

Proposed Regulations on Deductibility of Governmental Settlements

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Treasury has proposed regulations explaining the limits on deductibility of payments under settlements with governmental entities (including certain self-regulatory nongovernmental entities, such as FINRA) for any violation of law or potential violation of law. The key points are that the payment must not be for disgorgement or forfeiture of profits, must be for restitution, remediation or correction of noncompliance, and must be described as such in the settlement agreement. Treasury will accept comments until July 13.

If you have any questions regarding the matters covered in this publication, please reach out to any of the lawyers listed below or your usual Davis Polk contact.

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