

MEMO# 18570

February 23, 2005

CLASS ACTION REFORM LEGISLATION

[18570] February 23, 2005 TO: CLOSED-END INVESTMENT COMPANY COMMITTEE No. 8-05 PRIMARY CONTACTS - MEMBER COMPLEX No. 10-05 BOARD OF GOVERNORS No. 9-05 CEOS SEC RULES COMMITTEE No. 16-05 SMALL FUNDS COMMITTEE No. 5-05 UNIT INVESTMENT TRUST COMMITTEE No. 2-05 RE: CLASS ACTION REFORM LEGISLATION On February 18, 2005, President Bush signed into law the Class Action Fairness Act ("Act"). The Act generally allows defendants to move any large interstate class action – one with at least 100 plaintiffs and more than \$5 million at stake – from state to federal court. The Act also places limits on the amount of plaintiffs' attorneys' fees under certain circumstances. Finally, the Act imposes a duty on defendants to notify federal and state officials of the settlement of every class action. Under the Act, certain types of suits are expressly excluded from the Act's provisions allowing removal of an action from state court to federal court. These include "any class action that solely involves a claim concerning a covered security." "Covered security" is defined to mean exchange-listed securities and securities issued by a registered investment company. As a result, the Institute will seek opportunities to pursue other initiatives in this area. Jane G. Heinrichs Assistant Counsel

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