

Calendar No. 518109TH CONGRESS
2^D SESSION**S. 418****[Report No. 109-282]**

To protect members of the Armed Forces from unscrupulous practices regarding sales of insurance, financial, and investment products.

IN THE SENATE OF THE UNITED STATES

FEBRUARY 17, 2005

Mr. ENZI (for himself, Mrs. CLINTON, Mr. HAGEL, Mr. SCHUMER, Mr. KENNEDY, Mr. BINGAMAN, Mr. WYDEN, Mr. DURBIN, Mr. BUNNING, Mr. NELSON of Florida, Mr. REED, and Mr. DODD) introduced the following bill; which was read twice and referred to the Committee on Banking, Housing, and Urban Affairs

JULY 13, 2006

Reported by Mr. SHELBY, with an amendment

[Strike out all after the enacting clause and insert the part printed in *italie*]

A BILL

To protect members of the Armed Forces from unscrupulous practices regarding sales of insurance, financial, and investment products.

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 “Military Personnel Fi-
3 nancial Services Protection Act”.

4 **SEC. 2. CONGRESSIONAL FINDINGS.**

5 Congress finds the following:

6 (1) Our military personnel perform great sac-
7 rifices in protecting our Nation in the War on Ter-
8 ror and promoting democracy abroad.

9 (2) Our brave men and women in uniform de-
10 serve to be offered first-rate financial products in
11 order to provide for their families and to save and
12 invest for retirement.

13 (3) Our military personnel are being offered
14 high-cost securities and life insurance products by
15 some financial services companies engaging in abu-
16 sive and misleading sales practices.

17 (4) One securities product being offered to our
18 service members, the contractual plan, has largely
19 disappeared from the civilian market since the
20 1980s, due to its excessive sales charges. A 50 per-
21 cent sales commission is assessed against the first
22 year of contributions, even though the average com-
23 mission on other securities products such as mutual
24 funds is less than 6 percent on each sale.

1 (5) The excessive sales charges of the contrac-
2 tual plan makes it susceptible to abusive and mis-
3 leading sales practices.

4 (6) Certain life insurance products being of-
5 fered to our service members are being improperly
6 marketed as investment products. These products
7 provide very low death benefits for very high pre-
8 miums that are front-loaded in the first few years,
9 making them completely inappropriate for most mili-
10 tary personnel.

11 (7) Regulation of these securities and life insur-
12 ance products and their sale on military bases has
13 been clearly inadequate and requires Congressional
14 legislation to address.

15 **SEC. 3. PROHIBITION ON FUTURE SALES OF PERIODIC PAY-**
16 **MENT PLANS.**

17 (a) AMENDMENT.—Section 27 of the Investment
18 Company Act of 1940 (15 U.S.C. 80a-27) is amended by
19 adding at the end the following new subsection:

20 “(j) TERMINATION OF SALES.—

21 “(1) TERMINATION.—Effective 30 days after
22 the date of enactment of the Military Personnel Fi-
23 nancial Services Protection Act, it shall be unlawful,
24 subject to subsection (i)—

1 “(A) for any registered investment com-
2 pany to issue any periodic payment plan certifi-
3 cate; or

4 “(B) for such company, or any depositor of
5 or underwriter for any such company, or any
6 other person, to sell such a certificate.

7 “~~(2) NO INVALIDATION OF EXISTING CERTIFI-~~
8 ~~CATES.—~~Paragraph (1) shall not be construed to
9 alter, invalidate, or otherwise affect any rights or ob-
10 ligations, including rights of redemption, under any
11 periodic payment plan certificate issued and sold be-
12 fore 30 days after such date of enactment.”.

13 (b) TECHNICAL AMENDMENT.—Section 27(i)(2)(B)
14 of the Investment Company Act of 1940 (15 U.S.C. 80a-
15 27(i)(2)(B)) is amended by striking “section 26(e)” each
16 place that term appears and inserting “section 26(f)”.

17 (c) REPORT ON REFUNDS, SALES PRACTICES, AND
18 REVENUES FROM PERIODIC PAYMENT PLANS.—Not later
19 than 6 months after the date of enactment of this Act,
20 the Securities and Exchange Commission shall submit to
21 the Committee on Financial Services of the House of Rep-
22 resentatives and the Committee on Banking, Housing, and
23 Urban Affairs of the Senate, a report describing—

24 (1) any measures taken by a broker or dealer
25 registered with the Securities and Exchange Com-

1 mission pursuant to section 15(b) of the Securities
 2 Exchange Act of 1934 (15 U.S.C. 78o(b)) to volun-
 3 tarily refund payments made by military service
 4 members on any periodic payment plan certificate,
 5 and the amounts of such refunds;

6 (2) after such consultation with the Secretary
 7 of Defense, as the Commission considers appro-
 8 priate, the sales practices of such brokers or dealers
 9 on military installations over the past 5 years and
 10 any legislative or regulatory recommendations to im-
 11 prove such practices; and

12 (3) the revenues generated by such brokers or
 13 dealers in the sales of periodic payment plan certifi-
 14 cates over the past 5 years and what products such
 15 brokers or dealers market to replace the revenue
 16 generated from the sales of periodic payment plan
 17 certificates prohibited under subsection (a).

18 **SEC. 4. METHOD OF MAINTAINING BROKER AND DEALER**
 19 **REGISTRATION, DISCIPLINARY, AND OTHER**
 20 **DATA.**

21 Section 15A(i) of the Securities Exchange Act of
 22 1934 (15 U.S.C. 78o-3(i)) is amended to read as follows:

23 “(i) OBLIGATION TO MAINTAIN REGISTRATION, DIS-
 24 CIPLINARY, AND OTHER DATA.—

1 “(1) MAINTENANCE OF SYSTEM TO RESPOND
2 TO INQUIRIES.—A registered securities association
3 shall—

4 “(A) establish and maintain a system for
5 collecting and retaining registration informa-
6 tion;

7 “(B) establish and maintain a toll-free
8 telephone listing; and a readily accessible elec-
9 tronic or other process; to receive and promptly
10 respond to inquiries regarding—

11 “(i) registration information on its
12 members and their associated persons; and

13 “(ii) registration information on the
14 members and their associated persons of
15 any registered national securities exchange
16 that uses the system described in subpara-
17 graph (A) for the registration of its mem-
18 bers and their associated persons; and

19 “(C) adopt rules governing the process for
20 making inquiries and the type, scope, and pres-
21 entation of information to be provided in re-
22 sponse to such inquiries in consultation with
23 any registered national securities exchange pro-
24 viding information pursuant to subparagraph
25 (B)(ii).

1 “(2) RECOVERY OF COSTS.—A registered secu-
2 rities association may charge persons making inquir-
3 ies described in paragraph (1)(B), other than indi-
4 vidual investors, reasonable fees for responses to
5 such inquiries.

6 “(3) PROCESS FOR DISPUTED INFORMATION.—
7 Each registered securities association shall adopt
8 rules establishing an administrative process for dis-
9 puting the accuracy of information provided in re-
10 sponse to inquiries under this subsection in consulta-
11 tion with any registered national securities exchange
12 providing information pursuant to paragraph
13 (1)(B)(ii).

14 “(4) LIMITATION ON LIABILITY.—A registered
15 securities association, or an exchange reporting in-
16 formation to such an association, shall not have any
17 liability to any person for any actions taken or omit-
18 ted in good faith under this subsection.

19 “(5) DEFINITION.—For purposes of this sub-
20 section, the term ‘registration information’ means
21 the information reported in connection with the reg-
22 istration or licensing of brokers and dealers and
23 their associated persons, including disciplinary ac-
24 tions, regulatory, judicial, and arbitration pro-
25 ceedings, and other information required by law, or

1 exchange or association rule, and the source and sta-
 2 tus of such information.”.

3 **SEC. 5. FILING DEPOSITORIES FOR INVESTMENT ADVIS-**
 4 **ERS.**

5 (a) INVESTMENT ADVISERS.—Section 204 of the In-
 6 vestment Advisers Act of 1940 (15 U.S.C. 80b-4) is
 7 amended—

8 (1) by striking “Every investment” and insert-
 9 ing the following:

10 “(a) IN GENERAL.—Every investment”; and

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

12 “(b) FILING DEPOSITORIES.—The Commission may,
 13 by rule, require an investment adviser—

14 “(1) to file with the Commission any fee, appli-
 15 cation, report, or notice required to be filed by this
 16 title or the rules issued under this title through any
 17 entity designated by the Commission for that pur-
 18 pose; and

19 “(2) to pay the reasonable costs associated with
 20 such filing and the establishment and maintenance
 21 of the systems required by subsection (c).

22 “(c) ACCESS TO DISCIPLINARY AND OTHER INFOR-
 23 MATION.—

24 “(1) MAINTENANCE OF SYSTEM TO RESPOND
 25 TO INQUIRIES.—The Commission shall require the

1 entity designated by the Commission under sub-
2 section (b)(1) to establish and maintain a toll-free
3 telephone listing, or a readily accessible electronic or
4 other process, to receive and promptly respond to in-
5 quires regarding registration information (including
6 disciplinary actions, regulatory, judicial, and arbitra-
7 tion proceedings, and other information required by
8 law or rule to be reported) involving investment ad-
9 visers and persons associated with investment advis-
10 ers.

11 “(2) RECOVERY OF COSTS.—An entity des-
12 ignated by the Commission under subsection (b)(1)
13 may charge persons making inquiries, other than in-
14 dividual investors, reasonable fees for responses to
15 inquiries described in paragraph (1).

16 “(3) LIMITATION ON LIABILITY.—An entity
17 designated by the Commission under subsection
18 (b)(1) shall not have any liability to any person for
19 any actions taken or omitted in good faith under
20 this subsection.”.

21 (b) CONFORMING AMENDMENTS.—

22 (1) Section 203A of the Investment Advisers
23 Act of 1940 (15 U.S.C. 80b–3a) is amended—

24 (A) by striking subsection (d); and

1 ~~(B)~~ by redesignating subsection ~~(c)~~ as sub-
2 section ~~(d)~~.

3 ~~(2)~~ Section 306 of the National Securities Mar-
4 kets Improvement Act of 1996 (~~15 U.S.C. 80b-10,~~
5 note) is repealed.

6 **SEC. 6. STATE INSURANCE JURISDICTION ON MILITARY IN-**
7 **STALLATIONS.**

8 ~~(a) CLARIFICATION OF JURISDICTION.—Any law,~~
9 ~~regulation, or order of a State with respect to regulating~~
10 ~~the business of insurance shall apply to insurance activi-~~
11 ~~ties conducted on Federal land or facilities in the United~~
12 ~~States and abroad, including military installations, except~~
13 ~~to the extent that such law, regulation, or order—~~

14 ~~(1) directly conflicts with any applicable Fed-~~
15 ~~eral law, regulation, or authorized directive; or~~

16 ~~(2) would not apply if such activity were con-~~
17 ~~ducted on State land.~~

18 ~~(b) PRIMARY STATE JURISDICTION.—To the extent~~
19 ~~that multiple State laws would otherwise apply pursuant~~
20 ~~to subsection (a) to an insurance activity of an individual~~
21 ~~or entity on Federal land or facilities, the State having~~
22 ~~the primary duty to regulate such activity and the laws~~
23 ~~of which shall apply to such activity in the case of a con-~~
24 ~~flikt shall be—~~

1 (1) the State within which the Federal land or
2 facility is located; or

3 (2) if the Federal land or facility is located out-
4 side of the United States, the State in which—

5 (A) in the case of an individual engaged in
6 the business of insurance, such individual has
7 been issued a resident license; or

8 (B) in the case of an entity engaged in the
9 business of insurance, such entity is domiciled.

10 **SEC. 7. REQUIRED DEVELOPMENT OF MILITARY PER-**
11 **SONNEL PROTECTION STANDARDS REGARD-**
12 **ING INSURANCE SALES.**

13 (a) STATE STANDARDS.—Congress intends that—

14 (1) the States collectively work with the Sec-
15 retary of Defense to ensure implementation of ap-
16 propriate standards to protect members of the
17 Armed Forces from dishonest and predatory insur-
18 ance sales practices while on a military installation
19 of the United States (including installations located
20 outside of the United States); and

21 (2) each State identify its role in promoting the
22 standards described in paragraph (1) in a uniform
23 manner, not later than 12 months after the date of
24 enactment of this Act.

1 (b) STATE REPORT.—It is the sense of Congress that
2 the NAIC should, after consultation with the Secretary of
3 Defense and, not later than 12 months after the date of
4 enactment of this Act, conduct a study to determine the
5 extent to which the States have met the requirement of
6 subsection (a), and report the results of such study to the
7 Committee on Financial Services of the House of Rep-
8 resentatives and the Committee on Banking, Housing, and
9 Urban Affairs of the Senate.

10 **SEC. 8. REQUIRED DISCLOSURES REGARDING LIFE INSUR-**
11 **ANCE.**

12 (a) REQUIREMENT.—Except as provided in sub-
13 section (d), no insurer or producer may sell or solicit, in
14 person, any life insurance product to any member of the
15 Armed Forces on a military installation of the United
16 States, unless a disclosure in accordance with this section
17 is provided to such member before the sale of such insur-
18 ance.

19 (b) DISCLOSURE.—A disclosure in accordance with
20 this section is a written disclosure that—

21 (1) states that subsidized life insurance may be
22 available to the member of the Armed Forces from
23 the Federal Government;

1 (2) states that the United States Government
2 has in no way sanctioned, recommended, or encour-
3 aged the sale of the product being offered;

4 (3) is made in plain and readily understandable
5 language and in a type font at least as large as the
6 font used for the majority of the policy; and

7 (4) with respect to a sale or solicitation on Fed-
8 eral land or facilities located outside of the United
9 States by an individual or entity engaged in the
10 business of insurance, except to the extent otherwise
11 specifically provided by the laws of such State in ref-
12 erence to this Act, lists the address and phone num-
13 ber where consumer complaints are received by the
14 State insurance commissioner for the State in which
15 the individual has been issued a resident license or
16 the entity is domiciled, as applicable.

17 (e) ENFORCEMENT.—If it is determined by a State
18 or Federal agency, or in a final court proceeding, that any
19 individual or entity has intentionally failed to provide a
20 disclosure required by this section, such individual or enti-
21 ty shall be prohibited from further engaging in the busi-
22 ness of insurance with respect to employees of the Federal
23 Government on Federal land, except—

24 (1) with respect to existing policies; and

1 (2) to the extent required by the Federal Gov-
2 ernment pursuant to previous commitments.

3 ~~(d) EXCEPTIONS.—~~

4 ~~(1) FEDERAL AND STATE INSURANCE ACTIV-~~
5 ~~ITY.—This section shall not apply to insurance ae-~~
6 ~~tivities—~~

7 ~~(A) specifically contracted by or through~~
8 ~~the Federal Government or any State govern-~~
9 ~~ment; or~~

10 ~~(B) specifically exempted from the applica-~~
11 ~~bility of this Act by a Federal or State law, reg-~~
12 ~~ulation, or order that specifically refers to this~~
13 ~~paragraph.~~

14 ~~(2) UNIFORM STATE STANDARDS.—If a major-~~
15 ~~ity of the States have adopted, in materially iden-~~
16 ~~tical form, a standard setting forth the disclosures~~
17 ~~required under this section that apply to insurance~~
18 ~~solicitations and sales to military personnel on mili-~~
19 ~~tary installations of the United States, after the ex-~~
20 ~~piration of the 2-year period beginning on the date~~
21 ~~of such majority adoption, such standard shall apply~~
22 ~~in lieu of the requirements of this section to all in-~~
23 ~~surance solicitations and sales to military personnel~~
24 ~~on military installations, with respect to such States,~~
25 ~~to the extent that such standards do not directly~~

1 conflict with any applicable authorized Federal regula-
 2 tion or directive.

3 ~~(3) MATERIALLY IDENTICAL FORM.~~—For pur-
 4 poses of this subsection, standards adopted by more
 5 than one State shall be considered to have materially
 6 identical form to the extent that such standards re-
 7 quire or prohibit identical conduct with respect to
 8 the same activity, notwithstanding that the stand-
 9 ards may differ with respect to conduct required or
 10 prohibited with respect to other activities.

11 **SEC. 9. IMPROVING LIFE INSURANCE PRODUCT STAND-**
 12 **ARDS.**

13 (a) ~~IN GENERAL.~~—It is the sense of Congress that
 14 the NAIC should, after consultation with the Secretary of
 15 Defense, and not later than 12 months after the date of
 16 enactment of this Act, conduct a study and submit a re-
 17 port to the Committee on Financial Services of the House
 18 of Representatives and the Committee on Banking, Hous-
 19 ing, and Urban Affairs of the Senate on ways of improving
 20 the quality of and sale of life insurance products sold by
 21 insurers and producers on military installations of the
 22 United States, which may include limiting sales authority
 23 to companies and producers that are certified as meeting
 24 appropriate best practices procedures or creating stand-

1 ards for products specifically designed for members of the
2 Armed Forces regardless of the sales location.

3 (b) **CONDITIONAL GAO REPORT.**—If the NAIC does
4 not submit the report as described in subsection (a), the
5 Comptroller General of the United States shall study any
6 proposals that have been made to improve the quality and
7 sale of life insurance products sold by insurers and pro-
8 ducers on military installations of the United States and
9 report to the Committee on Financial Services of the
10 House of Representatives and the Committee on Banking,
11 Housing, and Urban Affairs of the Senate on such pro-
12 posals not later than 6 months after the expiration of the
13 period referred to in subsection (a).

14 **SEC. 10. REQUIRED REPORTING OF DISCIPLINED INSUR-**
15 **ANCE AGENTS.**

16 (a) **REPORTING BY INSURERS.**—After the expiration
17 of the 2-year period beginning on the date of enactment
18 of this Act, no insurer may enter into or renew a contrac-
19 tual relationship with a producer that solicits or sells life
20 insurance on military installations of the United States,
21 unless the insurer has implemented a system to report,
22 to the State insurance commissioner of the State of the
23 domicile of the insurer and the State of residence of the
24 insurance producer, disciplinary actions taken against the
25 producer with respect to the producer's sales or sollicita-

1 tion of insurance on a military installation of the United
2 States, as follows:

3 (1) Any disciplinary action taken by any gov-
4 ernment entity that the insurer knows has been
5 taken.

6 (2) Any significant disciplinary action taken by
7 the insurer.

8 (b) REPORTING BY STATES.—It is the sense of Con-
9 gress that, not later than 2 years after the date of enact-
10 ment of this Act, the States should collectively implement
11 a system to—

12 (1) receive reports of disciplinary actions taken
13 against insurance producers by insurers or govern-
14 ment entities with respect to the producers' sale or
15 solicitation of insurance on a military installation;
16 and

17 (2) disseminate such information to all other
18 States and to the Secretary of Defense.

19 **SEC. 11. REPORTING BARRED PERSONS SELLING INSUR-**
20 **ANCE OR SECURITIES.**

21 (a) ESTABLISHMENT.—The Secretary of Defense
22 shall maintain a list of the name, address, and other ap-
23 propriate information of persons engaged in the business
24 of securities or insurance that have been barred, banned,
25 or otherwise limited in any manner that is not generally

1 applicable to all such type of persons, from any or all mili-
2 tary installations of the United States.

3 (b) NOTICE AND ACCESS.—The Secretary of Defense
4 shall ensure that—

5 (1) the appropriate Federal and State agencies
6 responsible for securities and insurance regulation
7 are promptly notified upon the inclusion in or re-
8 moval from the list required by subsection (a) of a
9 person under such agencies' jurisdiction; and

10 (2) the list is kept current and easily acces-
11 sible—

12 (A) for use by such agencies; and

13 (B) for purposes of enforcing or consid-
14 ering any such bar, ban, or limitation by the
15 appropriate Federal personnel, including com-
16 manders of military installations.

17 (c) REGULATIONS.—

18 (1) IN GENERAL.—The Secretary of Defense
19 shall issue regulations in accordance with this sub-
20 section to provide for the establishment and mainte-
21 nance of the list required by this section, including
22 appropriate due process considerations.

23 (2) TIMING.—

24 (A) PROPOSED REGULATIONS.—Not later
25 than the expiration of the 60-day period begin-

1 ning on the date of enactment of this Act, the
2 Secretary of Defense shall prepare and submit
3 to the appropriate Committees a copy of the
4 regulations under this subsection that are pro-
5 posed to be published for comment. The Sec-
6 retary may not publish such regulations for
7 comment in the Federal Register until the expi-
8 ration of the 15-day period beginning on the
9 date of such submission to the appropriate
10 Committees.

11 (B) FINAL REGULATIONS.—Not later than
12 90 days after the date of enactment of this Act,
13 the Secretary of Defense shall submit to the ap-
14 propriate Committees a copy of the regulations
15 under this section to be published in final form.

16 (C) EFFECTIVE DATE.—Such regulations
17 shall become effective upon the expiration of the
18 30-day period beginning on the date of such
19 submission to the appropriate Committees.

20 (d) DEFINITION.—For purposes of this section, the
21 term “appropriate Committees” means—

22 (1) the Committee on Financial Services and
23 the Committee on Armed Services of the House of
24 Representatives; and

1 (2) the Committee on Banking, Housing, and
2 Urban Affairs and the Committee on Armed Serv-
3 ices of the Senate.

4 **SEC. 12. SENSE OF CONGRESS.**

5 It is the sense of the Congress that the Federal and
6 State agencies responsible for insurance and securities
7 regulation should provide advice to the appropriate Fed-
8 eral entities to consider—

9 (1) significantly increasing the life insurance
10 coverage made available through the Federal Gov-
11 ernment to members of the Armed Forces;

12 (2) implementing appropriate procedures to en-
13 courage members of the Armed Forces to improve
14 their financial literacy objectives; and

15 (3) improving the benefits and matching con-
16 tributions provided under the Federal Thrift Savings
17 Plan (established under section 8437 of title 5,
18 United States Code) to members of the Armed
19 Forces.

20 **SEC. 13. DEFINITIONS.**

21 For purposes of this Act, the following definitions
22 shall apply:

23 (1) ENTITY.—The term “entity” includes insur-
24 ers.

1 (2) INDIVIDUAL.—The term “individual” in-
2 cludes insurance agents and producers.

3 (3) NAIC.—The term “NAIC” means the Na-
4 tional Association of Insurance Commissioners.

5 (4) STATE INSURANCE COMMISSIONER.—The
6 term “State insurance commissioner” means, with
7 respect to a State, the officer, agency, or other enti-
8 ty of the State that has primary regulatory authority
9 over the business of insurance and over any person
10 engaged in the business of insurance, to the extent
11 of such business activities, in such State.

12 **SECTION 1. SHORT TITLE; TABLE OF CONTENTS.**

13 (a) *SHORT TITLE.*—This Act may be cited as the
14 “Military Personnel Financial Services Protection Act”.

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

Sec. 1. Short title; table of contents.

Sec. 2. Congressional findings.

Sec. 3. Definitions.

Sec. 4. Prohibition on future sales of periodic payment plans.

*Sec. 5. Required disclosures regarding offers or sales of securities on military in-
installations.*

*Sec. 6. Method of maintaining broker and dealer registration, disciplinary, and
other data.*

Sec. 7. Filing depositories for investment advisers.

Sec. 8. State insurance and securities jurisdiction on military installations.

*Sec. 9. Required development of military personnel protection standards regard-
ing insurance sales.*

Sec. 10. Required disclosures regarding life insurance products.

Sec. 11. Improving life insurance product standards.

Sec. 12. Required reporting of disciplinary actions.

Sec. 13. Reporting barred persons selling insurance or securities.

Sec. 14. Study and reports by Inspector General of the Department of Defense.

1 **SEC. 2. CONGRESSIONAL FINDINGS.**

2 *Congress finds that—*

3 *(1) members of the Armed Forces perform great*
4 *sacrifices in protecting our Nation in the War on*
5 *Terror;*

6 *(2) the brave men and women in uniform deserve*
7 *to be offered first-rate financial products in order to*
8 *provide for their families and to save and invest for*
9 *retirement;*

10 *(3) members of the Armed Forces are being of-*
11 *fered high-cost securities and life insurance products*
12 *by some financial services companies engaging in*
13 *abusive and misleading sales practices;*

14 *(4) one securities product offered to service mem-*
15 *bers, known as the “mutual fund contractual plan”,*
16 *largely disappeared from the civilian market in the*
17 *1980s, due to excessive sales charges;*

18 *(5) with respect to a mutual fund contractual*
19 *plan, a 50 percent sales commission is assessed*
20 *against the first year of contributions, despite an av-*
21 *erage commission on other securities products of less*
22 *than 6 percent on each sale;*

23 *(6) excessive sales charges allow abusive and mis-*
24 *leading sales practices in connection with mutual*
25 *fund contractual plan;*

1 (7) *certain life insurance products being offered*
 2 *to members of the Armed Forces are improperly mar-*
 3 *keted as investment products, providing minimal*
 4 *death benefits in exchange for excessive premiums that*
 5 *are front-loaded in the first few years, making them*
 6 *entirely inappropriate for most military personnel;*
 7 *and*

8 (8) *the need for regulation of the marketing and*
 9 *sale of securities and life insurance products on mili-*
 10 *tary bases necessitates Congressional action.*

11 **SEC. 3. DEFINITIONS.**

12 *For purposes of this Act, the following definitions shall*
 13 *apply:*

14 (1) *LIFE INSURANCE PRODUCT.—*

15 (A) *IN GENERAL.—The term “life insurance*
 16 *product” means any product, including indi-*
 17 *vidual and group life insurance, funding agree-*
 18 *ments, and annuities, that provides insurance*
 19 *for which the probabilities of the duration of*
 20 *human life or the rate of mortality are an ele-*
 21 *ment or condition of insurance.*

22 (B) *INCLUDED INSURANCE.—The term “life*
 23 *insurance product” includes the granting of—*

24 (i) *endowment benefits;*

1 (ii) *additional benefits in the event of*
2 *death by accident or accidental means;*

3 (iii) *disability income benefits;*

4 (iv) *additional disability benefits that*
5 *operate to safeguard the contract from lapse*
6 *or to provide a special surrender value, or*
7 *special benefit in the event of total and per-*
8 *manent disability;*

9 (v) *benefits that provide payment or*
10 *reimbursement for long-term home health*
11 *care, or long-term care in a nursing home*
12 *or other related facility;*

13 (vi) *burial insurance; and*

14 (vii) *optional modes of settlement or*
15 *proceeds of life insurance.*

16 (C) *EXCLUSIONS.*—*Such term does not in-*
17 *clude workers compensation insurance, medical*
18 *indemnity health insurance, or property and*
19 *casualty insurance.*

20 (2) *NAIC.*—*The term “NAIC” means the Na-*
21 *tional Association of Insurance Commissioners (or*
22 *any successor thereto).*

1 **SEC. 4. PROHIBITION ON FUTURE SALES OF PERIODIC PAY-**
 2 **MENT PLANS.**

3 (a) *AMENDMENT.*—Section 27 of the Investment Com-
 4 pany Act of 1940 (15 U.S.C. 80a–27) is amended by adding
 5 at the end the following new subsection:

6 “(j) *TERMINATION OF SALES.*—

7 “(1) *TERMINATION.*—Effective 30 days after the
 8 date of enactment of the Military Personnel Financial
 9 Services Protection Act, it shall be unlawful, subject
 10 to subsection (i)—

11 “(A) for any registered investment company
 12 to issue any periodic payment plan certificate;
 13 or

14 “(B) for such company, or any depositor of
 15 or underwriter for any such company, or any
 16 other person, to sell such a certificate.

17 “(2) *NO INVALIDATION OF EXISTING CERTIFI-*
 18 *CATES.*—Paragraph (1) shall not be construed to
 19 alter, invalidate, or otherwise affect any rights or ob-
 20 ligations, including rights of redemption, under any
 21 periodic payment plan certificate issued and sold be-
 22 fore 30 days after such date of enactment.”.

23 (b) *TECHNICAL AMENDMENT.*—Section 27(i)(2)(B) of
 24 the Investment Company Act of 1940 (15 U.S.C. 80a–
 25 27(i)(2)(B)) is amended by striking “section 26(e)” each
 26 place that term appears and inserting “section 26(f)”.

1 (c) *REPORT ON REFUNDS, SALES PRACTICES, AND*
2 *REVENUES FROM PERIODIC PAYMENT PLANS.*—Not later
3 *than 6 months after the date of enactment of this Act, the*
4 *Securities and Exchange Commission shall submit to the*
5 *Committee on Financial Services of the House of Represent-*
6 *atives and the Committee on Banking, Housing, and Urban*
7 *Affairs of the Senate, a report describing—*

8 (1) *any measures taken by a broker or dealer*
9 *registered with the Securities and Exchange Commis-*
10 *sion pursuant to section 15(b) of the Securities Ex-*
11 *change Act of 1934 (15 U.S.C. 78o(b)) to voluntarily*
12 *refund payments made by military service members*
13 *on any periodic payment plan certificate, and the*
14 *amounts of such refunds;*

15 (2) *after such consultation with the Secretary of*
16 *Defense, as the Commission considers appropriate, the*
17 *sales practices of such brokers or dealers on military*
18 *installations over the 5 years preceding the date of*
19 *submission of the report and any legislative or regu-*
20 *latory recommendations to improve such practices;*
21 *and*

22 (3) *the revenues generated by such brokers or*
23 *dealers in the sales of periodic payment plan certifi-*
24 *cates over the 5 years preceding the date of submis-*
25 *sion of the report, and the products marketed by such*

1 *brokers or dealers to replace the revenue generated*
2 *from the sales of periodic payment plan certificates*
3 *prohibited under subsection (a).*

4 **SEC. 5. REQUIRED DISCLOSURES REGARDING OFFERS OR**
5 **SALES OF SECURITIES ON MILITARY INSTAL-**
6 **LATIONS.**

7 *Section 15A(b) of the Securities Exchange Act of 1934*
8 *(15 U.S.C. 78o-3(b)) is amended by inserting immediately*
9 *after paragraph (13) the following:*

10 *“(14) The rules of the association include provi-*
11 *sions governing the sales, or offers of sales, of securi-*
12 *ties on the premises of any military installation to*
13 *any member of the Armed Forces or a dependant*
14 *thereof, which rules require—*

15 *“(A) the broker or dealer performing broker-*
16 *age services to clearly and conspicuously disclose*
17 *to potential investors—*

18 *“(i) that the securities offered are not*
19 *being offered or provided by the broker or*
20 *dealer on behalf of the Federal Government,*
21 *and that its offer is not sanctioned, rec-*
22 *ommended, or encouraged by the Federal*
23 *Government; and*

24 *“(ii) the identity of the registered*
25 *broker-dealer offering the securities;*

1 “(B) such broker or dealer to perform an
 2 appropriate suitability determination, including
 3 consideration of costs and knowledge about secu-
 4 rities, prior to making a recommendation of a
 5 security to a member of the Armed Forces or a
 6 dependant thereof; and

7 “(C) that no person receive any referral fee
 8 or incentive compensation in connection with a
 9 sale or offer of sale of securities, unless such per-
 10 son is an associated person of a registered broker
 11 or dealer and is qualified pursuant to the rules
 12 of a self-regulatory organization.”.

13 **SEC. 6. METHOD OF MAINTAINING BROKER AND DEALER**
 14 **REGISTRATION, DISCIPLINARY, AND OTHER**
 15 **DATA.**

16 Section 15A(i) of the Securities Exchange Act of 1934
 17 (15 U.S.C. 78o-3(i)) is amended to read as follows:

18 “(i) **OBLIGATION TO MAINTAIN REGISTRATION, DIS-**
 19 **CIPLINARY, AND OTHER DATA.—**

20 “(1) **MAINTENANCE OF SYSTEM TO RESPOND TO**
 21 **INQUIRIES.—**A registered securities association
 22 shall—

23 “(A) establish and maintain a system for
 24 collecting and retaining registration informa-
 25 tion;

1 “(B) establish and maintain a toll-free tele-
2 phone listing, and a readily accessible electronic
3 or other process, to receive and promptly respond
4 to inquiries regarding—

5 “(i) registration information on its
6 members and their associated persons; and

7 “(ii) registration information on the
8 members and their associated persons of
9 any registered national securities exchange
10 that uses the system described in subpara-
11 graph (A) for the registration of its mem-
12 bers and their associated persons; and

13 “(C) adopt rules governing the process for
14 making inquiries and the type, scope, and pres-
15 entation of information to be provided in re-
16 sponse to such inquiries in consultation with
17 any registered national securities exchange pro-
18 viding information pursuant to subparagraph
19 (B)(ii).

20 “(2) RECOVERY OF COSTS.—A registered securi-
21 ties association may charge persons making inquiries
22 described in paragraph (1)(B), other than individual
23 investors, reasonable fees for responses to such inquir-
24 ies.

1 “(3) *PROCESS FOR DISPUTED INFORMATION.*—
2 *Each registered securities association shall adopt*
3 *rules establishing an administrative process for dis-*
4 *puting the accuracy of information provided in re-*
5 *sponse to inquiries under this subsection in consulta-*
6 *tion with any registered national securities exchange*
7 *providing information pursuant to paragraph*
8 *(1)(B)(ii).*

9 “(4) *LIMITATION ON LIABILITY.*—*A registered se-*
10 *curities association, or an exchange reporting infor-*
11 *mation to such an association, shall not have any li-*
12 *ability to any person for any actions taken or omitted*
13 *in good faith under this subsection.*

14 “(5) *DEFINITION.*—*For purposes of this sub-*
15 *section, the term ‘registration information’ means the*
16 *information reported in connection with the registra-*
17 *tion or licensing of brokers and dealers and their as-*
18 *sociated persons, including disciplinary actions, regu-*
19 *latory, judicial, and arbitration proceedings, and*
20 *other information required by law, or exchange or as-*
21 *sociation rule, and the source and status of such in-*
22 *formation.’.*

1 **SEC. 7. FILING DEPOSITORY FOR INVESTMENT ADVISERS.**

2 (a) *INVESTMENT ADVISERS.*—Section 204 of the In-
3 *vestment Advisers Act of 1940 (15 U.S.C. 80b-4) is amend-*
4 *ed—*

5 (1) *by striking “Every investment” and insert-*
6 *ing the following:*

7 “(a) *IN GENERAL.*—*Every investment*”; and

8 (2) *by adding at the end the following:*

9 “(b) *FILING DEPOSITORIES.*—*The Commission may,*
10 *by rule, require an investment adviser—*

11 (1) *to file with the Commission any fee, appli-*
12 *cation, report, or notice required to be filed by this*
13 *title or the rules issued under this title through any*
14 *entity designated by the Commission for that purpose;*
15 *and*

16 (2) *to pay the reasonable costs associated with*
17 *such filing and the establishment and maintenance of*
18 *the systems required by subsection (c).*

19 “(c) *ACCESS TO DISCIPLINARY AND OTHER INFORMA-*
20 *TION.*—

21 (1) *MAINTENANCE OF SYSTEM TO RESPOND TO*
22 *INQUIRIES.*—

23 (A) *IN GENERAL.*—*The Commission shall*
24 *require the entity designated by the Commission*
25 *under subsection (b)(1) to establish and main-*
26 *tain a toll-free telephone listing, or a readily ac-*

1 *cessible electronic or other process, to receive and*
2 *promptly respond to inquiries regarding reg-*
3 *istration information (including disciplinary ac-*
4 *tions, regulatory, judicial, and arbitration pro-*
5 *ceedings, and other information required by law*
6 *or rule to be reported) involving investment ad-*
7 *visers and persons associated with investment*
8 *advisers.*

9 “(B) *APPLICABILITY.*—*This subsection shall*
10 *apply to any investment adviser (and the per-*
11 *sons associated with that adviser), whether the*
12 *investment adviser is registered with the Com-*
13 *mission under section 203 or regulated solely by*
14 *a State, as described in section 203A.*

15 “(2) *RECOVERY OF COSTS.*—*An entity des-*
16 *ignated by the Commission under subsection (b)(1)*
17 *may charge persons making inquiries, other than in-*
18 *dividual investors, reasonable fees for responses to in-*
19 *quiries described in paragraph (1).*

20 “(3) *LIMITATION ON LIABILITY.*—*An entity des-*
21 *ignated by the Commission under subsection (b)(1)*
22 *shall not have any liability to any person for any ac-*
23 *tions taken or omitted in good faith under this sub-*
24 *section.”.*

25 “(b) *CONFORMING AMENDMENTS.*—

1 (1) *INVESTMENT ADVISERS ACT OF 1940.*—Section
2 *203A of the Investment Advisers Act of 1940 (15*
3 *U.S.C. 80b–3a) is amended—*

4 (A) *by striking subsection (d); and*

5 (B) *by redesignating subsection (e) as sub-*
6 *section (d).*

7 (2) *NATIONAL SECURITIES MARKETS IMPROVE-*
8 *MENT ACT OF 1996.*—Section 306 of the *National Se-*
9 *curities Markets Improvement Act of 1996 (15 U.S.C.*
10 *80b–10, note) is repealed.*

11 **SEC. 8. STATE INSURANCE AND SECURITIES JURISDICTION**
12 **ON MILITARY INSTALLATIONS.**

13 (a) *CLARIFICATION OF JURISDICTION.*—Any provision
14 *of law, regulation, or order of a State with respect to regu-*
15 *lating the business of insurance or securities shall apply*
16 *to insurance or securities activities conducted on Federal*
17 *land or facilities in the United States and abroad, includ-*
18 *ing military installations, except to the extent that such*
19 *law, regulation, or order—*

20 (1) *directly conflicts with any applicable Federal*
21 *law, regulation, or authorized directive; or*

22 (2) *would not apply if such activity were con-*
23 *ducted on State land.*

24 (b) *PRIMARY STATE JURISDICTION.*—To the extent
25 *that multiple State laws would otherwise apply pursuant*

1 *to subsection (a) to an insurance or securities activity of*
2 *an individual or entity on Federal land or facilities, the*
3 *State having the primary duty to regulate such activity and*
4 *the laws of which shall apply to such activity in the case*
5 *of a conflict shall be—*

6 (1) *the State within which the Federal land or*
7 *facility is located; or*

8 (2) *if the Federal land or facility is located out-*
9 *side of the United States, the State in which—*

10 (A) *in the case of an individual engaged in*
11 *the business of insurance, such individual has*
12 *been issued a resident license;*

13 (B) *in the case of an entity engaged in the*
14 *business of insurance, such entity is domiciled;*

15 (C) *in the case of an individual engaged in*
16 *the offer or sale (or both) of securities, such indi-*
17 *vidual is registered or required to be registered*
18 *to do business or the person solicited by such in-*
19 *dividual resides; or*

20 (D) *in the case of an entity engaged in the*
21 *offer or sale (or both) of securities, such entity is*
22 *registered or is required to be registered to do*
23 *business or the person solicited by such entity re-*
24 *sides.*

1 **SEC. 9. REQUIRED DEVELOPMENT OF MILITARY PER-**
2 **SONNEL PROTECTION STANDARDS REGARD-**
3 **ING INSURANCE SALES; ADMINISTRATIVE CO-**
4 **ORDINATION.**

5 *(a) STATE STANDARDS.—Congress intends that—*

6 *(1) the States collectively work with the Sec-*
7 *retary of Defense to ensure implementation of appro-*
8 *priate standards to protect members of the Armed*
9 *Forces from dishonest and predatory insurance sales*
10 *practices while on a military installation of the*
11 *United States (including installations located outside*
12 *of the United States); and*

13 *(2) each State identify its role in promoting the*
14 *standards described in paragraph (1) in a uniform*
15 *manner, not later than 12 months after the date of*
16 *enactment of this Act.*

17 *(b) STATE REPORT.—It is the sense of Congress that*
18 *the NAIC should, after consultation with the Secretary of*
19 *Defense and, not later than 12 months after the date of en-*
20 *actment of this Act, conduct a study to determine the extent*
21 *to which the States have met the requirement of subsection*
22 *(a), and report the results of such study to the Committee*
23 *on Financial Services of the House of Representatives and*
24 *the Committee on Banking, Housing, and Urban Affairs*
25 *of the Senate.*

1 (c) *ADMINISTRATIVE COORDINATION; SENSE OF CON-*
2 *GRESS.—It is the sense of the Congress that senior rep-*
3 *resentatives of the Secretary of Defense, the Securities and*
4 *Exchange Commission, and the NAIC should meet not less*
5 *frequently than twice a year to coordinate their activities*
6 *to implement this Act and monitor the enforcement of rel-*
7 *evant regulations relating to the sale of financial products*
8 *on military installations of the United States.*

9 **SEC. 10. REQUIRED DISCLOSURES REGARDING LIFE INSUR-**
10 **ANCE PRODUCTS.**

11 (a) *REQUIREMENT.—Except as provided in subsection*
12 *(e), no person may sell, or offer for sale, any life insurance*
13 *product to any member of the Armed Forces or a dependant*
14 *thereof on a military installation of the United States, un-*
15 *less a disclosure in accordance with this section is provided*
16 *to such member or dependent at the time of the sale or offer.*

17 (b) *DISCLOSURE.—A disclosure in accordance with*
18 *this section is a written disclosure that—*

19 (1) *states that subsidized life insurance is avail-*
20 *able to the member of the Armed Forces from the Fed-*
21 *eral Government under the Servicemembers’ Group*
22 *Life Insurance program (also referred to as “SGLI”),*
23 *under subchapter III of chapter 19 of title 38, United*
24 *States Code;*

1 (2) states the amount of insurance coverage
2 available under the SGLI program, together with the
3 costs to the member of the Armed Forces for such cov-
4 erage;

5 (3) states that the life insurance product that is
6 the subject of the disclosure is not offered or provided
7 by the Federal Government, and that the Federal
8 Government has in no way sanctioned, recommended,
9 or encouraged the sale of the life insurance product
10 being offered;

11 (4) fully discloses any terms and circumstances
12 under which amounts accumulated in a savings fund
13 or savings feature under the life insurance product
14 that is the subject of the disclosure may be diverted
15 to pay, or reduced to offset, premiums due for con-
16 tinuation of coverage under such product;

17 (5) states that no person has received any refer-
18 ral fee or incentive compensation in connection with
19 the offer or sale of the life insurance product, unless
20 such person is a licensed agent of the person engaged
21 in the business of insurance that is issuing such prod-
22 uct;

23 (6) is made in plain and readily understandable
24 language and in a type font at least as large as the
25 font used for the majority of the solicitation material

1 *used with respect to or relating to the life insurance*
2 *product; and*

3 *(7) with respect to a sale or solicitation on Fed-*
4 *eral land or facilities located outside of the United*
5 *States, lists the address and phone number at which*
6 *consumer complaints are received by the State insur-*
7 *ance commissioner for the State having the primary*
8 *jurisdiction and duty to regulate the sale of such life*
9 *insurance products pursuant to section 8.*

10 *(c) VOIDABILITY.—The sale of a life insurance product*
11 *in violation of this section shall be voidable from its incep-*
12 *tion, at the sole option of the member of the Armed Forces,*
13 *or dependent thereof, as applicable, to whom the product*
14 *was sold.*

15 *(d) ENFORCEMENT.—If it is determined by a Federal*
16 *or State agency, or in a final court proceeding, that any*
17 *person has intentionally violated, or willfully disregarded*
18 *the provisions of, this section, in addition to any other pen-*
19 *alty under applicable Federal or State law, such person*
20 *shall be prohibited from further engaging in the business*
21 *of insurance with respect to employees of the Federal Gov-*
22 *ernment on Federal land, except—*

23 *(1) with respect to existing policies; and*

24 *(2) to the extent required by the Federal Govern-*
25 *ment pursuant to previous commitments.*

1 (e) *EXCEPTIONS.*—*This section shall not apply to any*
 2 *life insurance product specifically contracted by or through*
 3 *the Federal Government.*

4 **SEC. 11. IMPROVING LIFE INSURANCE PRODUCT STAND-**
 5 **ARDS.**

6 (a) *IN GENERAL.*—*It is the sense of Congress that the*
 7 *NAIC should, after consultation with the Secretary of De-*
 8 *fense, and not later than 6 months after the date of enact-*
 9 *ment of this Act, conduct a study and submit a report to*
 10 *the Committee on Banking, Housing, and Urban Affairs*
 11 *of the Senate and the Committee on Financial Services of*
 12 *the House of Representatives on—*

13 (1) *ways of improving the quality of and sale of*
 14 *life insurance products sold on military installations*
 15 *of the United States, which may include—*

16 (A) *limiting such sales authority to persons*
 17 *that are certified as meeting appropriate best*
 18 *practices procedures; and*

19 (B) *creating standards for products specifi-*
 20 *cally designed to meet the particular needs of*
 21 *members of the Armed Forces, regardless of the*
 22 *sales location; and*

23 (2) *the extent to which life insurance products*
 24 *marketed to members of the Armed Forces comply*
 25 *with otherwise applicable provisions of State law.*

1 **(b) CONDITIONAL GAO REPORT.**—*If the NAIC does*
 2 *not submit the report as described in subsection (a), the*
 3 *Comptroller General of the United States shall—*

4 (1) *study any proposals that have been made to*
 5 *improve the quality of and sale of life insurance prod-*
 6 *ucts sold on military installations of the United*
 7 *States; and*

8 (2) *not later than 6 months after the expiration*
 9 *of the period referred to in subsection (a), submit a*
 10 *report on such proposals to the Committee on Bank-*
 11 *ing, Housing, and Urban Affairs of the Senate and*
 12 *the Committee on Financial Services of the House of*
 13 *Representatives.*

14 **SEC. 12. REQUIRED REPORTING OF DISCIPLINARY AC-**
 15 **TIONS.**

16 **(a) REPORTING BY INSURERS.**—*Beginning 1 year*
 17 *after the date of enactment of this Act, no insurer may enter*
 18 *into or renew a contractual relationship with any other per-*
 19 *son that sells or solicits the sale of any life insurance prod-*
 20 *uct on any military installation of the United States, unless*
 21 *the insurer has implemented a system to report to the State*
 22 *insurance commissioner of the State of domicile of the in-*
 23 *surer and the State of residence of that other person—*

24 (1) *any disciplinary action taken by any Fed-*
 25 *eral or State government entity with respect to sales*

1 *or solicitations of life insurance products on a mili-*
2 *tary installation that the insurer knows, or in the ex-*
3 *ercise of due diligence should have known, to have*
4 *been taken; and*

5 *(2) any significant disciplinary action taken by*
6 *the insurer with respect to sales or solicitations of life*
7 *insurance products on a military installation of the*
8 *United States.*

9 *(b) REPORTING BY STATES.—It is the sense of Con-*
10 *gress that, not later than 1 year after the date of enactment*
11 *of this Act, the States should collectively implement a sys-*
12 *tem to—*

13 *(1) receive reports of disciplinary actions taken*
14 *against persons that sell or solicit the sale of any life*
15 *insurance product on any military installation of the*
16 *United States by insurers or Federal or State govern-*
17 *ment entities with respect to such sales or solicita-*
18 *tions; and*

19 *(2) disseminate such information to all other*
20 *States and to the Secretary of Defense.*

21 *(c) DEFINITION.—As used in this section, the term “in-*
22 *surer” means a person engaged in the business of insurance.*

1 **SEC. 13. REPORTING BARRED PERSONS SELLING INSUR-**
2 **ANCE OR SECURITIES.**

3 (a) *ESTABLISHMENT.*—*The Secretary of Defense shall*
4 *maintain a list of the name, address, and other appropriate*
5 *information relating to persons engaged in the business of*
6 *securities or insurance that have been barred or otherwise*
7 *limited in any manner that is not generally applicable to*
8 *all such type of persons, from any or all military installa-*
9 *tions of the United States, or that have engaged in any*
10 *transaction that is prohibited by this Act.*

11 (b) *NOTICE AND ACCESS.*—*The Secretary of Defense*
12 *shall ensure that—*

13 (1) *the appropriate Federal and State agencies*
14 *responsible for securities and insurance regulation are*
15 *promptly notified upon the inclusion in or removal*
16 *from the list required by subsection (a) of a person*
17 *under the jurisdiction of one or more of such agencies;*
18 *and*

19 (2) *the list is kept current and easily acces-*
20 *sible—*

21 (A) *for use by such agencies; and*

22 (B) *for purposes of enforcing or considering*
23 *any such bar or limitation by the appropriate*
24 *Federal personnel, including commanders of*
25 *military installations.*

26 (c) *REGULATIONS.*—

1 (1) *IN GENERAL.*—*The Secretary of Defense shall*
2 *issue regulations in accordance with this subsection to*
3 *provide for the establishment and maintenance of the*
4 *list required by this section, including appropriate*
5 *due process considerations.*

6 (2) *TIMING.*—

7 (A) *PROPOSED REGULATIONS.*—*Not later*
8 *than the expiration of the 60-day period begin-*
9 *ning on the date of enactment of this Act, the*
10 *Secretary of Defense shall prepare and submit to*
11 *the appropriate Committees of Congress a copy*
12 *of the regulations required by this subsection that*
13 *are proposed to be published for comment. The*
14 *Secretary may not publish such regulations for*
15 *comment in the Federal Register until the expi-*
16 *ration of the 15-day period beginning on the*
17 *date of such submission to the appropriate Com-*
18 *mittees of Congress.*

19 (B) *FINAL REGULATIONS.*—*Not later than*
20 *90 days after the date of enactment of this Act,*
21 *the Secretary of Defense shall submit to the ap-*
22 *propriate Committees of Congress a copy of the*
23 *regulations under this section to be published in*
24 *final form.*

1 (C) *EFFECTIVE DATE.*—*Final regulations*
2 *under this paragraph shall become effective 30*
3 *days after the date of their submission to the ap-*
4 *propriate Committees of Congress under sub-*
5 *paragraph (B).*

6 (d) *DEFINITION.*—*For purposes of this section, the*
7 *term “appropriate Committees of Congress” means—*

8 (1) *the Committee on Financial Services and the*
9 *Committee on Armed Services of the House of Rep-*
10 *resentatives; and*

11 (2) *the Committee on Banking, Housing, and*
12 *Urban Affairs and the Committee on Armed Services*
13 *of the Senate.*

14 **SEC. 14. STUDY AND REPORTS BY INSPECTOR GENERAL OF**
15 **THE DEPARTMENT OF DEFENSE.**

16 (a) *STUDY.*—*The Inspector General of the Department*
17 *of Defense shall conduct a study on the impact of Depart-*
18 *ment of Defense Instruction 1344.07 (as in effect on the date*
19 *of enactment of this Act) and the reforms included in this*
20 *Act on the quality and suitability of sales of securities and*
21 *insurance products marketed or otherwise offered to mem-*
22 *bers of the Armed Forces.*

23 (b) *REPORTS.*—*Not later than 12 months after the date*
24 *of enactment of this Act, the Inspector General of the De-*
25 *partment of Defense shall submit an initial report on the*

1 *results of the study conducted under subsection (a) to the*
2 *Committee on Banking, Housing, and Urban Affairs of the*
3 *Senate and the Committee on Financial Services of the*
4 *House of Representatives, and shall submit followup reports*
5 *to those committees on December 31, 2008 and December*
6 *31, 2010.*

Calendar No. 518

109TH CONGRESS
2^D SESSION

S. 418

[Report No. 109-282]

A BILL

To protect members of the Armed Forces from unscrupulous practices regarding sales of insurance, financial, and investment products.

JULY 13, 2006

Reported with an amendment