Subsec. (d)(3). Pub. L. 91-547 incorporated existing introductory text and subpar. (3) provisions in provisions redesignated as par. (3) and struck out “after August 22, 1940,” after “purchase or otherwise acquire”.

Statutory Notes and Related Subsidiaries

EFFECTIVE DATE OF 2010 AMENDMENT

Amendment by Pub. L. 111-203 effective 1 day after July 21, 2010, except as otherwise provided, see section 4 of Pub. L. 111-203, set out as an Effective Date note under section 5301 of Title 12, Banks and Banking.

EFFECTIVE DATE OF 1970 AMENDMENT

Amendment by Pub. L. 91-547 effective Dec. 14, 1970, see section 30 of Pub. L. 91-547, set out as a note under section 80a-52 of this title.

Executive Documents

TRANSFER OF FUNCTIONS

For transfer of functions of Securities and Exchange Commission, with certain exceptions, to Chairman of such Commission, see Reorg. Plan No. 10 of 1950, §§1, 2, eff. May 24, 1950, 15 F.R. 3175, 64 Stat. 1265, set out under section 78d of this title.

§ 80a-13. Changes in investment policy

(a) Prohibited actions for registered investment companies

No registered investment company shall, unless authorized by the vote of a majority of its outstanding voting securities—

(1) change its subclassification as defined in section 80a-5(a)(1) and (2) of this title or its subclassification from a diversified to a non-diversified company;

(2) borrow money, issue senior securities, underwrite securities issued by other persons, purchase or sell real estate or commodities or make loans to other persons, except in each

case in accordance with the recitals of policy contained in its registration statement in respect thereto;

(3) deviate from its policy in respect of concentration of investments in any particular industry or group of industries as recited in its registration statement, deviate from any investment policy which is changeable only if authorized by shareholder vote, or deviate from any policy recited in its registration statement pursuant to section 80a-8(b)(3) of this title; or

(4) change the nature of its business so as to cease to be an investment company.

(b) Majority equivalent for common-law trusts

In the case of a common-law trust of the character described in section 80a-16(c) of this title, either written approval by holders of a majority of the outstanding shares of beneficial interest or the vote of a majority of such outstanding shares cast in person or by proxy at a meeting called for the purpose shall for the purposes of subsection (a) be deemed the equivalent of the vote of a majority of the outstanding voting securities, and the provisions of paragraph (42) of section 80a-2(a) of this title as to a majority shall be applicable to the vote cast at such a meeting.

(c) Limitation on actions

(1) In general

Notwithstanding any other provision of Federal or State law, no person may bring any civil, criminal, or administrative action against any registered investment company, or any employee, officer, director, or investment adviser thereof, based solely upon the investment company divesting from, or avoiding investing in, securities issued by persons that the investment company determines, using credible information available to the public—

(A) conduct or have direct investments in business operations in Sudan described in section 3(d) of the Sudan Accountability and Divestment Act of 2007 (50 U.S.C. 1701 note); or

(B) engage in investment activities in Iran described in section 8532(c) of title 22.

(2) Applicability

(A) Rule of construction

Nothing in paragraph (1) shall be construed to create, imply, diminish, change, or affect in any way whether or not a private right of action exists under subsection (a) or any other provision of this chapter.

(B) Disclosures

Paragraph (1) shall not apply to a registered investment company, or any employee, officer, director, or investment adviser thereof, unless the investment company makes disclosures in accordance with regulations prescribed by the Commission.

(3) Person defined

For purposes of this subsection the term “person” includes the Federal Government and any State or political subdivision of a State.

(Aug. 22, 1940, ch. 686, title I, §13, 54 Stat. 811; Pub. L. 91-547, §§2(b), 3(d), Dec. 14, 1970, 84 Stat.

1414, 1415; Pub. L. 94-29, §28(4), June 4, 1975, 89 Stat. 165; Pub. L. 110-174, §4(a), Dec. 31, 2007, 121 Stat. 2519; Pub. L. 111-195, title II, §§203(a), 205(b)(1), July 1, 2010, 124 Stat. 1343, 1345.)

AMENDMENT OF SECTION

For termination of subsection (c)(1)(B) of this section, see section 8551(a) of Title 22, Foreign Relations and Intercourse.

For termination of amendment by section 12 of Pub. L. 110-174, see Termination Date of 2007 Amendment note below.

Editorial Notes

REFERENCES IN TEXT

Section 3(d) of the Sudan Accountability and Divestment Act of 2007, referred to in subsec. (c)(1)(A), is section 3(d) of Pub. L. 110-174, which is set out in a note under section 1701 of Title 50, War and National Defense.

AMENDMENTS

2010—Subsec. (c)(1). Pub. L. 111-195, §203(a), amended par. (1) generally. Prior to amendment, text read as follows: “Notwithstanding any other provision of Federal or State law, no person may bring any civil, criminal, or administrative action against any registered investment company, or any employee, officer, director, or investment adviser thereof, based solely upon the investment company divesting from, or avoiding investing in, securities issued by persons that the investment company determines, using credible information that is available to the public, conduct or have direct investments in business operations in Sudan described in section 3(d) of the Sudan Accountability and Divestment Act of 2007.”

Subsec. (c)(2)(A). Pub. L. 111-195, §205(b)(1), amended subpar. (A) generally. Prior to amendment, text read as follows: “Paragraph (1) does not prevent a person from bringing an action based on a breach of a fiduciary duty owed to that person with respect to a divestment or non-investment decision, other than as described in paragraph (1).”

2007—Subsec. (c). Pub. L. 110-174, §§4(a), 12, temporarily added subsec. (c). See Termination Date of 2007 Amendment note below.

1975—Subsec. (b). Pub. L. 94-29 substituted “section 80a-16(c) of this title” for “subsection (b) of section 80a-16 of this title”.

1970—Subsec. (a)(3). Pub. L. 91-547, §3(d), prohibited deviation from any investment policy which is changeable only if authorized by shareholder vote, substituted “section 8(b)(3)” for “section 8(b)(2)”, and in the latter deviation provision struck out “fundamental” before “policy”.

Subsec. (b). Pub. L. 91-547, §2(b), substituted reference to “paragraph (42)” for “paragraph (40)”.

Statutory Notes and Related Subsidiaries

EFFECTIVE DATE OF 2010 AMENDMENT

Pub. L. 111-195, title II, §205(b)(2), July 1, 2010, 124 Stat. 1345, provided that: “The amendment made by paragraph (1) [amending this section] shall apply as if included in the Sudan Accountability and Divestment Act of 2007 (Public Law 110-174; 50 U.S.C. 1701 note).”

TERMINATION DATE OF 2007 AMENDMENT

Amendment by Pub. L. 110-174 to terminate 30 days after the date on which the President has certified to Congress that the Government of Sudan has honored certain commitments, see section 12 of Pub. L. 110-174, set out in a note under section 1701 of Title 50, War and National Defense.

EFFECTIVE DATE OF 1975 AMENDMENT

Amendment by Pub. L. 94-29 effective June 4, 1975, see section 31(a) of Pub. L. 94-29, set out as a note under section 78b of this title.

EFFECTIVE DATE OF 1970 AMENDMENT

Amendment by Pub. L. 91-547 effective Dec. 14, 1970, see section 30 of Pub. L. 91-547, set out as a note under section 80a-52 of this title.

SEC REGULATIONS

Pub. L. 111-195, title II, § 203(b), July 1, 2010, 124 Stat. 1344, provided that: "Not later than 120 days after the date of the enactment of this Act [July 1, 2010], the Securities and Exchange Commission shall issue any revisions the Commission determines to be necessary to the regulations requiring disclosure by each registered investment company that divests itself of securities in accordance with section 13(c) of the Investment Company Act of 1940 [15 U.S.C. 80a-13(c)] to include divestments of securities in accordance with paragraph (1)(B) of such section, as added by subsection (a) of this section."

§ 80a-14. Size of investment companies**(a) Public offerings**

No registered investment company organized after August 22, 1940, and no principal underwriter for such a company, shall make a public offering of securities of which such company is the issuer, unless—

(1) such company has a net worth of at least \$100,000;

(2) such company has previously made a public offering of its securities, and at the time of such offering had a net worth of at least \$100,000; or

(3) provision is made in connection with and as a condition of the registration of such securities under the Securities Act of 1933 [15 U.S.C. 77a et seq.] which in the opinion of the Commission adequately insures (A) that after the effective date of such registration statement such company will not issue any security or receive any proceeds of any subscription for any security until firm agreements have been made with such company by not more than twenty-five responsible persons to purchase from it securities to be issued by it for an aggregate net amount which plus the then net worth of the company, if any, will equal at least \$100,000; (B) that said aggregate net amount will be paid in to such company before any subscriptions for such securities will be accepted from any persons in excess of twenty-five; (C) that arrangements will be made whereby any proceeds so paid in, as well as any sales load, will be refunded to any subscriber on demand without any deduction, in the event that the net proceeds so received by the company do not result in the company having a net worth of at least \$100,000 within ninety days after such registration statement becomes effective.

At any time after the occurrence of the event specified in clause (C) of paragraph (3) of this subsection the Commission may issue a stop order suspending the effectiveness of the registration statement of such securities under the Securities Act of 1933 [15 U.S.C. 77a et seq.] and may suspend or revoke the registration of such company under this subchapter.

(b) Study on effects of size

The Commission is authorized, at such times as it deems that any substantial further increase in size of investment companies creates

any problem involving the protection of investors or the public interest, to make a study and investigation of the effects of size on the investment policy of investment companies and on security markets, on concentration of control of wealth and industry, and on companies in which investment companies are interested, and from time to time to report the results of its studies and investigations and its recommendations to the Congress.

(Aug. 22, 1940, ch. 686, title I, § 14, 54 Stat. 811.)

Editorial Notes

REFERENCES IN TEXT

The Securities Act of 1933, referred to in subsec. (a), is act May 27, 1933, ch. 38, title I, 48 Stat. 74, which is classified generally to subchapter I (§77a et seq.) of chapter 2A of this title. For complete classification of this Act to the Code, see section 77a of this title and Tables.

Executive Documents

TRANSFER OF FUNCTIONS

For transfer of functions of Securities and Exchange Commission, with certain exceptions, to Chairman of such Commission, see Reorg. Plan No. 10 of 1950, §§ 1, 2, eff. May 24, 1950, 15 F.R. 3175, 64 Stat. 1265, set out under section 78d of this title.

§ 80a-15. Contracts of advisers and underwriters**(a) Written contract to serve or act as investment adviser; contents**

It shall be unlawful for any person to serve or act as investment adviser of a registered investment company, except pursuant to a written contract, which contract, whether with such registered company or with an investment adviser of such registered company, has been approved by the vote of a majority of the outstanding voting securities of such registered company, and—

(1) precisely describes all compensation to be paid thereunder;

(2) shall continue in effect for a period more than two years from the date of its execution, only so long as such continuance is specifically approved at least annually by the board of directors or by vote of a majority of the outstanding voting securities of such company;

(3) provides, in substance, that it may be terminated at any time, without the payment of any penalty, by the board of directors of such registered company or by vote of a majority of the outstanding voting securities of such company on not more than sixty days' written notice to the investment adviser; and

(4) provides, in substance, for its automatic termination in the event of its assignment.

(b) Written contract with company for sale by principal underwriter of security of which company is issuer; contents

It shall be unlawful for any principal underwriter for a registered open-end company to offer for sale, sell, or deliver after sale any security of which such company is the issuer, except pursuant to a written contract with such company, which contract—