

SEC Announces Self-Reporting Initiative for Rule 12b-1 Fee Disclosures

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Enforcement Division “Share Class Selection Disclosure Initiative” offers “favorable” settlement terms to advisers who self-report potential violations concerning Rule 12b-1 fees.

Over the past several years, the Commission’s Office of Compliance Inspections and Examinations has placed an enhanced focus on identifying situations in which an adviser does not adequately disclose that it receives compensation for purchasing, or recommending a client purchase, mutual fund shares of a share class that pays fees under Rule 12b-1 when a less expensive share class is available and appropriate for the client. On February 12, 2018, the Enforcement Division announced the “Share Class Selection Disclosure Initiative” (the “SCSD Initiative”), a new initiative that offers “favorable” standardized settlement terms to advisers who self-report potential share class selection violations.

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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