

MEMO# 29457

October 30, 2015

FINRA Sanctions Additional Fund Distributors for Failing to Waive Fees in Accordance with Fund Prospectuses

[29457]

October 30, 2015

TO: BROKER/DEALER ADVISORY COMMITTEE No. 46-15
OPERATIONS MEMBERS No. 28-15
PRINCIPAL UNDERWRITERS WORKING GROUP
TRANSFER AGENT ADVISORY COMMITTEE No. 54-15 RE: FINRA SANCTIONS ADDITIONAL
FUND DISTRIBUTORS FOR FAILING TO WAIVE FEES IN ACCORDANCE WITH FUND
PROSPECTUSES

As you may recall, last summer FINRA announced that it had settled cases it brought against four distributors of mutual funds based upon their failure between 2009 and 2015 to provide available fee waivers to charitable and retirement accounts in accordance with the mutual funds' prospectuses. [\[1\]](#) Earlier this week, FINRA announced settlements with five additional firms for similar violations. [\[2\]](#) As with the previous settlements, each of the settlements announced this week resulted from the respondents conducting reviews to determine whether they had been providing sales charge waivers to eligible customers and self-reporting their violations. [\[3\]](#)

The current settlements involve violations of FINRA Rule 2010, relating to Standard of Commercial Honor and Principles of Trade, and supervisory Rules 3010 and 3011. According to FINRA, the following firms have agreed to settle their violations by paying the following restitution to eligible customers:

- Edward D. Jones & Co., L.P – \$13.5 million in restitution to 18,000 accounts;
- Stifel Nicolaus & Company, Inc. – \$2.9 million in restitution to 3,360 accounts;
- Janney Montgomery Scott, LLC – \$1.2 million in restitution to 2,324 accounts;
- AXA Advisors, LLC – \$600,000 in restitution; [\[4\]](#) and
- Stephens, Inc. – \$150,000 in restitution to 1,300 accounts.

According to FINRA, as a result of the nine settlements, an estimated \$55 million in restitution will be paid to more than 75,000 eligible retirement accounts and charitable organizations.

Tamara K. Salmon
Associate General Counsel

endnotes

[1] See Institute [Memorandum](#) No. 29150 (July 8, 2015) summarizing FINRA settlements with LPL Financial Raymond James Financial Services, Inc., Raymond James & Associates, and Wells Fargo Advisory Financial Network, LLC. These settlements resulted in restitution to eligible customers in excess of \$30 million.

[2] See FINRA Orders an Additional Five Firms to Pay \$18 Million in Restitution to Charities and Retirement Accounts Overcharged for Mutual Funds, FINRA Press Release (October 27, 2015), which is available at: <http://www.finra.org/newsroom/2015/finra-orders-5-firms-pay-18-million-failing-waive-fund-s-ales-charges>. This press release includes a link to the settlements with each of these firms except AXA Advisors, LLC.

[3] We understand that FINRA may have asked its members that distribute mutual fund shares to conduct these reviews and self-report their findings.

[4] The settlement agreed to by AXA Advisors, LLC has not yet been posted to FINRA's website so the number of accounts affected by its settlement has not been announced.