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News Release

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FINRA Announces Final Results of Mutual Fund Waiver Initiative

Total of 56 Settlements Reached with Member Firms Resulting in \$89 Million in Restitution to Eligible Charitable and Retirement Accounts

WASHINGTON—FINRA announced that it has reached settlements with 56 member firms and obtained a total of \$89 million in restitution for nearly 110,000 charitable and retirement accounts as a result of its mutual fund fee waiver initiative. All of the firms, including the two firms who agreed to settlements¹ today, failed to waive mutual fund sales charges for the eligible accounts and failed to reasonably supervise the sale of mutual funds offering sales charge waivers.

“This was a multi-year effort with the goal of obtaining meaningful restitution for mutual fund investors who were not afforded the sales charge waivers they were entitled to,” said Susan Schroeder, FINRA Executive Vice President, Department of Enforcement. “Ensuring that harmed customers are made whole is our highest priority and in some instances, FINRA granted credit for extraordinary cooperation to those firms who were proactive in identifying and fixing the issue, and who quickly remediated affected customers.

Mutual funds offer several [classes of shares](#), each with different sales charges and fees. Typically, Class A shares have lower fees than Class B and C shares, but charge customers an upfront sales charge. Many mutual funds waive their upfront sales charges on Class A shares for certain types of retirement accounts, and some waive these charges for charities.

Initially, in 2015, FINRA reached settlements with 10 member firms who self-reported to FINRA that their sales representatives failed to consider applicable sales charge waivers for charitable and retirement plan accounts that had purchased mutual funds (see FINRA News Releases dated [July 6, 2015](#), and [October 27, 2015](#)). FINRA found that although the mutual funds available on the firms' retail platforms offered these fee waivers to charitable and retirement plan accounts, at various times dating back to at least July 2009, the firms did not waive the sales charges when they offered Class A shares to these customers. FINRA also found that these firms failed to reasonably supervise the application of sales charge waivers to eligible mutual fund sales.

Member firms continued to self-report the failure to offer mutual fund fee waivers, while FINRA discovered the same problem at other firms during examinations. As a result, in May 2016, FINRA launched a [targeted exam](#), known as a sweep, to conduct a review of a group of firms that had not self-reported the issue. FINRA and other regulators conduct sweeps to gather information on emerging issues and use this information to focus examinations and pinpoint an appropriate regulatory response, as needed. FINRA sanctioned 11 firms through the sweep, and reached settlements with another 35 firms, most of which self-reported prior to the sweep. In total, FINRA sanctioned 56 firms for failing to waive mutual fund sales charges for eligible charitable organizations and retirement accounts, and failing to reasonably supervise the area. Of the 56 firms sanctioned, 43 were granted extraordinary cooperation and not fined.²

About FINRA

FINRA is a not-for-profit organization dedicated to investor protection and market integrity. It regulates one critical part of the securities industry – brokerage firms doing business with the public in the United States. FINRA, overseen

by the SEC, writes rules, examines for and enforces compliance with FINRA rules and federal securities laws, registers broker-dealer personnel and offers them education and training, and informs the investing public. In addition, FINRA provides surveillance and other regulatory services for equities and options markets, as well as trade reporting and other industry utilities. FINRA also administers a dispute resolution forum for investors and brokerage firms and their registered employees. For more information, visit www.finra.org.

1 See [FINRA Case #2016049977201](#) and [FINRA Case #2017056440501](#).

2 The remaining 13 firms were fined a total of \$1.32 million.

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