

SEC Committee Recommends Investor-Specific Mutual Fund Cost Disclosures

June 30, 2016

In mid-April, the SEC's Investor Advisory Committee (IAC) issued a recommendation that the SEC "explore ways to improve mutual fund cost disclosures." As a first step, the IAC urges the SEC to require that periodic account statements delivered to each mutual fund shareholder set forth the actual dollar amount of the direct and indirect costs borne by that shareholder over the period. The SEC has previously declined to require such customer-specific disclosure, given the substantial costs it would impose on funds. Rather, the SEC has required that mutual funds disclose the costs investors bear as a percentage of net assets and as a dollar amount per \$1,000 of investment. However, the IAC believes the current location and nature of such disclosures do not provide optimal investor understanding of the actual costs they bear and the impact of those costs on total accumulations over the life of their investment. Longer term, the IAC recommends that the SEC consider, among other things, ways to contextualize the cost information for investors. For example, mutual funds could be required to make disclosures that compare the level of their costs to the average benchmark costs for other funds with similar characteristics. The IAC was established under Dodd-Frank provisions that require the SEC to "promptly" issue a public statement assessing each IAC recommendation and disclosing the responsive action, if any, the Commission intends to take. Moreover, Dodd-Frank requires the SEC's "Investor Advocate" (who is also an ex officio member of the IAC) to annually report directly to Congress about what recommendations the IAC has made, and how the SEC has responded. Accordingly, the IAC's recommendations are expected to spur substantive consideration at the SEC and, perhaps, in Congress.

Related Practices

[Securities Transactions and Compliance](#)
[Securities Litigation and Enforcement](#)

©2024 Carlton Fields, P.A. Carlton Fields practices law in California through Carlton Fields, LLP. Carlton Fields publications should not be construed as legal advice on any specific facts or circumstances. The contents are intended for general information and educational purposes only, and should not be relied on as if it were advice about a particular fact situation. The distribution of this publication is not intended to create, and receipt of it does not constitute, an attorney-client relationship with Carlton Fields. This publication may not be quoted or referred to in any other publication or proceeding without the prior written consent of the firm, to be given or withheld at our discretion. To request reprint permission for any of our publications, please use our Contact Us form via the link below. The views set forth herein are the personal views of the author and do not necessarily reflect those of the firm. This site may contain hypertext links to information created and maintained by other entities. Carlton Fields does not control or guarantee the accuracy or completeness of this outside information, nor is the inclusion of a link to be intended as an endorsement of those outside sites.