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Broker Fees Out of Control: Investors Coalition

By Joe Morris August 20, 2010

The **Coalition of Mutual Fund Investors** is calling for regulatory action to protect fund investors from excessive broker fees.

The advocacy group released a [white paper](#) this week analyzing fees charged by large broker-dealer intermediaries, finding that individual investors are paying an estimated \$8.47 billion annually in "unnecessary" costs. Just under half of the amount derives from shareholder servicing payments, \$2.2 billion from account maintenance charges and about \$2.1 billion in revenue-sharing payments.

Brokers are meanwhile undermining regulatory compliance by withholding from funds the underlying trading activity of omnibus account trades, using their leverage over funds to ensure that individual accounts are kept on their own books, the coalition charges.

"The practice of hiding individual accounts through broker omnibus accounting is widespread within the mutual fund industry, with as many as 100 million shareholder positions being handled in this manner under the omnibus accounting structure," the paper says. "If this estimate is accurate, as much as \$2.09 trillion in assets may be found in hidden accounts managed by financial intermediaries."

Policymakers and regulators should weigh requiring full transparency within omnibus accounts, take steps to eliminate unnecessary broker-dealer fees and bolster disclosure of broker fees to investors, the paper argues.

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