

**CLIENT ALERT: COMPLIANCE DATE APPROACHING FOR RULE 22c-2
(MUTUAL FUND REDEMPTION FEE RULE)**

The compliance date for Rule 22c-2 is October 16, 2006. The SEC's adopting release¹ left open the possibility of extending the compliance date if the SEC changed the rule in response to its request for comments. As yet, however, the SEC has given no indication that there will be an extension of the compliance date or any change in the rule.

Requirements of the RuleBoard Consideration of Redemption Fee

Rule 22c-2 requires the board of directors of each open-end registered investment company to consider implementing a redemption fee.² The board must either:

- approve a redemption fee that in its judgment is necessary or appropriate for the fund to recoup costs that it may incur as a result of redemptions of shares that are redeemed within a time period (but no less than seven calendar days) or to otherwise eliminate or reduce any dilution of the value of the fund's shares; or
- determine that a redemption fee is either not necessary or not appropriate.

A redemption fee may not exceed two percent and must be retained by the fund. This provision is designed to permit funds to offset the costs of short-term trading to investors who, absent a redemption fee, are forced to bear the costs imposed by short-term traders.

Contracts with Intermediaries

Rule 22c-2 also requires each open-end investment company or its principal underwriter to enter into written agreements with each of its financial intermediaries³ under which the financial intermediaries agree to:

- provide certain shareholder identity and trading information; and

¹ Mutual Fund Redemption Fees, Investment Company Act Release No. 26782 (March 11, 2005).

² The requirements set out in Rule 22c-2 do not apply to money market funds, exchange-traded funds, or funds that affirmatively allow short-term trading of fund shares and disclose that policy and its potential costs in their prospectuses. See Rule 22c-2(b).

³ "Financial intermediary" includes: (i) a broker, dealer, bank, or any other entity that holds securities in nominee name; (ii) an insurance company that sponsors a registered separate account organized as a unit investment trust, master-feeder funds, and certain fund-of-funds arrangements not specifically excepted from the rule; and (iii) in the case of an employee benefit plan, the plan administrator or plan recordkeeper. See Rule 22c-2(c)(1).

- execute any instructions from the fund to restrict or prohibit further purchases or exchanges by a shareholder who has been identified by the fund as engaging in transactions of fund shares (directly or indirectly through the intermediary's account) that violate the fund's policies designed to eliminate or reduce any dilution of the value of the outstanding securities issued by the fund.

The SEC believes that implementation of this provision will enable funds to monitor and control short-term trading in omnibus accounts and help them enforce their short-term trading and market timing limits. The SEC has requested comments on this provision of the rule.

* * * * *

If you have any questions concerning the foregoing or would like additional information, please contact Anthony A. Vertuno (202-303-1203, avertuno@willkie.com) or the attorney with whom you regularly work.

Willkie Farr & Gallagher LLP is headquartered at 787 Seventh Avenue, New York, NY 10019-6099 and has an office located at 1875 K Street, NW, Washington, D.C., 20006-1238. Our New York telephone number is (212) 728-8000 and our facsimile number is (212) 728-8111. Our Washington, D.C. telephone number is (202) 303-1000 and our facsimile number is (202) 303-2000. Our website is located at www.willkie.com.

June 13, 2006

Copyright © 2006 by Willkie Farr & Gallagher LLP.

All Rights Reserved. This memorandum may not be reproduced or disseminated in any form without the express permission of Willkie Farr & Gallagher LLP. This memorandum is provided for news and information purposes only and does not constitute legal advice or an invitation to an attorney-client relationship. While every effort has been made to ensure the accuracy of the information contained herein, Willkie Farr & Gallagher LLP does not guarantee such accuracy and cannot be held liable for any errors in or any reliance upon this information.