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Investment Management Regulatory Update - October 2006

October 5, 2006 | Client Update

On September 26, 2006, the SEC voted to adopt proposed amendments to Rule 22c-2, the redemption fee rule (the "Rule"), under the Investment Company Act of 1940. Originally adopted in 2005, the Rule requires most mutual funds to enter into written shareholder information-sharing agreements with intermediaries (e.g., broker-dealers and retirement plan administrators) that use omnibus accounts to hold shares on behalf of other investors. Under such agreements, the intermediaries must provide certain investor information to the funds upon request, so that the funds can monitor market timing and other abusive transactions. The Rule also requires fund boards to consider whether a redemption fee policy is appropriate for their funds.

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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