

MEMO# 20265

August 9, 2006

Reminder of October 16th Compliance Date for Fund Board Action Under the SEC's Redemption Fee Rule

©2006 Investment Company Institute. All rights reserved. Information may be abridged and therefore incomplete. Communications from the Institute do not constitute, and should not be considered a substitute for, legal advice. URGENT [20265] August 9, 2006 TO: BROKER/DEALER ADVISORY COMMITTEE No. 30-06 BANK, TRUST AND RECORDKEEPING ADVISORY COMMITTEE No. 23-06 TRANSFER AGENT ADVISORY COMMITTEE No. 53-06 RE: REMINDER OF OCTOBER 16TH COMPLIANCE DATE FOR FUND BOARD ACTION UNDER THE SEC'S REDEMPTION FEE RULE As you know, in March 2005, the SEC adopted the redemption fee rule, Rule 22c-2 under the Investment Company Act of 1940, with a compliance date of October 16, 2006.¹ The rule has two basic requirements. First, for each fund they oversee, fund boards must either approve a redemption fee or determine that imposition of such fee is not necessary or not appropriate. Second, all funds must execute shareholder information agreements with each of their financial intermediaries. In February 2006, the SEC proposed amendments to the rule's definition of "financial intermediary" and asked whether additional time would be necessary to comply with such amendments.² The Institute supported the revisions and recommended a six-month extension. The SEC has not yet taken final action on the proposed amendments. While we await their final action, we have confirmed with the SEC staff that the proposal's request for comment on the extension of the compliance date only relates to the compliance date applicable to the shareholder information agreements. Accordingly, the October 16th compliance date applies to the portion of the rule requiring fund board action. The Commission is expected to extend by six months the compliance date for the shareholder information agreement requirement of the rule. Tamara K. Salmon Senior Associate Counsel 1 See SEC Release No. IC-26782 (Mar. 11, 2005), 70 Fed. Reg. 13328 (Mar. 18, 2006). 2 See SEC Release No. IC-27255 (Mar. 7, 2006), 71 Fed. Reg. 11351 (Mar. 7, 2006).