



## **SEC Order Instituting Administrative and Cease-and-Desist Proceedings**

On February 12, 2018, the U.S. Securities and Exchange Commission (“SEC”) announced a self-reporting initiative in which investment advisers could work with the SEC to resolve issues surrounding the selection of certain mutual fund share classes in advisory accounts. Known as the Share Class Selection Disclosure Initiative (SCSDI), it allowed firms to report to the SEC on a voluntary basis information pertaining to the costs associated with certain mutual fund share classes that were purchased, recommended and held for clients. More specifically, this focused on share classes used in advisory accounts that levied 12b-1 fees to clients when lower cost share classes without such fees were readily available. In June of 2018, Benjamin F. Edwards (BFE) began its participation in the SCSDI and cooperated with the SEC throughout the process.

As a result of BFE’s participation in the SCSDI, on March 11, 2019, BFE consented to the entry of an [Order Instituting Administrative and Cease-and-Desist Proceedings \(“Order”\) by the SEC](#). The Order is concentrated on BFE’s use of mutual fund share classes in accounts held within the Firm’s advisory programs during the period January 1, 2014 to July 10, 2018 (the “Period”). The SEC concluded that during the Period, BFE purchased, recommended or held for advisory clients share classes of mutual funds which levied 12b-1 fees instead of lower-cost share classes of the same mutual funds for which clients were eligible. The Order further highlighted the Firm’s inadequate disclosure material that would have been designed to inform investors of the fees associated with certain mutual fund share classes.

Without admitting or denying the findings in the Order, BFE consented to the following:

- The Firm shall cease and desist from committing or causing any violations and future violations of Sections 206(2) and 207 of the Investment Advisers Act of 1940
- The Firm is censured
- The Firm shall pay disgorgement of \$3,151,205.81 and prejudgment interest of \$294,058.93 to advisory clients impacted by the details in the order

To resolve the issues contained in the Order, BFE has implemented new policies and procedures related to the selection of mutual fund share classes. BFE’s investment adviser representatives are prohibited from selecting mutual funds which levy 12b-1 fees to clients whenever possible. In situations where a client is charged 12b-1 fees, BFE will ensure those fees are promptly rebated to clients.

If you have questions or concerns relative to the SEC Order, or any other matter, please contact Benjamin F. Edwards directly through information on the [Contact Us](#) link on our website.