AMENDMENT TO THE AMENDMENT IN THE NATURE OF A SUBSTITUTE TO H.R. 2420 OFFERED BY MR. BAKER OF LOUISIANA

Strike section 10 and insert the following:

SEC. 10. INCENTIVE COMPENSATION AND MUTUAL FUND SALES.

(a) COMMISSION RULE REQUIRED.—Within 270 days after the date of enactment of this Act, the Commission shall by rule prohibit, as a means reasonably designed to prevent fraudulent, deceptive, or manipulative acts and practices, the sale of the securities of an investment company or of municipal fund securities by a broker or dealer or by a municipal securities broker or dealer without the disclosure of—

(1) the amount and source of sales fees, payments by persons other than the investment company that are intended to facilitate the sale and distribution of the securities, and commissions for effecting portfolio securities transactions, or other payments, paid to such broker or dealer, or municipal securities broker or dealer, or associated person thereof in connection with such sale;

(2) any commission or other fees or charges the investor has paid or will or might be subject to, including as a result of purchases or redemptions;

(3) any conflicts of interest that any associated person of the investor's broker or dealer or municipal securities broker or dealer may face due to the receipt of differential compensation in connection with such sale; and

(4) information about the estimated amount of any asset-based distribution expenses incurred, or to be incurred, by the investment company in connection with the investor's purchase of the securities.

(b) BENCHMARKS.—In connection with the rule required by subsection (a), the Commission shall, to the extent practical, establish standards for such disclosures.

(c) DEFINITIONS.—

(1) DIFFERENTIAL COMPENSATION.—For purposes of this section, an associated person of a broker or dealer shall be considered to receive differential compensation if such person receives any increased or additional remuneration, in whatever form—

(A) for sales of the securities of an investment company or municipal fund security that is affiliated with, or otherwise specifically des-

ignated by, such broker or dealer or municipal securities broker or dealer, as compared with the remuneration for sales of securities of an investment company or municipal fund security offered by such broker or dealer or municipal securities broker or dealer that are not so affiliated or designated; or

(B) for the sale of any class of securities of an investment company or municipal fund security as compared with the remuneration for the sale of a class of securities of such investment company or municipal fund security (offered by such broker or dealer or municipal securities broker or dealer) that charges a sales load (as defined in section 2(a)(35) of the Investment Company Act of 1940 (15 U.S.C. 80a-2(a)(35)) only at the time of such a sale.

(2) MUNICIPAL FUND SECURITY.—For purposes of this section, a municipal fund security is any municipal security issued by an issuer that, but for the application of section 2(b) of the Investment Company Act of 1940 (15 U.S.C. 80a-2(b)), would constitute an investment company within the meaning of section 3 of the Investment Company Act of 1940 (15 U.S.C. 80a-3).