ICI Supports SEC's Proposal to Mandate Redemption Fees to Combat Market Timing, May 2004

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Redemption Fees Must be Part of a Multifaceted Approach to Protecting Shareholders

Washington, DC, May 7, 2004 – The Investment Company Institute today expressed its support for the SEC’s proposed rule imposing a mandatory fee on short-term transactions.

Acting ICI General Counsel Amy Lancellotta in a letter submitted to the SEC today pointed out that the Institute has publicly supported the concept of a mandatory, industry-wide minimum two percent redemption fee on the sale of virtually all mutual funds. “Our strong support for this concept, in part, is based on the fact that the fund retains the redemption fee for the benefit of the shareholders remaining in the fund.” Lancellotta further stated that redemptions fees should be considered a part “of a multifaceted approach that includes … fair valuation and restricting the trading privileges of shareholders who engage in harmful trading activity.”

The Institute first called for the imposition of a two percent minimum mandatory redemption fee in October 2003 in response to revelations of abusive market timing. The SEC’s proposed rule, like that suggested by the ICI, would ensure that all proceeds would benefit long-term shareholders.